

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

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**In re** : **Chapter 15**  
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**CINRAM INTERNATIONAL INC., et al.,<sup>1</sup>** : **Case No. 12-11882 (\_\_\_)**  
: :  
**Debtors in a Foreign Proceeding.** : **(Joint Administration Pending)**  
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**DECLARATION OF JOHN BELL IN SUPPORT OF (I) VERIFIED CHAPTER 15  
PETITIONS, (II) FOREIGN REPRESENTATIVE’S MOTION FOR ORDERS  
GRANTING PROVISIONAL AND FINAL RELIEF IN AID OF FOREIGN CCAA  
PROCEEDING, AND (III) CERTAIN RELATED RELIEF**

I, John Bell, declare as follows:

1. I am the sole Director, President, and Secretary of Cinram International ULC, the authorized foreign representative (the “**Foreign Representative**”) for Cinram International Inc. (“**CII**”) and its direct and indirect U.S. subsidiaries (collectively, the “**Debtors**”; together with each of their foreign non-debtor affiliates, the “**Cinram Group**”) in a proceeding (the “**CCAA Proceeding**”) under Canada’s *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C 36, as amended (the “**CCAA**”) before the Ontario Superior Court of Justice (the “**Canadian Court**”). I am fully authorized to act on behalf of the Debtors.

2. On June 25, 2012, the Canadian Court entered the Initial Order, a certified copy of which is attached hereto as Exhibit A (the “**Initial CCAA Order**”), commencing the CCAA Proceeding and, among other things, appointing FTI Consulting Inc. as the Monitor in the

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<sup>1</sup> The last four digits of the United States Tax Identification Number or Canadian Business Number, as applicable, of each of the Debtors follow in parentheses: (a) Cinram International Inc. (4583); (b) Cinram (U.S.) Holding’s Inc. (4792); (c) Cinram, Inc. (7621); (d) Cinram Distribution LLC (3854); (e) Cinram Manufacturing LLC (2945); (f) Cinram Retail Services LLC (1741); (g) Cinram Wireless LLC (5915); (h) IHC Corporation (4225); and (i) One K Studios, LLC (2132). The Debtors’ executive headquarters is located at 2255 Markham Road, Toronto, Ontario, M1B 2W3, Canada.

CCAA Proceeding and Cinram International ULC as the authorized Foreign Representative in these chapter 15 cases.

3. I submit this Declaration in support of the: (a) verified chapter 15 petitions of the Debtors; (b) *Foreign Representative's Motion for Orders Granting Provisional and Final Relief in Aid of Foreign CCAA Proceeding* (“**Recognition and Relief Motion**”); (c) *Foreign Representative's Motion for an Order Directing the Joint Administration of the Debtors' Chapter 15 Cases* (the “**Joint Administration Motion**”); (d) *Foreign Representative's Motion for an Order Authorizing the Filing of a Consolidated List of Foreign Proceeding Administrators, Litigation Parties, and Entities Against Whom Provisional Relief is Sought* (the “**Consolidated Lists Motion**”); and (e) *Foreign Representative's Motion for an Order Scheduling Hearing and Specifying the Form and Manner of Service of Notice* (the “**Notice Procedures Motion**”).

4. In my role as an officer and/or director of Cinram International ULC as well as many of its affiliates, including each of the Debtors in these chapter 15 cases, I have become familiar with the history, day-to-day operations, assets, financial condition, business affairs, and books and records of each of the Debtors. Except as otherwise indicated, all facts set forth in this Declaration are based upon: (a) my personal knowledge; (b) my review of relevant documents; (c) information supplied to me by other employees of the Foreign Representative or its affiliates, the officers, directors, and employees of the Cinram Group, or other professionals retained by the Cinram Group, including, with respect to matters of United States bankruptcy law, information provided to me by United States counsel, Shearman & Sterling LLP; or (d) my opinion based upon my experience and knowledge of the Cinram Group's and the Debtors'

operations and financial condition. I am an individual over the age of 18 and, if I am called upon to testify, I will testify competently to the facts set forth herein.

### Background

#### **A. The Cinram Group's Business**

5. The Debtors are part of the Cinram Group, a consolidated business located in Canada, the United States, and Europe that is headquartered in Toronto, Ontario, Canada and is operationally and functionally integrated in many significant respects. The Cinram Group is one of the world's largest providers of pre-recorded multimedia products and related logistics services and is a leader in the industry for production, service, delivery, and customer satisfaction. With facilities in North America and Europe, the Cinram Group (a) manufactures DVDs™, Blu-ray™ discs, and CDs™ (collectively, the "**Core Products**"), (b) provides distribution services for motion picture studios, music labels, video game publishers, computer software companies, telecommunication companies, and retailers in North America and Europe, (c) provides various digital media services through debtor One K Studios, LLC, and (d) provides retail inventory control and forecasting services through Debtor Cinram Retail Services LLC (collectively, the "**Cinram Business**").

6. The Cinram Group's administrative and decision-making functions are centralized in Canada. All senior-level customer contracts for the Cinram Group's major international customers are handled by CII, a Canadian corporation, domiciled in Canada. All strategic decision making for the Cinram Group is led by CII and all corporate functions, such as (among other things) financial planning, internal audit, financial reporting, and dealings with the Cinram Group's lenders are managed in Canada. Additionally, North American cash management, information technology, accounting, insurance procurement, accounts receivable,

accounts payable, marketing, treasury, real estate, and tax services are provided to the other Debtors predominantly by CII from Canada.

7. CII was formed as Cinram Ltd./Cinram Ltée in 1969 pursuant to the *Canada Business Corporations Act*. From its inception, the Cinram Group grew in part through a number of strategic acquisitions that added, among others, several of the Debtors in these chapter 15 cases to the greater Cinram Group. In May, 2006, CII converted from a corporate structure to an income trust structure through a shareholder approved plan of arrangement.

8. The Cinram Group has a diversified operational footprint across North America and Europe that enables it to meet the replication and logistics demands of its customers. The Cinram Group's facilities are strategically positioned to optimize its distribution capabilities across key media markets in North America and Europe.

9. The Cinram Group is engaged in an industry that is highly price-competitive, and has a significant degree of customer concentration. Its production levels and, in turn, revenue and cash flows, are largely affected by the schedule, to which its major customers release their products and the public demand for those products. In addition, the Cinram Business and the industry generally are subject to seasonality, with consumer purchases typically taking place primarily in the last three months of the calendar year, and following specific release dates for popular titles at other times during the year.

10. The Cinram Group manufactures products on orders from its customers pursuant to multi-year contracts, and does not have title to the products it distributes. The Cinram Group's major contracts are typically exclusive for particular territories, and many of its manufacturing agreements contain periodic market price tests and most-favored-nations clauses that may require lower future selling prices for the Core Products or amendments to other key



customer-contract terms. The Core Products generally experience price declines on an annual basis, with declines historically being steeper in the early stages of the products' life cycles.

11. As part of an overarching effort to rationalize its capital structure, the Cinram Group has recently taken steps to streamline its physical infrastructure and operations in order to actively manage its cost structure and reflect changing industry dynamics. By streamlining its physical footprint, the Cinram Group's ability to continue providing seamless service to customers, expand services to those customers, and create a platform for growth in other distribution-centric businesses has increased significantly.

## **B. Corporate and Capital Structure**

12. In May 2006, CII converted from a corporate structure to an income trust structure through a plan of arrangement. As a result of that recapitalization, shareholders exchanged their shares of CII for units of Cinram International Income Fund ("**Cinram Fund**") (the Debtors' ultimate parent), or in the case of electing shareholders, into units of the Cinram International Limited Partnership, on a one-for-one basis. Cinram Fund, the other entities in the income fund structure, and CII are each Canadian entities and Cinram Fund is the direct or indirect parent and sole shareholder of all of the subsidiaries in the Cinram Group's corporate structure. In addition to holding equity in the foreign subsidiaries, CII maintains significant manufacturing and distribution operations in respect of the Core Products in Canada. A copy of the Cinram Group corporate organization chart is attached hereto as Exhibit B.

13. The Cinram Group's financial reporting is done on a consolidated basis in Canada. Based on the Cinram Group's audited consolidated financial statements dated December 31, 2011, its assets had a book value of approximately \$452.7 million.<sup>2</sup> Of this asset

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<sup>2</sup> All dollar amounts referred to herein are United States dollars.

value, approximately \$274.8 million consists of current assets and \$177.9 million consists of non-current assets. The current assets include cash totaling approximately \$70.1 million, accounts receivable of approximately \$167.5 million, and inventory of approximately \$24.2 million.

14. As of December 31, 2011, the Cinram Group's liabilities amounted to approximately \$527.8 million, including approximately \$496.1 million of current liabilities and approximately \$31.7 million of non-current liabilities. Of the total liabilities, approximately \$148.8 million consisted of accounts payable, while the current portion of the long-term debt was approximately \$232.5 million.

15. The Cinram Group's principal source of long-term debt is the senior secured credit facilities provided by its senior lenders under that certain Amended and Restated Credit Agreement, dated as of April 11, 2011, among Cinram International ULC, Cinram International Inc., Cinram, Inc., Cinram (U.S.) Holding's Inc., the Guarantors party thereto, the Lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, as amended from time to time (the "**First Lien Credit Agreement**"), and that certain Second Lien Credit Agreement, dated as of April 11, 2011, among Cinram (U.S.) Holding's Inc., the Guarantors party thereto, the Lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, as amended from time to time (the "**Second Lien Credit Agreement**"; together with the First Lien Credit Agreement, the "**Senior Secured Facilities**"; the lenders thereunder, the "**Prepetition Secured Lenders**").<sup>3</sup> The Senior Secured Facilities each have a maturity date of December 31, 2013, and are direct or

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<sup>3</sup> The principal amounts under the Second Lien Credit Agreement were exchanged into units of Cinram Fund in January 2012, and approximately \$12 million of accrued interest remains outstanding thereunder as of March 31, 2012.

guarantee obligations of certain North American and European companies within the Cinram Group, including each of the Debtors, and are secured by substantially all of the assets of the Debtors, their Canadian Affiliates, and certain of their European affiliates. In addition to the guarantees, as of March 31, 2012, certain of the Debtors were directly indebted in the aggregate principal amount of approximately \$252 million under the First Lien Credit Agreement (plus approximately \$12 million in letter of credit exposure), and in the aggregate amount of approximately \$12 million under the Second Lien Credit Agreement as set forth below.

16. With respect to the First Lien Credit Agreement:

- Cinram (U.S.) Holding's Inc. ("CUSH") was indebted as Borrower in the aggregate principal amount of approximately \$19 million under the revolving credit facilities;
- CII was indebted as Borrower in the aggregate principal amount of approximately \$92 million under the term loan facility;
- Cinram, Inc. was indebted as Borrower in the aggregate principal amount of approximately \$141 million under the term loan facility and had approximately \$1.3 million of letter of credit exposure;
- Cinram Distribution LLC had approximately \$1.2 million of letter of credit exposure; and
- The Debtors had additional letter of credit exposure of approximately \$9.5 million in the aggregate in connection with certain employee obligations.

There are three main facilities under the First Lien Credit Agreement: (a) a term loan facility provided by certain lenders; and (b) two revolving credit facilities provided by certain lenders (which may not be the same lenders that provided the term loan facility) with an aggregate commitment of \$35 million.

17. With respect to the Second Lien Credit Agreement, CUSH was indebted as Borrower in the aggregate amount of approximately \$12 million.

18. Certain of the Debtors also have letter of credit exposure not relating to the Senior Secured Facilities that are secured by cash collateral. In particular, as of March 31, 2012, (a) One K Studios, LLC had approximately \$200,000 of letter of credit exposure and (b) Cinram Manufacturing LLC had approximately \$575,000 of letter of credit exposure in excess of its letter of credit exposure related to the First Lien Credit Agreement.

19. The Cinram Group also has significant amounts of intercompany loans owing among many of its members. Although not described in detail herein, the effect of these intercompany loans is reflected in the amounts referenced on each of the Debtors' chapter 15 petitions.

### **C. Events Leading to the Filing of these Chapter 15 Cases**

20. The Cinram Group operates in an industry with a high degree of customer concentration and production levels and has cash flows that are materially affected by the timing and commercial success of customer product releases. Although it has secured exclusive multi-year contracts with key customers, these contracts come up for renewal at different times and typically do not include volume commitments.

21. The economic downturn in the Cinram Group's primary markets of North America and Europe has impaired consumers' discretionary spending and adversely affected the industry. For example, according to industry expert FutureSource Consulting:

- United States consumer home entertainment rental and sell-through spending decreased in 2011, led by shrinking rental revenue from retail stores and fewer DVD sales, and while Blu-ray disc sales increased, total spending on packaged videos fell 13% in 2011 compared to 2010;
- the physical CD replication industry is currently fragmented and continues to experience declines as consumers switch to digital distribution (although CD sales during 2011 were ahead of expectations given attractive consumer pricing for this format at the retail level) and consolidation and rationalization are expected to continue due to decreasing CD demand and excess capacity in the industry; and

- video game consoles, with a typical life cycle of four to six years, have been experiencing price reductions as a result of falling sales in both software and hardware.

22. Following the economic downturn and reduction in consumer discretionary spending experienced over the past four years, the Cinram Group has realized significant declines in revenue and EBITDA, resulting in part due to customer losses, reductions in pricing, and declining customer order volumes.

23. Annual revenue for fiscal years 2008, 2009, 2010, and 2011 was approximately \$1.7 billion, \$1.45 billion, \$1.1 billion, and \$801 million respectively. The 28% decline in revenue in 2011 was driven primarily by lower revenue from the Core Products, and to a lesser extent, lower video game revenues. This decline in revenue was partially offset by a company-wide reduction in labor and overhead costs through facility rationalization and headcount reduction.

24. The Cinram Group's EBITDA has also been declining since 2008 with EBITDA for fiscal years 2008, 2009, 2010, and 2011 being approximately \$259 million, \$182 million, \$132 million, and \$28 million, respectively. The Cinram Group's net loss from continuing operations was \$87.6 million in 2011, compared to net earnings of \$15.7 million in 2010.

25. One contributing factor to declining revenues was the non-renewal of one major customer contract representing approximately 32% of the Cinram Group's 2009 total consolidated revenues and directly impacting operations in both North America and Europe. Another contributing factor has been the significant pricing pressures exerted by the Cinram Group's remaining major customers. The Cinram Group is engaged in an industry that is highly price competitive where some competitors have greater financial resources or are lower-cost, offshore replicators.

26. Declining revenues and EBITDA have made it increasingly difficult for the Cinram Group to service its significant debt obligations and comply with its financial covenants under the Senior Secured Facilities. During 2011, Cinram's primary uses of funds from the Senior Secured Facilities included scheduled debt and interest payments and transaction costs associated with a refinancing and recapitalization of its debt structure. Although this refinancing and recapitalization reduced the amount outstanding under the First Lien Credit Agreement by \$120 million and resulted in an extension of the maturity date to December 2013, continued declines in revenue and EBITDA resulted in the Cinram Group's inability to meet certain financial covenants of the Senior Secured Facilities. As a result, throughout 2012, the Cinram Group has been operating under default waivers granted by its secured lenders.

#### **D. Marketing and Sale Process**

27. A principal objective of these chapter 15 cases and the CCAA Proceeding is to complete the sale and transfer of substantially all of the property and assets used in connection with the business carried on by the Debtors in North America (the "**Proposed Sale**") to Cinram Acquisition, Inc. (the "**Proposed Purchaser**"). As described below and set forth in detail in the *Declaration of Mark Hootnick in Support of the Foreign Representative's Motion for Entry of an Order (I) Recognizing the Canadian Sale Order, (II) Authorizing and Approving the Sale Free and Clear of Liens, Claims, Encumbrances, and Other Interests, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (IV) Granting Related Relief*, which was filed concurrently herewith, the Debtors conducted an extensive, good faith, arm's-length marketing and sale negotiation process prior to the commencement of these cases that resulted in the execution of that certain Purchase Agreement, dated as of June 22, 2012, between CII and the Proposed Purchaser

(the “**Purchase Agreement**”). Consummation of the Proposed Sale will allow the Cinram Group to return to its status as a market-leader in its industry. Going forward, the Cinram Group will be well positioned to increase its market share based on its status as the leading service provider and with its improved and normalized capital structure.

28. The execution of the Purchase Agreement is the culmination of a process that began in September, 2011, when the Cinram Group engaged Moelis & Company LLC (“**Moelis**”), an investment bank, to assist the Cinram Group in a comprehensive and thorough review of strategic alternatives with the goal of maximizing value for Cinram’s stakeholders. Moelis sought to identify a potential transaction such as a sale of the company, strategic combination, or new money investment from a strategic or financial investor, while concurrently evaluating a possible stand-alone transaction with the Prepetition Secured Lenders.

29. As part of this strategic review process, Moelis undertook a comprehensive assessment of the market for the Cinram Business to identify potential parties that might be interested in considering an acquisition or investment transaction and contacted 59 potentially interested parties, including 54 financial parties and five strategic parties. Approximately 26 of these parties executed confidentiality agreements were provided with a detailed Confidential Information Memorandum and provided access to a data room. Several potential bidders submitted non-binding expressions of interest in January, 2012. The Cinram Group, its advisors, and Moelis engaged in discussions with these interested parties in order to determine the optimal structure of a potential transaction and the maximum value that could be obtained for the benefit of Cinram’s stakeholders.

30. During February 2012, each of the individual bidders received management presentations or attended a diligence session to obtain additional details on the

Cinram Business. Management also provided updated financial projections and answered bidders' due diligence questions.

31. A process letter provided by Moelis to the potential bidders requested detailed proposals by March 12, 2012. The requested proposal required bidders to outline proposed transaction terms, due diligence, and other conditions, as well as a timetable for a proposed transaction. A more limited number of second round bids were received by March 12, 2012 and were reviewed by the Cinram Group's management and its advisors, including Moelis.

32. After detailed review and consideration of the remaining proposals, the Cinram Group, with the assistance of Moelis, continued discussions with certain of the second round bidders, each of whom conducted more detailed due diligence, including telephonic and in-person meetings with Cinram management and its advisors, as well as visits to key operating facilities. Moelis requested receipt of binding indications of interest by April 6, 2012, which binding proposals were to include specific details, including the (a) value and form of consideration, (b) transaction structure, (c) assumed and excluded assets and liabilities, (d) timing to close, (e) evidence of financing, (f) details of any proposed price adjustments, and (g) assumptions of existing indebtedness.

33. After continued discussions and negotiations with the remaining potential bidders and receipt of the requested binding commitments, the strategic review process ultimately lead to the negotiation and execution of the Purchase Agreement, which contains the highest and best offer received for the Cinram Business.

34. The Proposed Purchaser is a newly formed entity owned by the Najafi Companies ("**Najafi**"), an international private investment firm based in Phoenix, Arizona. As referenced on the firm's website, Najafi makes selective investments up to \$1 billion in



transaction value in companies with strong management teams across a variety of industries, taking a long-term view on its investments and focusing its efforts on creating value through growth and superior performance. Najafi's operating investments include, among others, Direct Brands (including Columbia House), Innovative Brands, Trend Homes and Snowflake Power.

35. The Proposed Sale contemplates that the Proposed Purchaser, or one or more of its nominees, will acquire the Purchased Assets (as defined in the APA) pursuant to the APA and the Purchased Shares (as defined in the APA) pursuant to a Purchase Offer for an aggregate purchase price of \$82,500,000, subject to certain purchase price adjustments. The Proposed Sale is subject to certain customary conditions, including receipt of approval by the Canadian Court and the Court. The Debtors, their affiliates, and the Proposed Purchaser currently intend to close the entire transaction in August, 2012.

36. In connection with the Proposed Transaction, CII has agreed not to pursue an Acquisition Proposal (as defined in the APA), subject to the terms and conditions of the APA, which include the ability to consider an Acquisition Proposal that is reasonably expected to lead to a Superior Proposal (as defined in the APA). If CII terminates the APA for the purpose of entering into a Superior Proposal, CII must pay the Proposed Purchaser a fee in the amount of \$2.25 million.

37. Throughout the strategic review process, the Cinram Group kept its key stakeholders, including the Prepetition Secured Lenders and major customers, apprised of its marketing progress. These parties have been supportive of the Cinram Group's efforts in pursuing a path to maximize value for the Debtors' creditors and to preserve the Cinram Business.

38. With respect to the Prepetition Secured Lenders, that support led to the execution of that certain Support Agreement, dated as of June 22, 2012, among the Initial Consenting Lenders (as defined in the Support Agreement), the Debtors and certain of their affiliates, and the Proposed Purchaser (the “**Support Agreement**”), a copy of which is attached hereto as Exhibit C. Pursuant to the terms of the Support Agreement, the Initial Consenting Lenders agreed to support the transactions contemplated by the Purchase Agreement throughout the CCAA Proceeding and these chapter 15 cases. The Cinram Group anticipates further support of the Proposed Transaction from its Prepetition Secured Lenders following the public announcement of the transaction.

39. Pursuant to the terms of the Support Agreement, the Prepetition Secured Lenders party thereto or party to a Consent Agreement (as defined in the Support Agreement) will be entitled to receive a consent fee equal to four percent of the principal amount of the loans (other than First-Out Revolving Credit Advances and Letter of Credit Exposure (each as defined in the Support Agreement)) under the First Lien Credit Agreement held by such lender, payable in cash from the net sale proceeds under the Purchase Agreement upon distribution of such proceeds pursuant to the CCAA Proceeding.

40. The Support Agreement terminates automatically if, among other reasons, the APA is terminated in accordance with the terms thereof, and may be terminated by the Majority Consenting Lenders (as defined in the Support Agreement) if, among other reasons, the Asset Sale Transaction has not closed by September 15, 2012.

#### **E. The DIP Facility**

41. As a result of their current liquidity challenges, the Debtors and their Canadian affiliates do not have sufficient funds available to meet their immediate cash

requirements, and will require debtor-in-possession financing to ensure that they can (a) allow for payment of financial obligations during these cases and the CCAA Proceedings, (b) implement their restructuring initiatives, including the Proposed Sale, and continue their operations during these chapter 15 cases and the CCAA Proceeding, and (c) provide assurance to suppliers and customers that they have sufficient available liquidity to maintain their business operations and satisfy supplier and customer obligations. After extensive negotiations, certain of the Prepetition Secured Lenders (the “**DIP Lenders**”) have agreed to provide liquidity pursuant to the terms of that certain Senior Secured Priming and Superpriority Debtor-in-Possession Credit Agreement, dated as of June 22, 2012, among the Foreign Representative, CII, Cinram, Inc., CUSH, the Guarantors referred to therein, the DIP Lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent (the “**DIP Facility**”) upon the terms outlined in the Initial CCAA Order and contained in the DIP Facility, which is attached hereto as Exhibit D.

42. Under the circumstances, the Debtors and their non-debtor affiliates were unable to obtain post-petition financing from any lender on more favorable terms than those contained in the DIP Facility and approved by the Canadian Court in the Initial CCAA Order. The terms of the DIP Facility were negotiated, proposed, and entered by the Debtors and the DIP Lenders without collusion, in good faith and at arm’s-length.

43. The DIP Facility provides, among other things, as follows:<sup>4</sup>

1. Borrower: Cinram (U.S.) Holding’s Inc.
2. Guarantors: Each of the Debtors that are not Borrowers have guaranteed the DIP Facility.

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<sup>4</sup> Capitalized terms used in the following summary have the meanings given to them in the DIP Facility, which is attached as Exhibit B to the Bell Declaration. This summary is qualified in its entirety by reference to the provisions of the DIP Facility.

3. Lender: JPMorgan Chase Bank, N.A., as Administrative Agent, on behalf of certain of the Debtors' Prepetition Secured Lenders.
4. Availability: \$15,000,000.00 in a single draw on a date to be selected by the Borrowers, which shall be a date occurring on or after the Draw Date and prior to the Outside Date. For the avoidance of doubt, the Debtors believe that they will need to, and expect to, draw the entire amount available prior to entry of the Final Order.
5. Use of Proceeds: The Borrowers will use the proceeds of the Loans to finance the working capital needs and other general corporate purposes of the Obligors.
6. Interest Rate: (a) during such periods as such Loan is a U.S. Base Rate Loan, a rate per annum equal at all times to the sum of (i) the U.S. Base Rate in effect from time to time *plus* (ii) 9.00%, and (b) during such periods as such loan is a Eurocurrency Rate Loan, a rate per annum equal at all times during each Interest Period for such Loan to the sum of (i) the Eurocurrency Rate for such Interest Period for such Loan *plus* (ii) 10.00%.
7. Default Interest: Upon the occurrence and during the continuance of any Event of Default, interest shall accrue on the unpaid (a) principal amount of each Loan at 2% per annum above the rate per annum required to be paid on such Loan and (b) amount of all outstanding interest, fees, and other amounts at 2% per annum above the U.S. Base Rate.
8. Term: The DIP Facility's Maturity Date is the earliest to occur of the following dates: (a) September 30, 2012, (b) the closing date of the Sale, (c) the effective date of any plan of compromise and arrangement approved by the creditors of the Obligors, sanctioned by the CCAA Court, and recognized by the U.S. Bankruptcy Court, (d) the date on which the stay under the Initial Order or the Interim or Final Recognition Order expires without being extended, (e) the date on which the CCAA Proceedings shall be dismissed or terminated or converted to a proceeding under the BIA, and (f) the date on which the U.S. Bankruptcy Court refuses to enter an order to recognize any order in the CCAA Proceedings, which the Administrative Agent determines in its reasonable discretion is material and which adversely affects the Lenders.
9. Security/Priority: Upon entry thereof, the DIP Financing Orders and the Loan Documents will create a valid and perfected super-priority priming security interest in favor of the Administrative

Agent on behalf of the Lenders in the Obligors' Property, subordinate only to the Carve-Out.

10. Carve-Out: The Administration Charge and any validly perfected security interest in favor of a "secured creditor" as defined in the CCAA existing as of the CCAA Filing Date, other than Liens in favor of the lenders under the Prepetition Credit Agreement and the Second Lien Credit Agreement.
11. Events of Default: The DIP Facility includes such events of default as are usual and customary for comparable financings, including, without limitation, (a) failure to make payments or prepayments of principal when such payments are due, (b) if any representation or warranty proves to have been incorrect in any material respect when made, (c) failure to observe or perform any applicable covenant, condition, or agreement, including failure to comply with the DIP Budget, (d) if (i) any Proceeding is dismissed or terminated, (ii) any insolvency proceeding or case is commenced by or in respect of any Obligor, other than these Proceedings (iii) a bankruptcy order is made under the BIA against any Obligor, (iv) any Obligor seeks to dismiss or terminate any of the Proceedings, (v) a responsible officer is appointed in respect of any Obligor or its assets in any of the Proceedings, or (vi) an application is filed by any Obligor for approval of any superpriority claim in any of the Proceedings which is *pari passu* with or senior to the claims of the Administrative Agent and the Lenders against the Obligors, unless otherwise permitted in the DIP Financing Order, or if such motion is granted, (e) if any Obligor or any of its Subsidiaries is prevented from continuing to conduct all or any material part of its business affairs, (f) if any DIP Financing Order or other Bankruptcy Court Order material to the Administrative Agent or the Lenders is modified without the Administrative Agent's prior written consent, (g) if any expenditures are made by the Obligors without the consent of the Administrative Agent, (h) the issuance of a court order (i) lifting the Stay of Proceedings, (ii) discontinuing the Proceedings, or (iii) modifying the terms of the DIP Facility or the DIP Charge, (i) if an Initial Order is not entered within two days of the CCAA Filing Date, the Interim Recognition Order is not entered within seven days of the CCAA Filing Date, or the Final Recognition Order is not entered within 35 days of the CCAA Filing Date, (j) if there is any materially negative effect to the DIP Charge, (k) if any Obligor proposes or supports any plan of compromise and arrangement, or draft thereof that does not provide for the payment of the Obligations, (l) a Change of Control occurs, (m) a materially adverse event with respect to the Liens occurs, or (n) the Majority Consenting Lenders (as defined in the Support Agreement) have

the right to terminate the Support Agreement or there is an automatic termination of the Support Agreement.

12. Use of Funds Limitations: The DIP Facility includes such use of funds limitations as are usual and customary for comparable financings, including, without limitation, certain limitations on Investments, Restricted Payments, the payment of debts other than in accordance with the DIP Budget or as approved by the Administrative Agent, contributions to any Defined Benefit Plans, and cash disbursements on Capital Expenditures.

44. The Recognition and Relief Motion, the Interim Order, and the DIP Facility do not contain any of the extraordinary provisions required to be highlighted pursuant to Rule 4001-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware.

45. The Foreign Representative and the Debtors believe that the terms of the DIP Facility are reasonable under the circumstances. The DIP Facility is the only means of preserving and maintaining the going concern value of the Debtors' business pending the anticipated sale of substantially all of the property and assets used in connection with the business carried on by the Debtors in North America and conclusion of these cases, which, in turn, is integral to maximizing recoveries for the Debtors' stakeholders. In addition to providing the Debtors with the liquidity necessary to operate during these cases and consummate the Proposed Sale, the DIP Facility will help to preserve the Cinram Business by providing assurance to the Cinram Group's suppliers and customers that the Cinram Group will be able to maintain its business operations and satisfy its obligations pending the outcome of these cases and the CCAA Proceeding.

46. Further, as described below, the Foreign Representative and the Debtors believe that they will suffer immediate and irreparable harm if the interim requests for relief and

lender protections related to the DIP Facility and their use of cash collateral are not provisionally approved in these chapter 15 cases.

### **Requests for Recognition and Related Relief**<sup>5</sup>

47. In connection with the filing of these chapter 15 cases, the Debtors have submitted the Recognition and Relief Motion, the Joint Administration Motion, the Consolidated Lists Motion, and the Notice Procedures Motion. In addition to the facts set forth above, factual bases for relief under each of these motions is set forth below. I believe, after consultation with counsel, that the relief requested by each of the motions is necessary to maximize value for all of the Cinram Group's creditors through the CCAA Proceeding, protect United States based assets, and properly administer these proceedings.

#### **A. Recognition and Relief Motion**

48. Concurrently herewith, the Foreign Representative filed the Recognition and Relief Motion seeking entry of (a) the Provisional Order: (i) recognizing and enforcing in the United States, on an interim basis, the Initial CCAA Order issued by the Canadian Court, including, without limitation, the Canadian Court's decision (A) to authorize the Debtors to enter into and perform under that certain DIP Facility, and (B) to grant the DIP Charge to the DIP Lenders under the DIP Facility, (ii) granting, on an interim basis, to and for the benefit of the DIP Lenders, and to the extent of their adequate protection rights, the Prepetition Secured Lenders, certain protections afforded by the Bankruptcy Code, including sections 364(c), 364(d), and 364(e) protections, (iii) granting an interim stay of execution against the Debtors' assets under sections 362 and 365(e) of the Bankruptcy Code in these chapter 15 cases on an interim basis, and (iv) granting such other and further relief as the Court deems just and proper; and

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<sup>5</sup> Capitalized terms used but not otherwise defined in this section have the meanings ascribed to them in the relevant motions.

(b) entry of the Final Order, after notice and a hearing, (i) granting the petitions filed in these cases and recognizing the CCAA Proceeding as a foreign main proceeding, (ii) giving full force and effect in the United States to the Initial CCAA Order, including any extensions or amendments thereof authorized by the Canadian Court and extending the protections of the Provisional Order to the Debtors on a final basis, (iii) granting the DIP Lenders and, to the extent of their adequate protection rights, the Prepetition Secured Lenders, certain protections afforded by the Bankruptcy Code on a final basis, and (iv) granting such other and further relief as the Court deems just and proper.

49. As detailed more fully in the Memorandum of Law filed in support of the Recognition and Relief Motion, I believe that there is a compelling case for recognition of the CCAA Proceeding as a foreign main proceeding. I have been advised by my counsel that the CCAA Proceeding is a “foreign proceeding” and that Cinram International ULC is a “foreign representative,” as those terms are defined in the Bankruptcy Code. I have been further advised that these cases were duly and properly commenced by filing the Petitions for Recognition accompanied by all fees, documents, and information required by the Bankruptcy Code and the Bankruptcy Rules, including: (a) corporate ownership statements; (b) a list containing (i) the names and addresses of all persons or bodies authorized to administer foreign proceedings of the Debtors, (ii) all parties to litigation pending in the United States in which the Debtors are a party at the time of the filing of the Petitions for Recognition, and (iii) all entities against whom provisional relief is being sought; (c) a statement identifying all foreign proceedings with respect to the Debtors that are known to the Foreign Representative; and (d) a certified copy of the Initial CCAA Order.



50. My counsel has also advised me that the automatic stay is one of the most fundamental protections provided by the Bankruptcy Code. I have been advised that it halts all collection efforts, harassment, and foreclosure actions against debtors and provides them with necessary breathing room to step back from and attempt to resolve the financial pressures that caused their bankruptcy filing.

51. I have also been informed that section 365(e) of the Bankruptcy Code provides a debtor with similar relief by prohibiting counterparties from terminating contracts and leases solely because of the debtor's bankruptcy filing or insolvency. If these protections were unavailable, I believe that the Debtors could face immediate and irreparable harm resulting from the potential termination of critical contracts and the piecemeal loss of assets as a result of individual creditor collection and enforcement efforts. I can confirm that the Debtors are parties to numerous critical agreements with United States-based counterparties, including supply agreements and leases that contain provisions granting the counterparty a right to terminate for various reasons, including a bankruptcy filing, becoming a debtor under the Bankruptcy Code, or becoming insolvent. Without the provisional relief requested, I believe that counterparties may attempt to terminate these valuable contracts, which are at the core of the Debtors' business.

52. In addition, I believe that the Debtors will suffer immediate and irreparable harm should they be unable to gain access to the DIP Facility approved by the Canadian Court prior to entry of the Final Order. I can confirm that the Debtors require immediate access to the DIP Facility to maintain sufficient minimum operating liquidity and fund working capital requirements, capital expenditures, general corporate expenses, and the costs of administering their bankruptcy cases and the CCAA Proceeding until a final hearing can be held on the verified chapter 15 petitions. If the interim and final requested relief is not

granted, I believe that it is likely that the Debtors will be unable to secure necessary goods, and it is possible that they will lose customers and become unable to operate their manufacturing and warehousing facilities, pay employees, and generally maintain the operation of their business as a going concern.

53. Moreover, I can attest that the DIP Lenders have agreed to provide the DIP Facility only upon the terms outlined in the Initial CCAA Order and the DIP Facility. I can also attest that the terms of the DIP Facility were negotiated, proposed, and entered by the Debtors and the DIP Lenders without collusion, in good faith, and at arm's-length after the exercise of their sound business judgment and consultation with their advisors. As part of the final negotiated business deal embodied in the DIP Facility, the DIP Lenders have conditioned the Debtors' access to the funds provided by the DIP Facility on, among other things, entry of the Provisional Order and, upon notice and a hearing, the Final Order, in each case providing them and, to the extent of their adequate protection rights, the Prepetition Secured Lenders, the protections afforded by sections 364(c), 364(d), and 364(e) of the Bankruptcy Code.

54. Based on my understanding of section 364 of the Bankruptcy Code after consultation with United States counsel, I can attest that, given their existing capital structure and their current liquidity constraints, the Debtors have been unable and would be unable to obtain on terms and conditions more favorable than those provided in the DIP Facility (a) unsecured credit allowable as an administrative expense, (b) credit secured solely by a lien on unencumbered property (because substantially all of their assets have been pledged as collateral), or (c) credit secured by a junior lien on the Debtors' property. Further, I believe that without the liquidity to be provided by the DIP Facility and access to the Prepetition Secured Lenders' cash collateral, the Debtors could face the shuttering of certain or all of their operations during these

cases and prior to consummation of the Proposed Sale, to the detriment of all of the Debtors' creditors and other stakeholders. The availability to the Debtors of sufficient working capital and liquidity through the incurrence of new indebtedness, access to cash collateral, and other financial accommodations from the DIP Lenders and the Prepetition Secured Lenders is necessary to the confidence of the Debtors' vendors and suppliers of other goods and services, as well as their customers and employees.

55. I, along with the Foreign Representative and the Debtors, believe that the terms of the DIP Facility and the adequate protection rights granted to the Prepetition Secured Lenders are reasonable under the circumstances. I believe that the DIP Facility is the only means of preserving and maintaining the going concern value of the Debtors' business pending consummation of the Proposed Sale and conclusion of these cases, which, in turn, is integral to maximizing recoveries for the Debtors' stakeholders and preserving the Cinram Business as a going concern.

56. I also believe that the Debtors' creditors and other stakeholders will suffer little, if any, harm as a result of the requested provisional relief as it will merely preserve the status quo and enable the Debtors to continue to finance their operations during the short time necessary for the Court to rule on the Petitions for Recognition and the Proposed Sale. In fact, I believe that granting the request for provisional relief will benefit the Debtors' creditors and stakeholders because it will ensure that the value of the Debtors' assets and the Cinram Business are preserved and maximized for the benefit of all stakeholders.

57. I can attest that the CCAA Proceeding is pending in Canada, the center of each of the Debtors' and their corporate family's main interests. As described in the Memorandum of Law, I can further confirm that the Debtors are functionally and operationally

integrated under the ultimate control and supervision of CII and their other Canadian affiliates and individuals employed and working in Canada. Indeed, among others, the following critical functions are mostly or entirely performed for the Debtors and their non-debtor affiliates out of the Toronto office:

- a. all of the Debtors and their non-debtor affiliates report to Cinram Fund, the ultimate parent company of the Cinram Group, which is organized under the laws of Ontario;
- b. the operations of all of the Debtors are managed and directed from their head office in Toronto;
- c. corporate governance for all of the Debtors is directed from Canada;
- d. in-person meetings of the Board of Trustees of Cinram Fund are typically held in Toronto;
- e. a majority of the members of the Boards of Directors or Managers of CII and each of the other Debtors maintain their offices in Ontario, Canada;
- f. strategic and key operating decisions and key policy decisions for all of the Debtors are made by staff located in Toronto;
- g. the Debtors' corporate accounting, accounts payable, insurance procurement, accounts receivable, financial planning, internal auditing, marketing, treasury, real estate, research & development, and tax services are provided from Toronto;
- h. the Debtors' finance, legal, human resources, payroll, billing, freight management, procurement, and engineering services are shared among themselves and with CII in Toronto;
- i. the Debtors' cash management functions are maintained and directed from Toronto;
- j. although the Debtors are separate entities and maintain distinct complete books and records, funds are transferred between the Debtors' and the Toronto office to settle inter-company balances, meet liquidity requirements and to concentrate surplus cash for investment in the Debtors' cash management system;
- k. key information technology and systems used by certain of the Debtors and by certain of CII's European subsidiaries are provided from Toronto;

- l. management and senior staff of the Debtors regularly attend meetings in Toronto;
- m. all public company reporting and investor relations for the global Cinram enterprise are directed from Toronto by Cinram Fund on a consolidated basis;
- n. the chief executive officer that oversees financial management of the global Cinram Group enterprise is based in Toronto;
- o. with the exception of routine maintenance expenditures, all capital expenditure decisions affecting the Cinram Group are managed in Toronto, Ontario;
- p. new business development initiatives are centralized and managed from Toronto, Ontario; and
- q. each of the Debtors maintains a bank account in Canada with a balance of at least \$1,000 in each account.

58. Finally, as described in the Memorandum of Law and the Recognition and Relief Motion, and as discussed with counsel, I understand and believe that recognizing the CCAA Proceeding as a foreign main proceeding and granting the relief requested therein on a final basis is consistent with the purposes of chapter 15 of the Bankruptcy Code and public policy of the United States.

59. Therefore, I believe that the provisional and final relief requested in the Recognition and Relief Motion is necessary and appropriate and is in the best interests of the Debtors, their creditors, and other parties in interest.

#### **B. Joint Administration Motion**

60. The Foreign Representative has also filed, concurrently herewith, the Joint Administration Motion seeking entry of an order directing joint administration of these chapter 15 cases for procedural purposes only, and providing that parties in interest shall use a consolidated caption to indicate that any pleading filed relates to the jointly administered chapter 15 cases.

61. I believe that joint administration of these chapter 15 cases is warranted because the Debtors' financial affairs and business operations are closely related and because it will ease the administrative burden of these cases on the Court and interested parties. I can confirm that the Foreign Representative anticipates that the various notices, motions, hearings, orders, and other pleadings in these cases will affect all of the Debtors. With nine affiliated Debtors, each with its own case docket, I believe that the failure to jointly administer these cases would result in numerous duplicative pleadings filed for each issue and served upon separate service lists. I also believe that such duplication of substantially identical documents would be wasteful and would unnecessarily burden the Clerk of the Court (the "**Clerk**").

62. Moreover, I have been advised that joint administration will permit the Clerk to use a single docket for all of the Debtors' cases and to combine notices to creditors and other parties in interest. I have further been advised that joint administration will protect parties in interest by ensuring that they will be apprised of the various matters before the Court. I believe that the proposed caption set forth in the Joint Administration Motion should be approved as the modified caption for these chapter 15 cases.

63. I believe that the rights of the respective creditors of each of the Debtors will not be adversely affected by joint administration of these cases inasmuch as the relief sought in the Joint Administration Motion is purely procedural and not intended to affect substantive rights. I have been advised that each creditor and party in interest will maintain whatever rights it has against the particular Debtor against which it allegedly has a claim or right. I have also been told by my counsel that the rights of all creditors will be enhanced by the reduction in costs resulting from joint administration. Finally, I have been advised that if the requested relief is granted, the Court and the Clerk will be relieved of the burden of entering duplicative orders and

keeping duplicative files, and supervision of the administrative aspects of these cases by the Office of the United States Trustee for the District of Delaware will be simplified.

64. Therefore, I believe that the relief requested in the Joint Administration Motion is necessary and appropriate and is in the best interests of the Court, the Debtors, their creditors, and other parties in interest.

### **C. Consolidated Lists Motion**

65. The Foreign Representative has also filed, concurrently herewith, the Consolidated Lists Motion seeking the entry of an order authorizing the Foreign Representative to file a consolidated list identifying the names and addresses of the authorized foreign administrators of the Debtors, parties to litigation pending in the United States involving any of the Debtors, and all persons and entities against whom the Debtors seek provisional relief pursuant to section 1519 of the Bankruptcy Code.

66. I can confirm that the Debtors presently maintain various computerized lists that contain the data required to comply with the requirements of Bankruptcy Rule 1007(a)(4). I, along with the Foreign Representative, believe that the information, as maintained in the Debtors' computer files (or those of their agents), may be consolidated and utilized efficiently to provide interested parties with the information required by Bankruptcy Rule 1007(a)(4).

67. I, along with the Foreign Representative, submit that the filing of a consolidated Bankruptcy Rule 1007(a)(4) list serves the interests of efficiency and will conserve the resources of all parties in interest, including the Court.

68. Therefore, I believe that the relief requested in the Consolidated Lists Motion is necessary and appropriate and is in the best interests of the Court, the Debtors, their creditors, and other parties in interest.

**D. Notice Procedures Motion**

69. Concurrently herewith, the Foreign Representative has also filed the Notice Procedures Motion seeking the entry of an order approving (a) the form of notice of the chapter 15 petitions, the entry of the Provisional Relief Order, the deadline to object to the proposed Final Order, and the Recognition Hearing, (b) the manner of service of the Recognition Hearing Notice, and (c) the manner of service on the Master Service List of any pleadings in these chapter 15 cases.

70. I can attest that the Debtors have thousands of creditors, potential creditors, and other parties in interest, all of whom need to be provided with notice of the Provisional Order, the proposed Final Order, the Recognition Objection Deadline, and the Recognition Hearing. Under the facts and circumstances of the Debtors' chapter 15 cases, I submit that service of the Recognition Hearing Notice in the manner proposed herein will provide the Notice Parties due and sufficient notice of the relief requested in the Recognition Motion and associated objection deadline and hearing dates.

71. Furthermore, I believe that the Recognition Hearing Notice provides multiple efficient ways for any party receiving such notice to obtain copies of pleadings filed in these chapter 15 cases, as it provides a website address, email address, and phone number that can be used to obtain critical documents including the Recognition Motion, the Provisional Order, the Initial CCAA Order, and the proposed Final Order. Additionally, I believe that service by the Foreign Representative of all pleadings that it files in these cases by United States or Canadian mail, first class postage prepaid, on the Master Service List is an efficient and



effective way to provide notice to such key parties in these cases and the CCAA Proceeding. At the same time, I believe that it will not overburden the Foreign Representative with the significant costs associated with copying and mailing all the various documents filed in these cases to the entire matrix of putative creditors and other parties.

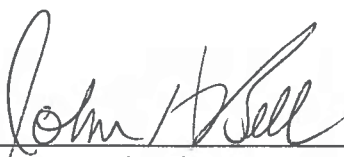
72. Therefore, I believe that the relief requested in the Notice Procedures Motion is necessary and appropriate and is in the best interests of the Court, the Debtors, their creditors, and other parties in interest.

**Conclusion**

73. Based on the foregoing, I believe that the relief being requested at the outset of these chapter 15 cases is well-justified, necessary under the circumstances, in the best interests of the Debtors and their creditors, and should be granted.

I certify pursuant to 28 U.S.C. § 1746 under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information, and belief, and that the copy of the Initial CCAA Order attached hereto as Exhibit A is a true and correct copy of the same as entered by the Canadian Court.

Dated: Toronto, Ontario  
June 25, 2012

  
\_\_\_\_\_  
Cinram International ULC  
By: John Bell  
Title: President and Secretary

**Exhibit A**

**Certified Initial CCAA Order**

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE MR.

)

MONDAY, THE 25<sup>TH</sup>

JUSTICE MORAWETZ

)

DAY OF JUNE, 2012

)

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 CINRAM INTERNATIONAL  
INC., CINRAM INTERNATIONAL INCOME FUND, CII  
TRUST AND THE COMPANIES LISTED IN SCHEDULE

"A"

Applicants



INITIAL ORDER

THIS APPLICATION, made by Cinram International Inc. ("**CII**"), Cinram International Income Fund ("**Cinram Fund**"), CII Trust and the companies listed in Schedule "A" hereto (collectively, the "**Applicants**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of John Bell sworn June 23, 2012 and the Exhibits thereto (the "**Bell Affidavit**") and the Pre-filing Report of the Proposed Monitor, FTI Consulting Canada Inc. ("**FTI**"), and on being advised that the Pre-Petition First Lien Agent (as hereinafter defined) and the Administrative Agent under the Second Lien Credit Agreement (the "**Pre-Petition Second Lien Agent**", with the lenders under the Second Lien Credit Agreement being the "**Pre-Petition Second Lien Lenders**") were given notice of this Application, and on hearing the submissions of counsel for the Applicants and Cinram International Limited

Partnership (the “**Cinram LP**”), FTI and the Pre-Petition First Lien Agent and the DIP Agent (as hereinafter defined) (collectively, the “**Agent**”), and on reading the consent of FTI to act as the Court-appointed monitor (the “**Monitor**”),

### **SERVICE**

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

### **CAPITALIZED TERMS**

2. THIS COURT ORDERS that unless otherwise indicated or defined herein, capitalized terms have the meaning given to them in the Bell Affidavit.

### **APPLICATION**

3. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies. Although not an Applicant, Cinram LP (together with the Applicants, the “**CCAA Parties**”) shall enjoy the benefit of the protections and authorizations provided by this Order.

### **PLAN OF ARRANGEMENT**

4. THIS COURT ORDERS that the Applicants, or any one of them, shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “**Plan**”) between, *inter alia*, one or more of the CCAA Parties and one or more classes of creditors.

### **POSSESSION OF PROPERTY AND OPERATIONS**

5. THIS COURT ORDERS that the CCAA Parties shall remain in possession and control of their respective current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the CCAA Parties shall each continue



to carry on business in the ordinary course and in a manner consistent with the preservation of their business (the “**Business**”) and the Property. The CCAA Parties shall each be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6. THIS COURT ORDERS that the CCAA Parties shall be entitled to continue to utilize the central cash management system currently in place, including the CCAA Parties’ current business forms, cheques and bank accounts, as described in the Bell Affidavit, including for the purpose of completing intercompany transfers among the CCAA Parties (other than between a CCAA Party that is not a Fund Entity (as hereinafter defined) and a Fund Entity) in the ordinary course of business, or replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the CCAA Parties of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the CCAA Parties, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

7. THIS COURT ORDERS that, subject to the terms and conditions of the DIP Credit Agreement (as hereinafter defined) and subject to the applicable cash flow budget approved by the DIP Lenders (as hereinafter defined) (the “**Cash Flow Budget**”), the CCAA Parties shall be entitled but not required to pay the following expenses and satisfy the following obligations whether incurred prior to, on or after this Order:



- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order to employees and contractors, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the CCAA Parties in respect of these proceedings or any other similar or ancillary proceedings in other jurisdictions in which the CCAA Parties or any subsidiaries or affiliates are domiciled or in respect of related corporate matters, at their standard rates and charges, including the fees and disbursements of legal counsel, financial advisors and investment bankers retained by the CCAA Parties;
- (c) all amounts owing for goods and services actually supplied to the CCAA Parties, or to obtain the release of goods contracted for prior to the date of this Order, with the prior consent of the Monitor and the Agent, if in the opinion of the CCAA Parties and the Monitor the supplier is critical to the Business and ongoing operations of any of the CCAA Parties;
- (d) with the prior consent of the Monitor and the Agent, all amounts owing in respect of the CCAA Parties' customer programs including rebates, refunds, relocation payments, warranties and similar programs or obligations (the "**Customer Programs**");
- (e) with the prior consent of the Monitor, amounts owing by one or more of the CCAA Parties to another CCAA Party (other than between a CCAA Party that is not a Fund Entity and a Fund Entity) in order to settle their intercompany accounts and to make intercompany loans in the ordinary course of business, including as a result of the shared services (as described in the Bell Affidavit); and
- (f) with the prior consent of the Monitor, any amounts owing prior to the date of this Order in respect of customs or duties for goods supplied to the CCAA

Parties where such goods have been paid for but lawfully retained or subject to a possessory lien.

8. THIS COURT ORDERS that, subject to the terms and conditions of the DIP Credit Agreement and subject to the Cash Flow Budget, and except as otherwise provided to the contrary herein, the CCAA Parties shall be entitled but not required to pay all reasonable expenses incurred by the CCAA Parties in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance and directors and officers tail insurance, provided that the premium for the tail insurance does not exceed \$300,000), maintenance and security services;
- (b) payment for goods or services actually supplied to the CCAA Parties following the date of this Order; and
- (c) payments and credits in respect of the Customer Programs.

9. THIS COURT ORDERS that the CCAA Parties shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the CCAA Parties in connection with the sale of goods and services by the CCAA Parties, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes



were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the CCAA Parties.

10. THIS COURT ORDERS that until a real property lease is disclaimed in accordance with the CCAA, the CCAA Parties shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the CCAA Parties and the landlord from time to time (“**Rent**”), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

11. THIS COURT ORDERS that, except as specifically permitted herein, the CCAA Parties are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the CCAA Parties to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of the Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

## **RESTRUCTURING**

12. THIS COURT ORDERS that the CCAA Parties shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:



- (a) permanently or temporarily cease, downsize or shut down any of their business or operations, and to dispose of redundant or non-material assets not exceeding \$500,000 in any one transaction or \$1,000,000 in the aggregate;
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate and to deal with any claims arising from such termination in the Plan;
- (c) in accordance with paragraphs 13 and 14, vacate, abandon or quit the whole but not the part of any leased premises and/or disclaim any real property lease and any ancillary agreements relating to the leased premises, in accordance with section 32 of the CCAA;
- (d) disclaim such of their arrangements or agreements of any nature whatsoever with whomsoever, whether oral or written, as the CCAA Parties deem appropriate, in accordance with section 32 of the CCAA and to deal with any claims arising from such disclaimer in the Plan; and
- (e) pursue all avenues of refinancing and offers for their Business or the Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or any sale (except as permitted by subparagraph (a) above),

all of the foregoing to permit the CCAA Parties to proceed with an orderly restructuring or sale of the Business, including effecting the Proposed Transaction (the "**Restructuring**").

13. THIS COURT ORDERS that the CCAA Parties shall provide each of the relevant landlords with notice of the relevant CCAA Party's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the CCAA Party's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such



landlord and the relevant CCAA Party, or by further Order of this Court upon application by the relevant CCAA Party on at least two (2) days notice to such landlord and any such secured creditors. If a CCAA Party disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the CCAA Party's claim to the fixtures in dispute.

14. THIS COURT ORDERS that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the relevant CCAA Party and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the CCAA Party in respect of such lease or leased premises and such landlord shall be entitled to notify the CCAA Party of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

#### **SUPPORT AGREEMENT**

15. THIS COURT ORDERS that the Applicants party to the support agreement dated as of June 22, 2012 (the "**Support Agreement**") between, among others, certain Applicants and certain Pre-Petition First Lien Lenders (the "**Initial Consenting Lenders**"), appended as Exhibit F to the Bell Affidavit, are authorized and empowered to take all steps and actions in respect thereof and to comply with all of their obligations pursuant thereto and the Applicants will cooperate with the Pre-Petition First Lien Agent in providing notice in any reasonable manner to lenders (the "**Pre-Petition First Lien Lenders**") under the Pre-Petition First Lien Credit Agreement (as hereinafter defined) of the Support Agreement to enable additional Pre-Petition First Lien Lenders to execute a



Consent Agreement in the form attached as Schedule "C" to the Support Agreement and to become bound thereby as Consenting Lenders (as defined in the Support Agreement).

16. THIS COURT ORDERS that any Pre-Petition First Lien Lender under the Pre-Petition First Lien Credit Agreement (other than an Initial Consenting Lender) who wishes to become a Consent Date Lender (as defined in the Support Agreement) and become entitled to the Early Consent Consideration (as defined in the Support Agreement) (if such Early Consent Consideration becomes payable pursuant to the terms of the Support Agreement, and subject to such Pre-Petition First Lien Lender providing evidence satisfactory to the Applicants in accordance with the Support Agreement of the aggregate principal amount of loans held under the Pre-Petition First Lien Credit Agreement by such Pre-Petition First Lien Lender as at the Consent Date) must execute a Consent Agreement and return it to the Applicants in accordance with the instructions set out in the Support Agreement such that it is received by the Applicants prior to the Consent Date and, upon doing so, such Pre-Petition First Lien Lender shall become a Consent Date Lender and shall be bound by the terms of the Support Agreement.

17. THIS COURT ORDERS that as soon as practicable after the Consent Date, the Applicants shall provide to the Monitor copies of all executed Consent Agreements received from Pre-Petition First Lien Lenders prior to the Consent Date.

18. THIS COURT ORDERS that the Applicants are authorized to pay the Early Consent Consideration to the Consent Date Lenders in accordance with the Support Agreement if the Consent Date Lenders become entitled thereto.

19. THIS COURT ORDERS that the Consent Date Lenders shall be entitled to the benefit of and are hereby granted a charge (the "**Consent Consideration Charge**") on the Charged Property as security for the obligations to pay the Early Consent Consideration to the Consent Date Lenders if they become entitled thereto in accordance with the Support Agreement. The Consent Consideration Charge shall have the priority set out in paragraphs 57 and 59 herein. "**Charged Property**" as used in this Order shall mean all assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof of the CCAA Parties other than Cinram Fund, CII



Trust, Cinram International General Partner Inc. and Cinram LP (collectively, the “**Fund Entities**”).

#### **NO PROCEEDINGS AGAINST THE CCAA PARTIES OR THE PROPERTY**

20. THIS COURT ORDERS that until and including July 25, 2012, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the CCAA Parties or the Monitor, or affecting the Business or the Property, except with the written consent of the CCAA Parties and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the CCAA Parties or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

21. THIS COURT ORDERS that until and including the Stay Period, no Proceeding shall be commenced or continued against or in respect of any of the CCAA Parties’ direct or indirect subsidiaries that are also party to an agreement with a CCAA Party (whether as surety or guarantor or otherwise) (each, a “**Subsidiary Counterparty**”), including any contract or credit agreement, or against or in respect of any of a Subsidiary Counterparty’s current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Subsidiary Property**”) with respect to any guarantee, contribution or indemnity obligation, liability or claim in respect of or that relates to any agreement involving a CCAA Party and a Subsidiary Counterparty or the obligations, liabilities and claims of and against the CCAA Parties (collectively, the “**Related Claims Against Subsidiaries**”), except with the written consent of the CCAA Parties and the Monitor, or with leave of this Court, and any and all Proceedings currently under way by a Person against or in respect of any Subsidiary Counterparty or Subsidiary Property in respect of Related Claims Against Subsidiaries are hereby stayed and suspended pending further Order of this Court. For the purposes of paragraphs 21 and 23 of this Order: (a) “**Subsidiary Counterparty**” does not include Cinram Optical Discs S.A.S. that has filed insolvency proceedings in France; and (b) in the event a direct or indirect subsidiary of the CCAA Parties files insolvency proceedings in a foreign



jurisdiction (other than the United States), “**Subsidiary Counterparty**” shall be deemed to exclude any such subsidiary.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

22. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the CCAA Parties or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the CCAA Parties, the Monitor and the DIP Agent, or leave of this Court, provided that nothing in this Order shall (i) empower the CCAA Parties to carry on any business which the CCAA Parties are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

23. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any Person against or in respect of a Subsidiary Counterparty or Subsidiary Property in respect of Related Claims Against Subsidiaries are hereby stayed and suspended and shall not be commenced, proceeded with or continued, except with the written consent of the CCAA Parties and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower any Subsidiary Counterparty to carry on any business which such Subsidiary Counterparty is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH RIGHTS**

24. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the CCAA



Parties, except with the written consent of the CCAA Parties and the Monitor, or leave of this Court.

#### **CONTINUATION OF SERVICES**

25. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with a CCAA Party or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, licenses, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or a CCAA Party, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the CCAA Parties, and that the CCAA Parties shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the CCAA Parties in accordance with normal payment practices of the CCAA Parties or such other practices as may be agreed upon by the supplier or service provider and each of the applicable CCAA Parties and the Monitor, or as may be ordered by this Court.

#### **NON-DEROGATION OF RIGHTS**

26. THIS COURT ORDERS that, subject to paragraphs 20 to 25, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the CCAA Parties. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

## KEY EMPLOYEE RETENTION PROGRAM

27. THIS COURT ORDERS that the key employee retention program (the “KERP”) as described in the Bell Affidavit relating to key employees, including certain key officers (collectively, the “Key Employees”) is hereby approved.

28. THIS COURT ORDERS that the CCAA Parties (and any other person that may be appointed to act on behalf of the CCAA Parties, including without limitation, any trustee, liquidator, receiver, interim receiver, receiver and manager or other person acting on behalf of any such person) are authorized and directed to perform the obligations under the KERP, including making all payments to the Key Employees of amounts due and owing under the KERP at the time specified and in accordance with the terms of the KERP.

29. THIS COURT ORDERS that the CCAA Parties are hereby authorized to execute and deliver such additional documents as may be necessary to give effect to the KERP, subject to prior approval of such documents by the Monitor or as may be ordered by this Court.

30. THIS COURT ORDERS that the Key Employees shall be entitled to the benefit of and are hereby granted a charge (the “KERP Charge”) on the Charged Property, which charge shall not exceed an aggregate amount of \$3 million, as security for the obligations of the CCAA Parties to the Key Employees under the KERP. The KERP Charge shall have the priority set out in paragraph 57 and 59 herein.

31. THIS COURT ORDERS that the summary of the KERP attached as Exhibit K to the Bell Affidavit be sealed, kept confidential and not form part of the public record, but rather shall be placed separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of this Court.



## **INVESTMENT BANKER**

32. THIS COURT ORDERS that CII is authorized to carry out and perform its obligations under its engagement letter with Moelis & Company LLC (the “**Engagement Letter**”) as investment banker for the CCAA Parties (the “**Investment Banker**”) (including payment of the amounts due to be paid pursuant to the terms of the Engagement Letter, including but not limited to any success or transaction fee under the Engagement Letter).

33. THIS COURT ORDERS that all claims of the Investment Banker pursuant to the Engagement Letter are not claims that may be compromised pursuant to any Plan under the CCAA, any proposal (“**Proposal**”) under the *Bankruptcy and Insolvency Act* or any other restructuring and no such Plan, Proposal or restructuring shall be approved that does not provide for the payment of all amounts due to the Investment Banker pursuant to the terms of the Engagement Letter.

34. THIS COURT ORDERS that notwithstanding any order in these proceedings, the CCAA Parties are authorized to make all payments required by the Engagement Letter, including all fees and expenses, if and when due.

35. THIS COURT ORDERS that the Investment Banker, its affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of either its engagement by CII as Investment Banker or any matter referred to in the Engagement Letter except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Investment Banker in performing its obligations under the Engagement Letter.

## **PROCEEDINGS AGAINST TRUSTEES, DIRECTORS AND OFFICERS**

36. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future trustees, directors or officers of the Applicants with respect to any claim against the trustees, directors or officers that arose before the date



hereof and that relates to any obligations of the CCAA Parties whereby the trustees, directors or officers are alleged under any law to be liable in their capacity as trustees, directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the CCAA Parties, if one is filed, is sanctioned by this Court or is refused by the creditors of the CCAA Parties or this Court.

#### **TRUSTEES', DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

37. THIS COURT ORDERS that the Applicants shall indemnify their trustees, directors and officers against obligations and liabilities that they may incur as trustees, directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any trustee, officer or director, the obligation or liability was incurred as a result of the trustee's, director's or officer's gross negligence or wilful misconduct.

38. THIS COURT ORDERS that the trustees, directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Charged Property, which charge shall not exceed an aggregate amount of \$13 million, as security for the indemnity provided in paragraph 37 of this Order. The Directors' Charge shall have the priority set out in paragraphs 57 and 59 herein.

39. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' trustees, directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 37 of this Order.

#### **APPOINTMENT OF MONITOR**

40. THIS COURT ORDERS that FTI is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the CCAA Parties with the powers and obligations set out in the CCAA or set forth herein and



that the CCAA Parties and their shareholders, officers, directors, trustees, partners and Assistants shall advise the Monitor of all material steps taken by the CCAA Parties pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

41. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the CCAA Parties' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination, to the DIP Agent and the administrative agent (the "**Pre-Petition First Lien Agent**") under the amended and restated credit agreement dated April 11, 2011 (the "**Pre-Petition First Lien Credit Agreement**") and their counsel and financial advisors, on a weekly or bi-weekly basis as set out in the DIP Credit Agreement of financial and other information as agreed to between the Applicants party thereto and the Agent which may be used in these proceedings including reporting on a basis to be agreed with the Agent;
- (d) advise the CCAA Parties in their preparation of the CCAA Parties' cash flow statements and reporting required by the Agent, which information shall be reviewed with the Monitor and delivered to the Agent and its counsel and financial advisors on a periodic basis, but not less than bi-weekly, or as otherwise agreed to by the Agent;
- (e) advise the CCAA Parties in their development of the Plan and any amendments to the Plan;

- (f) assist the CCAA Parties, to the extent required by the CCAA Parties, with any matters relating to any of the CCAA Parties' subsidiaries and any foreign proceedings commenced in relation thereto, including retaining independent legal counsel, agents, experts, accountants or such other persons as the Monitor deems necessary or advisable respecting the exercise of this power;
- (g) assist the CCAA Parties, to the extent required by the CCAA Parties, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (h) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the CCAA Parties, to the extent that is necessary to adequately assess the CCAA Parties' business and financial affairs or to perform its duties arising under this Order;
- (i) assist the CCAA Parties and/or the Investment Banker with respect to any sales and marketing process to sell the Property and the Business or any part thereof;
- (j) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (k) perform such other duties as are required by this Order or by this Court from time to time.

42. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

43. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally



contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

44. THIS COURT ORDERS that that the Monitor shall provide any creditor of the CCAA Parties and the Agent with information provided by the CCAA Parties in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the CCAA Parties is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the CCAA Parties may agree.

45. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

46. THIS COURT ORDERS that the Monitor, counsel to the Monitor, Canadian counsel to the CCAA Parties and U.S. Counsel to the CCAA Parties (together with



Canadian counsel to the CCAA Parties, “**CCAA Parties’ Counsel**”) and the Canadian and U.S. counsel to the DIP Agent and DIP Lenders and the Pre-Petition First Lien Agent and Pre-Petition First Lien Lenders (collectively, the “**Lenders’ Counsel**”) and the financial advisor of the DIP Lenders and Pre-Petition First Lien Lenders (the “**Lenders’ Financial Advisor**”) shall be paid their reasonable fees and disbursements (including any pre-filing fees and disbursements), in each case at their standard rates and charges, by the CCAA Parties as part of the costs of these proceedings. The CCAA Parties are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, CCAA Parties’ Counsel, Lenders’ Counsel and Lenders’ Financial Advisor on a bi-weekly basis and, in addition, the CCAA Parties are hereby authorized to pay to the Monitor, counsel to the Monitor, and CCAA Parties’ Counsel, new retainers in the aggregate amount of up to \$250,000 to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

47. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

48. THIS COURT ORDERS that the Monitor, counsel to the Monitor, the Investment Banker, the CCAA Parties’ Counsel, the Lenders’ Counsel and the Lenders’ Financial Advisor shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Charged Property, which charge shall not exceed an aggregate amount of \$3.5 million, as security for their professional fees and disbursements incurred at the standard rates and charges of the CCAA Parties’ Counsel, Lenders’ Counsel, Lenders’ Financial Advisor and the Monitor and, in the case of the Investment Banker, pursuant to the Engagement Letter, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 57 and 59 hereof.



## DIP FINANCING

49. THIS COURT ORDERS that the Applicants party thereto are hereby authorized and empowered to obtain and borrow under a credit facility from JP Morgan Chase Bank N.A., as administrative agent (the “**DIP Agent**”), and as lender and certain other lenders (collectively, the “**DIP Lenders**”) in order to finance the CCAA Parties’ working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed US\$15 million unless permitted by further Order of this Court.

50. THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the DIP credit agreement between the Applicants party thereto and the DIP Lenders dated as of June 22, 2012 (the “**DIP Credit Agreement**”), filed, as such terms of such DIP Credit Agreement may be amended by the Applicants party thereto and the DIP Lenders with the consent of the Monitor.

51. THIS COURT ORDERS that each of Schedule 2.01, Part D, E and G of Schedule 5.15, Part A.2 of Schedule 5.17, Schedule 7.06 and Schedule 7.08 to the DIP Credit Agreement be sealed, kept confidential and not form part of the public record, but rather shall be placed separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of this Court.

52. THIS COURT ORDERS that the Applicants party thereto are hereby authorized and empowered to execute and deliver the DIP Credit Agreement and such mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Credit Agreement, collectively, the “**Definitive Documents**”), as are contemplated by the DIP Credit Agreement or as may be reasonably required by the DIP Lenders pursuant to the terms thereof, and the Applicants party thereto are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Lenders under and pursuant to the DIP Credit



Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

53. THIS COURT ORDERS that the DIP Lenders shall be entitled to the benefit of and are hereby granted a charge (the “**DIP Lenders’ Court Charge**”) on the Charged Property, including, without limitation, the real property described in Schedule “B” hereto, which DIP Lenders’ Court Charge shall not secure an obligation that exists before this Order is made. The DIP Lenders’ Court Charge and any contractual security interests granted pursuant to the Definitive Documents (collectively with the DIP Lenders’ Court Charge, the “**DIP Lenders’ Charge**”) shall attach to the Charged Property and shall secure all obligations under the Definitive Documents. The DIP Lenders’ Charge shall have the priority set out in paragraphs 57 and 59 hereof.

54. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

- (a) the DIP Lenders may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lenders’ Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lenders’ Charge (A) the DIP Agent and DIP Lenders may cease making advances to the Applicants, and (B) the DIP Agent, DIP Lenders, Pre-Petition First Lien Agent and Pre-Petition First Lien Lenders may (i) set off and/or consolidate any amounts owing by the DIP Lenders or the Pre-Petition First Lien Lenders to the Applicants against the obligations of the Applicants to the DIP Lenders or Pre-Petition First Lien Lenders under the DIP Credit Agreement, the Definitive Documents, the DIP Lenders’ Charge or the Pre-Petition First Lien Credit Agreement and may make demand, accelerate payment and give other notices, and (ii) upon five days notice to the CCAA Parties and the Monitor, exercise any and all of its rights and remedies against the Applicants or the Charged Property under or pursuant to the DIP Credit Agreement, Definitive Documents, DIP Lenders’ Charge, Pre-Petition First Lien Credit Agreement or the *Personal Property Security Act* of Ontario or any other applicable



jurisdiction, the *Uniform Commercial Code* of the applicable jurisdiction and/or *Mortgages Act* (Ontario) and equivalent legislation in the applicable jurisdiction, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants;

- (c) upon receipt of any notice referenced in paragraph 54(b)(ii), the Monitor shall immediately advise the Court in a Monitor's Report that such notice was received and the 5 day notice period shall commence upon the filing of such Monitor's Report with the Court; and
- (d) the foregoing rights and remedies of the DIP Lenders shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Charged Property.

55. THIS COURT ORDERS AND DECLARES that all claims of the DIP Agent and DIP Lenders pursuant to the Definitive Documents are not claims that may be compromised pursuant to any Plan filed by the CCAA Parties or any one of them under the CCAA, or any Proposal filed by the CCAA Parties or any one of them under the *Bankruptcy and Insolvency Act* of Canada (the "BIA") or any other restructuring, and the DIP Agent and the DIP Lenders shall be treated as unaffected in any Plan, Proposal or other restructuring with respect to any obligations outstanding to the DIP Agent or DIP Lenders under or in respect of the Definitive Documents.

56. THIS COURT ORDERS that the CCAA Parties or any one of them shall not file a Plan or Proposal in these proceedings or proceed with any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the DIP Credit Agreement and the other Definitive Documents as a pre-condition to the implementation of any such Plan or Proposal or any other restructuring, without the prior written consent of the DIP Agent. Further, if the Support Agreement terminates in accordance with Section 7(a)(iv)(C) thereof, the stays of proceedings provided for herein shall not apply to the Pre-Petition First Lien Agent, Pre-Petition First Lien Lenders or their



respective rights under or in respect of the Pre-Petition First Lien Credit Agreement and the Pre-Petition First Lien Agent and Pre-Petition First Lien Lenders may (A) set off and/or consolidate any amounts owing by the Pre-Petition First Lien Lenders to the Applicants against the obligations of the Applicants to the Pre-Petition First Lien Lenders under the Pre-Petition First Lien Credit Agreement and may make, demand, accelerate payment and give other notices, and (B) upon 5 days notice to the CCAA Parties and the Monitor, exercise any and all of their rights and remedies under or pursuant to the Pre-Petition First Lien Credit Agreement or the *Personal Property Security Act* of Ontario or any other applicable jurisdiction, the *Uniform Commercial Code* of the applicable jurisdiction and/or *Mortgages Act* (Ontario) and equivalent legislation in the applicable jurisdiction, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants. Upon receipt of any notice referenced in clause (B) above, the Monitor shall immediately advise the Court in a Monitor's Report that such notice was received and the 5 day notice period shall commence upon the filing of such Monitor's Report with the Court.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

57. THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge, the KERP Charge, the Consent Consideration Charge and the DIP Lenders' Charge, as among them, shall be as follows, subject to paragraph 59 of this Order:

First – Administration Charge (to the maximum amount of \$3.5 million);

Second – DIP Lenders' Charge;

Third – Directors' Charge (to the maximum amount of \$13 million);

Fourth – KERP Charge (to the maximum amount of \$3 million); and

Fifth – Consent Consideration Charge.



58. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge, the Administration Charge, the KERP Charge, the Consent Consideration Charge or the DIP Lenders' Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

59. THIS COURT ORDERS that each of the Directors' Charge, the Administration Charge, the KERP Charge, the Consent Consideration Charge and the DIP Lenders' Charge (all as constituted and defined herein) shall constitute a charge on the Charged Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person, notwithstanding the order of perfection or attachment, except for any validly perfected security interest in favour of a "secured creditor" as defined in the CCAA existing as at the date hereof other than any validly perfected security interest in favour of the Pre-Petition First Lien Agent, Pre-Petition Second Lien Agent, Pre-Petition First Lien Lenders or Pre-Petition Second Lien Lenders; provided that the Consent Consideration Charge is subordinate to the prior payment in full of all obligations under the Pre-Petition First Lien Credit Agreement in respect of the First-Out Revolving Credit Commitments (as defined in the Pre-Petition First Lien Credit Agreement). No Charge created by this Order shall attach to or create any claim, lien, charge, security interest or encumbrance on the property of a customer of a CCAA Party or where a customer has title to such property, notwithstanding that such property may be in a CCAA Party's possession. Nothing in this Order affects the priority of the Pre-Petition First Lien Agent, Pre-Petition Second Lien Agent, Pre-Petition First Lien Lenders and the Pre-Petition Second Lien Lenders against the rights of third parties (other than beneficiaries of the Charges) as of the date of this Order.

60. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the CCAA Parties shall not grant any Encumbrances over any Charged Property that rank in priority to, or *pari passu* with, any of the Directors' Charge, the Administration Charge, the KERP Charge, the Consent Consideration Charge



or the DIP Lenders' Charge, unless the CCAA Parties also obtain the prior written consent of the Monitor, the DIP Lenders and the beneficiaries of the Directors' Charge, the Administration Charge, the KERP Charge and the Consent Consideration Charge, or further Order of this Court.

61. THIS COURT ORDERS that the Directors' Charge, the Administration Charge, the KERP Charge, the Consent Consideration Charge, the DIP Credit Agreement, the Definitive Documents and the DIP Lenders' Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the CCAA Parties, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Credit Agreement or the Definitive Documents shall create or be deemed to constitute a breach by the CCAA Parties of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Credit Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the CCAA Parties pursuant to this Order, the DIP Credit Agreement or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at



undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

62. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the CCAA Parties' interest in such real property leases.

## **FOREIGN PROCEEDINGS**

63. THIS COURT ORDERS that Cinram International ULC is hereby authorized and empowered to act as the foreign representative in respect of the within proceedings for the purposes of having these proceedings recognized in a jurisdiction outside Canada.

64. THIS COURT ORDERS that Cinram International ULC is hereby authorized, as the foreign representative of the CCAA Parties and of the within proceedings, to apply for foreign recognition of these proceedings, as necessary, in any jurisdiction outside of Canada, including in the United States pursuant to Chapter 15 of the *U.S. Bankruptcy Code*, and to take such actions necessary or appropriate in furtherance of the recognition of these proceedings or the prosecution of any sale transaction (including the Proposed Transaction) in any such jurisdiction.

65. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, in the United States or in any other foreign jurisdiction, to give effect to this Order and to assist the CCAA Parties, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the CCAA Parties and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to Cinram International ULC in any foreign proceeding, or to assist the CCAA Parties and the Monitor and their respective agents in carrying out the terms of this Order.

66. THIS COURT ORDERS that each of the CCAA Parties and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory



or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and any other Order issued in these proceedings.

## **SERVICE AND NOTICE**

67. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in the Globe and Mail and the Wall Street Journal a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the CCAA Parties of more than \$5000, and (C) prepare a list showing the names and addresses of those creditors, save and except creditors who are individuals, and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

68. THIS COURT ORDERS that the CCAA Parties and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the CCAA Parties' creditors or other interested parties at their respective addresses as last shown on the records of the CCAA Parties and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

69. THIS COURT ORDERS that the CCAA Parties, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on the Monitor's Website.

**GENERAL**

70. THIS COURT ORDERS that the CCAA Parties or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

71. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the CCAA Parties, the Business or the Property.

72. THIS COURT ORDERS that any interested party (including the CCAA Parties and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order, provided however that the DIP Lenders shall be entitled to rely on this Order as issued for all advances made under the DIP Credit Agreement and Definitive Documents up to and including the date this Order may be varied or amended.

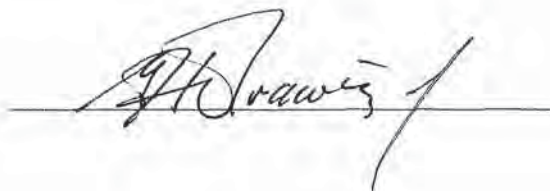
73. THIS COURT ORDERS that, notwithstanding the immediately preceding paragraph, no order shall be made varying, rescinding or otherwise affecting the provisions of this Order with respect to the DIP Credit Agreement or the Definitive Documents, unless notice of a motion is served on the Monitor and the CCAA Parties and the DIP Agent, returnable no later than July 12, 2012.

74. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

ENTERED AT / INSCRIT A TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:



JUN 25 2012



## SCHEDULE A

### Additional Applicants

Cinram International General Partner Inc.

Cinram International ULC

1362806 Ontario Limited

Cinram (U.S.) Holding's Inc.

Cinram, Inc.

IHC Corporation

Cinram Manufacturing LLC

Cinram Distribution LLC

Cinram Wireless LLC

Cinram Retail Services, LLC

One K Studios, LLC



## **SCHEDULE B**

### Charged Real Property Description

**2255 Markham Road, Toronto, Ontario**

Firstly:

PIN 06079-0067 (LT)

Part of Lot 18, Concession 3 Scarborough, designated as Parts 2 and 3 on Plan 64R6927 and Part 1 on Plan 64R7116, confirmed by 64B1990, subject to SC574898, Toronto, City of Toronto

Secondly:

PIN 06079-0280 (LT)

Part of Lot 18, Concession 3 Scarborough, designated as Parts 2 and 3 on Plan 66R23795, subject to an easement over Part 3 on Plan 66R23795 as in SC574898, City of Toronto

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

Court File No: CV12 – 9767 – 00CL

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

Applicants

**ONTARIO  
SUPERIOR COURT OF JUSTICE-  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**INITIAL ORDER**

**GOODMANS LLP**

Barristers & Solicitors  
333 Bay Street, Suite 3400  
Toronto, Canada M5H 2S7

Robert J. Chadwick LSUC#: 35165K  
Melaney J. Wagner LSUC#: 44063B  
Caroline Descours LSUC#: 58251A

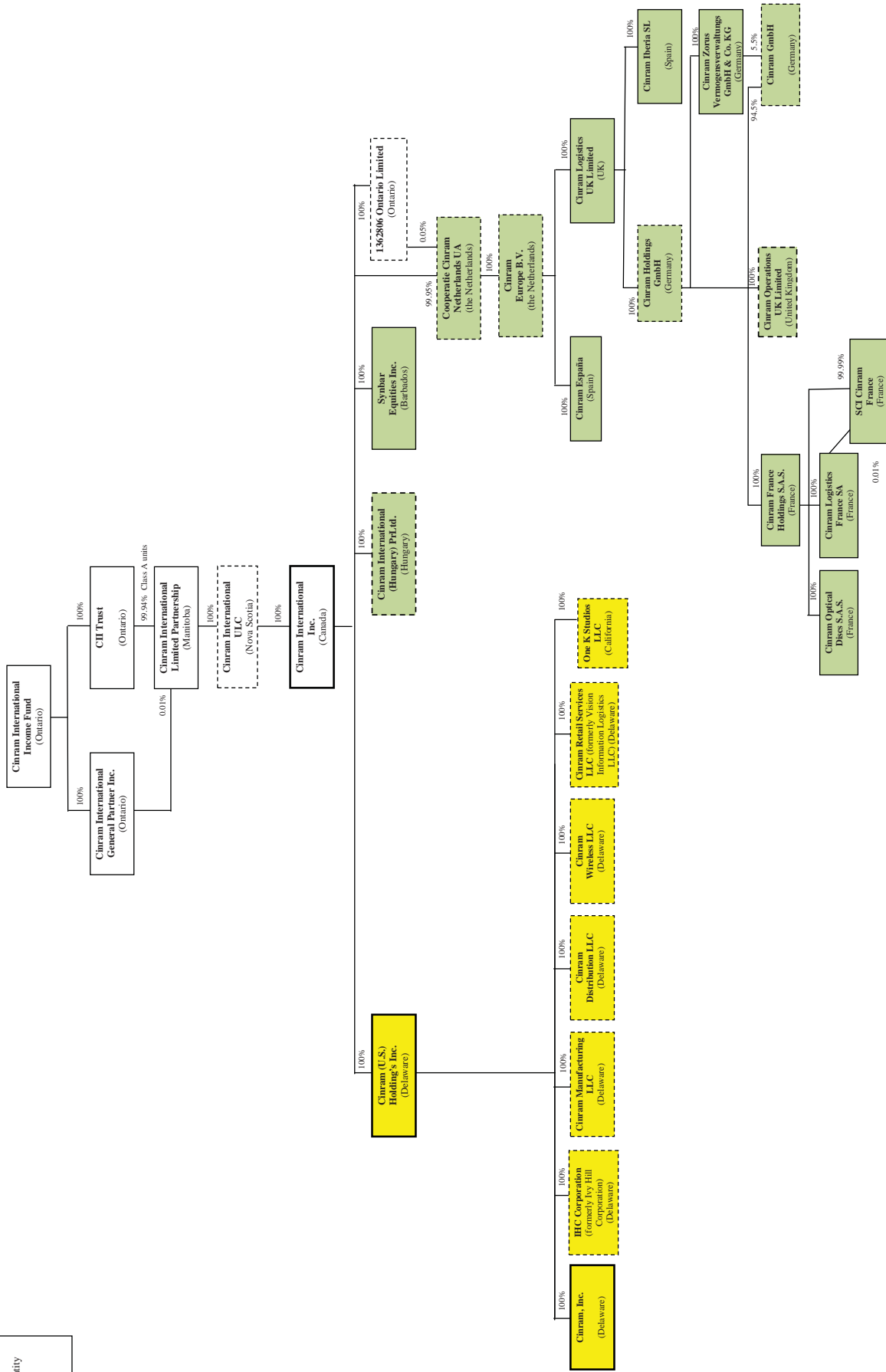
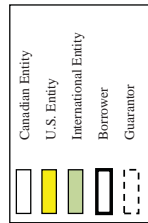
Tel: (416) 979-2211  
Fax: (416) 979-1234

Lawyers for the Applicants

**Exhibit B**

**Cinram Group Corporate Organization Chart**

# Cinram International Income Fund Organizational Chart



**Exhibit C**

**Support Agreement**



## SUPPORT AGREEMENT

This support agreement dated as of June 22, 2012 (this "**Agreement**") is entered into by and among: (i) CINRAM INTERNATIONAL INCOME FUND ("**Parent**"), CINRAM INTERNATIONAL INC., a corporation organized under the law of Canada ("**CII**"), CINRAM, INC., a corporation organized under the law of the State of Delaware ("**CIUS**"), CINRAM (U.S.) HOLDING'S INC., a corporation organized under the law of the State of Delaware ("**CUSH**" and together with CII and CIUS, the "**Borrowers**", collectively with Parent, the "**Companies**" or the "**Company**"); and (ii) the LENDERS under the First Lien Credit Agreement (defined below) signatory to this Agreement by way of execution of this Agreement or a Consent Agreement (defined below) in their individual capacities as lenders under the Credit Agreements referred to below (each, a "**Consenting Lender**" and collectively, the "**Consenting Lenders**", and each of the Companies and each Consenting Lender, a "**Party**", and collectively, the "**Parties**").

Capitalized terms used and not otherwise defined herein, including Schedule B hereto, shall have the meanings assigned to such terms in the Purchase Agreement (defined below) or, as the case may be, the Credit Agreements (defined below).

### RECITALS

**WHEREAS** the Borrowers obtained certain loans pursuant to that certain Credit Agreement dated as of May 5, 2006, among ULC, CII, CIUS, IHC Corporation (as successor-in-interest to Ivy Hill Corporation), CUSH, the guarantors from time to time party thereto, certain institutional lenders party thereto from time to time and JPMorgan Chase Bank, N.A., as administrative agent for the lenders thereunder, as amended by that certain Amendment No. 1 dated as of March 22, 2007 and that certain Amendment No. 2 dated as of March 30, 2009 (as amended, the "**Original Credit Agreement**");

**AND WHEREAS** the Companies and the lenders party to the Original Credit Agreement completed a refinancing and recapitalization transaction on April 11, 2011 which included, *inter alia*, (i) an amendment and extension of the Original Credit Agreement (the Original Credit Agreement as amended and restated and as further amended by that certain Amendment No. 1 dated as of August 12, 2011, that certain Amendment No. 2 and Waiver dated as of December 30, 2011 and that certain Amendment No. 3 and Waiver dated as of March 15, 2012, the "**First Lien Credit Agreement**", and the lenders thereunder, the "**Lenders**"), and (ii) an exchange of a portion of the then outstanding first-lien term debt for second-lien secured debt, the principal of which was mandatorily exchangeable into equity of the Parent on December 31, 2011 pursuant to a Second Lien Credit Agreement dated April 11, 2011 (the "**Second Lien Credit Agreement**", together with the First Lien Credit Agreement, the "**Credit Agreements**"; the obligations of the Companies under the Credit Agreements and the other Loan Documents (as defined in the Credit Agreements), including all principal, interest, fee and indemnity obligations, are herein referred to as the "**Obligations**");



AND WHEREAS CII, certain of its affiliates and Cinram Acquisition Inc. (the “Purchaser”) have agreed to enter into transactions regarding the sale to the Purchaser and/or its nominees of substantially all of the property and assets used in connection with the business carried on by the Companies in North America pursuant to the purchase agreement substantially in the form attached hereto as Schedule A (the “North America Purchase Agreement”) and the sale to the Purchaser of the capital stock of Cooperatie Cinram Netherlands UA pursuant to the purchase offer substantially in the form attached as Exhibit A to the North America Purchase Agreement (the “European Purchase Offer”, together with the North America Purchase Agreement, the “Purchase Agreement”, and the transactions contemplated thereby, the “Transactions”) to be entered into among certain of the Companies and the Purchaser;

AND WHEREAS the Consenting Lenders wish to consent to and support the implementation of the Transactions on and subject to the terms and conditions set forth in the Purchase Agreement (the “Transaction Terms”);

AND WHEREAS the Companies intend to effectuate the Transactions through proceedings commenced under the CCAA (the “CCAA Proceedings”) and through proceedings commenced under Chapter 15 of the Bankruptcy Code (the “Chapter 15 Proceedings”, together with the CCAA Proceedings, the “Proceedings”);

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Party, intending to be legally bound hereby, agrees as follows:

1. **Transaction**

- (a) The Transaction Terms as agreed among the Parties are set forth in the Purchase Agreement.
- (b) The Companies shall proceed with and implement the Transactions through the Proceedings.

2. **Early Consent Consideration**

Each Lender that, on or prior to the Consent Date, executes (i) this Agreement or (ii) a Consent Agreement substantially in the form attached hereto as Schedule C (each a “Consent Date Lender”) shall receive a consent fee equal to 4% of its Aggregate Exposure (as defined below) under the First Lien Credit Agreement as of the Consent Date (the “Early Consent Consideration”), payable in cash from the net sale proceeds under the Purchase Agreement received on closing of the Transactions (the “Sale Proceeds”) upon distribution of the Sale Proceeds in the Proceedings (the “Distribution Date”). The Early Consent Consideration shall be fully earned upon consummation of the Transactions and shall be non-refundable when paid. The CCAA Initial Order will authorize the payment of the Early Consent Consideration to the Consent Date Lenders and will grant a Court-ordered charge to secure such payment, subject to the prior payment in full of all obligations under the First Lien Credit Agreement in respect of the First-Out Revolving Credit Commitments (as defined in the First Lien Credit Agreement). As used herein, “Aggregate Exposure” of a Consenting Lender as of any date shall mean the sum, at such date, of a) the Term Advances (as defined in the First Lien Credit Agreement) held



by such Consenting Lender, *plus* b) the Revolving Credit Exposure (as defined in the First Lien Credit Agreement) of such Consenting Lender other than Revolving Credit Exposure attributable to such Lender's First-Out Revolving Credit Commitment.

### 3. Representations and Warranties of Consenting Lenders

Each Consenting Lender, severally and not jointly, represents and warrants to each of the other Parties (and hereby acknowledges that each of the other Parties is relying upon such representations and warranties) that:

- (a) it (or an affiliate or client for which it has discretionary authority to manage or administer Obligations under the Credit Agreements) is a legal or beneficial holder of loans under the First Lien Credit Agreement and, if applicable, the Second Lien Credit Agreement in the principal amount set out below its name on the signature pages hereof (or, as the case may be, the signature pages to the applicable Consent Agreement) (together with the related Obligations, including accrued and unpaid interest and fees under the Credit Agreements, its "**Debt**"; notwithstanding anything to the contrary herein, for purposes of this Agreement if such Consenting Lender so elects, by written notice to the Borrowers, "Debt" of any Consenting Lender shall not include Obligations held by such Consenting Lender in its capacity or to the extent of its holdings: (i) as a broker or market maker of Obligations; or (ii) as a fiduciary or other representative capacity (collectively, "**Excluded Obligations**"));
- (b) as of the date hereof, the Debt set out below its name on the signature pages hereof (or, as the case may be, the signature pages to the applicable Consent Agreement) constitutes all of the loans under the First Lien Credit Agreement and the Second Lien Credit Agreement that are legally or beneficially owned by such Consenting Lender or which such Consenting Lender otherwise has the power to vote or dispose of, other than Excluded Obligations;
- (c) it has the authority to vote or direct the voting of its Debt;
- (d) its Debt is not subject to any liens, encumbrances, obligations or other restrictions that would reasonably be expected to adversely affect the Consenting Lender's ability to perform its obligations under this Agreement;
- (e) it has had the opportunity to review, with the assistance of professional and legal advisors of its choosing, sufficient information necessary for such Consenting Lender to decide to consent to the Transaction Terms;
- (f) this Agreement has been duly executed and delivered by it, and, assuming the due authorization, execution and delivery by the other Parties, this Agreement constitutes the legal, valid and binding obligation of the Consenting Lender, enforceable in accordance with its terms, subject to laws of general application and bankruptcy, insolvency and other similar laws affecting creditors' rights generally and general principles of equity;



- (g) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all necessary power and authority to execute and deliver this Agreement and to perform its obligations hereunder;
- (h) the execution, delivery and performance of this Agreement and the consummation of the Transactions does not and shall not (i) to the best of its knowledge (after due inquiry), violate or conflict with any judgment, order, notice, decree, statute, law, ordinance, rule or regulation applicable to it or any of its subsidiaries or properties or assets, (ii) violate its certificate of incorporation, bylaws or other organizational documents or those of any of its subsidiaries, or (iii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligations to which it or any of its subsidiaries is a party, to the extent such conflict, breach or default could reasonably be expect to prevent or delay the consummation of the Transactions; and
- (i) there is no proceeding, claim or investigation pending before any Governmental Entity, or threatened against it or any of its properties that, individually or in the aggregate, would materially adversely affect its ability to execute and deliver this Agreement and to perform its obligations hereunder.

#### **4. Representations and Warranties of the Companies**

Each of the Companies hereby represents and warrants to each of the other Parties (and each of the Companies hereby acknowledges that each of the other Parties is relying upon such representations and warranties) that:

- (a) it has reviewed, or has had the opportunity to review, with the assistance of professional and legal advisors of its choosing, sufficient information necessary for such Company to decide to consent to the Transaction Terms and enter into the Purchase Agreement;
- (b) this Agreement has been duly executed and delivered by it, and, assuming the due authorization, execution and delivery by the other Parties, this Agreement constitutes the legal, valid and binding obligation of such Company, enforceable in accordance with its terms, subject to laws of general application and bankruptcy, insolvency and other similar laws affecting creditors' rights generally and general principles of equity;
- (c) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all necessary power and authority to execute and deliver this Agreement and to consummate the Transactions subject to the approval of the Purchase Agreement and the Transactions by the court having jurisdiction over the CCAA Proceedings (the "**Canadian Court**") and the recognition of the Approval and Vesting Order by the court having jurisdiction in the Chapter 15 Proceedings (the "**U.S. Court**", together with the Canadian Court, the "**Courts**");



- (d) the execution, delivery and performance of this Agreement and the consummation of the Transactions does not and shall not (i) to the best of its knowledge (after due inquiry), violate or conflict with any judgment, order, notice, decree, statute, law, ordinance, rule or regulation applicable to it or any of its subsidiaries or properties or assets, (ii) violate its certificate of incorporation, bylaws or other organizational documents or those of any of its subsidiaries, or (iii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligations to which it or any of its subsidiaries is a party, to the extent such conflict, breach or default could reasonably be expect to prevent or delay the consummation of the Transactions;
- (e) there is no proceeding, claim or investigation pending before any Governmental Entity, or threatened against it or any of its properties that, individually or in the aggregate, would materially adversely affect its ability to execute and deliver this Agreement and to perform its obligations hereunder; and
- (f) the entry into this Agreement and the Purchase Agreement, and the consummation of the Transactions have been approved by its board of directors, board of trustees or comparable governing body.

5. Consenting Lender Covenants and Consents

- (a) Each Consenting Lender agrees that, during the period commencing with the date of this Agreement and ending on the Expiry Date (as defined below), it shall not, directly or indirectly, sell, use, assign, transfer or otherwise dispose of ("**Transfer**") its Debt or any voting interest therein, and that any purported Transfer of its Debt or any voting interest therein shall be void and without effect, unless (i) the transferee is a Consenting Lender or (ii) if the transferee is not a Consenting Lender prior to the Transfer, such transferee agrees in writing at or before the time of the proposed Transfer to be bound by all the terms of this Agreement by executing and delivering to the Company and the Administrative Agent a Consent Agreement in the form attached hereto as Schedule C (a "**Consent Agreement**"). This Agreement shall in no way be construed to preclude the Consenting Lenders from acquiring additional Obligations under the First Lien Credit Agreement and/or the Second Lien Credit Agreement ("**Additional Debt**"); *provided, however*, that such Additional Debt shall automatically and immediately upon acquisition by a Consenting Lender be deemed to constitute Debt of such Consenting Lender hereunder, subject to all of the terms of this Agreement, whether or not notice of such acquisition is given to the Company or the Administrative Agent.
- (b) Each of the Consenting Lenders agrees that, until the Expiry Date, it:
  - (i) irrevocably consents to the Transactions and the Transaction Terms in respect of all its Debt;
  - (ii) shall not:



- (A) object, delay, impede or take any other action to interfere with the approval and implementation of the Purchase Agreement and the Transactions; or
  - (B) support any action that is intended or would reasonably be expected to impede, interfere with, delay or postpone the approval and implementation of the Purchase Agreement and the Transactions; and
- (iii) shall not, directly or indirectly, and shall not direct the Administrative Agent to, accelerate or enforce or take any action or exercise any remedy or initiate any proceedings to accelerate, enforce, collect or recover the payment or repayment of any of its Debt in a manner that is inconsistent with this Agreement or the Purchase Agreement; *provided, however*, that nothing contained herein shall limit the ability of a Consenting Lender (or any representative thereof) to appear and be heard concerning any matter arising in the Proceedings so long as such appearance is not inconsistent with such Consenting Lender's obligations under this Agreement or the Transaction Terms.
- (c) Each of the Consenting Lenders agrees to direct the Administrative Agent to: (i) release all liens, security interests and guarantee obligations on (A) all property of the Companies to be sold pursuant to the North America Purchase Agreement subject to and upon consummation of the transactions under the North America Purchase Agreement and (B) all property of the Companies to be sold pursuant to the European Purchase Offer subject to and upon consummation of the transactions under the European Purchase Offer; and (ii) execute any documents necessary to effectuate such releases.
- (d) Each of the Consenting Lenders hereby agrees that effective at the Distribution Date and provided that the releases described in Section 6(e) simultaneously become fully effective and enforceable, the Companies, the Monitor and each of their respective subsidiaries and affiliates and each of their respective present and former officers, trustees, directors, employees, financial advisors, legal counsel, inspectors, observers and agents (collectively, the "**Company Released Parties**") are hereby released and discharged from any and all demands, claims, liabilities, causes of action, debts, accounts, covenants, damages, executions and other recoveries based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Distribution Date relating to, arising out of or in connection with the Credit Agreements, Loan Documents and Security Documents (including, without limitation, the guarantee obligations of the Guarantors contained therein), the business and affairs of the Companies and their respective subsidiaries and affiliates, the Purchase Agreement and the Transactions, including all documents or information provided by the Companies in furtherance thereof, the Proceedings and any other proceedings commenced in furtherance of or in connection with the Purchase Agreement and the Transactions; provided that nothing in this paragraph will



release or discharge any of the Company Released Parties from or in respect of (i) their obligations to the Consenting Lenders under this Agreement, (ii) any contractual obligations of the Companies under the Credit Agreements, Loan Documents and Security Documents that have not been satisfied after the distribution of the Sale Proceeds on the Distribution Date, including any applicable interest, principal, fees, expenses and indemnities, (iii) any liens or security interests securing the foregoing, except as released pursuant to Section 5(c), or (iv) claims in respect of such Company Released Parties' own gross negligence or fraud.

- (e) Each of the Consenting Lenders hereby agrees that effective as of the date hereof it hereby releases and discharges each Lender Released Party (as defined below) from any and all demands, claims, liabilities, causes of action, debts, accounts, covenants, damages, executions and other recoveries based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the date hereof relating to, arising out of or in connection with the Credit Agreements, Loan Documents and Security Documents, the Purchase Agreement and the Transactions, the Proceedings and any other proceedings commenced in furtherance of or in connection with the Purchase Agreement and the Transactions; provided that nothing in this paragraph will release or discharge any of the Lender Released Parties from or in respect of any contractual obligations under the Credit Agreements, Loan Documents and Security Documents, including without limitation indemnity obligations in favor of the Administrative Agent, Section 2.17 of each Credit Agreement, the Intercreditor Agreement (as defined in the Credit Agreements) and the "waterfall" and other provisions contained therein.

For the avoidance of doubt, the foregoing covenants shall apply to the Consenting Lenders only in their capacities as lenders under, and with respect to their claims under, the Credit Agreements.

## **6. Companies' Covenants**

- (a) The Companies agree that the Companies will, no later than the next Business Day following the initiation of the CCAA Proceedings, cause to be issued a press release or other public disclosure that discloses the material provisions of the Transaction Terms (subject to Section 9) in a form reasonably satisfactory to the Administrative Agent, it being understood that nothing contained in this Agreement is intended to, or shall, restrict the Companies from making any disclosures to the extent required by law.
- (b) The applicable Companies shall, immediately upon this Agreement becoming effective and binding on the Parties hereto, execute the Purchase Agreement.
- (c) The Companies agree to use their commercially reasonable efforts to consummate the Purchase Agreement and the Transactions as promptly as practicable.



Without limitation of the generality of the foregoing, the Companies agree to:

- (i) Promptly, and in an event within three Business Days hereof, initiate the CCAA Proceedings and the Chapter 15 Proceedings and use commercially reasonable efforts to obtain the CCAA Initial Order and the Approval and Vesting Order from the Canadian Court, recognition of such orders from the U.S. Court, and such other orders as are required to implement the Transactions, each such order to be in form and substance reasonably acceptable to the Administrative Agent;
  - (ii) not take any action that is materially inconsistent with, or is intended or is reasonably likely to interfere with or impede or delay consummation of, the Transactions;
  - (iii) take all reasonable actions necessary to obtain any regulatory approvals for the Transactions; and
  - (iv) provide draft copies of all motions, applications, documents and pleadings the Companies intend to file with the Courts to counsel for the Administrative Agent at least three days (or if urgent, as soon as reasonably practicable) prior to the date when the Companies intend to file such document and shall consult in good faith with such counsel regarding the form and substance of any such proposed filing.
- (d) The Companies shall pay or cause to be paid to each Consent Date Lender the Early Consent Consideration on the Distribution Date if the Transactions contemplated herein are consummated.
- (e) The Companies hereby agree that effective at the Distribution Date and provided that the releases described in Section 0 simultaneously become fully effective and enforceable, the Lenders and the Administrative Agent, together with their respective subsidiaries and affiliates and their respective present and former officers, directors, employees, financial advisors, legal counsel and agents (collectively, the "**Lender Released Parties**") are hereby released and discharged from any and all demands, claims, liabilities, causes of action, debts, accounts, covenants, damages, executions and other recoveries based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Distribution Date relating to, arising out of or in connection with the Credit Agreements, Loan Documents and Security Documents, the Purchase Agreement and the Transactions, the Proceedings and any other proceedings commenced in furtherance of or in connection with the Purchase Agreement and the Transactions; provided that nothing in this paragraph will release or discharge any of the Lender Released Parties from or in respect of (i) their obligations to the Companies under this Agreement, (ii) their obligations under the agreements executed to implement the Transaction Terms, or (iii) any claims in respect of such Lender Released Parties' own gross negligence or fraud.



- (f) The Companies hereby indemnify and agree to hold harmless the Lender Released Parties from and against any and all demands, claims and other matters referred to in Section 6(e), asserted or commenced by any other Person against any of the Lender Released Parties on or after the date hereof (whether based on actions or omissions occurring before or after the date hereof), including any and all professional fees, expenses and disbursements incurred in defending against same, except that such indemnity shall not be available to any Lender Released Party with respect to any liability to the extent (and only to the extent) that such liability is adjudged by the express terms of a judgment rendered on a final determination on the merits to have resulted from the gross negligence, fraud or wilful misconduct of such Lender Released Party.
- (g) The Companies shall use their commercially reasonable efforts to obtain an Order or Orders of the Canadian Court providing for the releases set out in 0 and 6(e) herein and releases relating to similar claims arising after the Distribution Date and the Consenting Lenders hereby consent to such application.
- (h) The Companies agree to provide the same notice and information to the Majority Consenting Lenders (which may be provided by giving such notice and information to the Administrative Agent) as is required to be given to Purchaser under Section 8.8 of the North America Purchase Agreement.

## 7. Termination

- (a) This Agreement and the obligations of the Companies and the Consenting Lenders set out in this Agreement may (or in the case of subsection (iv) hereof, shall automatically) be terminated in the following manner and upon the earliest to occur of the following events (such earliest date being the “**Expiry Date**”):
  - (i) by the Companies or the Majority Consenting Lenders by written notice to the other Parties upon a material breach of any representation, warranty, covenant or other agreement of any other Party set forth in this Agreement which is incapable of being cured or, if capable of cure, is not cured within 10 days thereof;
  - (ii) by a Consenting Lender, as to itself, if the Purchase Agreement is amended in any manner adverse to the Lenders;
  - (iii) by the Majority Consenting Lenders by written notice to the other Parties if:
    - (A) the North America Transaction Effective Time has not occurred by September 15, 2012;
    - (B) any liens or charges are granted in the Proceedings in priority to the DIP Lenders’ Charge (as defined in the CCAA Initial Order) or the liens securing the obligations under the First Lien Credit Agreement, other than as contemplated in the CCAA Initial Order



and the DIP Credit Agreement (as defined in the CCAA Initial Order); or

- (C) any Event of Default shall occur under the DIP Credit Agreement and the same shall not be cured or waived for a period of 5 consecutive days;
- (iv) automatically upon:
  - (A) the Effective Time;
  - (B) the entry by either Court, or any other court of competent jurisdiction, of any order inconsistent with the consummation of the Transactions that is not stayed pending appeal; or
  - (C) the termination of the Purchase Agreement in accordance with the terms thereof.
- (b) On termination of this Agreement under Section 7(a), each Party shall be released from its commitments, undertakings and agreements under or related to this Agreement and shall have the rights and remedies that it would have had had it not entered into the Agreement; *provided, however*, that (i) such termination shall not affect any breach of this Agreement by a Party occurring prior to the Expiry Time for which such Party shall be responsible and shall remain liable, or any votes taken or other acts taken prior to the date of such termination; (ii) if this Agreement terminates at the Effective Time as a result of the consummation of the Transactions, Sections 2 and 6(d) shall survive termination of this Agreement until the Distribution Date; and (iii) the agreements and obligations referenced in Section 10(l) shall survive the Expiry Date. No termination fee is payable under this Agreement.

## 8. Amendments

This Agreement or the Purchase Agreement may not be materially modified, amended or supplemented (except as expressly provided herein) except in writing by the Companies and the Majority Consenting Lenders.

## 9. Confidentiality

The Companies agree, on their own behalf and on behalf of their Representatives (defined below), to maintain the confidentiality of the identity and Debt holdings of the Consenting Lenders; *provided, however*, that such information may be disclosed: (a) to the Companies' respective directors, trustees, executives, officers, auditors, and employees and financial and legal advisors or other agents (collectively, referred to herein as the "**Representatives**"; and individually, as a "**Representative**") who have a need to know such information in connection with the Transactions, provided that each such Representative is informed of this confidentiality provision and agrees to be bound hereby; (b) to the Purchaser, it being understood that only the aggregate, and not the individual, Debt holdings of the



Consenting Lenders will be disclosed to the Purchaser, and (c) to the extent required by, (i) any subpoena, or other legal process, including, without limitation, by the Courts or applicable rules, regulations or procedures of the Courts, (ii) any regulatory agency or authority, or (iii) applicable law. If the Companies or any of their Representatives receive a subpoena or other legal process as referred to in clause (c)(i) above in connection with this Agreement, the Companies shall provide the Consenting Lenders with prompt written notice of any such request or requirement, to the extent permissible and practicable under the circumstances, so that the Consenting Lenders may (at the Companies' expense) seek a protective order or other appropriate remedy or waiver of compliance with the provisions of this Agreement. Notwithstanding the provisions in this Section 9: (a) the Companies may disclose the existence of and nature of support evidenced by this Agreement in any public disclosure (including, without limitation, press releases and Court materials) produced by the Companies at the discretion of the Companies; *provided, however* (i) that in the context of any such public disclosure, only the aggregate holdings of the Consenting Lenders may be disclosed (but not their individual holdings), (ii) the Companies shall use commercially reasonable efforts to consult with the Administrative Agent as to the form and content of any proposed public disclosure addressing this Agreement; (b) the Companies may disclose the holdings of the Consenting Lenders in any action to enforce this Agreement or in an action for damages as a result of any breach hereof; and (c) the Companies may disclose, to the extent consented to in writing by a Consenting Lender, such Consenting Lender's holdings.

**10. Miscellaneous**

- (a) At any time, a holder of the Debt that is not a Consenting Lender as of the date of this Agreement, may become a Party to this Agreement by executing and delivering to the Companies and the Administrative Agent a Consent Agreement substantially in the form of Schedule C.
- (b) The headings in this Agreement are for convenience of reference and are not part of and are not intended to govern, limit or aid in the construction or interpretation of any term or provision hereof.
- (c) Unless the context otherwise requires, words importing the singular shall include the plural and vice versa and words importing any gender shall include all genders.
- (d) This Agreement (including the schedules attached to this Agreement) constitutes the entire agreement among the Parties and supersedes all prior agreements and understandings, both oral and written, among the Parties with respect to the subject matter hereof.
- (e) Except as otherwise expressly provided herein, for the purposes of this Agreement, any matter requiring the agreement, waiver, consent or approval of the Consenting Lenders shall require the agreement, waiver, consent or approval of the Majority Consenting Lenders. The Companies shall be entitled to rely on written confirmation from Wachtell, Lipton, Rosen & Katz, counsel to the Administrative Agent, that the Majority Consenting Lenders have, or any



Consenting Lender has, agreed, waived, consented to or approved a particular matter.

- (f) No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise.
- (g) Any date, time or period referred to in this Agreement shall be of the essence except to the extent to which the Parties agree in writing to vary any date, time or period, in which event the varied date, time or period shall be of the essence.
- (h) The Companies acknowledge and agree that Section 11.03 of the Credit Agreements is applicable to the fees and expenses of the Administrative Agent in connection with the negotiation of this Agreement and to any claims for indemnity by any Consenting Lender in respect of this Agreement.
- (i) All notices and other communications which may be or are required to be given pursuant to any provision of this Agreement shall be given or made in writing and shall be deemed to be validly given if served personally or by facsimile transmission, in each case addressed to the particular Party:

(i) If to the Companies, at:

c/o Cinram International Inc.  
2255 Markham Road  
Toronto, Ontario M1B 2W3  
Canada

Attention: John Bell  
Facsimile No.: 416-332-2403

With a required copy (which shall not be deemed notice) to:

Shearman & Sterling LLP  
599 Lexington Avenue  
New York, New York 10232

Attention: Douglas B. Bartner  
Facsimile No.: 646.848.8190

Goodmans LLP  
333 Bay Street, Suite 3400  
Toronto, Ontario M5H 2S7  
Canada

Attention: Robert J. Chadwick / Melaney Wagner  
Facsimile No.: 416.979.1234

(ii) If to the Administrative Agent:

JPMorgan Chase Bank, N.A.  
277 Park Avenue, 22nd Floor  
Mailcode: NY1-L271  
New York, NY 10172-0003

Attention: Jane Orndahl  
Facsimile No.: 212.270.0433

With a required copy (which shall not be deemed notice) to:

JPMorgan Chase Bank, N.A.  
1111 Polaris Parkway, Floor 4P  
Columbus, OH, 43240-2050

Attention: Gregory E. Sutton  
Facsimile No.: 614.248.6060

With a further required copy (which shall not be deemed notice) to:

Wachtell, Lipton, Rosen & Katz  
51 West 52<sup>nd</sup> Street  
New York, New York 10019

Attention: Richard Mason / Joshua Feltman  
Facsimile No.: 212.403.2000

(iii) If to a Consenting Lender at:

The address set forth for the Consenting Lender beside its signature.

With a required copy (which shall not be deemed notice) to:

Wachtell, Lipton, Rosen & Katz  
51 West 52<sup>nd</sup> Street  
New York, New York 10019

Attention: Richard Mason / Joshua Feltman  
Facsimile No.: 212.403.2000



or at such other address of which any Party may, from time to time, advise the other Parties by notice in writing given in accordance with the foregoing. The date of receipt of any such notice shall be deemed to be the date of delivery thereof.

- (j) If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the terms of this Agreement remain as originally contemplated to the fullest extent possible.
- (k) The provisions of this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns, provided that no Party may assign, delegate or otherwise transfer any of its rights, interests or obligations under this Agreement without the prior written consent of the other Parties hereto.
- (l) All representations, warranties and covenants contained in this Agreement on the part of each of the Parties shall survive until the Expiry Date, subject to Section 7(b) and save and except for the agreements and obligations under Section 5(c), Section 0, Section 5(e), Section 6(e), Section 6(f), Section 6(g), Section 9 and the following Sections 10(m) and 10(n), which shall survive after the Expiry Date.
- (m) This Agreement is governed by the laws of the State of New York and the federal laws applicable therein. Each Party submits to the jurisdiction of the courts of competent jurisdiction in the State of New York in respect of any action or proceeding relating to this Agreement. The Parties shall not raise any objection to the venue of any proceedings in any such court, including the objection that the proceedings have been brought in an inconvenient forum.
- (n) The Parties waive any right to trial by jury in any proceeding arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement, present or future, and whether sounding in contract, tort or otherwise. Any Party may file a copy of this provision with any court as written evidence of the knowing, voluntary and bargained for agreement between the Parties irrevocably to waive trial by jury, and that any proceeding whatsoever between them relating to this Agreement or any of the transactions contemplated by this Agreement shall instead be tried by a judge or judges sitting without a jury.
- (o) Each Consenting Lender agrees that it shall not make any public announcement or statement with respect to this Agreement, the Purchase Agreement or the Transactions without the prior written approval of the Companies. Each Consenting Lender acknowledges and agrees that this Agreement and all communications and statements with respect to the transactions contemplated by the Transactions or any negotiations, terms of other facts with respect thereto are



subject to the confidentiality obligations contained in Section 11.11 of the Credit Agreements and constitute "Confidential Information" thereunder.

- (p) Notwithstanding anything herein to the contrary, or in any document or instrument executed and delivered in connection herewith, the Parties agree that the representations, warranties, obligations, liabilities and indemnities of each Consenting Lender hereunder shall be several and not joint, and no Consenting Lender shall have any liability hereunder for any breach by any other Consenting Lender of any obligation of such Consenting Lender set forth herein. Except as otherwise expressly provided in this Agreement, all representations, warranties, obligations, liabilities and indemnities of each Company shall be joint and several.
- (q) The Parties each recognize and acknowledge that a breach by any Party hereto of any covenants or other commitments contained in this Agreement will cause the other Parties to sustain injury for which they would not have an adequate remedy at law for monetary damages. Therefore, the Parties agree that in the event of any such breach, the non-breaching Parties shall be entitled to the remedy of specific performance of such covenants or commitments and preliminary and permanent injunctive and other equitable relief in addition to any other remedy to which it may be entitled, at law or in equity.
- (r) This Agreement may be executed by facsimile or other electronic means and in one or more counterparts, all of which shall be considered one and the same agreement.
- (s) This Agreement is only for the benefit of the Parties hereto (including the Consenting Lenders who become Parties hereto by executing a Consent Agreement in substantially the form attached as Schedule C) and nothing in this Agreement, express or implied, is intended or shall be construed to confer upon any person or entity other than the Parties any rights or remedies, and no person or entity other than the Parties shall be entitled to rely in any way upon this Agreement.
- (t) Except as expressly provided in this Agreement, nothing herein is intended to, or does, or shall be deemed in any manner to waive, limit, impair or restrict any right of the Administrative Agent or any Consenting Lender under the Credit Agreements and the Loan Documents, nor to amend or waive any provision of the Credit Agreements in any manner. Without limitation of the foregoing, if the Transactions are not consummated, or if this Agreement is terminated for any reason, each of the Consenting Lenders and each of the Companies each fully reserve any and all of their rights and remedies in respect of the Credit Agreements.

[Remainder of this page intentionally left blank; next page is signature page]

This Agreement has been agreed and accepted on the date first written above.

**CINRAM INTERNATIONAL INCOME FUND**  
By its Administrator,  
**Cinram International Inc.**

Per: \_\_\_\_\_

Name: JOHN H BELL  
Title: Authorized Signatory

**CINRAM INTERNATIONAL INC.**

Per: \_\_\_\_\_

Name: JOHN H. BELL  
Title: Authorized Signatory

**CINRAM, INC.**

Per: \_\_\_\_\_

Name: JOHN H BELL  
Title: Authorized Signatory

**CINRAM (U.S.) HOLDING'S INC.**

Per: \_\_\_\_\_

Name: JOHN H BELL  
Title: Authorized Signatory

[Signature Page to Support Agreement]



[LENDERS' SIGNATURE PAGES REDACTED]

**SCHEDULE A**  
**FORM OF PURCHASE AGREEMENT**

**(see attached)**



**ASSET PURCHASE AGREEMENT**

**CINRAM INTERNATIONAL INC.**

**As the "Seller"**

**And**

**CINRAM ACQUISITION, INC.**

**As the "Buyer"**

**Made as of June 22, 2012**

## ASSET PURCHASE AGREEMENT

**THIS ASSET PURCHASE AGREEMENT** is made as of June 22, 2012,

**BETWEEN:**

**CINRAM INTERNATIONAL INC.**, a corporation organized under the *Canada Business Corporations Act* (the “**Seller**”)

– and –

**CINRAM ACQUISITION, INC.**, a corporation organized under the laws of the State of Delaware (the “**Buyer**”)

### RECITALS:

A. The Seller, directly or through the Additional Sellers (defined below), (1) manufactures pre-recorded multimedia products and provides related logistics services in North America and Europe, (2) owns and operates a digital media production studio, and (3) offers fully hosted business intelligence and analytics solutions through its Vision proprietary software platform (collectively, the “**Business**”).

B. The Seller, together with Moelis & Company (“**Moelis**”), conducted an investment and sale process for the Business.

C. The Seller wishes to sell, and the Buyer wishes to purchase, substantially all of the Seller’s and the Additional Sellers’ property and assets used in connection with the Business carried on by the Seller and the Additional Sellers in North America (collectively, the “**Purchased Business**”), subject to the terms and conditions of this Agreement, and subject to Court Approval (defined below).

D. Concurrently with the execution of this Agreement, the Buyer is making an offer to the Seller to acquire the Business in Europe (the “**European Business**”) pursuant to the letter attached to this Agreement as Exhibit A (the “**Offer**”).

E. The Buyer expects to nominate one or more Canadian entities to take title to the Canadian Purchased Assets, and one or more United States entities to take title to the United States Purchased Assets, pursuant to the nomination provisions set forth in Section 12.7.

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties agree as follows:



## ARTICLE 1. – INTERPRETATION

### 1.1 Definitions

In this Agreement,

“**Accounts Payable**” means, in respect of an entity, (a) trade payables, royalties, sales allowances, rebates, freight and sales taxes payable by such entity, (b) outstanding balances owing to customers, including accrued rebates and sales allowances, payable by such entity; and (c) the accounts payable of the Asset Sellers listed in Schedule 1.1(a).

“**Accounts Receivable**” means, in respect of an entity, all trade accounts receivable and all trade debts due or accruing due to such entity in connection with the Purchased Business and the full benefit of all security therefor.

“**Acquisition Proposal**” means, other than the transactions involving the Buyer contemplated by this Agreement any *bona fide* (a) merger, amalgamation, business combination, take-over bid, tender offer, arrangement, consolidation, recapitalization, reorganization, liquidation, dissolution, winding up, distribution or share exchange involving the Seller and/or one or more of its wholly-owned material subsidiaries the assets or revenues of which, individually or in the aggregate, constitute 20% or more of the consolidated assets or contributing 20% or more of consolidated revenue, as applicable, of the Seller and its subsidiaries, taken as a whole, or (b) sale of assets of the Seller and/or one or more of its wholly-owned subsidiaries representing 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue of the Seller and its subsidiaries, taken as a whole (or any lease, long-term supply agreement or other arrangement having the same economic effect).

“**Additional Sellers**” means the Asset Sellers (other than the Seller).

“**Affiliate**” of any Person means any Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. For purposes of this definition, the term “**control**” (including the terms “controlling,” “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

“**Agreement**” means this Asset Purchase Agreement and all attached Exhibits and Schedules, in each case as the same may be supplemented, amended, restated or replaced from time to time, and the expressions “hereof”, “herein”, “hereto”, “hereunder”, “hereby” and similar expressions refer to this Agreement and all attached Exhibits and Schedules and unless otherwise indicated, references to Articles, Sections, Exhibits and Schedules are to Articles, Sections, Exhibits and Schedules in this Agreement.

“**Applicable Law**” means any domestic or foreign statute, law (including the common law and the law of equity), ordinance, rule, regulation, restriction, by-law (zoning or otherwise), order, or any consent, exemption, approval or licence of or concerning a Governmental Authority, that applies in whole or in part to the transactions contemplated by this Agreement,



the Seller, the Additional Sellers, the Buyer, the Purchased Business or any of the Purchased Assets.

“**Approval and Vesting Order**” means an order granted by the Canadian Court substantially in the form attached hereto as Exhibit B.

“**Asset Sellers**” means the Seller, Cinram Inc., Cinram Retail Services LLC, One K Studios LLC, Cinram Distribution LLC and Cinram Manufacturing LLC.

“**Assumed Contracts**” has the meaning given to such term in Section 2.1(g).

“**Assumed Employee Plan**” means any Employee Plan that is set forth on Schedule L.1(b).

“**Assumed Employees**” has the meaning given to such term in Section 8.7(a).

“**Assumed Liabilities**” has the meaning given to such term in Section 2.3.

“**Assumed Uncaptured Accruals**” has the meaning given to such term in Section 2.3(j).

“**Bankruptcy Code**” means Title 11 of the United States Code, as amended from time to time.

“**Bankruptcy Court**” means the United States Bankruptcy Court for the District of Delaware.

“**Board of Trustees**” means the board of trustees of Cinram International Income Fund, the beneficial owner of all of the outstanding shares of the Seller.

“**Break Fee**” has the meaning given that term in Section 8.8(e).

“**Business**” has the meaning given to such term in Recital A.

“**Business Day**” means any day other than a Saturday or Sunday or a statutory holiday in Toronto, Ontario and in New York, New York.

“**Buyer**” has the meaning given to such term in the preamble to this Agreement. The Buyer expects to nominate one or more Canadian entities to take title to the Canadian Purchased Assets, and one or more United States entities to take title to the United States Purchased Assets, pursuant to the nomination provisions set forth in Section 12.7. Each of such new entities will be the “Buyer” hereunder if and as the context requires.

“**CCAA**” means the *Companies' Creditors Arrangement Act* (Canada).

“**Canadian Court**” means the Ontario Superior Court (Commercial List).

“**CCAA Initial Order**” means an order granted by the Canadian Court substantially in the form attached hereto as Exhibit C.



“**CCAA Proceedings**” means the proceedings commenced under the CCAA by the Seller pursuant to the CCAA Initial Order.

“**CCAA Recognition Order**” means an order of the Bankruptcy Court entered in the Chapter 15 Proceedings pursuant to section 1517 of the Bankruptcy Code recognizing the CCAA Proceedings as foreign main proceedings.

“**Chapter 15 Debtors**” means the Seller, the Additional Sellers and Cinram (U.S.) Holding’s Inc.

“**Chapter 15 Proceedings**” means the proceedings commenced under chapter 15 of the Bankruptcy Code by each of the Chapter 15 Debtors.

“**Closing**” means the completion of the sale and purchase of the Purchased Assets pursuant to this Agreement at the Closing and all other transactions contemplated by this Agreement that are to occur contemporaneously with the sale and purchase of the Purchased Assets.

“**Closing Date**” means July 31, 2012, or such other date agreed to by the Parties in writing, subject to satisfaction of the conditions to Closing set forth in Article 7.

“**Code**” means the United States Internal Revenue Code of 1986, as amended.

“**Confidential Information**” means the information (whether or not marked or identified as confidential), including but not limited to intellectual property, methodology, technology and programs, software, source code, product plans, designs, formulae, processes, techniques, drawings, diagrams, visual demonstrations, ideas, concepts, costs, prices and names, data, technical information, financial information, business plans, business processes and systems, information relating to clients and prospective clients, agreements and terms thereof, strategies, practices, marketing plans, advertising, commercial or sales materials, business opportunities, personnel, research, development or know-how which has been or may hereafter be disclosed, directly or indirectly, to the Buyer either orally, in writing or in any other form or medium whatsoever pursuant to or in contemplation of this Agreement, provided that Confidential Information shall not include information that: (a) is now or subsequently becomes generally available to the public through no fault or breach on the part of the Buyer; (b) is independently developed by the Buyer without the use of any of the Confidential Information, provided that such independent development is capable of being proven in a court of law; (c) is required to be disclosed by court order or other lawful action of a Governmental Authority, but only to the extent so ordered or required, and provided that the Buyer shall notify the Seller, so that the Seller may attempt to obtain a protective order either restricting or preventing such disclosure; or (d) is rightfully received by the Buyer from a third party without a duty of confidentiality to the Seller or its Affiliates, provided that such rightful receipt by the Buyer is capable of being proven in a court of law.

“**Confidentiality Agreement**” means the confidentiality and non-disclosure agreement executed by the Buyer in favour of the Seller dated April 3, 2012.



**“Court Approval”** means (a) the issuance of the Approval and Vesting Order by the Canadian Court approving the sale of the Purchased Assets, (b) the entry of a Sale Recognition Order by the Bankruptcy Court, and (c) with respect to both the Approval and Vesting Order and the Sale Recognition Order, all opportunities for rehearing, reargument, petition for certiorari and appeal being exhausted or having expired without any appeal, motion, or petition having been filed and remaining pending, any requests for rehearing have been denied, no order having been entered and remaining pending staying, enjoining, setting aside, annulling, reversing, remanding, or superseding the same, the expiration of any required waiting or appeal period(s) without an appeal having been filed and remaining pending, and all conditions to effectiveness prescribed therein or otherwise by law or order having been satisfied.

**“Court Orders”** means the CCAA Initial Order, the Approval and Vesting Order, the Provisional Relief Order, the CCAA Recognition Order, and the Sale Recognition Order.

**“Data Room”** means the virtual data room available at <https://goodmansdealroom.firmex.com/app/login.aspx>.

**“Effective Date”** means April 30, 2012.

**“Effective Date Balance Sheet”** has the meaning given that term in Section 4.8(d).

**“Employee Plan”** means any plan, arrangement, agreement or program sponsored, administered or maintained by the Seller that has any application to the Seller’s employees (including directors, officers, retired employees, former employees, individuals working on contract with the Seller or other individuals providing services to the Seller of a kind normally provided by employees) or their dependants or beneficiaries and consisting of or relating to, as the case may be, any one or more of the following:

(a) retirement savings or pensions, group registered retirement savings plan, or supplemental pension or retirement plan or retirement compensation arrangement;

(b) any bonus, incentive or retention pay or compensation, deferred compensation, profit sharing or deferred profit sharing, stock option, stock appreciation, stock purchase, phantom stock, vacation or vacation pay, sick pay, severance or termination pay, employee loans or separation from service benefits, or other type of plan or arrangement providing for compensation or benefits additional to base pay or salary; and

(c) any disability or wage continuation benefits during periods of absence from work, or any other benefit, including supplemental unemployment, hospitalization, health, medical/dental, disability, life insurance, death or survivor benefits, employment insurance, and fringe benefits.

**“Encumbrance”** means any security interest, lien, prior claim, charge, hypothec, hypothecation, reservation of ownership, pledge, encumbrance, mortgage or adverse claim of any nature or kind other than licenses of Intellectual Property.



**“Environmental Claim”** means any claim, action, cause of action, investigation or notice by any Person alleging potential liability (including potential liability for investigatory costs, cleanup costs, Governmental Authority response costs, natural resources damages, property damages, personal injuries or penalties) arising out of, based on or resulting from (a) the presence, Release or threatened Release of any Hazardous Materials at any location owned or operated by the Seller or any Additional Seller, or (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

**“Environmental Law”** means any Applicable Law relating to pollution or protection of the environment, natural resources or human health and safety (including occupational or workplace health and safety), including laws relating to the exposure to, or Releases or threatened Releases of, Hazardous Materials or otherwise relating to the manufacture, presence, processing, distribution, use, treatment, storage, Release, transport, disposal, transfer, discharge, control, recycling, production, generation or handling of Hazardous Materials and all laws with regard to recordkeeping, notification, disclosure and reporting requirements respecting Hazardous Materials, each as amended and as now in effect.

**“Environmental Permit”** means any permit, licenses, approvals, authorizations franchises, certificates, consents, registrations, certificates of authorization and de-pollution attestation or other authorizations required under any Environmental Law to (a) conduct the Purchased Business as currently conducted, or (b) in relation to the Purchased Assets.

**“Escrow Agreement”** has the meaning given that term in Section 3.1(a).

**“European Business”** has the meaning given to such term in Recital D.

**“European Material Customer”** means those customers separately listed in a writing provided by the Seller to the Buyer (which writing references this definition), which Seller represents are the only customers of the European Business who represented 2% or more of sales during 2011, with such exceptions as noted in such separate writing.

**“European Purchase Price”** has the meaning given to such term in Section 3.1(c).

**“European Representations”** has the meaning given to such term in Section 4.19.

**“Excluded Assets”** has the meaning given to such term in Section 2.2.

**“Excluded Liabilities”** has the meaning given to such term in Section 2.4.

**“Filing Date”** means the date of the Initial CCAA Order.

**“Foreign Representative”** means Cinram International ULC or such other foreign representative as may be appointed by the Bankruptcy Court in the Chapter 15 Proceedings.

**“GAAP”** or **“generally accepted accounting principles”**, except to the extent otherwise expressly provided herein, means generally accepted accounting principles in Canada from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute,



including International Financial Reporting Standards and those recommended in the Handbook of the Canadian Institute of Chartered Accountants on the date on which such generally accepted accounting principles are applied, on the basis that the Purchased Business is regarded as a going concern, other than those principles requiring the recognition of impairment or similar Encumbrances arising out of the CCAA Proceedings and events relating thereto.

**“Governmental Authority”** means any government, regulatory authority, governmental department, agency, commission, bureau, court, judicial body, arbitral body or other law, rule or regulation-making entity:

(a) having jurisdiction over any Asset Seller, the Buyer, the Purchased Assets or the Assumed Liabilities on behalf of any country, province, state, locality or other geographical or political subdivision thereof; or

(b) exercising or entitled to exercise any administrative, judicial, legislative, regulatory or Taxing authority or power.

**“Governmental Authorizations”** means authorizations, approvals, franchises, orders, certificates, consents, directives, notices, licenses, permits, variances, registrations or other rights issued to or required by any Asset Seller relating to the Purchased Business or any of the Purchased Assets by or from any Governmental Authority.

**“GST”** means goods and services taxes imposed under the GST Legislation which, for greater certainty, includes the provincial component of any harmonized sales tax imposed under the GST Legislation.

**“GST Legislation”** means Part IX of the *Excise Tax Act* (Canada).

**“Hazardous Materials”** means any substance, including a solid, liquid, gas, odour, heat, sound, vibration, radiation or combination of any of them, which is deemed to be, alone or in any combination, “hazardous,” “hazardous waste,” “radioactive,” “deleterious,” “toxic,” “caustic,” “dangerous,” a “contaminant,” a “pollutant,” a “dangerous good,” a “waste,” a “special waste,” a “source of contamination” or a “source of a pollutant” under any Environmental Law whether or not such substance is defined as hazardous under the Environmental Law involved; any substances or materials the presence or concentration of which in soil, sediment, ground water or surface water is regulated under any Environmental Law, including, without limitation, asbestos, asbestos-containing materials, lead or lead-based paint, polychlorinated biphenyls, mould, mildew or fungi, oil, waste oil, petroleum, petroleum productions, or urea formaldehyde foam insulation; and any other material or substance which may pose a threat to the environment or to human health or safety.

**“Huntsville Facility”** means the real property and related facility subject to the IDB Lease.

**“Huntsville Facility Purchase Price”** has the meaning given to such term in Section 4.15(d).



“ICA” means the *Investment Canada Act* (Canada), as amended.

“ICA Financial Statements” has the meaning given such term in Section 4.17(b).

“IDB” has the meaning given such term in Section 4.15(a).

“IDB Lease” has the meaning given such term in Section 4.15(a).

“including” and “includes” shall be interpreted on an inclusive basis and shall be deemed to be followed by the words “without limitation”.

“Initial Designation Date” has the meaning given such term in Section 9.2(b).

“Intellectual Property” means trademarks and trademark applications, trade names, certification marks, patents and patent applications, copyrights, know-how, formulae, processes, inventions, technical expertise, research data, trade secrets, industrial designs and other similar property, and all registrations and applications for registration thereof.

“Inventories” means, in respect of an entity, all inventories of finished goods (other than finished goods, including replicated disks, that belong to customers), work in process, raw materials and other materials and supplies, including packaging and similar materials.

“KERP” means the key employee retention plan adopted by Cinram in October, 2011, including the letter agreements with the Seller’s two senior executives dated January 17, 2012.

“Letters of Credit” means the letters of credit listed in Schedule 1.1(c).

“Madison Purchase Right” has the meaning given to such term in Section 4.15(c).

“Material Adverse Effect” means a change in or an effect on the Purchased Business and the European Business (taken as a whole), or circumstance, that materially and adversely impacts the value of the Purchased Business and the European Business (taken as a whole) as at the date of this Agreement, but shall exclude: (a) the commencement of the CCAA Proceedings and the Chapter 15 Proceedings or any changes or effects resulting from the announcement or pendency of the CCAA Proceedings or the Chapter 15 Proceedings; (b) changes, effects or circumstances that generally, or in the regions in which the Purchased Business or the European Business operate, affect the industries in which the Purchased Business or the European Business operate (including legal and regulatory changes); (c) any change or prospective change in Applicable Law or GAAP, or any interpretation of any of the foregoing; (d) general economic or political conditions or changes, effects or circumstances affecting the financial or securities markets generally; (e) changes, effects or circumstances relating to foreign currency exchange rate fluctuations; (f) changes arising from the consummation of the transactions contemplated in this Agreement, or the announcement of the execution of this Agreement, including (i) any actions of competitors, (ii) any actions taken by or losses of employees, or (iii) any delays or cancellations of orders for products or services; (g) any reduction in the price of services or products offered by the Purchased Business or the European Business in response to the reduction in price of comparable services or products offered by a competitor; (h) changes



caused by acts of terrorism or war (whether or not declared); and (i) any change, effect or circumstance that results from any action taken pursuant to or in accordance with this Agreement or at the request of the Buyer.

**“Material Contracts”** means: (a) except pursuant to purchase orders issued in the ordinary course of business, any contract for the purchase of materials, supplies, goods, services, equipment or other assets that provides for aggregate payments by or to any Asset Seller of \$250,000 or more; (b) the customer contracts whose aggregate annual revenues to the Purchased Business constituted at least 90% of the consolidated annual revenues of the Purchased Business during 2011; (c) a contract which by its terms cannot be terminated by an Asset Seller for a period in excess of 12 months without a payment or a penalty; (d) an employment or consulting contract requiring an Asset Seller to pay annual compensation of \$125,000 or more; (e) a contract restricting in any manner an Asset Seller’s right to compete in any material line of business with any other Person; (f) a contract regarding indemnification, other than those contracts that contain customary indemnification clauses as part of the overall agreement; and (g) a contract wherein an Asset Seller granted to another Person exclusive rights, all of which have been separately listed in a writing provided by the Seller to the Buyer (which writing references this definition).

**“Material Customers”** means those customers separately listed in a writing provided by the Seller to the Buyer (which writing references this definition), which Seller represents are the only customers of the Purchased Business who represented 2% or more of sales during 2011, with such exceptions as noted in such separate writing.

**“Moelis”** has the meaning given to such term in Recital B.

**“Monetary Defaults”** means monetary defaults under each of the Assumed Contracts, Real Property Leases, Personal Property Leases and Assumed Employee Plans that the Buyer has designated for assumption and assignment, excluding (a) amounts accrued on the Effective Date Balance Sheet, (b) Assumed Uncaptured Accruals, and (c) amounts that arose after April 30, 2012 in the ordinary course of business.

**“Monitor”** means the monitor appointed by the Canadian Court under the CCAA Initial Order in respect of the CCAA Proceedings.

**“Objecting Counterparty”** has the meaning given such term in Section 9.2(g).

**“Offer”** has the meaning given to such term in Recital D.

**“Olyphant Contract”** has the meaning given to such term in Section 9.2(i).

**“Olyphant Facility”** means that certain manufacturing facility owned by Cinram Manufacturing LLC located at 1400 E. Lackawanna Ave., Olyphant, Pennsylvania.

**“Open Contract”** has the meaning given such term in Section 9.2(d).

**“Option”** has the meaning given such term in Section 4.15(a).



“**Order**” means any order, injunction, treaty, resolution, edict, judgment, decree, ruling, writ, assessment or arbitration award of a Governmental Authority.

“**OSC**” has the meaning given that term in Section 4.7(a).

“**Owned Real Property**” means the Real Property that is not an Excluded Asset and all plants, buildings, structures, improvements, appurtenances and fixtures (including fixed machinery and fixed equipment) thereon, forming part thereof or benefiting such real or immoveable property.

“**Parent**” has the meaning given that term in Section 4.7(a).

“**Parent Financial Statements**” has the meaning given that term in Section 4.7(b).

“**Parent Reports**” has the meaning given that term in Section 4.7(a).

“**Partial Assignment**” has the meaning given that term in Section 4.15(d).

“**Parties**” means the Seller and the Buyer collectively, and “**Party**” means either the Seller or the Buyer.

“**Permits**” has the meaning given to such term in Section 2.1(h).

“**Permitted Encumbrances**” means:

- (c) Encumbrances listed or described on Schedule 1.1(d);
- (d) Encumbrances given by the Seller as security to a public utility or any Governmental Authority when required in the ordinary course of the Purchased Business but only insofar as they relate to any obligations or amounts not due as at the Closing Date;
- (e) reservations, limitations, provisos and conditions, if any, expressed in any original grants of land by a Governmental Authority and any statutory limitations, exceptions, reservations and qualifications on real property;
- (f) statutory liens for current Taxes, assessments or other governmental charges not yet due and payable or those being contested in good faith;
- (g) discrepancies in the legal description of the Real Property or any adjoining real or immovable property which would be disclosed in an up-to-date survey which do not materially adversely affect the use or value of the Real Property affected thereby (based on the current use of such affected property), and any registered servitudes, easements, restrictions or covenants that run with the Real Property, as set forth in a title commitment reasonably acceptable to the Buyer;
- (h) rights of way for or reservations or rights of others for, sewers, water lines, gas lines, electric lines, telegraph and telephone lines, and other similar utilities, or zoning by-laws, ordinances or other restrictions as to the use of real or immovable property, which do not in the



aggregate materially detract from the value of any affected property of the Seller (based on the current use of such affected property) or materially impair the use of any property used in the Purchased Business (based on the current use of such affect property) and provided the same are complied with in all material respects up to the Closing Date, as set forth in a title commitment reasonably acceptable to the Buyer;

(i) applicable municipal by-laws, development agreements, subdivision agreements, site plan agreements, servicing agreements, cost sharing reciprocal agreements and building restrictions and other similar agreements which do not materially impair the use of the Real Property affected thereby (based on the current use of such affect property) and provided the same are complied with in all material respects to the Closing Date including the posting of any required security for performance of obligations thereunder;

(j) all encroachment agreements, restrictive covenants, survey exceptions, reciprocal easement agreements and other Encumbrances registered against title to any Real Property which do not materially impair the use of such property provided same are complied with in all material respects, as set forth in a title commitment reasonably acceptable to the Buyer;

(k) defects or irregularities in title to the Real Property which are of a minor nature and do not in the aggregate materially impair the use of the Real Property affected thereby (based on the current use of such affect property), as set forth in a title commitment reasonably acceptable to the Buyer;

(l) Encumbrances of mechanics, labourers, workmen, builders, contractors, suppliers of material or architects or other similar encumbrances incidental to construction, maintenance or repair operations which have either been registered or filed pursuant to Applicable Law against the Seller or not yet registered or filed and which, in any such case, relate to obligations not due and payable or which are being contested in good faith by appropriate proceedings diligently conducted;

(m) statutory Encumbrances relating to obligations not due and payable;

(n) Encumbrances associated with, and financing statements evidencing, the rights of equipment lessors under equipment Contracts or Personal Property Leases;

(o) Encumbrances associated with the Real Property Leases or the real or immovable properties subject to the Real Property Leases including all offers to lease and monthly tenancies and all other agreements in any way relating to the occupation of any such property and any notice thereof; and

(p) the Assumed Liabilities.

**“Person”** means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted.



“**Personal Property Leases**” has the meaning given to such term in Section 2.1(n).

“**Prepaid Expenses**” means, in respect of an entity, the full benefit of all prepaid expenses, other than Tax prepayments and insurance prepayments, of such entity.

“**Provisional Relief Order**” means an order of the Bankruptcy Court entered in the Chapter 15 Proceedings pursuant to section 1519 of the Bankruptcy Code granting provisional relief to the Chapter 15 Debtors.

“**Purchase Price**” has the meaning given to such term in Section 3.1.

“**Purchased Accounts Receivable**” has the meaning given that term in Section 4.8(a).

“**Purchased Assets**” has the meaning given to such term in Section 2.1.

“**Purchased Business**” has the meaning given to such term in Recital C.

“**Real Property**” has the meaning given to such term in Section 2.1(o).

“**Real Property Leases**” has the meaning given to such term in Section 2.1(a).

“**Real Property Taxes**” means Taxes imposed with respect to the Owned Real Property for the tax year that includes the Closing Date which are paid or accrued by the Asset Sellers in the ordinary course of business.

“**Reduced Purchase Price**” has the meaning given to such term in Section 4.15(d).

“**Regulatory Approvals**” means approvals required under the ICA, and all other such consents, approvals, permits and authorizations with any other Governmental Authorities whose consent is required for consummation of the transactions contemplated by this Agreement.

“**Rejection Notice**” has the meaning given such term in Section 9.2(d).

“**Release**” means any release, spill, emission, discharge, leaking, pouring, emptying, escaping, dumping, injection, deposit, disposal, dispersal, leaching or migration into the indoor or outdoor environment (including ambient air, surface water, groundwater and surface or subsurface strata) or into or out of any property.

“**Released Party**” has the meaning given to such term in Section 8.10.

“**Sale Recognition Order**” means an order of the Bankruptcy Court, substantially in the form attached hereto as Exhibit D, in form and substance reasonably acceptable to the Buyer and its counsel.

“**Seller**” has the meaning given to such term in the preamble to this Agreement.

“**Seller Expenses**” means all liabilities of the Seller incurred and relating to (a) the period after the Effective Date in connection with the Seller’s strategic process and the transactions



contemplated hereby to the professional advisors of the Seller and the Seller's lenders, including legal counsel, accountants, tax advisors, financial advisors and other advisors to the Seller and its lenders, and (b) any premiums for the tail directors and officers' insurance paid by the Seller as permitted by Section 8.2, but excluding obligations under the KERP and any excise taxes exigible on such Seller Expenses.

**"Seller's Representations"** has the meaning given that term in Section 12.4.

**"Sunset Date"** has the meaning given to such term in Section 10.1(b)(i).

**"Superior Proposal"** means any written Acquisition Proposal made after the date of this Agreement that:

(a) is, in the opinion of the Board of Trustees, acting in good faith after receiving the advice of its outside legal counsel and financial advisors, reasonably likely to be consummated at the time and on the terms proposed, taking into account, to the extent considered appropriate by the Board of Trustees, all financial, legal, regulatory and other aspects of such Acquisition Proposal;

(b) in respect of which the funds or other consideration necessary to complete the Acquisition Proposal have been demonstrated to be available to the reasonable satisfaction of the Board of Trustees;

(c) did not result from a breach of Section 8.8; and

(d) in respect of which the Board of Trustees determines, in its good faith judgment, after receiving the advice of its outside legal counsel and financial advisors that, having regard to all of its terms and conditions, such Acquisition Proposal would, if consummated in accordance with terms (but not assuming away any risk of non-completion), result in a transaction more favourable to the Seller from a financial point of view than the transactions contemplated hereby.

**"Tax"** and **"Taxes"** means:

(a) taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, disability, severance, unemployment, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, all licence, franchise and registration fees and all employment insurance, health insurance and Canada, Ontario and other government pension plan premiums or contributions; and

(b) any liability in respect of any items described in clause (a) payable by reason of contract, assumption, transferee liability, operation of law, United States Income Tax Regulation



Section 1.1502-6(a) (or any predecessor or successor thereof or any analogous or similar provision under law) or otherwise;

“**Title Company**” has the meaning given to such term in Section 11.1.

“**Title Commitment**” means a preliminary title commitment in respect of each parcel comprising the Owned Real Property and the Huntsville Facility.

“**Title Insurance Policy**” has the meaning given to such term in Section 8.11(b).

“**Transfer Taxes**” has the meaning given to such term in Section 8.6(c).

“**Transferred Intellectual Property**” has the meaning given to such term in Section 4.9(a).

“**Transition Services Agreement**” has the meaning given such term in Section 2.6.

“**Uncaptured Accruals**” means liabilities or contingent liabilities of the Purchased Business that arose on or prior to, and that have not been paid in full as of, the Effective Date in the ordinary course of business (other than liabilities or contingent liabilities that are, or relate to, Excluded Assets or Excluded Liabilities), but that are not set forth on the Effective Date Balance Sheet, the amount of which shall be agreed upon by the parties or determined by courts through the CCAA Proceedings and/or the Chapter 15 Proceedings.

“**Unpermitted Encumbrance**” means any defect in the title of any of the Owned Real Property or the Huntsville Facility or any other matter unacceptable to the Buyer with respect to the Owned Real Property or the Huntsville Facility that does not constitute a Permitted Encumbrance and that has a Material Adverse Effect on the Buyer’s ability to operate the Business in its current manner from the Owned Real Property or the Huntsville Facility.

## 1.2 Exhibits and Schedules

The following Exhibits and Schedules form part of this Agreement:

Exhibit A	– Offer for European Business
Exhibit B	– Approval and Vesting Order
Exhibit C	– CCAA Initial Order
Exhibit D	– Sale Recognition Order
Exhibit E	– Transition Services Agreement Matters
Exhibit F	– Escrow Agreement
Exhibit G	– Effective Date Balance Sheet
Exhibit H	– ICA Financial Statements

Exhibit I	-	Representations Concerning Business in Europe
Schedule 1.1(a)	-	Accounts Payable
Schedule 1.1(b)	-	Assumed Employee Plans
Schedule 1.1(c)	-	Letters of Credit
Schedule 1.1(f)	-	Permitted Encumbrances
Schedule 2.1(a)	-	Real Property Leases
Schedule 2.1(b)	-	Equipment
Schedule 2.1(h)	-	Permits
Schedule 2.1(i)	-	Intellectual Property
Schedule 2.1(j)	-	Domain Names and Internet Addresses
Schedule 2.1(n)	-	Personal Property Leases
Schedule 2.1(o)	-	Real Property
Schedule 2.2(p)	-	Specifically Excluded Assets
Schedule 4.3	-	Consents
Schedule 4.5	-	Title
Schedule 4.6	-	Contracts
Schedule 4.9	-	Transferred Intellectual Property

### **1.3 Statutes**

Unless specified otherwise, reference in this Agreement to a statute refers to that statute as it may be amended, or to any restated or successor legislation of comparable effect.

### **1.4 Headings and Table of Contents**

The inclusion of headings and a table of contents in this Agreement is for convenience of reference only and shall not affect the construction or interpretation hereof.

### **1.5 Gender and Number**

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and *vice versa* and words importing gender include all genders.



## **1.6 Currency**

Except where otherwise expressly provided, all amounts in this Agreement are stated and shall be paid in United States dollars (US\$).

## **1.7 Knowledge**

Where any representation or warranty contained in this Agreement is qualified by reference to the knowledge of the Seller it will be deemed to refer to the actual knowledge after due inquiry of Steve Brown, John Bell, Neil Ballantine, Howard Berman and David Ashton, without personal liability on the part of any of them.

## **1.8 Invalidity of Provisions**

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

## **1.9 Entire Agreement**

This Agreement and the agreements and other documents required to be delivered pursuant to this Agreement constitute the entire agreement between the Parties, provided that the Confidentiality Agreement shall remain in full force and effect, and set out all the covenants, promises, warranties, representations, conditions and agreements between the Parties in connection with the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, pre-contractual or otherwise. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, whether oral or written, pre-contractual or otherwise, express, implied or collateral between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and any document required to be delivered pursuant to this Agreement.

## **1.10 Waiver, Amendment**

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless executed in writing by all Parties hereto. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

## **1.11 Governing Law; Jurisdiction and Venue**

This Agreement, the rights and obligations of the Parties under this Agreement, and any claim or controversy directly or indirectly based upon or arising out of this Agreement or the transactions contemplated by this Agreement (whether based on contract, tort, or any other theory), including all matters of construction, validity and performance, shall in all respects be governed by, and interpreted, construed and determined in accordance with, the laws of the



Province of Ontario and the federal laws of Canada applicable therein, without regard to the conflicts of law principles thereof. The Parties consent to the jurisdiction and venue of the courts of Ontario for the resolution of any such disputes arising under this Agreement. Each Party agrees that service of process on such Party as provided in Section 12.8 shall be deemed effective service of process on such Party.

Notwithstanding the foregoing, any and all documents or orders that may be filed, made or entered in the CCAA Proceedings or Chapter 15 Proceedings, and the rights and obligations of the Parties thereunder, including all matters of construction, validity and performance thereunder, shall in all respects be governed by, and interpreted, construed and determined in accordance with the CCAA or the Bankruptcy Code, as applicable, without regard to the conflicts of law principles thereof. The Parties consent to the jurisdiction and venue of the Canadian Court or the Bankruptcy Court, as applicable, for the resolution of any such disputes, regardless of whether such disputes arose under this Agreement. Each Party agrees that service of process on such Party as provided in Section 12.8 shall be deemed effective service of process on such Party.

## ARTICLE 2. – PURCHASE AND SALE

### 2.1 Agreement to Purchase and Sell Purchased Assets

Upon and subject to the terms and conditions of this Agreement, and subject to receipt of the Court Approval, at the Closing the Seller shall sell (and shall cause the other Asset Sellers to sell) and the Buyer shall purchase, free and clear of all Encumbrances other than Permitted Encumbrances, the Seller's and the other Asset Sellers' respective right, title and interest in and to the following assets, property and undertaking, owned or used or held by them for use in, or relating to, the Purchased Business (collectively, the "**Purchased Assets**");

(a) the leases of the premises listed and described in Schedule 2.1(a), all benefits, rights and options pursuant to such leases and all leasehold improvements forming part thereof (collectively, the "**Real Property Leases**") and all subleases of real property held by any Asset Seller as landlord, in each case subject to the designation rights granted to the Buyer in Section 9.2;

(b) all machinery, equipment (including all trucks, cars and other motor vehicles), parts, tools, office equipment, computers, servers, furniture, network equipment, electronic and optical equipment, racks, routers, generators, cables, furnishings and accessories whether located on the premises of any Asset Seller or elsewhere, including the assets summarized in Schedule 2.1(b), together with any additions thereto arising in the ordinary course of the Purchased Business from the date of this Agreement to the Closing Date;

(c) the Asset Sellers' Accounts Receivable;

(d) the Asset Sellers' Inventories;

(e) the Asset Sellers' Prepaid Expenses;



- (f) all unbilled revenues of each Asset Seller relating to the Purchased Business;
- (g) all Material Contracts and all other contracts, agreements, leases, commercial indemnities, third party licenses and other legally binding instruments relating to the Purchased Business or the Purchased Assets to which an Asset Seller is a party or by which an Asset Seller is bound, subject in each case to the designation rights granted to the Buyer in Section 9.2 (the “**Assumed Contracts**”);
- (h) the permits, licences, approvals, authorizations and franchises which any Asset Seller holds for the Purchased Business and which are required by each Asset Seller to own the applicable Purchased Assets or to carry on the Purchased Business as set out in Schedule 2.1(h) (the “**Permits**”);
- (i) the Intellectual Property used in the Purchased Business listed in Schedule 2.1(i);
- (j) all domain names and internet addresses listed in Schedule 2.1(j);
- (k) all assets, agreements and policies forming part of any Assumed Employee Plan, subject in each case to the designation rights granted to the Buyer in Section 9.2;
- (l) the goodwill of the Purchased Business together with the exclusive right to represent the Buyer as carrying on the Purchased Business as successor to the Seller;
- (m) subject to Section 2.2(b), all business and financial records and files of the Purchased Business, including all customer lists and lists of suppliers, all operating manuals and specifications, but excluding Tax records and books and records pertaining thereto and all books and records of the Asset Sellers not pertaining to the Purchased Assets or the Purchased Business; provided, however, that the Asset Sellers may retain copies of (i) any records included in the Purchased Assets and (ii) all personnel files, to the extent necessary or useful for the administration any proceedings under the CCAA or any other proceeding to which it is or becomes a party, the filing of any Tax return or compliance with any Applicable Law;
- (n) all leases of personal or moveable property that relate to the Purchased Business listed on Schedule 2.1(n), including all benefits, rights and options pursuant to such leases and all leasehold improvements forming part thereof, subject in each case to the designation rights granted to the Buyer in Section 9.2 (the “**Personal Property Leases**”);
- (o) the real or immovable property owned by the Asset Sellers and used in the Purchased Business listed on Schedule 2.1(o), and all plants, buildings, structures, improvements, appurtenances and fixtures (including fixed machinery and fixed equipment) thereon, forming part thereof or benefiting such real or immovable property (the “**Real Property**”);
- (p) all software and documentation therefor used in the Purchased Business, including, all electronic data processing systems, program specifications, source codes, object code, input data, report layouts, formats, algorithms, record file layouts, diagrams, functional



specifications, narrative descriptions, flow charts, operating manuals, training manuals and other related material;

(q) all telephone, telex and telephone facsimile numbers and other directory listings and e-mail and website addresses used in connection with the Purchased Business;

(r) all refundable Taxes previously paid by the Seller (including any Taxes paid under the GST Legislation) and any claim or right of the Seller to any refund of Taxes for periods ending on or prior to the Closing Date or which include the Closing Date; and

(s) cash on hand or on deposit with banks or other depositories, other cash equivalents, certificates of deposit, money markets instruments, bank balances and rights in and to bank accounts, excluding (for clarity) the Excluded Assets.

Contemporaneously with the sale of the other Purchased Assets, the Seller shall transfer control of replicated disk inventories relating to the Assumed Contracts.

## **2.2 Excluded Assets**

Notwithstanding any provision of this Agreement to the contrary, the Purchased Assets shall not include any of the following assets of the Seller or the Additional Sellers (collectively, the "Excluded Assets"):

(a) debts due or accruing to any Asset Seller from any shareholder, director, officer, employee or Affiliate of the Seller;

(b) the general ledger, accounting and Tax records, minute books, corporate seal, taxpayer and other identification numbers and other documents relating to the organization, maintenance and existence of any Asset Seller as a Person;

(c) the Seller's rights under this Agreement or the transactions contemplated hereby;

(d) any deferred Tax assets of any Asset Seller reflecting either the differences between the treatment of items for accounting and income Tax purposes or carryforwards, except to the extent set forth on the Effective Date Balance Sheet, and the amount of any refunds of Taxes paid in respect of income, gross receipts or profits of the Asset Sellers received after the Effective Date and relating to the 2012 or prior taxation years;

(e) all contracts of insurance, insurance policies (including D&O policies), insurance plans, insurance refunds, the interest of any Asset Seller in any insurance policies, including any cash surrender value thereof, all assets of the foregoing and all rights and claims under or in respect of the foregoing;

(f) all contracts that are not Assumed Contracts, Real Property Leases or Personal Property Leases or otherwise specifically set forth in Section 2.1, including any contracts that are not designated by the Buyer pursuant to Section 9.2;



- (g) all Tax records and books and records pertaining thereto and all books and records of the Asset Sellers not included in Section 2.1(m);
- (h) the assets or business of IHC Corporation and Cinram Wireless LLC;
- (i) the Purchase Price;
- (j) all assets and properties of the Asset Sellers that are not Purchased Assets;
- (k) the shares of capital stock or other equity interest in Cinram (U.S.) Holding's Inc., Synbar Equities Inc., Cinram International (Hungary) PrLtd, Cooperatie Cinram Netherlands UA and 1362806 Ontario Limited, any intercompany receivables or payables, or any intercompany investments;
- (l) subject to Section 8.16, the cash collateral securing Letters of Credit;
- (m) all real property interests of Cinram Manufacturing LLC in the Olyphant Facility;
- (n) retainers held by the Seller's advisors for post-Closing matters;
- (o) the amount of cash advanced by Cinram Wireless LLC or Cinram International (Hungary) PrLtd to any Asset Seller since the Effective Date, any debt owing by Cinram International (Hungary) PrLtd to any Asset Seller and the amount of cash equal to any repayment of any debt owing by Cinram International (Hungary) PrLtd to any Asset Seller since the Effective Date; and
- (p) those assets of the Asset Sellers set forth on Schedule 2.2(p).

### 2.3 Assumption of Liabilities

The Buyer shall assume as of the Closing Date and shall pay, discharge and perform, as the case may be, from and after the Closing Date, the following liabilities and obligations with respect to the Purchased Business and/or the Purchased Assets to the extent not paid or performed by the Asset Sellers prior to Closing (collectively, the "Assumed Liabilities"):

- (a) liabilities of the Asset Sellers for the following items as of the Effective Date:
  - (i) trade accounts payable;
  - (ii) royalties;
  - (iii) sales allowances;
  - (iv) accrued freight;
  - (v) accrued wages;
  - (vi) accrued payroll taxes;

- (vii) accrued vacation;
- (viii) accrued medical benefits;
- (ix) accrued workers compensation;
- (x) accrued temporary labor;
- (xi) accrued returns;
- (xii) accrued commissions;
- (xiii) accrued office, facilities, and information technology costs; and
- (xiv) asset retirement obligations,

except for (A) those liabilities that relate to contracts that are not designated by the Buyer pursuant to Section 9.2, and (B) other unsecured obligations at the Filing Date which the parties agree are not to be assumed by the Buyer;

(b) liabilities of the Asset Sellers of the types listed in Sections 2.3(a)(i) through (xv) incurred on and after May 1, 2012 to the Filing Date, if incurred in the ordinary course of business, except for (i) those liabilities that relate to contracts that are not designated by the Buyer pursuant to Section 9.2, and (ii) other unsecured obligations at the Filing Date which the parties agree are not to be assumed by the Buyer;

(c) all liabilities of the Asset Sellers in connection with the Purchased Business incurred in the ordinary course of business on and after the Filing Date to and including the Closing Date;

(d) all liabilities set forth on the Effective Date Balance Sheet and accrued between the Effective Date and the Closing Date in the ordinary course of business under Assumed Contracts, Personal Property Leases, Real Property Leases and other contracts designated by the Buyer under Section 9.2, subject to any applicable Purchase Price deductions set forth in Section 3.2;

(e) all liabilities with respect to the post-Closing operation of the Purchased Business or ownership of the Purchased Assets, including liabilities of the Asset Sellers following the Closing under Assumed Contracts, Personal Property Leases, Real Property and other contracts designated by the Buyer under Section 9.2;

(f) all liabilities with respect to Assumed Employees and Assumed Employee Plans set forth in Section 8.7(b), including KERP obligations payable on or after the Closing Date, but subject to the provisions regarding self insured claims set forth in Section 8.7(c);

(g) Transfer Taxes;

(h) all liabilities in respect of capitalized leases with respect to Purchased Assets;



- (i) Real Property Taxes; and
- (j) those Uncaptured Accruals with respect to which the Seller has agreed there will be a reduction of the Purchase Price on a dollar-for-dollar basis (any such Uncaptured Accruals, “Assumed Uncaptured Accruals”).

#### 2.4 Excluded Liabilities

The following debts, obligations and liabilities of the Seller and/or the Additional Sellers shall be and remain the sole responsibility of the Seller and/or the Additional Sellers, as applicable, and the Buyer shall not assume, accept or undertake the following debts, obligations, or liabilities of the Seller and/or the Additional Sellers (collectively, the “**Excluded Liabilities**”):

- (a) all liabilities and obligations relating to the Excluded Assets;
- (b) all Seller Expenses;
- (c) all liabilities and obligations with respect to employees who are not Assumed Employees and that arise under or relate to Employee Plans that are not Assumed Employee Plans (including any unfunded or underfunded pension liabilities), except as expressly set forth in Section 8.7(c);
- (d) all liabilities and obligations related to Taxes in respect of income, gross receipts or profits of the Asset Sellers; and
- (e) other than as expressly set forth herein as an Assumed Liability, any other liability of the Seller or the Additional Sellers whatsoever.

#### 2.5 Assignment of Purchased Assets

Notwithstanding anything in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign any Purchased Asset or any right thereunder if an attempted assignment, without the consent of a third party, would constitute a breach or in any way adversely affect the rights of the Buyer or the Seller thereunder. If such consent is not obtained or such assignment is not attainable pursuant to the CCAA, the Seller and the Buyer will cooperate and use their respective commercially reasonable efforts to implement a mutually agreeable arrangement pursuant to which the Buyer would obtain the benefits and assume the obligations thereunder in accordance with this Agreement, provided, however, that the Buyer acknowledges and agrees that nothing in this Section 2.5 shall operate to prohibit or diminish in any way the right of the Seller to dissolve, wind up or otherwise cease operations or its corporate existence in any manner or at any time subsequent to the Closing Date as it may determine in its sole discretion, which may be exercised without regard to the impact any such action may have on the Seller’s ability to fulfill its obligations under this Section 2.5.



## 2.6 Transition Services

The parties shall negotiate in good faith and at or prior to the Closing enter into an agreement, with effect as of Closing Date, with respect to the matters set forth on Exhibit E attached hereto (the “**Transition Services Agreement**”).

## ARTICLE 3. – PURCHASE PRICE AND RELATED MATTERS

### 3.1 Purchase Price

The aggregate purchase price for the Purchased Assets and pursuant to the Offer for the European Business shall be \$82,500,000, subject to adjustment as provided in Section 3.2 (the “**Purchase Price**”), and shall be paid as follows:

(a) The sum of \$5,000,000 shall be paid in cash by the Buyer upon execution of this Agreement by the Parties as a deposit (the “**Deposit**”), which Deposit shall be paid to and held by JPMorgan Chase Bank pursuant to an escrow agreement in the form attached hereto as Exhibit F (the “**Escrow Agreement**”);

(b) The Deposit shall be held pursuant to the Escrow Agreement until the Closing and credited toward the Purchase Price at the Closing;

(c) The balance of the Purchase Price for the Purchased Business, after crediting the Deposit pursuant to Section 3.1(b), and subject to the adjustments provided in Section 3.2, less \$10,000,000, shall be paid in cash at the Closing;

(d) \$10,000,000 of the Purchase Price shall be paid on the earlier of the closing of the acquisition of the European Business and December 17, 2012; and

(e) The Purchase Price pursuant to the Offer for the European Business (the “**European Purchase Price**”), shall be paid as provided in the Offer.

### 3.2 Purchase Price Adjustments

The Purchase Price for the Purchased Assets shall be decreased, on a dollar-for-dollar basis, to reflect (a) any distribution or other transfer of cash or assets from the Asset Sellers to their owners (but not between or among the Asset Sellers) following the Effective Date, (b) any Seller Expenses paid by the Asset Sellers prior to the Closing Date, (c) all fees and expenses associated with the debtor-in-possession financing described in Section 8.2(c), including commitment, agency and other fees, and interest expense, but excluding (for clarity) principal amounts, (d) any breach remedy costs required to be paid to remedy Monetary Defaults in connection with the Assumed Contracts, Real Property Leases, Personal Property Leases and Assumed Employee Plans, (e) without duplication of any adjustments pursuant to previous clause (d), any Assumed Uncaptured Accruals, and (f) the amount of any Taxes actually paid by an Asset Seller after the Effective Date in respect of income, gross receipts or profits of the Asset Sellers for the calendar years 2012 and prior, and shall be increased on a dollar-for-dollar basis to reflect (a) any shortfall in the amount of cash required to fully repay at Closing any debtor-in-



possession facility entered into in accordance with Section 8.2(c), and (b) amounts drawn under the Letters of Credit from the date of this Agreement to the Closing Date. At least three (3) Business Days prior to the Closing Date, the Seller shall deliver to the Buyer a worksheet setting forth the Seller's good faith estimate of the adjustments to the Purchase Price for the Purchased Assets required by this Section 3.2, including supporting documentation. If the worksheet is not acceptable to the Buyer, the Buyer shall promptly submit its comments on the worksheet to the Seller, and together they shall endeavour in good faith to address such comments so as not to delay the Closing. The Purchase Price for the Purchased Assets paid pursuant to Section 3.1(c) shall be adjusted as agreed to by the Seller and the Buyer on the basis of the worksheet and their discussions concerning the worksheet. The Purchase Price pursuant to the Offer for the European Business shall be subject to any adjustments provided for in the Offer. The Purchase Price shall not be adjusted, other than as set forth in this Section 3.2, in respect of amounts required to be paid by the Asset Sellers hereunder.

### **3.3 Purchase Price Allocation**

Within thirty (30) days following the Closing, the Parties shall use their respective commercially reasonable efforts to agree on the allocation of the Purchase Price for the Purchased Assets and the value of the Assumed Liabilities among each of the Purchased Assets (the "**Allocation Statement**"). The Allocation Statement shall be prepared in accordance with Section 1060 of the Code and other applicable tax laws. The Buyer and the Seller shall report the purchase and sale of the Purchased Assets in any Tax returns relating to the transactions contemplated in this Agreement in a manner consistent with such allocation. If the Parties cannot agree on the Allocation Statement, each Party shall be permitted to make such allocation and report the purchase and sale of the Purchased Assets in any Tax returns relating to the transactions contemplated in this Agreement in a manner determined in its sole discretion.

## **ARTICLE 4. – REPRESENTATIONS AND WARRANTIES BY THE SELLER**

The Seller represents and warrants to the Buyer as follows, and acknowledges that the Buyer is relying upon the following representations and warranties in connection with its purchase of the Purchased Assets:

### **4.1 Entity Power**

The Seller is duly organized under the *Canada Business Corporations Act* and, subject to Court Approval being obtained, has all necessary corporate power, authority and capacity to enter into this Agreement and the agreements contemplated hereunder and to carry out its obligations hereunder and thereunder. Each Additional Seller is duly organized under the Applicable Laws of the jurisdiction of its organization and has all necessary entity power, authority and capacity to carry out the actions necessary to consummate the transactions contemplated hereunder. Each of the Asset Sellers is qualified to do business and is in good standing in each of the jurisdictions in which the ownership or leasing of its assets or the conduct of its businesses requires such qualification, except in the case where the failure to so qualify or be licensed would not have a Material Adverse Effect. Each of the Seller and the Additional Sellers has the requisite power and authority to own or lease and to operate and use its assets and



properties, including the Purchased Assets, and carry on the Purchased Business as now conducted.

#### **4.2 Due Authorization and Enforceability of Obligations**

Subject to Court Approval being obtained, the Seller has all necessary power, authority and capacity to enter into this Agreement and the agreements contemplated hereunder, and to carry out its obligations hereunder and thereunder, and the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by all necessary action (corporate or otherwise) of the Seller. Without limiting the generality of the foregoing, the Seller has the power and authority to bind the Additional Sellers to this Agreement. This Agreement constitutes a valid and binding obligation of the Seller enforceable against it in accordance with its terms, subject to Court Approval, except (a) as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors generally, and (b) as such enforceability may be limited by general principles of equity, regardless of whether asserted in a proceeding in equity or law.

#### **4.3 Approvals and Consents**

Except for (a) the Court Approval, (b) the Regulatory Approvals, (c) the consents, approvals or waivers set forth on Schedule 4.3 that are required in connection with the assignment of a Purchased Asset, and (d) any consents required of counterparties to non-Material Contracts, no authorization, consent or approval of, or filing with or notice to, any Governmental Authority, court or other Person is required in connection with the execution, delivery or performance of this Agreement by the Seller or any Additional Seller and each of the agreements to be executed and delivered by the Seller or any Additional Seller or the purchase of any of the Purchased Assets hereunder, the absence of which would individually or in the aggregate materially impair the ability of the Buyer and the Seller to complete the transactions contemplated by this Agreement or materially impair the ability of the Buyer to own the Purchased Assets and to operate the Purchased Business after the Closing in substantially the same manner as it is operated as of the date of this Agreement.

#### **4.4 Non-Contravention**

Neither the execution and delivery of this Agreement or any other agreement or document to which the Seller or any Additional Seller is or will become a party as contemplated by this Agreement, the consummation of the transactions contemplated herein or therein nor compliance by the Seller or any Additional Seller with any provisions hereof or thereof will (a) conflict with or result (with or without notice, lapse of time or both) in a breach of any of the terms, conditions or provisions of the articles, by-laws or other constating documents of the Seller or any Additional Seller, or (b) conflict with or result in a breach or a default (or give rise to any right of termination, cancellation, acceleration, modification or other right) under any of the provisions of any note, bond, mortgage, indenture, franchise, permit, material contract or other instrument or obligation to which the Seller or any Additional Seller is a party, or by which the Seller or any Additional Seller is bound or affected, except for (i) any conflict, breach or default as to which requisite waivers or consents shall have been obtained by the Seller or any



Additional Seller before Closing, (ii) breaches which, upon receipt of Court Approval, shall not impede the Closing, and (iii) breaches relating to the failure to obtain consent under the terms of a contract that is not a Material Contract, which the Seller agrees to seek assignments for in the Court Orders.

#### **4.5 Title**

(a) Except as set forth in Schedule 4.5, the Seller or the Additional Sellers are the sole legal and beneficial owners, lessees or licensees of the Purchased Assets, with good and valid title, or a valid leasehold or licensed interest, in the Purchased Assets, free and clear of all Encumbrances except the Permitted Encumbrances. Upon delivery to the Buyer on the Closing Date of the instruments of transfer contemplated by Section 11.2, and subject to the terms of the Court Orders, the Seller or the Additional Sellers will thereby transfer to the Buyer good and valid title to, or, in the case of property leased or licensed by the Seller or the Additional Sellers, a valid leasehold or licensed interest in, all of the Purchased Assets, free and clear of all Encumbrances except for Assumed Liabilities and the Permitted Encumbrances.

(b) The Purchased Assets constitute all of the assets that are necessary and sufficient to conduct the Purchased Business in the manner conducted as of the date of this Agreement, except for the Excluded Assets.

(c) The Purchased Assets are, and at the Closing Date will be, in sufficient working order and condition to operate the Purchased Business as it is operated as of the Effective Date.

#### **4.6 Contracts**

Subject to receipt of the Court Approval, each of the Assumed Contracts forming part of the Purchased Assets that is a Material Contract is in full force and effect and constitutes a legal, valid and binding obligation of an Asset Seller, and the other parties thereto, enforceable in accordance with its terms, and such Asset Seller, is entitled to all of the benefits, rights and privileges under each such Assumed Contract. Except as set forth on Schedule 4.6, none of the Asset Sellers has received any notice that any Person intends or desires to modify, waive, amend, rescind, release, cancel or terminate any Assumed Contract forming part of the Purchased Assets that is a Material Contract. Except as set forth on Schedule 4.3, no Assumed Contract that is a Material Contract requires the consent of any Person for such Assumed Contract to be assigned to the Buyer. There is no contract, agreement or other arrangement granting any Person any preferential right to purchase any of the Purchased Assets, other than such as shall be abrogated by the Court Approval.

#### **4.7 Public Company Reports; Financial Statements; Effective Date Balance Sheet**

(a) The Seller has made available to the Buyer each prospectus, report, proxy statement or information statement or other documents filed or furnished by its parent issuer Cinram International Income Fund (the "**Parent**") with the Ontario Securities Commission ("**OSC**") on or after January 1, 2010 (collectively, the "**Parent Reports**"), and the Parent has filed or furnished all forms, reports and documents required to be filed or furnished by it with the OSC pursuant to relevant securities statutes, regulations, policies and rules since such time. As



of their respective dates, the Parent Reports (i) were prepared in accordance with the applicable requirements of the *Securities Act* (Ontario) and the rules and regulations thereunder and complied with the then applicable accounting requirements, and (ii) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein (with respect to any prospectus, in the light of the circumstances under which they were made) not misleading.

(b) Each of the consolidated balance sheets included in or incorporated by reference into the Parent Reports (including the related notes and schedules) fairly presents in all material respects the consolidated financial position of the Parent and its subsidiaries as of its date and each of the consolidated statements of earnings, cash flows and unitholders' equity included in or incorporated by reference into the Parent Reports (including any related notes and schedules) fairly presents in all material respects the results of operations, cash flows or changes in unitholders' equity, as the case may be, of the Parent and its subsidiaries for the periods set forth therein, in each case in accordance with GAAP, except, in the case of unaudited statements, for year-end audit adjustments and as otherwise may be noted therein. There are no obligations or liabilities of any nature, whether accrued, absolute, contingent or otherwise, of the Parent or any of its subsidiaries, other than those liabilities and obligations (i) that are disclosed or otherwise reflected or reserved for in the financial statements and the notes thereto included in the Parent Reports (the "**Parent Financial Statements**"), provided that such liabilities are reasonably apparent on the face of the Parent Financial Statements, (ii) that are not required under GAAP to be disclosed, reflected or reserved for in the Parent Financial Statements, (iii) that have been incurred in the ordinary course of business since March 31, 2012, (iv) related to expenses associated with the transactions contemplated by this Agreement, or (v) that have not had and would not reasonably be expected to have a Material Adverse Effect.

(c) Based on the evaluation of Parent's controls and procedures conducted in connection with the preparation and filing of the Parent Reports, the Seller has no knowledge of (i) any significant deficiencies or material weaknesses in the design or operation of the internal control over financial reporting that are likely to adversely affect the Parent's ability to record, process, summarize and report financial data, or (ii) any fraud, whether or not material, that involves management or other employees who have a role in the Parent's internal control over financial reporting.

(d) Without limiting the generality of the foregoing provisions of this Section 4.7, the Balance Sheet of the Purchased Business dated as of the Effective Date and attached hereto as Exhibit G (the "**Effective Date Balance Sheet**") fairly presents in all material respects the financial position of the Purchased Business as of the Effective Date. The cash collateral assets securing the Letters of Credit retained by the Seller pursuant to Section 2.2(l) are not included as current assets on the Effective Date Balance Sheet.

#### **4.8 Receivables, Payables and Inventories**

(a) The Asset Sellers' Accounts Receivable (collectively, the "**Purchased Accounts Receivable**") reflect valid transactions in the ordinary course of business;



(b) None of the Purchased Accounts Receivable is or was subject to any counterclaim or set off (excluding royalty adjustments) that would adversely affect the Purchased Business;

(c) To the Seller's knowledge, the Purchased Accounts Receivable are collectible in the ordinary course of business using normal collection practices, less the amount of applicable reserves for doubtful accounts and allowances set forth on the Effective Date Balance Sheet;

(d) All of the Accounts Payable included in the Assumed Liabilities arose in bona fide, arms-length transactions in the ordinary course of business; and

(e) The Asset Sellers have good and marketable title to their Inventories, free and clear of all Encumbrances other than Permitted Encumbrances. All such Inventories, net of obsolescence reserves, are in good and merchantable condition in all material respects and are suitable and usable for the purposes for which they are intended.

#### **4.9 Intellectual Property**

Except as has been disclosed in writing by the Seller to the Buyer in a writing that references this Section 4.9:

(a) an Asset Seller owns or possesses sufficient legal rights to all Intellectual Property necessary to conduct the Purchased Business as now conducted and as presently proposed to be conducted, without any infringement of the rights of any other Person, all of which is included in the Purchased Assets (the "Transferred Intellectual Property");

(b) except as set forth on Schedule 4.9, there are no outstanding options, licenses or contracts relating to any material Transferred Intellectual Property, nor is an Asset Seller bound by or a party to any contract of any kind with respect to any material Transferred Intellectual Property other than such licenses or contracts arising from the purchase of "off the shelf" or standard products;

(c) all licenses of Transferred Intellectual Property are in full force and effect in accordance with their terms, and neither an Asset Seller nor the counterparty thereto is in material breach thereof; and

(d) there is no action, suit, proceeding or investigation filed or pending or, to the knowledge of the Seller, threatened against an Asset Seller that questions the validity of any Transferred Intellectual Property or that alleges an Asset Seller has violated the Intellectual Property of another Person which if successful would have a Material Adverse Effect on the Purchased Business.

#### **4.10 Environmental Matters**

Each of the Asset Sellers (a) is in compliance with Environmental Law, and (b) has obtained and is in compliance with all Environmental Permits required for the occupation of its facilities and the operation of the Purchased Business, except where failure to comply with Environmental Laws, or to obtain or comply with Environmental Permits, would not reasonably



be expected to have, individually or in the aggregate, a Material Adverse Effect. None of the Asset Sellers has received any written communication, whether from a Governmental Authority, employee or otherwise, alleging that it is not in such compliance. No Environmental Claims are pending with respect to the Purchased Business, and to the Seller's knowledge, no Environmental Claims have been threatened against the Purchased Business in writing.

#### **4.11 Labour and Employee Benefits Matters**

(a) The Seller has provided the Buyer with a complete and current copy of the plan document of each Assumed Employee Plan or, if such plan document does not exist, an accurate written summary of such Assumed Employee Plan and, as applicable and they relate to any Assumed Employee Plan: (i) any trust agreements; (ii) the most recent financial and accounting statement and report; (iii) the most recent actuarial report; (iv) the most recent annual information returns or other returns filed with any Governmental Authority; (v) insurance policies; (vi) administration or investment agreements; and (vii) the most recent employee booklet with respect to each Assumed Employee Plan.

(b) There is not currently pending or, to the knowledge of the Seller, any threatened strike, material arbitration, material labour dispute or material grievance under any collective labour agreement related to the Purchased Business, or any material slowdown, lockout or work stoppage against or affecting an Asset Seller.

(c) All amounts for unpaid vacation pay, wages, salaries, paid time off, reimbursable employee expenses, commissions or bonuses have been adequately accrued for all Assumed Employees. Since the Effective Date, the Seller has incurred no material liability for termination or severance pay to employees of the Business.

(d) Section 11 of the Data Room contains true and complete copies of all collective labour agreements of the Asset Sellers that pertain to the employees of the Purchased Business, which have been provided to the Buyer. To the knowledge of the Seller, there are no current attempts to organize, certify or establish any labour union or employee association with respect to the employees of the Purchased Business.

(e) No Assumed Employee Plan provides benefits, including death or medical benefits (whether or not insured) beyond retirement or other termination of service other than (i) coverage mandated solely by Applicable Law, (ii) death benefits or retirement benefits under any pension plan, or (iii) benefits the full costs of which are borne by participants and not by the applicable Asset Seller, the employer or sponsor;

(f) Each of the Asset Sellers is in material compliance with all Applicable Laws respecting employment and employment practices, including all laws respecting terms and conditions of employment, health and safety, wages and hours, worker classifications, child labour, immigration, employment discrimination, disability rights or benefits, equal opportunity, plant closures and layoffs, affirmative action, workers' compensation, labour relations, employee leave issues and unemployment insurance. None of the Asset Sellers has received any written communication, whether from a Governmental Authority, employee or otherwise, alleging that it is not in such material compliance.



(g) With respect to each Assumed Employee Plan: (i) if it covers employees in the United States and is intended to qualify under Section 401(a), 401(k) or 403(a) of the Code, such plan and the related trust has received a favourable determination letter from the United States Internal Revenue Service that has not been revoked and there is no basis for the revocation of such letter; (ii) it is and has been established, funded and administered in compliance in all material respects with its terms, Applicable Law and any collective labour agreements, as applicable, and none of the Asset Sellers have received any notice from any Person or Governmental Authority questioning or challenging such compliance; (iii) there is no investigation by a Governmental Authority nor any pending or, to the knowledge of the Seller, threatened claims in writing against, by or on behalf of any Assumed Employee Plan or the assets, fiduciaries or administrators thereof (other than routine claims for benefits); and to the knowledge of the Seller no fact exists which could reasonably be expected to give rise to any such investigation or claim; and (iv) all required employee and employer contributions, premiums and expenses, to or in respect of, such Assumed Employee Plans have been timely paid in full in accordance with their terms and Applicable Laws or, to the extent not yet due, have been adequately accrued.

(h) No amendments or improvements have been made to any Assumed Employee Plan and no commitments to amend or improve any Assumed Employee Plan have been made or promised by the Asset Sellers, nor has any intention to do so been communicated to any employee of the Seller since December 31, 2011 (other than as set forth in the definition of "KERP").

#### **4.12 Compliance with Laws; Permits**

None of the Asset Sellers has received written notice from any Governmental Authority that it is in violation in any material respect of any Applicable Law in respect of the conduct of the Purchased Business or the ownership of its assets and properties. The Asset Sellers have not received written notice that any material Permits currently held are not in good standing and full force and effect.

#### **4.13 Litigation**

Except as disclosed in Section 10 of the Data Room, there is no action, suit, proceeding or investigation filed or pending or, to the knowledge of the Seller, threatened against an Asset Seller that would reasonably be expected to result, either individually or in the aggregate, in any Material Adverse Effect. No Asset Seller is a party or subject to an Order that has not been completely satisfied.

#### **4.14 Insurance**

Section 14 of the Data Room contains a complete and accurate list and description of all primary, excess and umbrella policies, bonds and other forms of insurance currently owned or held by or on behalf of and/or providing insurance coverage related to the Purchased Business. All such policies are in full force and effect, and with respect to such policies, all premiums currently payable or previously due have been paid, and no notice of cancellation or termination has been received with respect to any such policy.



#### 4.15 Huntsville, Alabama Real Property

(a) Cinram, Inc. is the sole tenant under that certain Amended and Restated Lease Agreement dated as of September 1, 1987, by and between The Industrial Development Board of the City of Huntsville (the “IDB”), as lessor, and Laservideo, Inc., as lessee, as amended (the “IDB Lease”). The Seller has delivered to the Buyer a true and complete copy of the IDB Lease.

(b) The IDB Lease is in full force and effect. Neither Cinram, Inc. nor the IDB is in breach or default under the IDB Lease, nor has Cinram, Inc. received any written notice alleging any breach or default, and no event has occurred or circumstance exists which, with the delivery of notice, the passage of time, or both, would constitute such a breach or default, or permit the termination, modification or acceleration of rent under the IDB Lease. Cinram, Inc. has not subleased, licensed, collaterally assigned or otherwise granted to any Person the right to use or occupy any portion of the Huntsville Facility except pursuant to the Facility Lease Agreement and Facility Lease Sublease Agreement disclosed in Section 4 of the Data Room that will be terminated pursuant to Section 11.2(a)(vi).

(c) The Bonds (as defined in the IDB Lease), including all principal and interest, have been paid in full and all fees, charges and disbursements of the Trustee (as defined in the IDB Lease) have been paid by Cinram, Inc. to the Trustee and by the Trustee to the holders of the Bonds. The option to purchase the Huntsville Facility (the “Option”), as set forth in Section 11.2 of the IDB Lease, remains in full force and effect.

(d) As of June 1, 2012, the total purchase price (the “Huntsville Facility Purchase Price”) payable to the IDB pursuant to the exercise of the Option is \$843,390, which increases at the rate of \$3,333.33 per month (\$40,000 per year), from and after June 1, 2012. Pursuant to Section 5 of that certain Partial Assignment of Lease and Equity in Project dated as of March 26, 1999, by and between Disc Manufacturing, Inc., as assignor, Cinram, Inc., as assignee, and the IDB (the “Partial Assignment”), Cinram, Inc. has the option to reduce the Huntsville Facility Purchase Price to \$55,000 plus \$1,000 for each 12 month period that elapses after April 1, 1991 (the “Reduced Purchase Price”) if Cinram, Inc. pays the Board the Purchase Price Modification Payment (as defined in the Partial Assignment). On the date hereof the Purchase Price Modification Payment is \$746,000, which increases by \$39,000 for each 12-month period that elapses after February 1, 2012. Unless the IDB Lease is amended as set forth in Section 4.15(e), the total amount that would be required to be paid to the IDB in connection with the exercise of the Option and the purchase of the Huntsville Facility at the Closing would be either (i) the amount of the Huntsville Purchase Price, or (ii) the sum of the amount of the Purchase Price Modification Payment plus the Reduced Purchase Price.

(e) The IDB has approved an amendment to the IDB Lease pursuant to which the Huntsville Facility Purchase Price would be fixed at \$55,000 (without any requirement to make a Purchase Price Modification Payment), provided that a lease amendment fee in the amount of \$366,000 is paid. The Seller shall pay the \$366,000 lease amendment fee at the direction of the Buyer prior to the Closing, so that at the Closing, the Option exercise price shall be fixed at \$55,000. Further, if the Buyer so requests in writing not less than thirty-five (35) days prior to the Closing Date, the Seller shall cause the Option to be exercised by Cinram, Inc. so that at the



Closing fee title to the Huntsville Facility shall transfer to Buyer or its nominee. The Option exercise price will be borne by the Buyer at the Closing. Without limiting the generality of the foregoing, at the timely request of the Buyer, Cinram, Inc. will notify the IDB in writing not less than thirty (30) days prior to the Closing Date that the Option is being exercised and that the purchase of the Huntsville Facility pursuant to the exercise of the Option will occur concurrently with the Closing.

(f) Except as disclosed by the Seller to the Buyer in a separate writing referencing this section, there are no outstanding options, rights of first offer or rights of first refusal to purchase or lease the Huntsville Facility or any portion thereof or interest therein, except for the rights to purchase pursuant to that certain Warranty Deed, dated May 5, 1975, by and between Madison County, Alabama, as grantor, and the IDB, as grantee, recorded in Deed Book 507, Page 643, et seq., in the Office of the Judge of Probate, Madison County, Alabama (the "**Madison Purchase Right**"), which by its terms expired on May 5, 1985. Prior to the Closing Cinram, Inc. will obtain either a recordable instrument from Madison County terminating the Madison Purchase Right or affirmative coverage from the title company insuring Purchaser's interest free and clear of the Madison Purchase Right.

#### **4.16 Competition Act**

The Asset Sellers and their Affiliates do not have assets in Canada that exceed \$300 million, or gross revenues from sales in, from or into Canada, that exceed \$300 million, all as determined in accordance with Part IX of the *Competition Act* (Canada) and the Notifiable Transactions Regulations thereunder.

#### **4.17 ICA**

For purposes of the ICA and the regulations thereunder:

- (a) the Seller is a non-Canadian within the meaning of the ICA;
- (b) the relevant financial statements for the Asset Sellers, 1362806 Ontario Limited and Cooperatie Cinram Netherlands UA for the purposes of determining the applicable value of the assets of the Asset Sellers, 1362806 Ontario Limited and of Cooperatie Cinram Netherlands UA are set out in the financial statements attached hereto as Exhibit H (collectively, the "**ICA Financial Statements**");
- (c) the asset value of the intercompany investment in Cooperatie Cinram Netherlands UA in the Seller's December 31, 2011 balance sheet forming part of the ICA Financial Statements is \$1,097,041.28, and the asset value of the intercompany investment in Cooperatie Cinram Netherlands UA in 1362806 Ontario Limited's December 31, 2011 balance sheet forming part of the ICA Financial Statements is \$33,712,075; and
- (d) Cooperatie Cinram Netherlands UA does not carry on a Canadian business or control, directly or indirectly, an entity carrying a Canadian business or an entity in Canada.



#### **4.18 Hart Scott Rodino Antitrust Improvement Act**

The non-United States assets owned by the Seller and the Additional Sellers did not generate sales in or into the United States of \$68.2 million or more during the most recent fiscal year of the Seller and the Additional Sellers.

#### **4.19 European Business**

The Seller hereby makes the representations and warranties set forth in Exhibit I (the “**European Representations**”), and acknowledges that the Buyer is relying on the European Representations in connection with its purchase of the Purchased Assets.

#### **4.20 Additional Sellers**

The Additional Sellers will and do hereby provide the representations set forth in this Article 4, *mutatis mutandis*.

### **ARTICLE 5. – REPRESENTATIONS AND WARRANTIES OF THE BUYER**

The Buyer represents and warrants to the Seller as follows and acknowledges that the Seller is relying upon the following representations and warranties in connection with its sale of the Purchased Assets:

#### **5.1 Corporate Power**

The Buyer is a corporation existing under the laws of the State of Delaware and has all necessary corporate power, authority and capacity to enter into this Agreement and make the Offer and the agreements contemplated hereunder and thereunder and to carry out its obligations hereunder and thereunder.

#### **5.2 Due Authorization and Enforceability of Obligations**

The execution and delivery of this Agreement and the Offer and the consummation of the transactions contemplated by this Agreement and the Offer have been duly authorized by all necessary corporate action of the Buyer. This Agreement and the Offer constitute valid and binding obligations of the Buyer enforceable against it in accordance with their terms, subject to Court Approval, except (a) as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors generally, and (b) as such enforceability may be limited by general principles of equity, regardless of whether asserted in a proceeding in equity or law.

#### **5.3 Approvals and Consents**

Except for the Court Approval, the Regulatory Approvals and any consents that may be required in connection with the assignment of a Purchased Asset and the transactions contemplated by the Offer, no authorization, consent or approval of, or filing with or notice to, any Governmental Authority, court or other Person is required in connection with the execution,



delivery or performance of this Agreement or the Offer by the Buyer and each of the agreements to be executed and delivered by the Buyer or the purchaser of any of the Purchased Assets hereunder or the completion of the transaction contemplated by the Offer, the absence of which would materially impair the ability of the Buyer and the Seller to complete the transactions contemplated by this Agreement.

#### **5.4 Financing**

The Buyer has, and on the Closing Date, will have, sufficient funds to consummate the transactions contemplated by this Agreement and the Offer, including payment of the Purchase Price and assumption of the Assumed Liabilities and the payment of the European Purchase Price.

#### **5.5 GST Registration**

Prior to Closing, the Buyer (or the entity acquiring the Canadian Purchased Assets, if not the Buyer) will be registered for the purposes of the GST Legislation and will provide its registration number to the Seller.

#### **5.6 Competition**

The Buyer and its Affiliates do not have assets in Canada that exceed \$100 million in aggregate value, or gross revenues from sales in, from or into Canada, that exceed \$100 million, all as determined in accordance with Part IX of the Competition Act (Canada) and the Notifiable Transactions Regulations thereunder.

### **ARTICLE 6. – ASSETS**

#### **6.1 As is, Where Is**

The Buyer is an informed and sophisticated purchaser, and has engaged expert advisors, experienced in the evaluation and purchase of property and assets such as the Purchased Assets as contemplated hereunder and the European Business as contemplated by the Offer. The Buyer has undertaken such investigations and has been provided with and has evaluated such documents and information as it has deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of this Agreement. **THE BUYER ACKNOWLEDGES AND AGREES THAT THE PURCHASED BUSINESS, THE PURCHASED ASSETS AND THE EUROPEAN BUSINESS ARE SOLD “AS IS, WHERE IS”, WITH ALL FAULTS, WITHOUT ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, IN FACT OR BY LAW WITH RESPECT TO THE PURCHASED BUSINESS, THE PURCHASED ASSETS OR THE EUROPEAN BUSINESS EXCEPT AS SET FORTH HEREIN OR IN THE OFFER, AND WITHOUT ANY RECOURSE TO THE SELLER OR ANY OF ITS DIRECTORS, OFFICERS, SHAREHOLDERS, REPRESENTATIVES OR ADVISORS, OTHER THAN FOR FRAUD OR AS OTHERWISE EXPRESSLY PROVIDED HEREIN OR IN THE OFFER. THE BUYER AGREES TO ACCEPT THE PURCHASED BUSINESS, THE PURCHASED ASSETS, THE ASSUMED LIABILITIES AND THE EUROPEAN BUSINESS IN THE CONDITION, STATE AND**



LOCATION THEY ARE IN ON THE CLOSING DATE BASED ON ITS OWN INSPECTION, EXAMINATION AND DETERMINATION WITH RESPECT TO ALL MATTERS AND WITHOUT RELIANCE UPON ANY EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES OF ANY NATURE MADE BY OR ON BEHALF OF OR IMPUTED TO THE SELLER, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT. Unless specifically stated in this Agreement, no representation, warranty, term or condition, understanding or collateral agreement, whether statutory (including under the *Sale of Goods Act* (Ontario)), express or implied, oral or written, legal, equitable, conventional, collateral or otherwise, is being given by the Seller in this Agreement or in any instrument furnished in connection with this Agreement, as to description, fitness for purpose, merchantability, quantity, condition, quality, value, suitability, durability, assignability or marketability thereof, or in respect of any other matter or thing whatsoever. Without limiting the generality of the foregoing, the Buyer acknowledges that the Seller does not make any representation or warranty with respect to: (a) any projections, estimates or budgets delivered to or made available to the Buyer of future revenues, future results of operations (or any component thereof), future collection of Accounts Receivable, future cash flows or future financial condition (or any component thereof) of the Purchased Business or the European Business or the future business operations of the Purchased Business or the European Business; or (b) any other information or documents made available to the Buyer or its counsel, accountants or advisors with respect to the Business, except as expressly set forth in this Agreement.

## **6.2 Diligence**

The Buyer acknowledges and agrees that: (a) it has had an opportunity to conduct any and all due diligence regarding the Purchased Assets, the Assumed Liabilities and the European Business prior to the execution of this Agreement; (b) it has relied solely upon this Agreement and its own independent review, investigation and/or inspection of any documents and/or the Purchased Assets, the Assumed Liabilities and/or the European Business; (c) it is not relying upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Purchased Assets, Assumed Liabilities or the European Business, except as expressly stated in this Agreement; and (d) the obligations of the Buyer under this Agreement are not conditional upon any additional due diligence.

## **ARTICLE 7. – CONDITIONS**

### **7.1 Conditions for the Benefit of the Buyer and the Seller**

The obligation of the Buyer and of the Seller to complete the purchase of the Purchased Assets and the Assumed Liabilities pursuant to this Agreement is subject to the satisfaction of, or compliance with, on or prior to the Closing Date, each of the following conditions:

(a) no provision of any Applicable Law and no judgment, injunction, order or decree that prohibit the consummation of the purchase and sale of the Purchased Assets pursuant to this Agreement shall be in effect;



(b) the Canadian Court and the Bankruptcy Court, as applicable, shall have granted the Court Orders and the Court Orders shall be in full force and effect; and

(c) all Regulatory Approvals shall have been obtained, or the applicable waiting times, if any, shall have expired.

## **7.2 Conditions for the Benefit of the Buyer**

The obligation of the Buyer to complete the purchase of the Purchased Assets and the Assumed Liabilities pursuant to this Agreement is subject to the satisfaction of, or compliance with, or waiver by the Buyer of, on or prior to the Closing Date, each of the following conditions (each of which is acknowledged to be for the exclusive benefit of the Buyer):

(a) the representations and warranties of the Seller set forth in this Agreement shall be true and correct in all respects at Closing with the same force and effect as if made at and as of such time, except: (i) that to the extent such representations and warranties expressly speak as of an earlier date (e.g. speaking "as at the date hereof"), such representations and warranties shall be true and correct in all respects as of such specified date; and (ii) for any inaccuracies, as at Closing that would not, individually or in the aggregate, result in a Material Adverse Effect;

(b) the covenants contained in this Agreement to be performed by the Seller at or prior to Closing shall have been performed in all material respects as at Closing;

(c) the Purchased Assets shall be assigned and transferred to the Buyer free and clear of all Encumbrances, other than Permitted Encumbrances, pursuant to the Court Orders, requisite consents or a legal, equitable, statutory or court-based proceeding, action or process;

(d) the Buyer shall have received a certificate confirming the satisfaction of the conditions contained in Sections 7.2(a) and 7.2(b), signed for and on behalf of the Seller without personal liability by an executive officer of the Seller, in each case in form and substance reasonably satisfactory to the Buyer;

(e) the Seller shall have satisfied its obligations set forth in Section 11.2(a) in all material respects;

(f) the Material Contracts referenced in clauses (a) and (b) of the definition of that term which are designated by the Buyer for assumption and assignment pursuant to Section 9.2 shall have been assigned or transferred to the Buyer or its nominees, or replaced by new contracts with, or otherwise dealt with in a manner acceptable to, the Buyer;

(g) the consents of the Material Customers shall have been obtained, including consents to such reasonable amendments to the Assumed Contracts with the Material Customers as may be communicated by the Buyer to the Seller;

(h) consents of the European Material Customers satisfactory to the Buyer shall have been obtained, including consents to such reasonable amendments to the contracts with the European Material Customers as may be communicated by the Buyer to the Seller; and



(i) there shall not have occurred any changes, effects or circumstance constituting, or which would be reasonably likely to result in, a Material Adverse Effect.

### **7.3 Conditions for the Benefit of the Seller**

The obligation of the Seller to complete the sale of the Purchased Assets and the Assumed Liabilities pursuant to this Agreement is subject to the satisfaction of, or compliance with, or waiver where applicable, by the Seller of, on or prior to the Closing Date, each of the following conditions (each of which is acknowledged to be for the exclusive benefit of the Seller):

(a) the representations and warranties of the Buyer set forth in this Agreement shall be true and correct in all material respects at Closing with the same force and effect as if made at and as of such time, except that to the extent such representations and warranties expressly speak as of an earlier date, such representations and warranties shall be true and correct in all respects as of such specified date;

(b) the covenants contained in this Agreement to be performed by the Buyer at or prior to Closing shall have been performed in all material respects as at Closing;

(c) the Seller shall have received a certificate confirming the satisfaction of the conditions contained in Sections 7.3(a) and 7.3(b), signed for and on behalf of the Buyer without personal liability by an executive officer of the Buyer, in form and substance reasonably satisfactory to the Seller; and

(d) the Buyer shall have satisfied its obligations set forth in Section 11.2(b) in all material respects.

## **ARTICLE 8. – ADDITIONAL AGREEMENTS OF THE PARTIES**

### **8.1 Access to Information**

Subject to the terms of the Confidentiality Agreement, until the Closing, the Seller shall give to the Buyer's personnel engaged in this transaction and its accountants, legal advisers, consultants and other representatives during normal business hours reasonable access to its premises and to all of the books and records relating to the Purchased Business, the Purchased Assets, the Assumed Liabilities and the European Business, and to the Seller's personnel, and shall furnish them with all such information relating to the Purchased Business, the Purchased Assets, the Assumed Liabilities and the European Business as the Buyer may reasonably request in connection with the transactions contemplated by this Agreement. Notwithstanding anything in this Section 8.1 to the contrary, any such investigation shall be conducted upon reasonable advance notice and in such manner as does not materially disrupt the conduct of the Business.

### **8.2 Conduct of Business Until Closing**

Except: (a) as expressly provided in this Agreement; (b) with the prior written consent of the Buyer (not to be unreasonably withheld or delayed); (c) as necessary or advisable in



connection with the CCAA Proceedings and/or Chapter 15 Proceedings; or (d) as otherwise provided in the existing Court Orders or any further order of the Canadian Court or Bankruptcy Court in connection with the CCAA Proceedings or Chapter 15 Proceedings, prior to the Closing, to the extent reasonably practicable having regard to the CCAA Proceedings and Chapter 15 Proceedings, the Seller shall, and shall cause the Additional Sellers to:

(a) operate the Purchased Business only in the ordinary course in all material respects, consistent with past practice, except to the extent otherwise required by Applicable Law and the Seller's contractual obligations (and in such cases, the Seller shall consult with and so advise the Buyer with respect to the actions taken);

(b) use commercially reasonable efforts to preserve the business organization of the Purchased Business, including the services of its officers and employees, and its business relationships and goodwill with customers, suppliers and others having business dealings with it;

(c) after consultation with the Buyer, but subject to Section 2.4 and Section 3.2, pay and discharge the debts authorized by the Canadian Court in connection with the CCAA Proceedings and the Bankruptcy Court in connection with the Chapter 15 Proceedings, including (i) payments on any debtor-in-possession financing facility which has been approved by the Buyer and used for the ongoing operation of the Business, it being the intent of the parties that such facility will be repaid in full by the Asset Sellers immediately prior to the Closing, and (ii) payments of amounts owing to critical suppliers and licensors for goods and services supplied both before and after the CCAA Proceedings and Chapter 15 Proceedings, including under any Assumed Contracts;

(d) not transfer, lease, license, sell or otherwise dispose of any of the Purchased Assets, other than inventory or obsolete assets in the ordinary course of the Business, consistent with past practice;

(e) not enter into any contracts that would constitute a Material Contract without the consent of the Buyer;

(f) not enter into any contracts with any Affiliates of the Parent;

(g) not enter into, adopt, amend or terminate any contract relating to the compensation or severance of any employee of the Purchased Business, except in the ordinary course of business after consultation with the Buyer;

(h) not make any material change to its accounting (including Tax accounting) methods, principles or practices, except as may be required by GAAP;

(i) not declare or pay any dividends or distributions;

(j) not issue or sell any capital stock or other equity interests or options, warrants, calls, subscriptions or other rights to purchase any capital stock or other equity interests of the Seller; or



(k) agree in writing to take any of the actions described in sub-clauses (a) through (i) above.

Notwithstanding the foregoing, it is acknowledged and agreed that the Seller may arrange and pay the premium for tail directors and officers' insurance for its directors, officers and trustees.

### **8.3 Approvals and Consents**

(a) To the extent required by Applicable Law, each of the Parties agrees to use commercially reasonable efforts to prepare and file as promptly as practicable and, in any event, within ten (10) days from the execution of this Agreement, all necessary documents, registrations, statements, petitions, filings and applications for any Regulatory Approvals, and shall request expedited processing if available. All filing fees payable in respect of any such filing shall be paid by the Buyer.

(b) For the purposes of the Regulatory Approvals, the Buyer and the Seller agree to:

(i) cooperate with each other in connection with any filing or submission and in connection with any investigation or other inquiry, including any proceeding initiated by a private party;

(ii) promptly notify each other of any communication (whether written or oral) received by such Party from, or given by such Party to, any Governmental Authority and of any material communication received or given in connection with any proceeding by a private party, in each case regarding any of the transactions contemplated hereby;

(iii) give each other reasonable notice of all meetings and telephone calls with any Governmental Authority and give a reasonable opportunity to participate in them (except to the extent that a Governmental Authority expressly requests that either party should not be present at the meeting or part or parts of the meeting); and

(iv) provide each other with drafts of all written communications intended to be sent to any Governmental Authority, including in connection with any proceeding by a private party, give each other a reasonable opportunity to comment on them, not send such communications without the prior approval of the other (such approval not to be unreasonably withheld or delayed) and provide each other with final copies of all such communications (except that in relation to all disclosures under this subclause (iv), business secrets and other confidential material may be redacted so long as each party acts reasonably in identifying such material for redaction).

The foregoing obligations in this Section 8.3(b) shall be subject to any attorney-client, work product or other privilege, and each of the Parties shall coordinate and cooperate fully with the other Party in exchanging such information and providing such assistance as such other Parties may reasonably request in connection with the foregoing.



(c) If any objections are asserted with respect to the transactions contemplated hereby under any Applicable Law or if any suit is instituted by any Governmental Authority or any private party challenging any of the transactions contemplated hereby as violative of any Applicable Law or if a filing pursuant to this Section 8.3(c) is reasonably likely to be rejected or conditioned by a Governmental Authority, each of the Parties shall use commercially reasonable efforts to resolve such objections or challenge as such Governmental Authority or private party may have to such transactions, including to vacate, lift, reverse or overturn any action, whether temporary, preliminary or permanent, so as to permit consummation of the transactions contemplated by this Agreement.

(d) In addition, each Party shall use its commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to such Party's obligations hereunder as set forth in Article 7 to the extent the same is within its control and to take, or cause to be taken, all other action and to do, or cause to be done, all other things reasonably necessary, proper or advisable under all Applicable Law to consummate the transactions contemplated by this Agreement, including using its commercially reasonable efforts to obtain all consents, approvals or authorizations required in connection with the assignment of the Personal Property Leases, Real Property Leases and the Assumed Contracts to the Buyer.

(e) For greater certainty, nothing in this Section 8.3 shall require the Buyer to offer, commit or undertake any commitments or obligations or accept any terms or conditions that would individually or in the aggregate require material expenditures or investments by the Buyer, materially restrict the Buyer's ability to operate or re-structure the Purchased Business or require any employment commitments that materially exceed the Buyer's obligations as set out in Section 8.7.

#### **8.4 Access of the Seller and the Buyer to Records**

(a) The Seller shall, for a period of six years from the Closing Date, have access to, and the right to copy, at its expense, for *bona fide* business purposes and for purposes of the CCAA Proceedings and Chapter 15 Proceedings, and during usual business hours, upon reasonable prior notice to the Buyer, all books and records relating to the Purchased Business, the Purchased Assets and the Assumed Liabilities which are transferred and conveyed to the Buyer pursuant to this Agreement. The Buyer shall retain and preserve all such books and records for such six year period.

(b) From and after the Closing, the Asset Sellers shall retain all books and records of the Assets Sellers and the Buyer shall have access to, and the right to copy, at its expense, for *bona fide* business purposes, and during usual business hours, upon reasonable prior notice to the applicable Asset Seller, all books and records of the Asset Sellers. The Asset Sellers shall retain and preserve all such books and records for a period six years following the Closing.

#### **8.5 Further Assurances**

Each of the Parties hereto shall promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other Party hereto may reasonably require from time to time for the purpose of giving effect to this



Agreement and shall use commercially reasonable efforts and take all such steps as may be reasonably within its power to fulfill the conditions and to implement to their full extent the provisions of this Agreement, provided that in no event shall the Seller be obligated to take any action that is likely to result in a Material Adverse Effect, nor shall either Party be obligated to make a payment or deliver anything of value to a third party in order to obtain a consent, other than filing with and payment of filing fees to Governmental Authorities in connection with the Regulatory Approvals as provided in Section 8.3(a).

## 8.6 Tax Matters

(a) The Buyer and the Seller agree to furnish or cause to be furnished to each other, as promptly as practicable, such information and assistance relating to the Purchased Assets and the Assumed Liabilities as is reasonably necessary for the preparation and filing of any Tax return, claim for refund or other required or optional filings relating to Tax matters, for the preparation for and proof of facts during any Tax audit, for the preparation for any Tax protest, for the prosecution of any suit or other proceedings relating to Tax matters and for the answer to any governmental or regulatory inquiry relating to Tax matters.

(b) For purposes of any income Tax return related to the transactions contemplated in this Agreement, the Buyer and, to the extent applicable, the Seller, agree to report the transactions contemplated in this Agreement in a manner consistent with the Purchase Price allocation determined in accordance with Section 3.3, and the Buyer and the Seller shall not voluntarily take any action inconsistent therewith in any such Tax return, refund claim, litigation or otherwise, unless required by applicable Tax laws. The Buyer and the Seller shall each be responsible for the preparation of their own statements required to be filed under the *Income Tax Act* (Canada) and the Code and other similar forms in accordance with applicable Tax laws.

(c) All amounts payable by the Buyer to the Seller pursuant to this Agreement are exclusive of any GST, or any other federal, provincial, state or local or foreign value-added, sale, use, consumption, multi-staged, ad valorem, personal property, customs, excise, stamp, transfer, land or real property transfer, or similar Taxes, duties, or charges, or any recording or filing fees or similar charges (collectively, "**Transfer Taxes**"). Transfer Taxes are the responsibility of the Buyer, including with respect to the Huntsville Facility if the Option is exercised. The Buyer and the Seller agree to cooperate to determine the amount of Transfer Taxes payable in connection with the transactions contemplated under this Agreement.

(d) At the request of the Buyer, the Seller shall, together with the Buyer, jointly make the election provided for in paragraph 167(1)(b) of the GST Legislation to have subsection 167(1.1) of the GST Legislation apply in respect of the sale of the Purchased Assets under this Agreement. If the Buyer requests the Seller to make such election, the Buyer shall:

(i) file the election within the time prescribed by subsection 167(1.1) of the GST Legislation; and

(ii) at all times indemnify and hold harmless the Seller and its directors, officers and employees, against and in respect of any and all amounts assessed by the Minister of National Revenue (Canada) (including all reasonable legal and professional fees incurred by the



Seller or its directors, officers and/or employees, as a consequence of or in relation to any such assessment) as a consequence of the Minister determining, for any reason, that the election is unavailable, inapplicable, invalid or not properly made.

(e) The Seller and the Buyer will jointly execute, and each of them will file promptly following the Closing Date, an election under Section 22 of the *Income Tax Act* (Canada), and any corresponding provisions of any applicable provincial income Tax legislation with respect to any debts referred to in Section 22 and any corresponding provisions of any applicable provincial income Tax legislation. For the purposes of such elections, the Buyer, acting reasonably and in consultation with the Seller, will designate the portion of the Purchase Price allocable to the debts in respect of which such elections are made. For greater certainty, the Seller and the Buyer agree to prepare and file their respective Tax returns in a manner consistent with such election(s).

(f) The Seller and the Buyer will jointly execute an election in the prescribed manner and within the prescribed time limits, to have the rules in subsection 20(24) of the *Income Tax Act* (Canada) apply to the obligations of the Seller in respect of undertakings which arise from the operation of the Purchased Business and to which paragraphs 12(1)(a) and 12(1)(e) of the *Income Tax Act* (Canada) apply. The Buyer and the Seller acknowledge that the Seller is transferring assets to the Buyer which have a value equal to the amount elected under subsection 20(24) of the *Income Tax Act* (Canada) as consideration for the assumption by the Buyer of such obligations of the Seller.

(g) The Buyer hereby waives compliance by the Seller with the *Bulk Sales Act* (Ontario), with section 6 of the *Retail Sales Tax Act* (Ontario) and with any similar provision contained in any other Applicable Law.

(h) To the extent permitted under subsection 221(2) of the GST Legislation and any equivalent or corresponding provision under any applicable provincial or territorial legislation, the Buyer shall self-assess and remit directly to the appropriate Governmental Authority any goods and services tax and harmonized sales tax imposed under the GST Legislation and any similar value added or multi-staged tax imposed by any applicable provincial or territorial legislation payable in connection with the transfer of any of the Real Property. The Buyer shall make and file a return(s) in accordance with the requirements of subsection 228(4) of the GST Legislation and any equivalent or corresponding provision under any applicable provincial or territorial legislation.

(i) The Seller and its Affiliates shall prepare and file, and pay the Taxes shown as due on any Tax returns in respect of the Purchased Business or the Purchased Assets, for all periods ending on or before the Closing Date, to the extent such Taxes would otherwise be or become an Encumbrance on the Purchased Assets or be imposed by the taxing authority on the Buyer as the purchaser of the Purchased Business or on the Purchased Assets. Further, (i) the Asset Sellers shall retain liability for all Taxes in respect of income, gross receipts or profits of the Asset Sellers or the Purchased Business (and, for clarity, not for other Taxes, including Transfer Taxes or Real Property Taxes) that relate to a period prior to the Closing Date, regardless of when asserted, and shall address such Taxes in the CCAA Proceedings and the Chapter 15 Proceedings, and (ii) the Buyer shall not assume or otherwise be liable for any Taxes



in respect of income, gross receipts or profits of the Asset Sellers or the Purchased Business that relate to a period prior to the Closing Date.

(j) The Buyer shall be responsible for all Taxes of or with respect to the Purchased Business or the Purchased Assets for all periods beginning after the Closing Date and shall be responsible for preparing and filing all Tax returns in connection therewith.

## 8.7 Employee Matters

(a) Prior to but conditional on Closing and with effect on the Closing Date, the Buyer shall offer employment to all employees of the Seller and the other Asset Sellers who are engaged primarily in the Purchased Business, other than those employees who the Buyer designates in writing to the Seller prior to the Closing. Promptly following the execution of this Agreement, the Seller will provide the Buyer with such information concerning the employees and their compensation as the Buyer may reasonably request in order to make its determinations. Offers of employment by the Buyer shall be on terms substantially similar in the aggregate as those in effect immediately prior to Closing. The employees of the Seller and the other Asset Sellers who are engaged primarily in the Purchased Business, who are offered employment by the Buyer and who accept the Buyer's offer of employment, shall be referred to in this Agreement as "**Assumed Employees**".

(b) The Buyer shall assume and be responsible for all liabilities and obligations with respect to the Assumed Employees that first arise following the Closing Date, including any required notice of termination, termination or severance pay (in each case whether required under Applicable Law or under contract), employment insurance, workplace safety and insurance/workers' compensation, salary or wages and other compensation, benefits offered by the Buyer, payments required by Applicable Law, KERP obligations and claims under Assumed Employee Plans. The Buyer shall indemnify and hold the Asset Sellers harmless from and against any and all damages which the Seller or other Asset Seller may suffer or incur in connection with such assumed liabilities and obligations.

(c) Subject to the further provisions of this Section 8.7(c), the Seller may pay and discharge all liabilities and obligations with respect to any employees up to and including the Closing Date, without deduction or setoff to the Purchase Price. The Asset Sellers shall be responsible for all liabilities and obligations with respect to any employees up to and including the Closing Date and all liabilities and obligations with respect to any employees who are not Assumed Employees, including, in both cases, liabilities and obligations related to any notice of termination, termination or severance pay (in each case whether required under Applicable Law or under contract), employment insurance, workplace safety and insurance/workers' compensation, salary or wages and other compensation, benefits offered by the Seller and the other Asset Sellers, payments required by Applicable Law and claims under Employee Plans, except for (i) obligations described in Sections 2.3(a), (b) and (c) with respect to employees in the ordinary course of business from the Effective Date to the Closing Date, excluding self insured medical claims and self insured Pennsylvania worker's compensation claims based on occurrences prior to the Filing Date, and (ii) payments and entitlements under the Assumed Employee Plans after the Closing Date, each of which shall be the obligation of the Buyer. For



greater certainty, the Seller retains all self insured medical obligations to employees and all self insured Pennsylvania worker's compensation claims, regardless of when asserted, if the claims are based on occurrences prior to the Filing Date, and agrees to deal with such claims in the CCAA Proceedings and the Chapter 15 Proceedings.

(d) Effective as of the Closing Date, the Seller and the other Asset Sellers assign to the Buyer, and the Buyer assumes, the Assumed Employee Plans and all of the Seller's and other Asset Sellers' rights, obligations and liabilities under and in relation to the Assumed Employee Plans and shall be assigned and receive all assets of the Assumed Employee Plans. The Seller and the other Asset Sellers and the Buyer agree to cooperate to take all reasonable actions to affect such assignment and to obtain any required Governmental Authorizations in respect of such assignment.

(e) To the extent that service is relevant for purposes of eligibility and vesting (and, in order to calculate the amount of any vacation, sick days, severance, layoff, and pension benefit accruals) under any Assumed Employee Plan, other than as would result in duplication of benefits, each Assumed Employee shall be credited for service earned prior to the Closing Date with the Seller or its Affiliates in addition to service earned with the Buyer on and after the Closing Date.

(f) All provisions contained in this Agreement with respect to the Assumed Employees, the Assumed Employee Plans or compensation of Assumed Employees are included for the sole benefit of the Parties. Nothing contained herein shall (i) confer upon any former, current or future employee of the Seller or the Buyer or any legal representative or beneficiary thereof any rights or remedies, including any right to employment or continued employment, of any nature, for any specified period, (ii) cause the employment status of any former, present or future employee of the Buyer to be other than terminable at will or in accordance with Applicable Law, (iii) confer any third party beneficiary rights upon any Assumed Employee or any dependent or beneficiary thereof or any heirs or assigns thereof, (iv) obligate the Buyer to maintain the Assumed Employee Plans for any period of time or offer benefits of any nature to Assumed Employees following the Closing Date, or (v) limit or restrict the ability of the Buyer to make changes to Assumed Employee compensation or benefits after the Closing Date.

(g) Pursuant to Treasury Regulations Section 1.409A-1(h)(4), the Seller's and other Asset Sellers' termination of the employment of United States employees of the Purchased Business who become Assumed Employees shall not constitute a "**separation from service**" within the meaning of Section 409A of the Code and the Treasury Regulations thereunder, including Treasury Regulations Section 1.409A-1(h).

(h) It is acknowledged and agreed that, subject to Section 2.4 and Section 3.2, the Seller and the other Asset Sellers may prior to Closing pay to their employees the amount due (i) in the ordinary course consistent with past practice (except for post-Filing Date payments of severance), and (ii) under the KERP (including payments due on June 30, 2012, payments relating to completion of the transactions contemplated hereby and payments relating to participants' termination prior to or at Closing).



(i) The Asset Sellers shall, after consultation with the Buyer, be entitled to terminate the employment of their employees as they deem appropriate and to deal with any claim arising from such termination under the CCAA Proceedings or Chapter 15 Proceedings, as applicable; provided that if any such termination results in an Assumed Liability under this Agreement, the Asset Sellers shall obtain the Buyer's approval in advance of any such termination.

## 8.8 Deal Protection

(a) Except as expressly provided in this Section 8.8, the Seller shall not, directly or indirectly, through any Person, and shall cause its Affiliates not to:

(i) solicit, assist, initiate, knowingly encourage or otherwise knowingly facilitate (including by way of furnishing information) any inquiries or proposals, whether publicly or otherwise, regarding an Acquisition Proposal, provided that, for greater certainty, the Seller may advise any Person making an unsolicited Acquisition Proposal that such Acquisition Proposal does not constitute a Superior Proposal when the Board of Trustees has so determined;

(ii) enter into, continue or participate in any discussions or negotiations with any Person regarding an Acquisition Proposal; or

(iii) accept or enter or propose publicly to accept or enter into any agreement, understanding or arrangement in respect of an Acquisition Proposal (other than a confidentiality agreement permitted by Section 8.8(c)(ii)(1)).

(b) The Seller shall promptly notify the Buyer of any Acquisition Proposal or inquiry (in each case written or oral) that is reasonably expected to lead to an Acquisition Proposal, in each case received after the date hereof, of which any of its directors, officers or financial advisors are or become aware.

(c) Notwithstanding Sections 8.8(a) and 8.8(b) and any other provision of this Agreement, if at any time following the date of this Agreement the Board of Trustees receives a written Acquisition Proposal that was not solicited after entering into this Agreement in breach of Section 8.8(a), the Board of Trustees may (directly or through its advisors or representatives):

(i) contact the person making such Acquisition Proposal and its Representatives to clarify the terms and conditions of such Acquisition Proposal and the likelihood of consummation so as to determine whether such proposal is, or could reasonably be expected to lead to, a Superior Proposal; and

(ii) if, in the opinion of the Board of Trustees, acting in good faith and after receiving advice from its outside financial advisor and outside legal counsel, the Acquisition Proposal (disregarding, for the purposes of any such determination, any term of such Acquisition Proposal that provides for a due diligence investigation and/or a financing condition) is, or could reasonably be expected to lead to, a Superior Proposal, the Seller may:



(1) furnish information with respect to the Seller and its subsidiaries to the person making such Acquisition Proposal and its representatives (pursuant to a customary form of confidentiality agreement); and/or

(2) consider such Acquisition Proposal and/or, participate and/or engage in discussions with the person making such Acquisition Proposal and its representatives;

provided that the Buyer is promptly provided with a list and copies of all information provided to such person not previously provided to the Buyer and is promptly provided with access to the information that was provided to such person.

(d) The Seller shall ensure that its officers and directors and those of its subsidiaries and any financial or other advisors or representatives retained by it are aware of the provisions of this Section 8.8, and it shall be responsible for any breach of this Section 8.8 by any such Person or its advisors or representatives.

(e) If the Seller terminates this Agreement pursuant to Section 10.1(c)(iii) or the Buyer terminates this Agreement under Sections 10.1(d)(iii) or 10.1(d)(v), concurrently with such notice of termination the Seller shall pay to the Buyer a fee in the amount of \$2,250,000 (the "**Break Fee**") as liquidated damages and not as a penalty, and the Buyer shall be returned the Deposit from the escrow, and such fee and the return of such Deposit shall be the exclusive remedy of the Buyer on account of such termination.

(f) Nothing in this Section 8.8 or otherwise in this Agreement shall require the Buyer to participate in any auction or similar process with respect to the purchase of the Purchased Assets and the Purchased Business and the transactions contemplated by this Agreement.

### **8.9 Notices of Material Breach**

If at any time: (a) the Buyer becomes aware of any material breach by the Seller of any representation, warranty, covenant or agreement contained herein and such breach is capable of being cured by the Seller; or (b) the Seller becomes aware of any material breach by the Buyer of any representation, warranty, covenant or agreement contained herein and such breach is capable of being cured by the Buyer, the Party becoming aware of such breach shall promptly notify the other Party in writing of such breach.

### **8.10 Release**

Effective as of the Closing Date, the Buyer forever releases and discharges the Seller and its Affiliates and its and their respective present and former shareholders, officers, directors, employees, auditors, advisors, legal counsel and agents (each, a "**Released Party**"), from any and all demands, claims, liabilities, actions, causes of action, counterclaims, suits debts, sums of money, accounts, indebtedness, liability or obligation of whatever nature based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Closing relating to, arising out of or in connection with, the Purchased Assets or the Purchased Business, including, for greater certainty, any and all claims, demands,



complaints, actions, losses, liabilities, judgments, settlements, damages, penalties, consequential damages, exemplary damages, fines, liens, remediation, abatement, costs and expenses of investigation, remediation or cleanup in defense of or resulting from any claim, action or suit, demand or administrative proceeding or any requirement of any Governmental Authority, whether known or unknown, and whether in law or in equity, whether direct or consequential, compensatory, exemplary, liquidated or unliquidated, which the Buyer or its respective legal representatives, successors, assigns, heirs, executors or administrators has, shall have or may ever have against any Released Party with respect to any environmental condition, investigation or remediation with respect to the Real Property (owned or leased) of any Released Party. Notwithstanding the generality of the foregoing, the foregoing release shall not release any Released Party from its obligations under this Agreement, nor shall it expand, contract or otherwise affect in any way the Assumed Liabilities assumed at the Closing by the Buyer or the Excluded Liabilities retained by the Seller.

#### 8.11 Title Policies and Documents

(a) To the extent not previously provided, as soon as reasonably practicable after execution of this Agreement, the Seller and/or the Asset Sellers shall provide the Buyer with (i) a complete legal description and tax parcel numbers for each parcel of Owned Real Property and the Huntsville Facility, (ii) for each parcel of Owned Real Property and the Huntsville Facility, a copy of any title policy, title commitment or any certificate of title that the Seller and/or the Asset Sellers possess, evidencing title to each parcel of Owned Real Property and the Huntsville Facility as of the date of the applicable certificate, commitment or policy, and (iii) complete and legible copies of all instruments and documents that the Seller and/or the Asset Sellers possess affecting title to the Owned Real Property and the Huntsville Facility.

(b) Promptly thereafter and based on the legal descriptions and/or tax parcel numbers provided, the Seller shall cause the Title Company to issue, at the expense of the Buyer, one or more Title Commitments for the issuance of an extended coverage owner's policy or policies of title insurance in the amount determined under Section 8.11(c), insuring as of the Closing Date the Buyer's fee simple title to the Owned Real Property and, following the exercise of the Option, the Huntsville Facility (each, a "**Title Insurance Policy**"). The Seller shall cause the Title Company to deliver to the Buyer duplicate copies of the Title Commitments and Schedule B items thereto and all other documents referenced therein. In addition, within two Business Days after receipt of a written request from the Buyer, the Seller and/or the Asset Sellers will execute and deliver authorizations that may be sent by the Buyer to Governmental Authorities that authorize such Governmental Authorities to reveal to the Buyer all information, if any, in any files such Governmental Authorities have on the Owned Real Property and the Huntsville Facility, or any part thereof, provided such authorizations do not authorize or request inspections with respect to the Owned Real Property and the Huntsville Facility, in each case to the extent such authorizations are required of the Seller and/or the Asset Sellers. The Seller shall be responsible for the costs of discharging any and all financial encumbrances, including all deeds of trusts, mortgages and mechanics and materialmen's liens, on the Owned Real Property and the Huntsville Facility, including the cost to record releases or discharges, unless any of the foregoing is a Permitted Encumbrance. The Seller and the Asset Sellers agree, at their cost, to



execute all customary affidavits, in reasonable form, and other reasonable documents requested by the Title Company in order to obtain each Title Insurance Policy.

(c) The value of the Owned Real Property and the Huntsville Facility for Transfer Tax, documentary stamps and other relevant purposes will equal the value of each parcel as reasonably agreed upon by the Parties.

#### **8.12 Title Review/Permitted Encumbrances**

The Buyer shall notify the Seller in writing of any Unpermitted Encumbrance. The Seller shall have ten (10) days after notice of any Unpermitted Encumbrance is delivered by the Buyer within which the Seller shall deliver notice to the Buyer in writing as to whether the Seller elects to cure, or insure around any such matter; provided, however, that the Seller shall be required to cure any monetary Unpermitted Encumbrance (i.e., an exception which can be deleted as an exception upon the delivery of sufficient funds to the Title Company) at or prior to Closing. Except with respect to a monetary Unpermitted Encumbrance, failure to notify the Buyer in writing within such period of its election to cure or insure around shall be deemed the Seller's election not to cure or insure around. The Buyer shall have ten (10) days following receipt of the Seller's notice or deemed notice electing not to cure or insure around in which to (a) elect to waive its objection to any Unpermitted Encumbrance that the Seller does not elect to cure or insure around, (b) remove the Owned Real Property or Huntsville Facility subject to the Unpermitted Encumbrance from the Purchased Assets, which shall result in a mutually-agreeable reduction of the Purchase Price, or (c) terminate this Agreement in accordance with Article 10, but only if the existence of the Unpermitted Encumbrance and the removal of the Owned Real Property pursuant to clause (b) would result in a Material Adverse Effect if the rights, benefits or privileges under such title exception(s) are asserted or enforced. If the Buyer fails to notify the Seller in writing of the Buyer's election within such ten- (10-) day period, the Buyer shall be deemed to have elected to proceed in accordance with clause (a) of the preceding sentence.

#### **8.13 Surveys.**

To the extent not previously provided, as soon as reasonably practicable after execution of this Agreement, the Asset Sellers shall deliver to the Buyer any surveys that the Asset Sellers possess of the Owned Real Property and the Huntsville Facility, or any part thereof.

#### **8.14 Prorations and Charges.**

All Taxes and assessments relating to the Owned Real Property and the Huntsville Facility for any tax year prior to the real estate tax year in which the Closing occurs shall be paid in full by the Seller or the applicable Asset Seller on or before the Closing Date or an amount sufficient to fully discharge the same shall be deposited in escrow with the Title Company for payment to the relevant Tax authority. The Seller shall pay the premium for each Title Insurance Policy and the escrow fees at or prior to the Closing, without a reduction of the Purchase Price therefor. All other costs associated with the Closing of the transactions contemplated by this Agreement shall be paid in accordance with common escrow practices in the county in which the Owned Real Property or the Huntsville Facility is located.



### **8.15 Casualty Losses**

Notwithstanding any provision in this Agreement to the contrary, if, before the Closing, all or any material portion of the Purchased Assets is (a) condemned or taken by eminent domain, or (b) a material portion is damaged or destroyed by fire or other casualty, the Seller shall notify the Buyer promptly in writing of such fact, and, at the Buyer's sole discretion, (i) the Buyer may elect to terminate this Agreement, or (ii) the Buyer may elect to consummate the transactions contemplated by this Agreement without regard to such event, in which case (A) in the event of condemnation or taking, the Seller shall assign or pay, as the case may be, any proceeds thereof to the Buyer at the Closing, or (B) in the event of fire or other casualty, the Seller shall, at its option, either restore such damage or assign the insurance proceeds therefrom to the Buyer at Closing.

### **8.16 Letters of Credit**

The Buyer will arrange for the replacement of the Letters of Credit within two (2) months following the Closing Date. If any Letter of Credit is drawn after the Closing Date and before being replaced, the Buyer shall be liable to the issuer of such Letter of Credit for the amount so drawn. The Buyer will cause to be paid to the Seller any cash collateral received in connection with the replacement of the Letters of Credit. The Buyer will provide to the issuer of each Letter of Credit not less than five (5) Business Days prior to the Closing "know your customer" and other similar information regarding the Buyer as may be reasonably requested by each issuer of a Letter of Credit to comply with applicable law or customary procedures of the applicable issuer.

### **8.17 European Business Closing**

The closing of the acquisition of the European Business by the Buyer and/or its nominees pursuant to the Offer shall occur no sooner than December 17, 2012.

## **ARTICLE 9. – COURT ORDERS; DESIGNATION RIGHTS**

### **9.1 Court Orders**

(a) As promptly as practicable after execution of this Agreement the Seller shall: (i) bring an application for the issuance of the Initial CCAA Order with the Canadian Court; (ii) file a motion for the issuance of the Approval and Vesting Order; (iii) file a motion for entry of the Provisional Relief Order and the CCAA Recognition Order with the Bankruptcy Court; (iv) file a motion for entry of the Sale Recognition Order; and (v) serve such parties as the CCAA, the Canadian Court, the Bankruptcy Code, the Bankruptcy Court, and the Buyer may require for applications and motions seeking issuance or entry of each of the Court Orders. In connection with the foregoing, the Buyer shall, in consultation with the Seller, determine which liabilities are to be compromised or extinguished under the Court Orders.

(b) The Buyer shall cooperate with the Seller acting reasonably, as may be necessary, in obtaining the Court Orders prior to any applicable dates set forth in Section 10.1.



(c) Notice of the application and motions seeking the issuance and entry of the Court Orders shall be served by the Seller on all Persons required to receive notice under applicable laws and the requirements of the CCAA, the Canadian Court, the Bankruptcy Code, the Bankruptcy Court and any other Person determined necessary by the Seller or the Buyer.

(d) In the event leave to appeal is sought, an appeal is taken or a stay pending appeal is requested with respect to any of the Court Orders, the Seller shall promptly notify the Buyer of such leave to appeal, appeal or stay request and shall promptly provide to the Buyer a copy of the related notice(s) or Order(s). The Seller shall also provide the Buyer with copies of any motion or application filed in connection with any leave to appeal or appeal from such Orders within two (2) Business Days after receipt thereof by the Seller.

(e) From and after the date hereof, the Seller shall not take any action that is intended to result in, or fail to take any action the intent of which failure to act would result in, the reversal, voiding, modification or staying of any of the Court Orders.

(f) From and after the date hereof, the Seller shall provide such prior notice as may be reasonable under the circumstances before filing any materials with the Canadian Court or the Bankruptcy Court that relate, in whole or in part, to this Agreement or the Buyer and shall consult in good faith with the Buyer regarding the content of such materials prior to any such filing.

## 9.2 Designation Rights

(a) The Approval and Vesting Order and Sale Recognition Order, or other orders obtained by from the Canadian Court and the Bankruptcy Court, shall provide for the assumption by the Seller, and the assignment to the Buyer, pursuant to Section 11.3 of the CCAA and Section 365 of the Bankruptcy Code, as applicable, of those Assumed Contracts, Real Property Leases, Personal Property Leases and Assumed Employee Plans designated by the Buyer for assumption and assignment on the terms and conditions set forth in the remainder of this Section 9.2.

(b) On or before July 6, 2012, the Seller shall provide notice to the counterparties (except any Material Customers with respect to which consent is required pursuant to Section 7.2(g)) to executory leases and other contracts related to the Purchased Assets (without regard to whether the Buyer has designated such for assumption and assignment) that such executory leases and contracts may be assumed and assigned to the Buyer. Any notice provided to such contracting parties shall be in a form acceptable to the Buyer, acting reasonably. The Buyer shall, by July 15, 2012 (the "**Initial Designation Date**"), identify the Assumed Contracts, Real Property Leases, Personal Property Leases and Assumed Employee Plans, in each case including the name and address of the counterparty, that the Buyer has determined up to that point that it intends to have assumed and assigned to the Buyer on the Closing Date by providing a list thereof to the Seller. The Buyer shall be allowed to designate any additional Assumed Contracts, Real Property Leases, Personal Property Leases and Assumed Employee Plans, as to which notice was given to the applicable counterparty pursuant to this Section 9.2(b), for assumption and assignment, or remove any Assumed Contracts, Real Property Leases, Personal Property



Leases and Assumed Employee Plans from the designation for assumption and assignment at the Closing at any time before or at the Closing.

(c) The Seller will deliver to the Buyer as soon as practicable a schedule containing a reasonable estimate of the amounts that will be required to remedy all Monetary Defaults with respect to any contract identified to the Seller by the Buyer. The Seller shall reasonably cooperate with and provide additional information to the Buyer identifying as promptly as reasonably practicable all Assumed Contracts, Real Property Leases, Personal Property Leases and Assumed Employee Plans that may be subject to assumption and assignment or rejection pursuant to Section 11.3 of the CCAA and Section 365 of the Bankruptcy Code, as applicable.

(d) Prior to the Closing Date, the Seller shall not permit any executory lease or other contract related to the Purchased Assets to be rejected pursuant to Section 11.3 of the CCAA or Section 365 of the Bankruptcy Code, as applicable, without the prior written consent of Buyer. From and after the Closing Date, the Buyer may, in its sole discretion, designate any Assumed Contracts, Real Property Leases, Personal Property Leases or Assumed Employee Plans not assigned to the Buyer on the Closing Date (each, an “**Open Contract**”) for assumption and assignment to the Buyer; provided, that the Asset Sellers may, on not fewer than ten (10) Business Days’ prior written notice to the Buyer designating the Applicable Open Contract(s) (each such notice, a “**Rejection Notice**”), cause to be rejected any Open Contract set forth in the Rejection Notice, subject to the right of the Buyer, upon receipt of the Rejection Notice and prior to the rejection of the applicable Open Contract, to either (i) designate such Open Contract for assumption and assignment in accordance with the procedures set forth in Section 9.2(j), with such changes therein as are required by the Canadian Court or the Bankruptcy Court, as applicable, or (ii) agree in writing to reimburse the applicable Asset Seller for the out of pocket expenses incurred under such Open Contract from and after the date of the Rejection Notice until the date on which the Buyer provides the Asset Seller with notice of the Buyer’s decision as to whether to assume such Open Contract or permit its rejection, in which case the applicable Asset Seller shall refrain from rejecting such Open Contract until the date it receives notification of such decision by the Buyer. The Asset Sellers shall act reasonably and in good faith in providing any Rejection Notices, including with respect to the quantity of Open Contracts set forth therein, and shall cooperate with the Buyer in determining whether or not to assume any Open Contract. The Buyer shall endeavor in good faith to complete the assumption and assignment or rejection process for all Open Contracts by September 15, 2012.

(e) In the event that the Buyer shall determine in accordance with this Section 9.2 to reject or refuse assignment of any Assumed Contracts, Real Property Leases, Personal Property Leases and Assumed Employee Plans, the Buyer shall have no obligations with respect thereto, including any obligation to cure any defaults thereunder.

(f) With respect to each of the Assumed Contracts, Real Property Leases, Personal Property Leases and Assumed Employee Plans designated by the Buyer for assumption and assignment, subject to Court Approval (or such other order of the Canadian Court and Bankruptcy Court and/or the consent of the applicable counterparties to the extent necessary to effect the assignment thereof), the Seller shall assume and assign to Buyer and Buyer shall



assume all designated Assumed Contracts, Real Property Leases, Personal Property Leases or Assumed Employee Plans.

(g) The Seller shall use its commercially reasonable efforts to establish the amount necessary to cure all Monetary Defaults under all Assumed Contracts, Real Property Leases, Personal Property Leases and Assumed Employee Plans that the Buyer has designated for assumption and assignment. To the extent that any counterparty objects to the proposed cure amount or to the assumption or assignment of any such agreement on any other grounds (each, an “**Objecting Counterparty**”), the Seller shall reasonably cooperate with the Buyer to negotiate with such Objecting Counterparty, including attending meetings and conferences with such Objecting Counterparty and its representatives as the Buyer reasonably requests and providing the Buyer with reasonable access to the books and records of the Seller to defend the proposed assignment and assumption and cure amount. Under no circumstances shall the Seller, without the prior written consent of the Buyer, (i) compromise or commence any action with respect to a negotiated cure amount required to be made under the CCAA and Bankruptcy Code to effectuate the assumption or assignment, (ii) agree to any other amendments, supplements, or modifications of, or waivers with respect to, any of the Assumed Contracts, Real Property Leases, Personal Property Leases and Assumed Employee Plans that the Buyer has designated for assumption and assignment, or (iii) take any action (or fail to take any action) to reject, repudiate or disclaim any of the Assumed Contracts, Real Property Leases, Personal Property Leases and Assumed Employee Plans that the Buyer has designated for assumption and assignment.

(h) Any of the Assumed Contracts, Real Property Leases, Personal Property Leases and Assumed Employee Plans that are not assumed by Buyer on the terms set forth in this Section 9.2 shall be an Excluded Asset.

(i) The Olyphant Facility is owned by Cinram Manufacturing LLC and is an Excluded Asset, while all of the machinery, equipment, Inventories, Accounts Receivable, Prepaid Expenses, Assumed Contracts, Permits, Intellectual Property and other assets owned or used or held for use by Cinram Manufacturing LLC in connection with the Olyphant Facility are Purchased Assets, subject in the case of the Assumed Contracts to the rejection rights set forth in this Section 9.2, including this Section 9.2(i). Following the Closing Date, the Buyer will operate the Olyphant Facility, using the Purchased Assets relating thereto, pursuant to the terms of the Transition Services Agreement. Notwithstanding the prior provisions of this Section 9.2, the Seller shall take all reasonable steps within the CCAA Proceedings and the Chapter 15 Proceedings to allow the Buyer to assume any contract identified by the Buyer relating to the Olyphant Facility for assumption and assignment (each, an “**Olyphant Contract**”) in accordance with the procedures set forth in Section 9.2(j), with such changes therein as are required by the Canadian Court or the Bankruptcy Court, as applicable.

(j) Within three (3) Business Days of receipt of the Buyer’s notification of the designation of an Open Contract or an Olyphant Contract for assumption and assignment, the Seller shall provide notice of the designation to the counterparty to such designated Open Contract or Olyphant Contract and the proposed amount that will be required to remedy a Monetary Default that may be necessary for the assumption and assignment of the same in a



form acceptable to the Buyer and approved by the Canadian Court or the Bankruptcy Court in a Court Order.

## ARTICLE 10. – TERMINATION

### 10.1 Termination

This Agreement may be terminated at any time prior to Closing, subject to any approvals required from the Canadian Court or the Bankruptcy Court in connection with the CCAA Proceedings or the Chapter 15 Proceedings, as follows:

- (a) by mutual written consent of the Seller and the Buyer;
- (b) by either party, upon written notice to the other, if:
  - (i) the Closing has not occurred on or before September 15, 2012 or such later date agreed to by both the Seller and the Buyer in writing (the “**Sunset Date**”), provided that such right shall not be available to any Party whose breach hereof has been the principal cause of, or has directly resulted in, the event or condition purportedly giving rise to the right to terminate this Agreement pursuant to this clause;
  - (ii) any condition set forth in Section 7.1 is not satisfied, or such condition is incapable of being satisfied, by the Sunset Date, unless the Party seeking termination is in material breach of its obligations under this Agreement;
  - (iii) a Governmental Authority issues an Order prohibiting the transactions contemplated hereby, which Order shall have become final and non-appealable; or
  - (iv) the CCAA Proceedings or Chapter 15 Proceedings are dismissed and such dismissal does not expressly contemplate and provide for consummation of the transactions provided for in this Agreement;
- (c) by the Seller, upon written notice to the Buyer, if:
  - (i) the CCAA Proceedings or Chapter 15 Proceedings are terminated or dismissed, unless such termination or dismissal was advocated by the Seller in breach of this Agreement;
  - (ii) any condition set forth in Section 7.3 is not satisfied, or such condition is incapable of being satisfied, by the Sunset Date, unless the Seller is in material breach of its obligations under this Agreement;
  - (iii) such termination is for the purpose of entering into a binding written agreement with respect to a Superior Proposal (other than a confidentiality agreement permitted by Section 8.8(c)), subject to compliance with Section 8.8; or



(iv) the Seller has determined to reject the Offer due to a failure of the condition precedent to the consummation of the acquisition of the European Business set forth in Section 6(f) of the Offer; and

(d) by the Buyer, upon written notice to the Seller:

(i) if any condition set forth in Section 7.2 is not satisfied, or such condition is incapable of being satisfied, by the Sunset Date, unless the Buyer is in material breach of its obligations under the Agreement;

(ii) as provided in Section 8.12 and Section 8.15;

(iii) if the Seller withdraws or seeks authority to withdraw the Approval and Vesting Order or the Sale Recognition Order;

(iv) if there are any Uncaptured Accruals with respect to which the Seller has not agreed that there will be a reduction of the Purchase Price on a dollar-for-dollar basis; or

(v) if the Seller sells, transfers or otherwise disposes, directly or indirectly, of any material portion of the Purchased Assets, except in connection with the CCAA Proceedings and/or the Chapter 15 Proceedings, and except with the consent of the Buyer.

## **10.2 Effect of Termination**

If this Agreement is terminated by the Seller under Section 10.1(b)(ii) or Section 10.1(c)(ii) based on a material breach being committed by the Buyer and the Buyer is unable to timely cure such breach, the Seller shall be entitled to the full amount of the Deposit and all interest accrued thereon as liquidated damages and not as a penalty and as its sole and exclusive remedy against the Buyer. If this Agreement is terminated by the Buyer under Section 10.1(d)(iii) or Section 10.1(d)(v), or if this Agreement is terminated by the Buyer under Section 10.1(b)(ii) or Section 10.1(d)(i) based on a material breach being committed by the Seller and the Seller is unable to timely cure such breach (excluding, for clarity, the non-fulfillment of a condition dependent on the action or inaction of a third party, including the Canadian Court, the Bankruptcy Court, applicable regulatory authorities and/or Material Customers or counterparties to Material Contracts, where the Seller is not in material breach of its covenants hereunder or where the failure of the condition to be fulfilled is not a result of any material breach by the Seller of its covenants hereunder), then the Seller shall pay to the Buyer the Break Fee, as liquidated damages and not as a penalty, as the Buyer's sole and exclusive remedy against the Seller.

## **ARTICLE 11. – CLOSING**

### **11.1 Location and Time of the Closing; Effective Time**

The Closing shall take place on the Closing Date at the Toronto, Ontario offices of Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, Ontario M5H 2S7, or at such other location as may be agreed upon by the Parties hereto. Notwithstanding the foregoing, the



transfer of the Owned Real Property, including the Huntsville Facility if the Buyer requires the exercise of the Option, in connection with the Closing shall take place through a traditional real estate escrow with a title company mutually selected by the Parties (the “**Title Company**”). While legal title to the Purchased Assets and the Purchased Business will transfer to the Buyer on the Closing Date, the transactions contemplated by this Agreement shall be effective as of the Effective Date. The Buyer shall be entitled to the benefit of all revenues and profits of the Purchased Business as of the Effective Date, and shall bear the responsibility of all expenses and losses of the Purchased Business as of the Effective Date.

## 11.2 Closing Deliveries

- (a) At the Closing, the Seller shall deliver to the Buyer:
- Section 7.2;
- (i) the documents required to be delivered by the Seller pursuant to
  - (ii) a receipt for the Purchase Price for the Purchased Business;
  - (iii) certified copies of each of the Court Orders;
  - (iv) all certificates, deeds, bills of sale, endorsements, assignments and other instruments of transfer and conveyance as may be required to transfer the Purchased Assets to the Buyer, each in a form reasonably satisfactory to the Buyer;
  - (v) (A) certificates of recent date as to the good standing of the Seller and the Additional Sellers from their jurisdictions of organization, as applicable, and (B) to the extent obtainable, certificates as to the payment of all applicable Taxes by the Seller and the Additional Sellers, executed by the appropriate Governmental Authorities where they are organized and conduct business;
  - (vi) evidence reasonably satisfactory to the Buyer of the termination of (A) the Madison Purchase Right, (B) the other agreements identified by the Buyer to the Seller prior to the date hereof in a writing that references this section;
  - (vii) if the Buyer requires that the Option be exercised, evidence reasonably satisfactory to the Buyer that the Option was duly exercised so that the Buyer or its nominee acquires fee title to the Huntsville Facility at the Closing;
  - (viii) a counterpart to the Escrow Agreement and the Transition Services Agreement;
  - (ix) an affidavit in customary form from each Asset Seller that owns Real Property with respect to compliance with the Foreign Investment in Real Property Act (Code Section 1445, as amended, and the regulations issued thereunder);
  - (x) a purchase certificate issued by the Workplace Safety and Insurance Board; and



(xi) any other documents reasonably requested by the Buyer in order to effect, or evidence the consummation of, the transactions contemplated herein or otherwise provided for under this Agreement.

(b) At the Closing, the Buyer shall deliver to the Seller:

(i) an instrument of assumption of liabilities with respect to the Assumed Liabilities in a form satisfactory to the Seller, acting reasonably;

(ii) a duly executed election pursuant to GST Legislation and any certificates, elections or other documents required to be delivered pursuant to Section 8.6(d);

(iii) the documents required to be delivered by the Buyer pursuant to Section 7.3;

(iv) the Purchase Price for the Purchased Business, by wire transfer of immediately available funds to an account designated by the Seller prior to Closing;

(v) if the Buyer requires that the Option be exercised, all documents required to exercise the Option so that the Buyer or its nominee acquires fee title to the Huntsville Facility at the Closing;

(vi) a counterpart to the Escrow Agreement and the Transition Services Agreement;

(vii) an agreement between the Buyer and each issuer of the Letters of Credit wherein the Buyer assumes the reimbursement obligations in respect thereof as contemplated by Section 8.16; and

(viii) any other documents reasonably requested by the Seller in order to effect, or evidence the consummation of, the transactions contemplated herein or otherwise provided for under this Agreement.

## ARTICLE 12. – GENERAL MATTERS

### 12.1 Dissolution of Seller; Name Changes

(a) The Buyer acknowledges and agrees that nothing in this Agreement shall operate to prohibit or diminish in any way the right of any of the Seller or any of its Affiliates to dissolve, wind up or otherwise cease operations in any manner or at any time subsequent to the Closing Date as they may determine in their sole discretion, subject to their satisfaction of their obligations under this Agreement.

(b) Promptly following the Closing, the Seller and its North American Affiliates shall cause their corporate names to be changed to names that do not include the word “Cinram”, if they have not done so prior to the Closing; provided, however, that the name of Cinram Wireless LLC shall not be required to be changed until the termination of its key customer contract,



following which its name shall promptly be changed to a name that does not include the word "Cinram".

## **12.2 Confidentiality**

Without limiting the provisions of the Confidentiality Agreement, until the transaction contemplated by this Agreement is completed, the Buyer shall not, except as contemplated below, directly or indirectly, use for its own purposes or communicate to any other Person any Confidential Information relating to the Seller or to the Purchased Assets or the Business (including with respect to employees, customers and suppliers) which become known to the Buyer, its accountants, legal advisers or representatives as a result of the Seller making the same available in connection with the transactions contemplated hereby. The foregoing shall not prevent the Buyer from disclosing or making available to its accountants, professional advisers and bankers and other lenders, whether current or prospective, any such Confidential Information for use solely in connection with completing the transactions contemplated hereby.

## **12.3 Public Notices**

No press release or other announcement concerning the transactions contemplated hereby shall be made by the Seller or by the Buyer without the prior consent of the other Party (such consent not to be unreasonably withheld) provided, however, that subject to the last sentence of this Section 12.3, any Party may, without such consent, make such disclosure if the same is required by Applicable Law (including disclosure required in connection with the CCAA Proceedings or the Chapter 15 Proceedings) or by any stock exchange on which any of the securities of such Party or any of its Affiliates are listed or by any insolvency or other court or securities commission or other similar Governmental Authority having jurisdiction over such Party or any of its Affiliates, and, if such disclosure is required, the Party making such disclosure shall use commercially reasonable efforts to give prior oral or written notice to the other, and if such prior notice is not possible, to give such notice immediately following the making of such disclosure. Notwithstanding the foregoing: (a) this Agreement may be filed by the Seller with the Canadian Court and/or the Bankruptcy Court; and (b) the transactions contemplated in this Agreement may be disclosed by the Seller to the Canadian Court and/or the Bankruptcy Court, subject to redacting confidential or sensitive information as permitted by Applicable Law and rules. The Parties further agree that:

(a) the Monitor and/or Foreign Representative may prepare and file reports and other documents with the Canadian Court and/or the Bankruptcy Court, as applicable, containing references to the transactions contemplated by this Agreement and the terms of such transactions; and

(b) the Seller and its professional advisors may prepare and file such reports and other documents with the Canadian Court and/or the Bankruptcy Court containing references to the transactions contemplated by this Agreement and the terms of such transactions as may reasonably be necessary to complete the transactions contemplated by this Agreement or to comply with their obligations to the Canadian Court and the Bankruptcy Court.



Wherever possible, the Buyer shall be afforded an opportunity to review and comment on such materials prior to their filing. The Parties shall issue a joint press release announcing the execution and delivery of this Agreement, in form and substance mutually agreed to by them.

#### **12.4 Survival**

The representations and warranties of the Seller in this Agreement or in any agreement, document or certificate delivered pursuant to or in connection with this Agreement or the transactions contemplated hereby (the “**Seller’s Representations**”) are set forth solely for the purpose of Section 7.2(a) and none of them shall survive the Closing. Except as provided in Section 10.2, the Seller shall not have any liability, whether before or after the Closing, for any breach of the Seller’s Representations, and the Buyer acknowledges that its exclusive remedy for any such breach shall be termination of this Agreement prior to the Closing (but only if permitted by Section 10.1) and the fees set forth in Section 10.2.

#### **12.5 Expenses**

Except as otherwise specifically provided herein, the Seller and the Buyer shall be responsible for the expenses (including fees and expenses of legal advisers, accountants and other professional advisers) incurred by them, respectively, in connection with the negotiation and settlement of this Agreement and the completion of the transactions contemplated hereby.

#### **12.6 Non-Recourse**

No past, present or future director, officer, manager, member, employee, incorporator, member, partner, stockholder, Affiliate, agent, attorney or representative of the respective Parties hereto, in such capacity, shall have any liability for any obligations or liabilities of the Buyer or the Seller, as applicable, under this Agreement or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby.

#### **12.7 Assignment; Binding Effect**

No Party may assign its rights or benefits under this Agreement without the consent of the other Party hereto; provided that the Buyer may without the consent of the Seller nominate one or more Canadian entities to take title to the Canadian Purchased Assets at the Closing, and one or more United States entities to take title to the United States Purchased Assets at the Closing. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective permitted successors and permitted assigns. Nothing in this Agreement shall create or be deemed to create any third Person beneficiary rights in any Person or entity not a Party to this Agreement. A nominee of the Buyer pursuant to this Section 12.7 shall be subject to the last sentence of Section 9 of the Offer on the same basis as the Buyer.

#### **12.8 Notices**

Any notice, request, demand or other communication required or permitted to be given to a Party pursuant to the provisions of this Agreement will be in writing and will be effective and deemed given under this Agreement on the earliest of: (a) the date of personal delivery; (b) the

date of transmission by facsimile, with confirmed transmission and receipt (if sent during normal business hours of the recipient, if not, then on the next Business Day); (c) two (2) days after deposit with a nationally-recognized courier or overnight service such as Federal Express; or (d) five (5) days after mailing via certified mail, return receipt requested. All notices not delivered personally or by facsimile will be sent with postage and other charges prepaid and properly addressed to the Party to be notified at the address set forth for such Party:

(a) If to the Buyer at:

Cinram Acquisition, Inc.  
2525 East Camelback Road, Suite 850  
Phoenix, Arizona 85016  
Attention: Jahm Najafi  
Telephone: (602) 476-0600  
Facsimile: (602) 476-0625

with copies (which shall not in itself constitute notice) to:

Ballard Spahr LLP  
One East Washington Street, Suite 2300  
Phoenix, Arizona 85016  
Attention: Karen McConnell  
Telephone: (602) 798-5403  
Facsimile: (602) 798-5595

Davies Ward Phillips & Vineberg LLP  
44th Floor  
1 First Canadian Place  
Toronto, Ontario M5X 1B1  
Attention: Richard Elliott  
Telephone: (416) 863-5506  
Facsimile: (416) 863-0871

(b) If to the Seller at:

Cinram International Inc.  
2255 Markham Road,  
Scarborough, ON M1B 2W3  
Attention: Steve Brown  
Telephone: 416-298-8190  
Facsimile: 416-332-2403

with copies (which shall not in itself constitute notice) to:

Goodmans LLP  
333 Bay Street, Suite 3400  
Toronto, ON, M5H 2S7  
Attention: Robert Chadwick/ Neill May/  
Melaney Wagner  
Telephone: (416) 979-2211  
Facsimile: (416) 979-1234



And to:

Shearman & Sterling LLP  
599 Lexington Avenue  
New York, New York 10022  
Attention: Douglas P. Bartner/  
Jill K. Frizzley  
Telephone: (212) 848-4000  
Facsimile: (646) 848-8174

Any Party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to such Party at its changed address.

#### **12.9 Counterparts; Facsimile Signatures**

This Agreement may be signed in counterparts and each of such counterparts shall constitute an original document and such counterparts, taken together, shall constitute one and the same instrument. The signature of any of the Parties hereto may be evidenced by a facsimile, scanned email or internet transmission copy of this Agreement bearing such signature.

**[The remainder of this page left intentionally blank]**

## SCHEDULE B

### DEFINITIONS

“**Approval and Vesting Order**” shall have the meaning given to such term in the Purchase Agreement.

“**Bankruptcy Code**” means Title 11 of the United States Code, as amended from time to time.

“**Business Day**” means any day on which banks are not required or authorized by law to close in New York City.

“**CCAA**” means the *Companies Creditors' Arrangement Act*, as amended.

“**CCAA Initial Order**” means an Order of the Canadian Court substantially in the form attached as Schedule D hereto.

“**Consent Date**” means July 10, 2012.

“**Effective Time**” means the time of consummation of the Transactions.

“**Governmental Entity**” means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, body, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

“**Majority Consenting Lenders**” means Consenting Lenders representing not less than a majority of the aggregate Obligations under the First Lien Credit Agreement held by all Consenting Lenders.

“**Monitor**” means the monitor appointed by the Canadian Court under the CCAA Initial Order in respect of the CCAA Proceedings.

“**North America Transaction Effective Time**” means the time of the consummation of the transactions under the North America Purchase Agreement.

“**Person**” means an individual, a corporation, a partnership, a limited liability company, a trust, an unincorporated association, a Governmental Entity or any agency, instrumentality or political subdivision of a Governmental Entity, or any other entity or body.



## SCHEDULE C

### FORM OF CONSENT AGREEMENT

This Consent to the Support Agreement is made as of the date below (the “**Consent Agreement**”) by the undersigned (the “**Consenting Party**”) in connection with the Support Agreement dated as of June 22, 2012 (together with the Purchase Agreement attached thereto, the “**Agreement**”) among the Companies and the Consenting Lenders. Capitalized terms used herein have the meanings assigned in the Agreement unless otherwise defined herein.

**WHEREAS**, the Consenting Party (or an affiliate or client of the Consenting Party for which it has discretionary authority to manage or administer the obligations under the First Lien Credit Agreement or Second Lien Credit Agreement) is, or intends to become, a legal or beneficial holder of loans under the First Lien Credit Agreement and the Second Lien Credit Agreement as applicable in the principal amount set out below its name on the signature pages hereto (together with the related Obligations owing to Consenting Party under the Credit Agreements, its “**Debt**”) and desires to become party to the Agreement as a Consenting Lender.

**NOW THEREFORE** in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Consenting Party agrees as follows:

1. The Consenting Party hereby agrees to be fully bound as a Consenting Lender under the Agreement in respect of its Debt.
2. The Consenting Party hereby represents and warrants that all of the representations and warranties set out in Section 2 of the Agreement are true and correct with respect to the Consenting Party and its Debt.
3. This Consent Agreement shall be governed by and construed in accordance with the laws of the State of New York and the federal laws applicable therein.

[Remainder of this page intentionally left blank; next page is signature page]

DATED as of \_\_\_\_\_

Per: \_\_\_\_\_

Name:

Title:

Address:

**Principal Amount of Debt Held under the First  
Lien Credit Agreement:**

Term Advances:

Revolving Credit  
Advances:

**Principal Amount of Debt Held under the  
Second Lien Credit Agreement:**



**SCHEDULE D**

**FORM OF CCAA INITIAL ORDER**

**(see attached)**

Court File No.

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE ) MONDAY, THE 25<sup>TH</sup>  
JUSTICE ) DAY OF JUNE, 2012

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 CINRAM INTERNATIONAL  
INC., CINRAM INTERNATIONAL INCOME FUND, CII  
TRUST AND THE COMPANIES LISTED IN SCHEDULE  
"A"

Applicants

INITIAL ORDER

THIS APPLICATION, made by Cinram International Inc. ("**CII**"), Cinram International Income Fund ("**Cinram Fund**"), CII Trust and the companies listed in Schedule "A" hereto (collectively, the "**Applicants**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of John Bell sworn ●, 2012 and the Exhibits thereto (the "**Bell Affidavit**") and the Pre-filing Report of the Proposed Monitor, FTI Consulting Canada Inc. ("**FTI**"), and on being advised that the Pre-Petition First Lien Agent (as hereinafter defined) and the Administrative Agent under the Second Lien Credit Agreement (the "**Pre-Petition Second Lien Agent**", with the lenders under the Second Lien Credit Agreement being the "**Pre-Petition Second Lien Lenders**") were given notice of this Application, and on hearing the submissions of counsel for the Applicants and Cinram International Limited

DRAFT: 1 - June 22, 2012 at 10:26 PM



Partnership (the “**Cinram LP**”), FTI and the Pre-Petition First Lien Agent and the DIP Agent (as hereinafter defined) (collectively, the “**Agent**”), and on reading the consent of FTI to act as the Court-appointed monitor (the “**Monitor**”),

#### **SERVICE**

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

#### **CAPITALIZED TERMS**

2. THIS COURT ORDERS that unless otherwise indicated or defined herein, capitalized terms have the meaning given to them in the Bell Affidavit.

#### **APPLICATION**

3. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies. Although not an Applicant, Cinram LP (together with the Applicants, the “**CCAA Parties**”) shall enjoy the benefit of the protections and authorizations provided by this Order.

#### **PLAN OF ARRANGEMENT**

4. THIS COURT ORDERS that the Applicants, or any one of them, shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “**Plan**”) between, *inter alia*, one or more of the CCAA Parties and one or more classes of creditors.

#### **POSSESSION OF PROPERTY AND OPERATIONS**

5. THIS COURT ORDERS that the CCAA Parties shall remain in possession and control of their respective current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the CCAA Parties shall each continue



to carry on business in the ordinary course and in a manner consistent with the preservation of their business (the “**Business**”) and the Property. The CCAA Parties shall each be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6. THIS COURT ORDERS that the CCAA Parties shall be entitled to continue to utilize the central cash management system currently in place, including the CCAA Parties’ current business forms, cheques and bank accounts, as described in the Bell Affidavit, including for the purpose of completing intercompany transfers among the CCAA Parties (other than between a CCAA Party that is not a Fund Entity (as hereinafter defined) and a Fund Entity) in the ordinary course of business, or replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the CCAA Parties of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the CCAA Parties, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

7. THIS COURT ORDERS that, subject to the terms and conditions of the DIP Credit Agreement (as hereinafter defined) and subject to the applicable cash flow budget approved by the DIP Lenders (as hereinafter defined) (the “**Cash Flow Budget**”), the CCAA Parties shall be entitled but not required to pay the following expenses and satisfy the following obligations whether incurred prior to, on or after this Order:



- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order to employees and contractors, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the CCAA Parties in respect of these proceedings or any other similar or ancillary proceedings in other jurisdictions in which the CCAA Parties or any subsidiaries or affiliates are domiciled or in respect of related corporate matters, at their standard rates and charges, including the fees and disbursements of legal counsel, financial advisors and investment bankers retained by the CCAA Parties;
- (c) all amounts owing for goods and services actually supplied to the CCAA Parties, or to obtain the release of goods contracted for prior to the date of this Order, with the prior consent of the Monitor and the Agent, if in the opinion of the CCAA Parties and the Monitor the supplier is critical to the Business and ongoing operations of any of the CCAA Parties;
- (d) with the prior consent of the Monitor and the Agent, all amounts owing in respect of the CCAA Parties' customer programs including rebates, refunds, relocation payments, warranties and similar programs or obligations (the "**Customer Programs**");
- (e) with the prior consent of the Monitor, amounts owing by one or more of the CCAA Parties to another CCAA Party (other than between a CCAA Party that is not a Fund Entity and a Fund Entity) in order to settle their intercompany accounts and to make intercompany loans in the ordinary course of business, including as a result of the shared services (as described in the Bell Affidavit); and
- (f) with the prior consent of the Monitor, any amounts owing prior to the date of this Order in respect of customs or duties for goods supplied to the CCAA

Parties where such goods have been paid for but lawfully retained or subject to a possessory lien.

8. THIS COURT ORDERS that, subject to the terms and conditions of the DIP Credit Agreement and subject to the Cash Flow Budget, and except as otherwise provided to the contrary herein, the CCAA Parties shall be entitled but not required to pay all reasonable expenses incurred by the CCAA Parties in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance and directors and officers tail insurance, provided that the premium for the tail insurance does not exceed \$300,000), maintenance and security services;
- (b) payment for goods or services actually supplied to the CCAA Parties following the date of this Order; and
- (c) payments and credits in respect of the Customer Programs.

9. THIS COURT ORDERS that the CCAA Parties shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the CCAA Parties in connection with the sale of goods and services by the CCAA Parties, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes



were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the CCAA Parties.

10. THIS COURT ORDERS that until a real property lease is disclaimed in accordance with the CCAA, the CCAA Parties shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the CCAA Parties and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

11. THIS COURT ORDERS that, except as specifically permitted herein, the CCAA Parties are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the CCAA Parties to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of the Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

## **RESTRUCTURING**

12. THIS COURT ORDERS that the CCAA Parties shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:



- (a) permanently or temporarily cease, downsize or shut down any of their business or operations, and to dispose of redundant or non-material assets not exceeding \$500,000 in any one transaction or \$1,000,000 in the aggregate;
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate and to deal with any claims arising from such termination in the Plan;
- (c) in accordance with paragraphs 13 and 14, vacate, abandon or quit the whole but not the part of any leased premises and/or disclaim any real property lease and any ancillary agreements relating to the leased premises, in accordance with section 32 of the CCAA;
- (d) disclaim such of their arrangements or agreements of any nature whatsoever with whomsoever, whether oral or written, as the CCAA Parties deem appropriate, in accordance with section 32 of the CCAA and to deal with any claims arising from such disclaimer in the Plan; and
- (e) pursue all avenues of refinancing and offers for their Business or the Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or any sale (except as permitted by subparagraph (a) above),

all of the foregoing to permit the CCAA Parties to proceed with an orderly restructuring or sale of the Business, including effecting the Proposed Transaction (the “**Restructuring**”).

13. THIS COURT ORDERS that the CCAA Parties shall provide each of the relevant landlords with notice of the relevant CCAA Party’s intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the CCAA Party’s entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such



landlord and the relevant CCAA Party, or by further Order of this Court upon application by the relevant CCAA Party on at least two (2) days notice to such landlord and any such secured creditors. If a CCAA Party disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the CCAA Party's claim to the fixtures in dispute.

14. THIS COURT ORDERS that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the relevant CCAA Party and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the CCAA Party in respect of such lease or leased premises and such landlord shall be entitled to notify the CCAA Party of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

#### SUPPORT AGREEMENT

15. THIS COURT ORDERS that the Applicants party to the support agreement dated as of June 22, 2012 (the "**Support Agreement**") between, among others, certain Applicants and certain Pre-Petition First Lien Lenders (the "**Initial Consenting Lenders**"), appended as Exhibit F to the Bell Affidavit, are authorized and empowered to take all steps and actions in respect thereof and to comply with all of their obligations pursuant thereto and the Applicants will cooperate with the Pre-Petition First Lien Agent in providing notice in any reasonable manner to lenders (the "**Pre-Petition First Lien Lenders**") under the Pre-Petition First Lien Credit Agreement (as hereinafter defined) of the Support Agreement to enable additional Pre-Petition First Lien Lenders to execute a



Consent Agreement in the form attached as Schedule “C” to the Support Agreement and to become bound thereby as Consenting Lenders (as defined in the Support Agreement).

16. THIS COURT ORDERS that any Pre-Petition First Lien Lender under the Pre-Petition First Lien Credit Agreement (other than an Initial Consenting Lender) who wishes to become a Consent Date Lender (as defined in the Support Agreement) and become entitled to the Early Consent Consideration (as defined in the Support Agreement) (if such Early Consent Consideration becomes payable pursuant to the terms of the Support Agreement, and subject to such Pre-Petition First Lien Lender providing evidence satisfactory to the Applicants in accordance with the Support Agreement of the aggregate principal amount of loans held under the Pre-Petition First Lien Credit Agreement by such Pre-Petition First Lien Lender as at the Consent Date) must execute a Consent Agreement and return it to the Applicants in accordance with the instructions set out in the Support Agreement such that it is received by the Applicants prior to the Consent Date and, upon doing so, such Pre-Petition First Lien Lender shall become a Consent Date Lender and shall be bound by the terms of the Support Agreement.

17. THIS COURT ORDERS that as soon as practicable after the Consent Date, the Applicants shall provide to the Monitor copies of all executed Consent Agreements received from Pre-Petition First Lien Lenders prior to the Consent Date.

18. THIS COURT ORDERS that the Applicants are authorized to pay the Early Consent Consideration to the Consent Date Lenders in accordance with the Support Agreement if the Consent Date Lenders become entitled thereto.

19. THIS COURT ORDERS that the Consent Date Lenders shall be entitled to the benefit of and are hereby granted a charge (the “**Consent Consideration Charge**”) on the Charged Property as security for the obligations to pay the Early Consent Consideration to the Consent Date Lenders if they become entitled thereto in accordance with the Support Agreement. The Consent Consideration Charge shall have the priority set out in paragraphs 57 and 59 herein. “**Charged Property**” as used in this Order shall mean all assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof of the CCAA Parties other than Cinram Fund, CII



Trust, Cinram International General Partner Inc. and Cinram LP (collectively, the “**Fund Entities**”).

#### **NO PROCEEDINGS AGAINST THE CCAA PARTIES OR THE PROPERTY**

20. THIS COURT ORDERS that until and including July 25, 2012, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the CCAA Parties or the Monitor, or affecting the Business or the Property, except with the written consent of the CCAA Parties and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the CCAA Parties or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

21. THIS COURT ORDERS that until and including the Stay Period, no Proceeding shall be commenced or continued against or in respect of any of the CCAA Parties’ direct or indirect subsidiaries that are also party to an agreement with a CCAA Party (whether as surety or guarantor or otherwise) (each, a “**Subsidiary Counterparty**”), including any contract or credit agreement, or against or in respect of any of a Subsidiary Counterparty’s current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Subsidiary Property**”) with respect to any guarantee, contribution or indemnity obligation, liability or claim in respect of or that relates to any agreement involving a CCAA Party and a Subsidiary Counterparty or the obligations, liabilities and claims of and against the CCAA Parties (collectively, the “**Related Claims Against Subsidiaries**”), except with the written consent of the CCAA Parties and the Monitor, or with leave of this Court, and any and all Proceedings currently under way by a Person against or in respect of any Subsidiary Counterparty or Subsidiary Property in respect of Related Claims Against Subsidiaries are hereby stayed and suspended pending further Order of this Court. For the purposes of paragraphs 21 and 23 of this Order: (a) “**Subsidiary Counterparty**” does not include Cinram Optical Discs S.A.S. that has filed insolvency proceedings in France; and (b) in the event a direct or indirect subsidiary of the CCAA Parties files insolvency proceedings in a foreign



jurisdiction (other than the United States), “**Subsidiary Counterparty**” shall be deemed to exclude any such subsidiary.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

22. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the CCAA Parties or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the CCAA Parties, the Monitor and the DIP Agent, or leave of this Court, provided that nothing in this Order shall (i) empower the CCAA Parties to carry on any business which the CCAA Parties are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

23. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any Person against or in respect of a Subsidiary Counterparty or Subsidiary Property in respect of Related Claims Against Subsidiaries are hereby stayed and suspended and shall not be commenced, proceeded with or continued, except with the written consent of the CCAA Parties and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower any Subsidiary Counterparty to carry on any business which such Subsidiary Counterparty is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH RIGHTS**

24. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the CCAA



Parties, except with the written consent of the CCAA Parties and the Monitor, or leave of this Court.

### **CONTINUATION OF SERVICES**

25. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with a CCAA Party or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, licenses, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or a CCAA Party, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the CCAA Parties, and that the CCAA Parties shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the CCAA Parties in accordance with normal payment practices of the CCAA Parties or such other practices as may be agreed upon by the supplier or service provider and each of the applicable CCAA Parties and the Monitor, or as may be ordered by this Court.

### **NON-DEROGATION OF RIGHTS**

26. THIS COURT ORDERS that, subject to paragraphs 20 to 25, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the CCAA Parties. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

## KEY EMPLOYEE RETENTION PROGRAM

27. THIS COURT ORDERS that the key employee retention program (the “**KERP**”) as described in the Bell Affidavit relating to key employees, including certain key officers (collectively, the “**Key Employees**”) is hereby approved.

28. THIS COURT ORDERS that the CCAA Parties (and any other person that may be appointed to act on behalf of the CCAA Parties, including without limitation, any trustee, liquidator, receiver, interim receiver, receiver and manager or other person acting on behalf of any such person) are authorized and directed to perform the obligations under the KERP, including making all payments to the Key Employees of amounts due and owing under the KERP at the time specified and in accordance with the terms of the KERP.

29. THIS COURT ORDERS that the CCAA Parties are hereby authorized to execute and deliver such additional documents as may be necessary to give effect to the KERP, subject to prior approval of such documents by the Monitor or as may be ordered by this Court.

30. THIS COURT ORDERS that the Key Employees shall be entitled to the benefit of and are hereby granted a charge (the “**KERP Charge**”) on the Charged Property, which charge shall not exceed an aggregate amount of \$3 million, as security for the obligations of the CCAA Parties to the Key Employees under the KERP. The KERP Charge shall have the priority set out in paragraph 57 and 59 herein.

31. THIS COURT ORDERS that the summary of the KERP attached as Exhibit K to the Bell Affidavit be sealed, kept confidential and not form part of the public record, but rather shall be placed separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of this Court.



## INVESTMENT BANKER

32. THIS COURT ORDERS that CII is authorized to carry out and perform its obligations under its engagement letter with Moelis & Company LLC (the “**Engagement Letter**”) as investment banker for the CCAA Parties (the “**Investment Banker**”) (including payment of the amounts due to be paid pursuant to the terms of the Engagement Letter, including but not limited to any success or transaction fee under the Engagement Letter).

33. THIS COURT ORDERS that all claims of the Investment Banker pursuant to the Engagement Letter are not claims that may be compromised pursuant to any Plan under the CCAA, any proposal (“**Proposal**”) under the *Bankruptcy and Insolvency Act* or any other restructuring and no such Plan, Proposal or restructuring shall be approved that does not provide for the payment of all amounts due to the Investment Banker pursuant to the terms of the Engagement Letter.

34. THIS COURT ORDERS that notwithstanding any order in these proceedings, the CCAA Parties are authorized to make all payments required by the Engagement Letter, including all fees and expenses, if and when due.

35. THIS COURT ORDERS that the Investment Banker, its affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of either its engagement by CII as Investment Banker or any matter referred to in the Engagement Letter except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Investment Banker in performing its obligations under the Engagement Letter.

## PROCEEDINGS AGAINST TRUSTEES, DIRECTORS AND OFFICERS

36. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future trustees, directors or officers of the Applicants with respect to any claim against the trustees, directors or officers that arose before the date



hereof and that relates to any obligations of the CCAA Parties whereby the trustees, directors or officers are alleged under any law to be liable in their capacity as trustees, directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the CCAA Parties, if one is filed, is sanctioned by this Court or is refused by the creditors of the CCAA Parties or this Court.

**TRUSTEES', DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

37. THIS COURT ORDERS that the Applicants shall indemnify their trustees, directors and officers against obligations and liabilities that they may incur as trustees, directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any trustee, officer or director, the obligation or liability was incurred as a result of the trustee's, director's or officer's gross negligence or wilful misconduct.

38. THIS COURT ORDERS that the trustees, directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Charged Property, which charge shall not exceed an aggregate amount of \$13 million, as security for the indemnity provided in paragraph 37 of this Order. The Directors' Charge shall have the priority set out in paragraphs 57 and 59 herein.

39. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' trustees, directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 37 of this Order.

**APPOINTMENT OF MONITOR**

40. THIS COURT ORDERS that FTI is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the CCAA Parties with the powers and obligations set out in the CCAA or set forth herein and

**DRAFT: 1 - June 22, 2012 at 10:26 PM**



that the CCAA Parties and their shareholders, officers, directors, trustees, partners and Assistants shall advise the Monitor of all material steps taken by the CCAA Parties pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

41. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the CCAA Parties' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination, to the DIP Agent and the administrative agent (the "**Pre-Petition First Lien Agent**") under the amended and restated credit agreement dated April 11, 2011 (the "**Pre-Petition First Lien Credit Agreement**") and their counsel and financial advisors, on a weekly or bi-weekly basis as set out in the DIP Credit Agreement of financial and other information as agreed to between the Applicants party thereto and the Agent which may be used in these proceedings including reporting on a basis to be agreed with the Agent;
- (d) advise the CCAA Parties in their preparation of the CCAA Parties' cash flow statements and reporting required by the Agent, which information shall be reviewed with the Monitor and delivered to the Agent and its counsel and financial advisors on a periodic basis, but not less than bi-weekly, or as otherwise agreed to by the Agent;
- (e) advise the CCAA Parties in their development of the Plan and any amendments to the Plan;

- (f) assist the CCAA Parties, to the extent required by the CCAA Parties, with any matters relating to any of the CCAA Parties' subsidiaries and any foreign proceedings commenced in relation thereto, including retaining independent legal counsel, agents, experts, accountants or such other persons as the Monitor deems necessary or advisable respecting the exercise of this power;
- (g) assist the CCAA Parties, to the extent required by the CCAA Parties, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (h) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the CCAA Parties, to the extent that is necessary to adequately assess the CCAA Parties' business and financial affairs or to perform its duties arising under this Order;
- (i) assist the CCAA Parties and/or the Investment Banker with respect to any sales and marketing process to sell the Property and the Business or any part thereof;
- (j) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (k) perform such other duties as are required by this Order or by this Court from time to time.

42. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

43. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally



contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

44. THIS COURT ORDERS that that the Monitor shall provide any creditor of the CCAA Parties and the Agent with information provided by the CCAA Parties in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the CCAA Parties is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the CCAA Parties may agree.

45. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

46. THIS COURT ORDERS that the Monitor, counsel to the Monitor, Canadian counsel to the CCAA Parties and U.S. Counsel to the CCAA Parties (together with



Canadian counsel to the CCAA Parties, “**CCAA Parties’ Counsel**”) and the Canadian and U.S. counsel to the DIP Agent and DIP Lenders and the Pre-Petition First Lien Agent and Pre-Petition First Lien Lenders (collectively, the “**Lenders’ Counsel**”) and the financial advisor of the DIP Lenders and Pre-Petition First Lien Lenders (the “**Lenders’ Financial Advisor**”) shall be paid their reasonable fees and disbursements (including any pre-filing fees and disbursements), in each case at their standard rates and charges, by the CCAA Parties as part of the costs of these proceedings. The CCAA Parties are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, CCAA Parties’ Counsel, Lenders’ Counsel and Lenders’ Financial Advisor on a bi-weekly basis and, in addition, the CCAA Parties are hereby authorized to pay to the Monitor, counsel to the Monitor, and CCAA Parties’ Counsel, new retainers in the aggregate amount of up to \$250,000 to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

47. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

48. THIS COURT ORDERS that the Monitor, counsel to the Monitor, the Investment Banker, the CCAA Parties’ Counsel, the Lenders’ Counsel and the Lenders’ Financial Advisor shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Charged Property, which charge shall not exceed an aggregate amount of \$3.5 million, as security for their professional fees and disbursements incurred at the standard rates and charges of the CCAA Parties’ Counsel, Lenders’ Counsel, Lenders’ Financial Advisor and the Monitor and, in the case of the Investment Banker, pursuant to the Engagement Letter, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 57 and 59 hereof.



## DIP FINANCING

49. THIS COURT ORDERS that the Applicants party thereto are hereby authorized and empowered to obtain and borrow under a credit facility from JP Morgan Chase Bank N.A., as administrative agent (the “**DIP Agent**”), and as lender and certain other lenders (collectively, the “**DIP Lenders**”) in order to finance the CCAA Parties’ working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed US\$15 million unless permitted by further Order of this Court.

50. THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the DIP credit agreement between the Applicants party thereto and the DIP Lenders dated as of June 22, 2012 (the “**DIP Credit Agreement**”), filed, as such terms of such DIP Credit Agreement may be amended by the Applicants party thereto and the DIP Lenders with the consent of the Monitor.

51. THIS COURT ORDERS that each of Schedule 2.01, Part D, E and G of Schedule 5.15, Part A.2 of Schedule 5.17, Schedule 7.06 and Schedule 7.08 to the DIP Credit Agreement be sealed, kept confidential and not form part of the public record, but rather shall be placed separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of this Court.

52. THIS COURT ORDERS that the Applicants party thereto are hereby authorized and empowered to execute and deliver the DIP Credit Agreement and such mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Credit Agreement, collectively, the “**Definitive Documents**”), as are contemplated by the DIP Credit Agreement or as may be reasonably required by the DIP Lenders pursuant to the terms thereof, and the Applicants party thereto are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Lenders under and pursuant to the DIP Credit



Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

53. THIS COURT ORDERS that the DIP Lenders shall be entitled to the benefit of and are hereby granted a charge (the “**DIP Lenders’ Court Charge**”) on the Charged Property, including, without limitation, the real property described in Schedule “B” hereto, which DIP Lenders’ Court Charge shall not secure an obligation that exists before this Order is made. The DIP Lenders’ Court Charge and any contractual security interests granted pursuant to the Definitive Documents (collectively with the DIP Lenders’ Court Charge, the “**DIP Lenders’ Charge**”) shall attach to the Charged Property and shall secure all obligations under the Definitive Documents. The DIP Lenders’ Charge shall have the priority set out in paragraphs 57 and 59 hereof.

54. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

- (a) the DIP Lenders may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lenders’ Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lenders’ Charge (A) the DIP Agent and DIP Lenders may cease making advances to the Applicants, and (B) the DIP Agent, DIP Lenders, Pre-Petition First Lien Agent and Pre-Petition First Lien Lenders may (i) set off and/or consolidate any amounts owing by the DIP Lenders or the Pre-Petition First Lien Lenders to the Applicants against the obligations of the Applicants to the DIP Lenders or Pre-Petition First Lien Lenders under the DIP Credit Agreement, the Definitive Documents, the DIP Lenders’ Charge or the Pre-Petition First Lien Credit Agreement and may make demand, accelerate payment and give other notices, and (ii) upon five days notice to the CCAA Parties and the Monitor, exercise any and all of its rights and remedies against the Applicants or the Charged Property under or pursuant to the DIP Credit Agreement, Definitive Documents, DIP Lenders’ Charge, Pre-Petition First Lien Credit Agreement or the *Personal Property Security Act* of Ontario or any other applicable



jurisdiction, the *Uniform Commercial Code* of the applicable jurisdiction and/or *Mortgages Act* (Ontario) and equivalent legislation in the applicable jurisdiction, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and

- (c) the foregoing rights and remedies of the DIP Lenders shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Charged Property.

55. THIS COURT ORDERS AND DECLARES that all claims of the DIP Agent and DIP Lenders pursuant to the Definitive Documents are not claims that may be compromised pursuant to any Plan filed by the CCAA Parties or any one of them under the CCAA, or any Proposal filed by the CCAA Parties or any one of them under the *Bankruptcy and Insolvency Act* of Canada (the “BIA”) or any other restructuring, and the DIP Agent and the DIP Lenders shall be treated as unaffected in any Plan, Proposal or other restructuring with respect to any obligations outstanding to the DIP Agent or DIP Lenders under or in respect of the Definitive Documents.

56. THIS COURT ORDERS that the CCAA Parties or any one of them shall not file a Plan or Proposal in these proceedings or proceed with any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the DIP Credit Agreement and the other Definitive Documents as a pre-condition to the implementation of any such Plan or Proposal or any other restructuring, without the prior written consent of the DIP Agent. Further, if the Support Agreement terminates in accordance with Section 7(a)(iv)(C) thereof, the stays of proceedings provided for herein shall not apply to the Pre-Petition First Lien Agent, Pre-Petition First Lien Lenders or their respective rights under or in respect of the Pre-Petition First Lien Credit Agreement and the Pre-Petition First Lien Agent and Pre-Petition First Lien Lenders may (A) set off and/or consolidate any amounts owing by the Pre-Petition First Lien Lenders to the Applicants against the obligations of the Applicants to the Pre-Petition First Lien Lenders



under the Pre-Petition First Lien Credit Agreement and may make, demand, accelerate payment and give other notices, and (B) upon 5 days notice to the CCAA Parties and the Monitor, exercise any and all of their rights and remedies under or pursuant to the Pre-Petition First Lien Credit Agreement or the *Personal Property Security Act* of Ontario or any other applicable jurisdiction, the *Uniform Commercial Code* of the applicable jurisdiction and/or *Mortgages Act* (Ontario) and equivalent legislation in the applicable jurisdiction, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants.

### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

57. THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge, the KERP Charge, the Consent Consideration Charge and the DIP Lenders' Charge, as among them, shall be as follows, subject to paragraph 59 of this Order:

First – Administration Charge (to the maximum amount of \$3.5 million);

Second – DIP Lenders' Charge;

Third – Directors' Charge (to the maximum amount of \$13 million);

Fourth – KERP Charge (to the maximum amount of \$3 million); and

Fifth – Consent Consideration Charge.

58. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge, the Administration Charge, the KERP Charge, the Consent Consideration Charge or the DIP Lenders' Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.



59. THIS COURT ORDERS that each of the Directors' Charge, the Administration Charge, the KERP Charge, the Consent Consideration Charge and the DIP Lenders' Charge (all as constituted and defined herein) shall constitute a charge on the Charged Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person, notwithstanding the order of perfection or attachment, except for any validly perfected security interest in favour of a "secured creditor" as defined in the CCAA existing as at the date hereof other than any validly perfected security interest in favour of the Pre-Petition First Lien Agent, Pre-Petition Second Lien Agent, Pre-Petition First Lien Lenders or Pre-Petition Second Lien Lenders; provided that the Consent Consideration Charge is subordinate to the prior payment in full of all obligations under the Pre-Petition First Lien Credit Agreement in respect of the First-Out Revolving Credit Commitments (as defined in the Pre-Petition First Lien Credit Agreement). No Charge created by this Order shall attach to or create any claim, lien, charge, security interest or encumbrance on the property of a customer of a CCAA Party or where a customer has title to such property, notwithstanding that such property may be in a CCAA Party's possession. Nothing in this Order affects the priority of the Pre-Petition First Lien Agent, Pre-Petition Second Lien Agent, Pre-Petition First Lien Lenders and the Pre-Petition Second Lien Lenders against the rights of third parties (other than beneficiaries of the Charges) as of the date of this Order.

60. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the CCAA Parties shall not grant any Encumbrances over any Charged Property that rank in priority to, or *pari passu* with, any of the Directors' Charge, the Administration Charge, the KERP Charge, the Consent Consideration Charge or the DIP Lenders' Charge, unless the CCAA Parties also obtain the prior written consent of the Monitor, the DIP Lenders and the beneficiaries of the Directors' Charge, the Administration Charge, the KERP Charge and the Consent Consideration Charge, or further Order of this Court.

61. THIS COURT ORDERS that the Directors' Charge, the Administration Charge, the KERP Charge, the Consent Consideration Charge, the DIP Credit Agreement, the



Definitive Documents and the DIP Lenders' Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the CCAA Parties, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Credit Agreement or the Definitive Documents shall create or be deemed to constitute a breach by the CCAA Parties of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Credit Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the CCAA Parties pursuant to this Order, the DIP Credit Agreement or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

62. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the CCAA Parties' interest in such real property leases.



## FOREIGN PROCEEDINGS

63. THIS COURT ORDERS that Cinram International ULC is hereby authorized and empowered to act as the foreign representative in respect of the within proceedings for the purposes of having these proceedings recognized in a jurisdiction outside Canada.

64. THIS COURT ORDERS that Cinram International ULC is hereby authorized, as the foreign representative of the CCAA Parties and of the within proceedings, to apply for foreign recognition of these proceedings, as necessary, in any jurisdiction outside of Canada, including as “Foreign Main Proceedings” in the United States pursuant to Chapter 15 of the *U.S. Bankruptcy Code*, and to take such actions necessary or appropriate in furtherance of the recognition of these proceedings or the prosecution of any sale transaction (including the Proposed Transaction) in any such jurisdiction.

65. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, in the United States or in any other foreign jurisdiction, to give effect to this Order and to assist the CCAA Parties, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the CCAA Parties and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to Cinram International ULC in any foreign proceeding, or to assist the CCAA Parties and the Monitor and their respective agents in carrying out the terms of this Order.

66. THIS COURT ORDERS that each of the CCAA Parties and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and any other Order issued in these proceedings.



## SERVICE AND NOTICE

67. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in the Globe and Mail and the Wall Street Journal a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the CCAA Parties of more than \$5000, and (C) prepare a list showing the names and addresses of those creditors, save and except creditors who are individuals, and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

68. THIS COURT ORDERS that the CCAA Parties and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the CCAA Parties' creditors or other interested parties at their respective addresses as last shown on the records of the CCAA Parties and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

69. THIS COURT ORDERS that the CCAA Parties, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on the Monitor's Website.

## GENERAL

70. THIS COURT ORDERS that the CCAA Parties or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.



71. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the CCAA Parties, the Business or the Property.

72. THIS COURT ORDERS that any interested party (including the CCAA Parties and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order, provided however that the DIP Lenders shall be entitled to rely on this Order as issued for all advances made under the DIP Credit Agreement and Definitive Documents up to and including the date this Order may be varied or amended.

73. THIS COURT ORDERS that, notwithstanding the immediately preceding paragraph, no order shall be made varying, rescinding or otherwise affecting the provisions of this Order with respect to the DIP Credit Agreement or the Definitive Documents, unless notice of a motion is served on the Monitor and the CCAA Parties and the DIP Agent, returnable no later than ●.

74. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

## SCHEDULE A

### Additional Applicants

Cinram International General Partner Inc.  
Cinram International ULC  
1362806 Ontario Limited  
Cinram (U.S.) Holding's Inc.  
Cinram, Inc.  
IHC Corporation  
Cinram Manufacturing LLC  
Cinram Distribution LLC  
Cinram Wireless LLC  
Cinram Retail Services, LLC  
One K Studios, LLC



## SCHEDULE B

### Charged Real Property Description

#### **2255 Markham Road, Toronto, Ontario**

Firstly:

PIN 06079-0067 (LT)

Part of Lot 18, Concession 3 Scarborough, designated as Parts 2 and 3 on Plan 64R6927 and Part 1 on Plan 64R7116, confirmed by 64B1990, subject to SC574898, Toronto, City of Toronto

Secondly:

PIN 06079-0280 (LT)

Part of Lot 18, Concession 3 Scarborough, designated as Parts 2 and 3 on Plan 66R23795, subject to an easement over Part 3 on Plan 66R23795 as in SC574898, City of Toronto

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

Applicants

**ONTARIO  
SUPERIOR COURT OF JUSTICE-  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**INITIAL ORDER**

**GOODMANS LLP**

Barristers & Solicitors  
333 Bay Street, Suite 3400  
Toronto, Canada M5H 2S7

Robert J. Chadwick LSUC#: 35165K  
Melaney J. Wagner LSUC#: 44063B  
Caroline Descours LSUC#: 58251A

Tel: (416) 979-2211  
Fax: (416) 979-1234

Lawyers for the Applicants

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**Exhibit D**

**DIP Facility**

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**SENIOR SECURED PRIMING AND SUPERPRIORITY DEBTOR-IN-POSSESSION  
CREDIT AGREEMENT**

Dated as of June 22, 2012

between

**CINRAM INTERNATIONAL ULC**

**CINRAM INTERNATIONAL INC.**

**CINRAM (U.S.) HOLDING'S INC.,**  
*as Borrower*

**THE GUARANTORS REFERRED TO HEREIN,**  
*as Guarantors*

**THE LENDERS FROM TIME TO TIME PARTY HERETO**

and

**JPMORGAN CHASE BANK, N.A.,**  
*as Administrative Agent*

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## TABLE OF CONTENTS

Pages

### ARTICLE I

#### DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms.....	2
SECTION 1.02. Computation of Time Periods.....	20
SECTION 1.03. Accounting Terms and Determinations .....	20
SECTION 1.04. Terms Generally; Québec Interpretation .....	21
SECTION 1.05. Reserved.....	22
SECTION 1.06. Interest Act (Canada).....	22

### ARTICLE II

#### THE DIP FACILITY

SECTION 2.01. The DIP Facility.....	23
SECTION 2.02. Making the Loans .....	23
SECTION 2.03. Reserved.....	24
SECTION 2.04. Reserved.....	24
SECTION 2.05. Reserved.....	24
SECTION 2.06. Fees .....	24
SECTION 2.07. Termination and Reduction of Commitments.....	25
SECTION 2.08. Repayment of Loans; Evidence of Debt .....	25
SECTION 2.09. Interest on Loans, Etc .....	25
SECTION 2.10. Interest Rate Determination .....	27
SECTION 2.11. Conversion of Loans.....	27
SECTION 2.12. Prepayments, Etc.....	28
SECTION 2.13. Increased Costs, Etc.....	30
SECTION 2.14. Payments and Computations.....	31
SECTION 2.15. Notations on the Notes.....	32
SECTION 2.16. Taxes .....	33
SECTION 2.17. Sharing of Payments, Etc.....	36
SECTION 2.18. Replacement of Lenders .....	36

### ARTICLE III

#### GUARANTEE

SECTION 3.01. The Guarantee.....	37
SECTION 3.02. Obligations Unconditional.....	38
SECTION 3.03. Reinstatement.....	38
SECTION 3.04. Subrogation.....	39
SECTION 3.05. Remedies.....	39

SECTION 3.06. Instrument for the Payment of Money .....39  
SECTION 3.07. Continuing Guarantee .....39  
SECTION 3.08. Rights of Contribution .....39  
SECTION 3.09. General Limitation on Guarantee Obligations .....40

ARTICLE IV

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 4.01. Effectiveness of Credit Agreement.....40  
SECTION 4.02. Final Facility Effectiveness.....41  
SECTION 4.03. Conditions Precedent to Extension of Credit.....42

ARTICLE V

REPRESENTATIONS AND WARRANTIES

SECTION 5.01. Incorporation; Good Standing.....43  
SECTION 5.02. Corporate Authority; No Breach.....43  
SECTION 5.03. No Consents or Approvals.....43  
SECTION 5.04. Enforceable Obligations, Etc .....43  
SECTION 5.05. Financial Statements, Etc .....44  
SECTION 5.06. No Litigation, Etc.....44  
SECTION 5.07. Employee Benefit Plans.....44  
SECTION 5.08. Environmental Matters.....45  
SECTION 5.09. Investment Company .....47  
SECTION 5.10. Reserved.....47  
SECTION 5.11. Margin Stock.....47  
SECTION 5.12. Property .....48  
SECTION 5.13. Taxes .....48  
SECTION 5.14. Reserved.....48  
SECTION 5.15. Intellectual Property.....48  
SECTION 5.16. Real Property .....48  
SECTION 5.17. Material Agreements and Liens .....48  
SECTION 5.18. Subsidiaries .....48  
SECTION 5.19. Labor Matters.....49  
SECTION 5.20. Compliance with Laws .....49  
SECTION 5.21. DIP Priority .....49  
SECTION 5.22. Approved Budgets .....49

ARTICLE VI

AFFIRMATIVE COVENANTS

SECTION 6.01. Preservation of Corporate Existence, Etc .....50  
SECTION 6.02. Compliance with Laws, Etc .....50  
SECTION 6.03. Payment of Taxes.....50



SECTION 6.04. Reserved.....	50
SECTION 6.05. Visitation.....	50
SECTION 6.06. Keeping of Books .....	50
SECTION 6.07. Properties .....	51
SECTION 6.08. Maintenance of Insurance .....	51
SECTION 6.09. Reporting Requirements .....	51
SECTION 6.10. Use of Proceeds.....	54
SECTION 6.11. Security; Certain Obligations Respecting Subsidiaries; Further Assurances.....	54
SECTION 6.12. Reserved.....	57
SECTION 6.13. Governmental Approvals .....	57
SECTION 6.14. Compliance with Court Orders .....	57
SECTION 6.15. Confirmation of Priority .....	57
SECTION 6.16. U.S. Bankruptcy Court Motions .....	57
SECTION 6.17. The DIP Financing Orders .....	58

## ARTICLE VII

### NEGATIVE COVENANTS

SECTION 7.01. Liens, Etc .....	58
SECTION 7.02. Mergers, Etc.....	59
SECTION 7.03. Change in Nature of Business.....	60
SECTION 7.04. Transactions with Affiliates.....	60
SECTION 7.05. Debt.....	61
SECTION 7.06. Investments .....	62
SECTION 7.07. Restricted Payments.....	62
SECTION 7.08. Restrictive Agreements .....	62
SECTION 7.09. Prepayment of Debt .....	63
SECTION 7.10. Modifications of Certain Documents.....	63
SECTION 7.11. [Reserved].....	63
SECTION 7.12. Collections, Funds and Permitted Investments.....	63
SECTION 7.13. Intercompany Transactions.....	64
SECTION 7.14. Establishment of Defined Benefit Plan.....	64
SECTION 7.15. Bankruptcy Court Orders.....	64

## ARTICLE VIII

### FINANCIAL COVENANTS

SECTION 8.01. Variance .....	64
SECTION 8.02. Minimum Cash Balance.....	64
SECTION 8.03. Capital Expenditures.....	64

ARTICLE IX

EVENTS OF DEFAULT

SECTION 9.01. Events of Default .....65  
SECTION 9.02. Remedies Cumulative .....70

ARTICLE X

THE ADMINISTRATIVE AGENT

SECTION 10.01. Authorization and Action.....70  
SECTION 10.02. Administrative Agent's Reliance, Etc.....71  
SECTION 10.03. JPMorgan Chase Bank, N.A., and Affiliates .....72  
SECTION 10.04. Lender Credit Decision .....72  
SECTION 10.05. Indemnification .....72  
SECTION 10.06. Successor Administrative Agent.....73

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Waivers; Amendments.....73  
SECTION 11.02. Notices, Etc .....75  
SECTION 11.03. Costs and Expenses; Indemnification, Etc.....77  
SECTION 11.04. Right of Set-off .....78  
SECTION 11.05. Binding Effect.....79  
SECTION 11.06. Assignments and Participations, Register.....79  
SECTION 11.07. Governing Law .....83  
SECTION 11.08. Execution in Counterparts.....83  
SECTION 11.09. Jurisdiction, Etc.....83  
SECTION 11.10. Judgment Currency .....83  
SECTION 11.11. Confidentiality .....84  
SECTION 11.12. Patriot Act Notice .....85  
SECTION 11.13. Exclusion of Certain French Subsidiaries.....85  
SECTION 11.14. [Reserved].....85  
SECTION 11.15. [Reserved].....85  
SECTION 11.16. Anti-Money Laundering .....85



## SCHEDULES

Schedule 1.01	Mortgaged Real Property
Schedule 2.01	Lenders/Commitments/Applicable Percentage
Schedule 5.03	Consents and Authorizations
Schedule 5.05(a)	Financial Statements
Schedule 5.06	Litigation
Schedule 5.08	Environmental Matters
Schedule 5.15	Intellectual Property
Schedule 5.16	Real Property
Schedule 5.17	Material Agreements and Liens
Schedule 5.18	Subsidiaries
Schedule 7.04	Transactions with Affiliates
Schedule 7.08	Restrictive Agreements

## EXHIBITS

Exhibit A	—	Form of Note
Exhibit B	—	Borrowing Notice
Exhibit C	—	Form of Assignment and Acceptance
Exhibit D	—	Reserved
Exhibit E	—	Reserved
Exhibit F	—	Form of Mortgage
Exhibit G	—	Form of Canadian Security Agreement
Exhibit H	—	Form of U.S. Security Agreement
Exhibit I		DIP Budget
Exhibit J		Form of Interim Order

**SENIOR SECURED PRIMING AND SUPERPRIORITY DEBTOR-IN-POSSESSION CREDIT AGREEMENT** (this "Agreement"), dated as of June 22, 2012, among **CINRAM INTERNATIONAL ULC**, a Nova Scotia unlimited liability company ("ULC"); **CINRAM INTERNATIONAL INC.**, a corporation organized under the law of Canada ("Cinram"); **CINRAM, INC.**, a corporation organized under the law of the State of Delaware ("CIUS"); **CINRAM (U.S.) HOLDING'S INC.**, a corporation organized under the law of the State of Delaware (the "Borrower"); each of **1362806 ONTARIO LIMITED** ("**1362806**"), **IHC CORPORATION** ("**IHC**"), **CINRAM MANUFACTURING LLC** ("**Cinram Manufacturing**"), **CINRAM DISTRIBUTION LLC** ("**Cinram Distribution**"), **CINRAM WIRELESS LLC** ("**Cinram Wireless**"), **CINRAM RETAIL SERVICES, LLC** ("**Cinram Retail**"), **ONE K STUDIOS, LLC** ("**One K**" and together with **ULC, Cinram, CIUS, 1362806, IHC, Cinram Manufacturing, Cinram Distribution, Cinram Wireless and Cinram Retail**, the "Guarantors" and, together with the Borrower, the "Obligors"), each of the foregoing as an applicant in the CCAA Proceedings; each of the lenders listed on Schedule 2.01 hereto and from time to time party hereto (each a "Lender" and, collectively, the "Lenders"); the agents from time to time party hereto; and **JPMORGAN CHASE BANK, N.A.**, as administrative agent (in such capacity, together with its successors in such capacity, and any subagent appointed pursuant to Article X, the "Administrative Agent").

#### PRELIMINARY STATEMENTS

WHEREAS, the Borrower is party to that certain amended and restated Credit Agreement, dated as of April 11, 2011 (the "Pre-Petition Credit Agreement"), among the Obligors, certain affiliates of the Obligors, the lenders from time to time party thereto, the Administrative Agent and the other agents party thereto;

WHEREAS, the Obligors have commenced or are about to commence cases or applications (the "CCAA Proceedings") to obtain protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), in the Ontario Superior Court of Justice (Commercial List) (the "CCAA Court").

WHEREAS, upon the entry of the Initial Order, the Obligors propose to file a voluntary petition for relief under Chapter 15 of Title 11 of the United States Code 11 U.S.C. §§101-1532, as amended (the "U.S. Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "U.S. Bankruptcy Court", together with the CCAA Court, the "Bankruptcy Courts").

WHEREAS, the Borrower has requested and the Lenders have agreed to provide a senior secured priming and super-priority loan facility (the "DIP Facility") to the Borrower, the proceeds of which will be used (i) to pay related transaction costs, fees and expenses, (ii) to provide working capital from time to time for the Borrower and the Obligors, and (iii) for other general corporate purposes.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein and such other good and valuation consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:



## ARTICLE I

### DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Administration Charge” means the court ordered administration charge granted in the Initial Order in an amount not to exceed the amount set forth in the Initial Order.

“Administrative Agent” has the meaning specified in the recital of parties to this Agreement.

“Administrative Agent’s Account” means an account designated by the Administrative Agent in a notice to the Borrower and the Lenders.

“Administrative Questionnaire” means an administrative questionnaire in a form supplied by the Administrative Agent.

“Advance Payments” means any loans, advances, signing bonuses or advance volume discount payments to customers under or in connection with Media Contracts.

“Affected Lender” has the meaning specified in Section 2.18(b).

“Affiliate” means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term “control” (including the terms “controlling”, “controlled by” and “under common control with”) of a Person means the possession, direct or indirect, of the power to vote 10% or more of the capital stock or other ownership interests of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of capital stock or other ownership interests, by contract or otherwise.

“Agreement” has the meaning set forth in the preamble.

“AML Legislation” has the meaning specified in Section 11.16(a).

“Applicable Lending Office” means such Lender’s applicable Domestic Lending Office in the case of a U.S. Base Rate Loan and such Lender’s applicable Eurocurrency Lending Office in the case of a Eurocurrency Rate Loan.

“Applicable Margin” means, for any day, (i) 9.00% per annum in the case of any Base Rate Loan and (ii) 10.00% per annum in the case of any Eurocurrency Rate Loan.

“Applicable Percentage” of any amount means, with respect to any Lender at any time, the percentage (carried out to the ninth decimal place) of the Facility represented by the aggregate principal amount of such Lender’s Loans at such time or such Lender’s unused Com-

mitment at such time. The initial Applicable Percentage of each Lender in respect of the Facility is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

“Assignment and Acceptance” means an assignment and acceptance entered into by a Lender and an assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit C hereto.

“Bankruptcy Court Orders” means the Initial Order, any other CCAA Order, the Interim Recognition Order, the Final Recognition Order and any other order of the U.S. Bankruptcy Court or any other court of competent jurisdiction recognizing any relief granted in the CCAA Proceedings.

“Bankruptcy Courts” has the meaning given to such term in the Preliminary Statements.

“Base Rate” means the U.S. Base Rate.

“Base Rate Loans” means U.S. Base Rate Loans.

“BIA” means the *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, c.B-3, as amended.

“Board” has the meaning specified in the definition of Eurocurrency Rate Reverse Percentage.

“Borrower” has the meaning specified in the Preliminary Statements.

“Borrowing Notice” has the meaning specified in Section 2.02(a).

“Business Day” means any day (a) on which banks are not required or authorized by law to close in New York City and (b) if the applicable Business Day relates to any Eurocurrency Rate Loans, on which dealings in U.S. Dollars are carried on in the London interbank market.

“Canadian Employee Benefit Plan” means any employee benefit, pension, retirement or other equivalent or analogous plan or program established, maintained or contributed to by ULC or any of its Subsidiaries in each case covering employees or former employees in Canada.

“Canadian Security Agreement” means a security agreement substantially in the form of Exhibit G among the Obligors party thereto and the Administrative Agent for the benefit of the Secured Parties.

“Capital Expenditures” means, for any period, expenditures (excluding expenditures to the extent financed with Capital Lease Obligations, but including amounts paid during such period in respect of the principal portion of Capitalized Lease Obligations incurred to finance such expenditures made in such period or any prior period) during such period to acquire



or construct fixed assets, plant and equipment (including renewals, improvements and replacements, but excluding normal replacements and maintenance which are properly charged to current operations) that is required to be capitalized for financial reporting purposes in accordance with GAAP.

“Capitalized Lease Obligation” means, with respect to any Person for any period, an obligation of such Person to pay rent or other amounts under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP; and the amount of such obligation shall be the capitalized amount shown on the balance sheet of such Person as determined in accordance with GAAP.

“Carve-Out” means the Administration Charge and any validly perfected security interest in favour of a “secured creditor” as defined in the CCAA existing as at the CCAA Filing Date, other than Liens in favour of the lenders under the Pre-Petition Credit Agreement and the Second Lien Credit Agreement.

“Casualty Event” means, with respect to any property of any Person, any loss of or damage to, or any condemnation or other taking of, such property for which such Person receives insurance proceeds, or proceeds of a condemnation award or other compensation.

“CCAA” has the meaning given to such term in the Preliminary Statements.

“CCAA Court” has the meaning given to such term in the Preliminary Statements.

“CCAA Filing Date” means June 25, 2012.

“CCAA Orders” means, collectively, the Initial Order and all other orders issued by the CCAA Court in connection with the CCAA Proceedings.

“CCAA Proceedings” has the meaning given to such term in the Preliminary Statements.

“Change of Control” means the occurrence of any one or more of the following events:

(a) the acquisition by any individual, entity or group within the meanings of Section 13(d)(3) or 14(d)(2) of the Exchange Act of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (x) the then outstanding units of the Fund or (y) the combined voting power of the then outstanding voting securities of the Fund;

(b) individuals who, as of the date hereof, constitute the board of directors of Cinram (the “Incumbent Board”) cease for any reason to constitute at least a majority of the board of directors of Cinram; *provided* that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Cinram’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; or

(c) the failure of the Fund to own directly or indirectly 100% of the voting and economic interests in ULC and the Borrower.

“Chapter 15 Cases” means the cases to be filed in the U.S. Bankruptcy Court pursuant to Chapter 15 of the U.S. Bankruptcy Code.

“Charges” means the security interests and charges granted over all of the undertaking, property and assets of the Obligors of whatsoever nature or kind and wherever located pursuant to the DIP Financing Orders having the priority set out in the DIP Financing Orders.

“Chief Financial Officer of Cinram” shall mean the chief financial officer of Cinram who has primary responsibility for the Consolidated financial statements and for the financial affairs of the Fund, the Fund Group, ULC and ULC’s Subsidiaries.

“Cinram” has the meaning specified in the Preliminary Statements.

“CIUS” has the meaning specified in the Preliminary Statements.

“Collateral” has the meaning assigned to such term in Section 6.11(b).

“Collateral Account” has the meaning assigned to such term in the Security Agreements.

“Commitment” means, with respect to each Lender, such Lender’s commitment as set forth on Schedule 2.01.

“Confidential Information” has the meaning specified in Section 11.11.

“Consolidated” refers to the consolidation of the accounts of the Fund, the Fund Group, ULC, Cinram and their Subsidiaries (or, as applicable, of the Fund, the Fund Group, ULC, Cinram and the Subsidiaries and, in any case, any successor of any such Person) in accordance with GAAP, including principles of consolidation, consistent with those applied in the preparation of the financial statements referred to in Section 5.05(a).

“Convert”, “Conversion” and “Converted” each, with respect to Loans, refers to a conversion of Loans of one Type into Loans of another Type pursuant to Section 2.10 or 2.11.

“Currency” means U.S. Dollars.

“Debt” of any Person means, without duplication: (a) indebtedness of such Person for borrowed money or with respect to deposits with, or advances to, such Person of any kind, (b) obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (d) obligations of such Person to pay the deferred purchase price of property or services (other than any trade account payable arising, and any accrued expenses incurred, in the ordinary course of business so long as such trade account payable is payable on customary trade terms or on other trade terms that are more advantageous to Cinram), (e) all Debt of others secured by any Lien on property owned or acquired by such



Person, whether or not the Debt secured thereby has been assumed, (f) Capitalized Lease Obligations of such Person, (g) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit, (h) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances and (i) all obligations of such Person under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (a) through (h) above.

The Debt of any Person shall include (i) the Debt of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Debt provide that such Person is not liable therefor and (ii) any "earn-out" or similar obligations of such Person arising in connection with any acquisition of assets or stock (and, for purposes hereof, the aggregate amount of Debt associated with any such obligations shall be equal to the amount thereof that, under GAAP, should be shown as a liability on the Consolidated balance sheet of the Fund and its Subsidiaries at the time of such acquisition).

"Debt Issuance" means any incurrence, issuance or sale by ULC or any other Obligor after the Effective Date of any debt securities or bank debt, excluding any Debt incurred pursuant to Section 7.05 (other than pursuant to subsection (f)).

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Defined Benefit Plan" means any Registered Pension Plan which contains a "defined benefit provision", as defined in subsection 147.1(1) of the *Income Tax Act* (Canada).

"DIP Budget" means a cash flow budget, a copy of which is attached as Exhibit I hereto (which is acceptable, in form and substance, to the Administrative Agent and the Majority Lenders), depicting on a weekly and line-item basis (a) cash receipts, (b) expenses and disbursements (including, without limitation, ordinary course operation expenses, expenses related to the Proceedings, asset sales, capital expenditures and fees and expenses of the Administrative Agent and any other interest, fees and expenses relating to the DIP Facility), and (c) the aggregate cash and Permitted Investments of the Obligors for the first 13 weeks from the first day of the week in which the Effective Date occurs, as the same may be updated from time to time in accordance with Section 6.09(j).

"DIP Charge" has the meaning specified in Section 6.11(a).

"DIP Facility" has the meaning given to such term in the Preliminary Statements.

"DIP Financing Orders" means collectively, the Initial Order, the Interim Recognition Order, the Final Recognition Order and all other orders issued or to be issued by the Bankruptcy Courts in connection with the Proceedings in respect of the DIP Facility, the DIP Charge and this Agreement.

“Disposition” means any sale, assignment, transfer or other disposition (or series of related sales, assignments, transfers or other dispositions) of any property (whether now owned or hereafter acquired) by an Obligor to any other Person, excluding any sale, assignment, transfer or other disposition of any property (or series of related sales, assignments, transfers or other dispositions of any property) sold or disposed of in the ordinary course of business and on ordinary business terms.

“Disqualified Stock” means any capital stock or other ownership interest that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder thereof), or upon the happening of any event, (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at any time (whether before or after the maturity of the Loans) at the option of the holder thereof, in whole or in part, (b) is secured by any assets of ULC or any of its Subsidiaries, (c) is exchangeable or convertible at the option of the holder into Debt of ULC or any of its Subsidiaries or (d) provides for the mandatory payment of dividends, i.e. regardless of whether or not the board of directors has declared any dividends.

Notwithstanding the preceding sentence, any capital stock or other ownership interest that would constitute Disqualified Stock solely because the holders thereof have the right to require ULC to repurchase such capital stock or other ownership interest upon the occurrence of a change of control or an asset sale shall not constitute Disqualified Stock if the terms of such capital stock or other ownership interest provide that ULC may not repurchase or redeem any such capital stock or other ownership interest pursuant to such provisions unless such repurchase or redemption complies with the provisions of Section 7.07.

“Domestic Lending Office” means, with respect to any Loan made by any Lender, the office of such Lender specified as its “Domestic Lending Office” with respect to the Borrower of such Loan in the Administrative Questionnaire of such Lender or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to Cinram and the Administrative Agent.

“Domestic Subsidiary” means any Subsidiary of Cinram other than a Foreign Subsidiary.

“Dominion” means Dominion Bond Rating Service Limited.

“Draw Date” has the meaning specified in Section 2.01.

“Effective Date” shall mean the date on which all of the conditions precedent set forth in Section 4.01 are satisfied or waived by the Administrative Agent and the Majority Lenders.

“Entitled Person” has the meaning specified in Section 11.10.

“Environmental Claim” means, with respect to any Person, any suit, action, written notice, written claim, written order, written demand or other written communication (collectively, a “claim”) by any other Person alleging or asserting such Person’s liability of whatever kind (including liability for investigatory costs, cleanup costs, governmental response costs,



damages to natural resources or other property, personal injuries, fines or penalties) arising out of, based on or resulting from (i) the presence, or Release into the environment, of any Hazardous Materials at any location, whether or not owned by such Person, or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law. The term "Environmental Claim" shall include any claim by any governmental authority for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and any claim by any third party seeking damages (including punitive damages), contribution, indemnification, cost recovery, compensation or injunctive relief resulting from the presence of Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment as a result of the presence of, exposure to or Release of Hazardous Materials.

"Environmental Laws" means any and all applicable laws, regulations, codes, rules, bylaws and governmental orders, directives, judgments, permits and licenses relating to the protection of the environment, natural resources, and (to the extent relating to exposure to Hazardous Materials) human health and safety including those relating to emissions, discharges, releases, spills and disposal of Hazardous Materials into the environment (including air, surface water, groundwater and land) and the import, export, use, treatment, storage, disposal and transportation of Hazardous Materials.

"Equity Issuance" means, without duplication, (a) any issuance or sale by the Fund, any member of the Fund Group, ULC or any of its Subsidiaries after the date hereof of (i) any of its capital stock or other ownership interests, (ii) any warrants or options exercisable in respect of any of its capital stock or other ownership interests (other than any warrants or options issued to directors, officers or employees of ULC or any of its Subsidiaries pursuant to employee benefit plans established in the ordinary course of business and any capital stock or other ownership interest of the Fund, any member of the Fund Group, ULC or any of its Subsidiaries issued upon the exercise of such warrants or options) or (iii) any other security or instrument representing an equity interest (or the right to obtain any equity interest) in any Obligor or (b) the receipt by any Obligor after the date hereof of any capital contribution (whether or not evidenced by any equity security issued by the recipient of such contribution); *provided* that Equity Issuance shall not include (w) any issuance of capital stock, ownership interests, warrants or options exercisable in respect of capital stock or ownership interests, or other securities or instruments representing an equity interest (or right to obtain same) granted pursuant to employee benefit plans established in the ordinary course of business, (x) any such issuance or sale by the Fund, any member of the Fund Group to any other member of the Fund Group or any such issuance or sale by any of ULC and the other Obligors to ULC or any other Obligor or (y) any capital contribution by ULC or any Obligor to any Obligor.

"Equity Interests" has the meaning specified in Section 7.02(b).

"Equity Rights" means, with respect to any Person, any subscriptions, options, warrants, commitments, preemptive rights or agreements of any kind (including any shareholders' or voting trust agreements) for the issuance, sale, registration or voting of, or securities convertible into, any additional shares of capital stock of any class, or partnership or other ownership interests of any type in, such Person.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that, together with ULC, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

“ERISA Event” means (a) any “reportable event”, as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an “accumulated funding deficiency” (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by ULC or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by ULC or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by ULC or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by ULC or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from ULC or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

“Eurocurrency Lending Office” means, with respect to any Loan made by any Lender, the office of such Lender specified as its “Eurocurrency Lending Office” with respect to the Borrower of such Loan in the Administrative Questionnaire of such Lender or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to Cinram and the Administrative Agent.

“Eurocurrency Rate” means for any Interest Period for each Eurocurrency Rate Loan comprising part of the same borrowing, an interest rate per annum equal to the rate per annum obtained by *dividing* (i) the rate appearing on the Screen at the Specified Time on the Quotation Date as LIBOR for deposits denominated in U.S. Dollars with a maturity comparable to such Interest Period, *by* (ii) a percentage equal to 100% *minus* the then applicable Eurocurrency Rate Reserve Percentage for U.S. Dollars. In the event that such rate is not available on the Screen at such Specified Time for any reason, then the Eurocurrency Rate for such Interest Period shall be the rate at which deposits in U.S. Dollars in the amount of U.S. \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at the Specified Time on the Quotation Date; *provided* that, for purposes of calculating interest on Eurocurrency Rate Loans, in no event shall the Eurocurrency Rate be less than 2.00% per annum.

“Eurocurrency Rate Loan” means a Loan that bears interest as provided in Section 2.09(a)(iv).



“Eurocurrency Rate Reserve Percentage” means the aggregate (expressed as a percentage) of the maximum reserve, liquid asset, fees or similar requirements (including any marginal, special, emergency or supplemental reserves or other requirements) established by any central bank, monetary authority, the Board of Governors of the Federal Reserve System (or any successor) (the “Board”), the Financial Services Authority, the European Central Bank or other governmental authority for any category of deposits or liabilities customarily used to fund loans in U.S. Dollars, expressed in the case of each such requirement as a percentage. Such reserve percentages shall include those imposed pursuant to Regulation D of the Board. Eurocurrency Rate Loans shall be deemed to be subject to such reserve, liquid asset or similar requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under any applicable law, rule or regulation, including Regulation D. The Eurocurrency Rate Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any reserve, liquid asset or similar requirement.

“European Cash Flow Projection” has the meaning specified in Section 6.09(j).

“Euros” means the single currency of participating member states of the European Union.

“Events of Default” has the meaning specified in Section 9.01.

“Excess Funding Obligor” has the meaning specified in Section 3.08.

“Excess Payment” has the meaning specified in Section 3.08.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Excluded Period” has the meaning specified in Section 2.13(d).

“Federal Funds Rate” means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

“Fee Letter” means the fee letter dated as of the date hereof between Cinram and the Administrative Agent.

“Final Facility Effective Date” means the date on which all of the conditions precedent set forth in Section 4.02 are satisfied or waived by the Administrative Agent and the Majority Lenders.

“Final Recognition Order” means a final order obtained in the U.S. Bankruptcy Court in the Chapter 15 Cases recognizing the CCAA Proceedings as foreign main proceedings, recognizing the Initial Order, approving the DIP Facility in the CCAA Proceedings, granting fi-

nal authority to borrow Loans under this Agreement, enforcing the DIP Charge provided in the Initial Order and this Agreement pursuant to Section 364 of the U.S. Bankruptcy Code against any and all assets and interests of the Obligors in the United States, and providing for such other reasonable and customary relief as the Administrative Agent may deem reasonably necessary, all in form and substance satisfactory to the Administrative Agent and the Majority Lenders.

“Foreign Subsidiary” means any Subsidiary of ULC organized under the laws of any jurisdiction other than the United States of America, any State thereof or the District of Columbia.

“Fund” means Cinram International Income Fund, an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario.

“Fund Group” means, collectively, the Fund, CII Trust, an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario, Cinram International General Partner Inc., a corporation formed under the laws of the Province of Ontario, Cinram International Limited Partnership, a limited partnership formed under the laws of the Province of Manitoba and their respective Affiliates (other than ULC and its Subsidiaries).

“GAAP” means generally accepted accounting principles in Canada or, if elected by Cinram and notified to the Administrative Agent, generally accepted accounting principles in the United States of America.

“Guarantee Assumption Agreement” means a Guarantee Assumption Agreement substantially in the form of Exhibit D hereto by an entity that, pursuant to Section 6.11 is required to become a “Guarantor” hereunder in favor of the Administrative Agent.

“Guaranteed Obligations” means in the case of each Guarantor, the principal of and interest on the Loans made by the Lenders to each Borrower and all other amounts from time to time owing to the Lenders or the Administrative Agent by the Borrower under this Agreement or any other Loan Document.

“Guarantors” has the meaning specified in the Preliminary Statements.

“Hazardous Materials” means all explosive or radioactive substances or wastes, all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes, and all other substances or wastes regulated pursuant to any Environmental Law.

“Hedging Agreement” means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

“IFRS” means the International Financial Reporting Standards as adopted by the International Accounting Standards Board.

“Incorporated Security Provisions” has the meaning specified in Section 9.01(z).



“Incumbent Board” has the meaning set forth in the definition of “Change of Control”.

“Indemnification Percentage” means, with respect to any Lender, the percentage of the Loans and unused Commitments hereunder for all Lenders represented by the aggregate amount of such Lender’s Loans and unused Commitments.

“Indemnified Party” has the meaning specified in Section 11.03(b).

“Initial Order” means the order of the CCAA Court, substantially in the form of Exhibit J, as the same may be amended, modified, reinstated or supplemented from time to time with consent of the Administrative Agent and the Majority Lenders.

“Interest Period” means, for each Eurocurrency Rate Loan, the period commencing on (a) the date of the making of such Eurocurrency Rate Loan, or the date of the Conversion of any Base Rate Loan into such Eurocurrency Rate Loan, and ending on (b) the date one month thereafter; provided that (i) no Interest Period may be selected that ends after the date referred to in clause (a) or clause (d) of the definition of “Maturity Date”, (ii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, such Interest Period shall be extended such that the last day thereof occurs on the next succeeding Business Day, *provided* that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day and (iii) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

“Interim Recognition Order” means an interim order obtained in the U.S. Bankruptcy Court in the Chapter 15 Cases, recognizing the Initial Order, approving the DIP Facility in the CCAA Proceedings, granting interim authority to borrow Loans under this Agreement, enforcing the DIP Charge provided in the Initial Order and this Agreement pursuant to Section 364 of the U.S. Bankruptcy Code against any and all assets and interests of the Obligors in the United States on an interim basis, setting a hearing on the Final Recognition Order, and providing for such other reasonable and customary relief as the Administrative Agent may deem reasonably necessary, all in form and substance satisfactory to the Administrative Agent and the Majority Lenders.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

“Investment” means, for any Person: (a) the acquisition (whether for cash, property, services or securities or otherwise) of capital stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person or any agreement to make any such acquisition (including any “short sale” or any sale of any securities at a time when such securities are not owned by the Person entering into such sale); (b) the making of any deposit with, or advance or loan (including any Loan Payment made under a Media Contract) or other exten-

sion of credit to, any other Person (including the purchase of property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such property to such Person), but excluding any such advance, loan or extension of credit having a term not exceeding 180 days arising in connection with the sale of inventory or supplies by such Person in the ordinary course of business on customary terms; (c) the entering into of any guarantee of, or other contingent obligation with respect to, Debt or other liability of any other Person and (without duplication) any amount committed to be advanced, lent or extended to such Person; or (d) the entering into of any Hedging Agreement.

“Lenders” means (a) as of the Effective Date, each financial institution listed on Schedule 2.01 hereto and (b) each institution that shall become a party hereto pursuant to Section 11.06.

“LIBOR” means the rate at which deposits denominated in U.S. Dollars are offered to leading banks in the London interbank market.

“Lien” means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

“Loan Documents” means, collectively, this Agreement, the Notes, and the Security Documents.

“Loans” shall have the meaning set forth in Section 2.01.

“Majority Lenders” means at any time Lenders holding more than 50% of the sum of the aggregate principal amount of outstanding Loans and unused Commitments.

“Margin Stock” has the meaning specified in Regulation U of the Board of Governors of the Federal Reserve System.

“Material Adverse Effect” means a material adverse effect on (a) the business, assets, operations, properties or financial condition of the Obligors, taken as a whole (other than the commencement of the Proceedings and the consequences and events that customarily result therefrom), or (b) the legality, validity or enforceability of this Agreement and the other Loan Documents.

“Material Contract” means any contract, agreement or other instrument binding upon any Obligor, under which the aggregate consideration (whether cash, property or securities) payable by or to an Obligor during the current year is or would be expected to exceed U.S. \$20,000,000.

“Maturity Date” means the earliest to occur of the following dates: (a) September 30, 2012, (b) the closing date of the Sale (c) the effective date of any plan of compromise and arrangement approved by the creditors of the Obligors and sanctioned by the CCAA Court and recognized by a recognition order of the U.S. Bankruptcy Court, (d) the date on which the stay under the Initial Order or the Interim or Final Recognition Order expires without being extended,



(e) the date on which the CCAA Proceedings shall be dismissed or terminated or converted to a proceeding under the BIA, and (f) the date on which the U.S. Bankruptcy Court refuses to enter an order to recognize any order in the CCAA Proceedings which the Administrative Agent determines in its reasonable discretion is material and the failure to recognize same adversely affects the interest of the Lenders.

“Media Contract” means a contract entered into with a customer by ULC or one or more of its Subsidiaries under which ULC and its Subsidiaries party thereto agree to manufacture, supply or distribute inventory for such customer during the term of such contract.

“Monitor” means the monitor appointed in the Initial Order by the CCAA Court pursuant to the CCAA.

“Mortgage” means a mortgage and deed of trust (or equivalent instruments), in substantially the form attached hereto as Exhibit F (with such changes as may be appropriate in the applicable jurisdiction) and otherwise in form and substance reasonably satisfactory to the Administrative Agent, executed by the applicable Obligor in favor of the Administrative Agent and the Lender (or in favor of the trustee for the benefit of the Administrative Agent and the Lenders or any such counterparty) and covering the fee owned real property interest(s) identified on Schedule 1.01 hereto.

“Moody’s” means Moody’s Investors Services, Inc.

“Multiemployer Plan” means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“Net Cash Proceeds” means:

(a) in the case of any Disposition, the aggregate amount of all cash payments received by any of the Obligors directly or indirectly in connection with such Disposition (including any cash payments received by any of the Obligors in respect of any investments received in connection with such Disposition); *provided* that (i) Net Cash Proceeds shall be net of (x) the amount of any legal, title and recording tax expenses, commissions and other fees and expenses paid by any of the Obligors in connection with such Disposition, (y) any foreign, federal, state, provincial and local income or other taxes estimated to be payable by any of the Obligors as a result of such Disposition and (z) without duplication of any amount netted under clause (x) or (y), the amount of any cash restructuring charge taken as a consequence of such Disposition, and (ii) Net Cash Proceeds shall be net of any repayments by any of the Obligors of Debt to the extent that (x) such Debt is secured by a Lien on the property that is the subject of such Disposition (other than a Lien that is junior to any Lien of the Lenders in such property) and (y) the transferee of (or holder of a Lien on) such property requires that such Debt be repaid as a condition to the purchase of such property;

(b) in the case of any Debt Issuance or Equity Issuance, the aggregate amount of all cash received by any of the Obligors in respect of such Debt Issuance or Equity Issuance net of reasonable commissions, fees and expenses incurred by any of the Obligors in connection therewith; and

(c) in the case of any Casualty Event, the aggregate amount of proceeds of insurance, condemnation awards and other compensation received by any of the Obligors in respect of such Casualty Event net of reasonable expenses incurred by any of the Obligors in connection therewith.

“Non-U.S. Lender” has the meaning specified in Section 2.16(e).

“Note” has the meaning set forth in Section 2.08(b).

“Obligations” means all Loans, principal, interest, obligations (including all reimbursement and indemnification obligations and all Guaranteed Obligations), fees and expenses and other obligations of the Obligors to the Lenders (or any one of them) and/or the Administrative Agent under this Agreement or any other Loan Document.

“Obligors” has the meaning specified in the Preliminary Statements.

“Other Taxes” has the meaning specified in 2.16(b).

“Outside Date” has the meaning specified in Section 2.01.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“Permitted Investments” means:

(a) investments in direct obligations of the United States of America or any agency thereof, or of Canada or any province or agency thereof, or obligations guaranteed as to principal and interest by the United States of America or any agency thereof, or by Canada or any province or agency thereof, in each case maturing not more than 90 days from the date of acquisition thereof, provided that any province of Canada must be rated at least “R-1” by Dominion;

(b) investments in time deposit accounts, term deposit accounts, certificates of deposit, money-market deposits, bankers’ acceptances and obligations maturing not more than 90 days from the date of acquisition thereof issued by any bank or trust company which is organized under the laws of the United States of America or any state or commonwealth thereof, or Canada or any province or territory thereof, or France, Germany, the United Kingdom, Hungary or the Netherlands, and which bank or trust company has, or the obligations of which bank or trust company are guaranteed by a bank or trust company which has, capital, surplus and undivided profits in excess of U.S. \$500,000,000 (or the equivalent thereof in Euros or Sterling) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one “nationally recognized statistical rating organization” (as defined in Rule 436 under the Securities Act) or by Dominion;

(c) fully collateralized repurchase agreements with a term of not more than 90 days for securities described in clause (a) of this definition and entered into with a financial institution satisfying the criteria described in clause (b) of this definition;



(d) investments in commercial paper, maturing not more than 90 days from the date of acquisition, issued by a corporation (other than ULC or any Affiliate of ULC) organized and in existence under the laws of the United States or any state thereof, or Canada or any province thereof, with a rating of A-1 or better by S&P, P-1 or better by Moody's or (in the case of a Canadian issuer) R-1 or better by Dominion;

(e) in the case of Cinram only, investments in Canadian money-market funds having aggregate assets of at least Cdn \$50,000,000, or U.S. \$250,000,000 (in the case of funds holding U.S. Dollar securities issued by a Canadian issuer), and having a portfolio consisting primarily of securities of the type and maturity described in the foregoing clauses (a), (b), (c) and (d), except that the applicable acceptable rating on a maximum of 10% of such portfolio may be "BBB" by S&P or by Dominion, and that individual holdings by such funds may mature up to 365 days after the date of acquisition, *provided* that the average maturity date of the holdings in any such funds shall not exceed 90 days and that investments in any such fund may be liquidated by Cinram on a same day basis; and

(f) in the case of Cinram, Cinram GmbH, Cinram Holdings GmbH, Cinram France S.A., Cinram France Holdings, S.A., Cinram Europe B.V., Cinram LLC, Cinram International (Hungary) Kft., Cinram Logistics UK Limited, and Cinram Operations UK Limited, investments in Euro money-market funds (and, in the case of Cinram Operations UK Limited and Cinram Logistics UK Limited, Sterling money market funds) having aggregate assets of at least Euros 250,000,000 (or, in the case of Sterling money market funds, L175,000,000) and having a portfolio consisting primarily of securities of the type and maturities described in the foregoing clauses (a), (b), (c) and (d), except that individual holdings by such funds may mature up to 397 days after the date of acquisition, *provided* that the average maturity date of the holdings in any such funds shall not exceed 60 days and that investments in any such funds may be liquidated by Cinram on a same day basis, *provided* that (i) each of such named entities (other than Cinram France S.A. and Cinram France Holdings, S.A.) shall be permitted to make such investments only so long as they are Obligors, (ii) the aggregate amount of such investments made by Cinram France S.A. and Cinram France Holdings, S.A. shall not exceed \$5,000,000 (or its equivalent in Euros) and (iii) except in the case of investments in an aggregate amount outstanding at any time not greater than \$5,000,000 (or its equivalent in Euros), such investments (other than in the case of those made by Cinram France S.A. and Cinram France Holdings, S.A.) shall constitute "Permitted Investments" only so long as the Administrative Agent shall have a perfected security interest under applicable law in such investments.

"Permitted Lien" has the meaning specified in Section 7.01.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which Cinram or any ERISA Affiliate is (or, if such plan were ter-

minated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“Platform” has the meaning specified in Section 11.02(c).

“Pre-Petition Credit Agreement” has the meaning set forth in the Preliminary Statements.

“Proceedings” means the CCAA Proceedings and the Chapter 15 Cases.

“Projected Receipts” means the line item designated as “Receipts” in the DIP Budget.

“Projected Operating Disbursements” means the line item designated as “Operating Disbursements” in the DIP Budget.

“Projected Operating Cash Flow” means the line item designated as “Operating Cash Flows” in the DIP Budget.

“Pro Rata Share” has the meaning specified in Section 3.08.

“Quotation Date” means, for the Interest Period for any borrowing of Eurocurrency Rate Loans, the date two Business Days prior to the commencement of such Interest Period.

“Receipts” has the meaning specified in Section 7.12.

“Recognition Order” means the Interim Recognition Order and/or the Final Recognition Order, as the case may be.

“Register” has the meaning specified in Section 11.06(c).

“Registered Pension Plan” means any “registered pension plan”, as defined in subsection 248(1) of the *Income Tax Act* (Canada).

“Related Fund” means, with respect to any Lender that is a fund that invests in commercial loans and extensions of credit, any other fund that invests in commercial loans and extensions of credit and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

“Release” means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, including the movement of Hazardous Materials through ambient air, soil, surface water, ground water, wetlands, land or subsurface strata.

“Replacement Lender” has the meaning specified in Section 2.18(b).

“Requirement of Law” means, as to any Person, the charter, by-laws and other organization documents of such Person, and any law, treaty, rule or regulation or determination of



an arbitrator or a court or other governmental authority, in each case applicable to or binding upon such Person or any of its property or to which such person or any of its property is subject.

“Responsible Officer” means any of the Chief Executive Officer, Chief Financial Officer or Treasurer of Cinram and any of the President or Treasurer of Borrower or, in the event of any change in title of any such officer, the senior officer of Cinram or Borrower equivalent in responsibility and title to such officer.

“Restricted Payment” means (a) any dividend or other distribution (whether in cash, securities or other property) with respect to any shares of any class of capital stock or other ownership interests of ULC or any of its Subsidiaries, or (b) any payment by ULC or any of its Subsidiaries (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any shares of capital stock or other ownership interest or any option, warrant or other right to acquire any shares of capital stock or other ownership interest of the Fund, any member of the Fund Group, ULC or any of ULC’s Subsidiaries.

“Retroactive Period” has the meaning specified in Section 2.13(d).

“Rolling 13-week Forecasts” has the meaning specified in Section 6.09(j).

“Sale” means the sale and transfer of substantially all of the business of Cinram and its affiliates as a going concern to Cinram Acquisition, Inc. or one or more of its nominees.

“S&P” means Standard & Poor’s Ratings Services, a division of McGraw-Hill Companies, Inc.

“Screen” means, the Reuters “LIBOR01” screen displaying British Bankers’ Assoc. Interest Settlement Rates for U.S. Dollars (as determined by the Administrative Agent) or such screen as may replace the Reuters “LIBOR01” screen, and otherwise such Reuters screen as the Administrative Agent shall determine in consultation with Cinram; *provided* that, if the Administrative Agent determines that there is no such relevant display page for LIBOR for U.S. Dollars, “Screen” means the corresponding display page for Eurocurrency Rates for U.S. Dollars (as determined by the Administrative Agent) on such other comparable publicly available service as may be selected by the Administrative Agent.

“Second Currency” has the meaning specified in Section 11.10.

“Second Lien Loan Documents” means, collectively, the Second Lien Credit Agreement and the “Loan Documents” referred to therein.

“Second Lien Credit Agreement” means that certain Second Lien Credit Agreement, dated as of April 11, 2011, among Borrower, the guarantors party thereto from time to time, the agents party thereto, and JPMorgan Chase Bank, N.A., as administrative agent thereunder.

“Secured Parties” means, collectively, the Lenders and the Administrative Agent.

“Securities Act” means the Securities Act of 1933, as amended.

“Security Agreements” means the U.S. Security Agreement and the Canadian Security Agreement.

“Security Documents” means the U.S. Security Agreement, the Canadian Security Agreement, any Mortgage, the DIP Financing Orders and any other security agreement, intellectual property security agreement, assignment, pledge, mortgage or other instrument executed and delivered in accordance with the terms hereof or thereof.

“Senior Financial Officer” means any of the Chief Financial Officer, Treasurer or Comptroller of Cinram.

“Specified Currency” has the meaning specified in Section 11.10.

“Specified Place” has the meaning specified in Section 11.10.

“Specified Time” means, for the Interest Period for any borrowing of Eurocurrency Rate Loans, approximately 11:00 a.m., London time, on the relevant Quotation Date.

“Stay of Proceedings” means the stay of proceedings against each of the Obligors and its property and the stay of the exercise of rights and remedies against each of the Obligors and its Property contained in any of the Bankruptcy Court Orders, in each case as it may be extended, amended or supplemented by any other order of the CCAA Court or the U.S. Bankruptcy Court.

“Sterling” means the lawful currency of the United Kingdom.

“Subsidiary” of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of the capital stock or other ownership interests thereof is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person’s other Subsidiaries.

“Taxes” has the meaning specified in Section 2.16(a).

“Transactions” means, collectively, the execution, delivery and performance by the Obligors of this Agreement and the other Loan Documents, the borrowing of the Loans and the use of the proceeds thereof and the creation and perfection of Liens granted under the Security Documents or pursuant to the terms hereof.

“Type” refers to whether a Loan is a U.S. Base Rate Loan or Eurocurrency Rate Loan.

“ULC” has the meaning specified in the Preliminary Statements.

“ULC Bank Account” has the meaning specified in Section 7.12.



“U.S. Bankruptcy Code” has the meaning set forth in the Preliminary Statements.

“U.S. Bankruptcy Court” has the meaning set forth in the Preliminary Statements.

“U.S. Base Rate” means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the highest of:

- (a) the rate of interest announced publicly by the Administrative Agent in New York, New York, from time to time, as its prime rate;
- (b) 1/2 of 1% per annum above the Federal Funds Rate; and
- (c) 3.00%.

The U.S. Base Rate is not intended to be the lowest rate of interest charged by JPMorgan Chase Bank, N.A., New York Branch, in connection with extensions of credit in U.S. Dollars to debtors.

“U.S. Base Rate Loans” means Loans that bear interest at rates based upon the U.S. Base Rate as provided in Section 2.09(a)(iii).

“U.S. Dollars” or “U.S. \$” refers to lawful money of the United States of America.

“U.S. Security Agreement” means a Security Agreement substantially in the form of Exhibit H among the Obligor party thereto and the Administrative Agent for the benefit of the Secured Parties.

“Variance Report” has the meaning specified in Section 6.09(l).

“Wholly Owned Subsidiary” means, with respect to any Person, any corporation, partnership, joint venture, limited liability company, trust or estate of which all of the capital stock or other ownership interests thereof (other than directors’ or similar qualifying shares) are directly or indirectly owned or controlled by such Person or one or more Wholly Owned Subsidiaries of such Person or by such Person and one or more Wholly Owned Subsidiaries of such Person.

“Withdrawal Liability” means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding”.

SECTION 1.03. Accounting Terms and Determinations.

(a) GAAP; Changes in Accounting Treatment. (i) Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; *provided* that, if ULC notifies the Administrative Agent that ULC requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies ULC that the Majority Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

(b) Reserved.

(c) Changes in Fiscal Periods. To enable the ready and consistent determination of compliance with the covenants set forth in Articles VI, VII and VIII, ULC will not change the last day of its fiscal year from December 31 of each year, or the last days of the first three fiscal quarters in each of its fiscal years from March 31, June 30 and September 30 of each year, respectively.

#### SECTION 1.04. Terms Generally; Québec Interpretation.

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. References herein to the taking of any action hereunder of an administrative nature by ULC, Cinnam or the Borrower shall be deemed to include references to any of them taking such actions on behalf of any other one of them and the Administrative Agent is expressly authorized to accept any such action taken by any one of them as having the same effect as if taken by each of them or any other one of them.

(b) For purposes of any assets, liabilities or entities located in the Province of Québec and for all other purposes pursuant to which the interpretation or construction hereof may be subject to the laws of the Province of Québec or a court or tribunal exercising



jurisdiction in the Province of Québec, (a) “personal property” shall be deemed to include “movable property”, (b) “real property” shall be deemed to include “immovable property”, (c) “tangible property” or “tangible assets” shall be deemed to include “corporeal property”, (d) “intangible property” or “intangible assets” shall be deemed to include “incorporeal property”, (e) “security interest”, “mortgage” and “lien” shall be deemed to include a “hypothec”, “right of retention”, “prior claim” and a resolutory clause, (f) all references to filing, registering or recording under the Uniform Commercial Code or any Personal Property Security Act (or any equivalent legislation governing perfection or notice of liens on personal property in the applicable jurisdiction) or under applicable laws governing the recording or registration of liens or mortgages on real property shall be deemed to include publication under the *Civil Code of Québec*, (g) all references to “perfecting”, “perfection” of or “perfected” liens or security interests shall be deemed to include a reference to an “opposable” or “set up” lien or security interest as against third parties, (h) any “right of offset”, “right of set-off” or similar expression shall be deemed to include a “right of compensation”, (i) goods” shall be deemed to include “corporeal movable property” other than chattel paper, documents of title, instruments, money and securities (j) an “agent” shall be deemed to include a “mandatary”, (k) “joint and several” shall be deemed to include solidary, (l) “beneficial ownership” and similar expressions shall be deemed to include “ownership on behalf of another as mandatary”, (m) “gross negligence or willful misconduct” shall be deemed to be “intentional or gross fault”, (n) “priority” shall be deemed to include “prior claim”, (o) “survey” shall be deemed to include “certificate of location and plan”, (p) “easement” shall be deemed to include “servitude”, (q) “state” shall include “province”, (r) “fee simple title” and similar expressions shall include “absolute ownership”, (s) “accounts” shall include “claims” and (t) “construction liens” shall include “legal hypothecs”. The parties hereto confirm that it is their wish that this Agreement and any other document executed in connection with the transactions contemplated herein be drawn up in the English language only and that all other documents contemplated thereunder or relating thereto, including notices, may also be drawn up in the English language only. *Les parties aux présentes confirment que c'est leur volonté que cette convention et les autres documents de crédit soient rédigés en langue anglaise seulement et que tous les documents, y compris tous avis, envisagés par cette convention et les autres documents peuvent être rédigés en langue anglaise seulement.*

SECTION 1.05. Reserved.

SECTION 1.06. Interest Act (Canada). For the purposes of the Interest Act (Canada) and disclosure thereunder, whenever any interest or any fee to be paid hereunder or in connection herewith is to be calculated on the basis of a 360- or 365-day year, the yearly rate of interest to which the rate used in such calculation is equivalent is the rate so used multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 360 or 365, as applicable. The rates of interest under this Agreement are nominal rates, and not effective rates or yields. The principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement.

## ARTICLE II

### THE DIP FACILITY

SECTION 2.01. The DIP Facility. Subject to the terms and conditions of this Agreement and the DIP Financing Orders, each Lender severally agrees to make term loans (the "Loans"), not to exceed the amount of such Lender's Commitment as set forth on Schedule 2.01, to the Borrower on the date selected by Borrower, which shall be a date occurring on or after the Final Facility Effective Date (such date, the "Draw Date") and prior to the date that is 15 Business Days (or such later date as may be agreed by the Administrative Agent) after the CCAA Filing Date (the "Outside Date"). Subject to the terms and conditions of this Agreement, on and after the Draw Date, the Borrower may Convert the Loans of one Type into the Loans of another Type or Continue the Loans of one Type as Loans of the same Type. Loans that are repaid or prepaid may not be reborrowed.

#### SECTION 2.02. Making the Loans.

(a) Requests for Loans. The Borrower shall give the Administrative Agent notice of the borrowing of the Loans not later than 11:00 a.m. (New York City time) on the third Business Day prior to the proposed Draw Date (in the case of Eurocurrency Rate Loans), or by 11:00 a.m. (New York City time) on the Business Day prior to the date of the proposed Draw Date (in the case of a U.S. Base Rate Loans). Such notice (a "Borrowing Notice") shall be in the form annexed hereto as Exhibit B and shall be by telecopier, confirmed immediately in writing, specifying therein:

- (i) that the Borrower is requesting the Loans,
- (ii) the proposed Draw Date,
- (iii) the Type of Loans.

Each applicable Lender shall on the date of the proposed Draw Date, before 11:00 a.m. (New York City time), in the case of a Eurocurrency Rate Loans, and before 1:00 p.m. (New York City time), in the case of Base Rate Loans, make available for the account of its Applicable Lending Office by deposit to the Administrative Agent's Account in U.S. Dollars, in same day funds, such Lender's ratable portion of the Loans requested in such Borrowing Notice. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article IV, the Administrative Agent will make such funds available to the applicable Borrower at the Administrative Agent's aforesaid address.

(b) Reserved.

(c) Suspension of Certain Borrowings of Eurocurrency Rate Loans. Anything herein to the contrary notwithstanding, the Borrower may not select Eurocurrency Rate Loans if the obligation of the applicable Lenders to make Eurocurrency Rate Loans shall then be suspended pursuant to Section 2.10 or 2.13.



(d) Requests Binding. The Borrowing Notice shall be binding on the Borrower. In the case of any Loans that the Borrowing Notice specifies is to consist of Eurocurrency Rate Loans, the Borrower shall indemnify each applicable Lender against any loss, cost or expense incurred by such Lender as a result of any revocation of such Borrowing Notice by the Borrower or any failure to fulfill on or before the date specified in such Borrowing Notice the applicable conditions set forth in Article IV, including any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Loan to be made by such Lender as part of such Borrowing when such Loan, as a result of such revocation or failure, is not made on such date.

(e) Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the Draw Date that such Lender will not make available to the Administrative Agent such Lender's ratable portion of the Loans, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the Draw Date in accordance with subsection (a) of this Section 2.02, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount; *provided* that nothing in this subsection (e) shall be construed to relieve any Lender from any obligation hereunder to make available to the Administrative Agent its ratable portion of such Borrowing in accordance with said subsection (a). If and to the extent that such Lender shall not have so made such ratable portion available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable at such time to the Loans and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Loan for purposes of this Agreement.

(f) Obligations Several. The failure of any Lender to make the Loan to be made by it as part of any applicable Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on the date of any applicable Borrowing.

SECTION 2.03. Reserved.

SECTION 2.04. Reserved.

SECTION 2.05. Reserved.

SECTION 2.06. Fees.

(a) Agent Fees. The Borrower shall pay to the Administrative Agent, for its own account, the fees in the amounts and on the dates set forth in the Fee Letter.

(b) Other Fees. The Borrower shall pay the fees in the amounts, to the Persons and at the times specified in the Fee Letter.

(c) General. Fees payable hereunder shall not be refundable under any circumstances.

SECTION 2.07. Termination and Reduction of Commitments.

(a) Mandatory. The aggregate amount of the Commitments shall be automatically and permanently reduced by the aggregate amount of the Loans made by the Lenders immediately upon the making of such Loans. The aggregate amount of the Commitments shall be automatically and permanently reduced to zero at 5:00 p.m. (New York City time) on the earlier of (i) the Draw Date or (ii) the Outside Date.

(b) Optional. The Borrower shall have the right, upon at least three Business Days' notice to the Administrative Agent, to terminate in whole or reduce ratably in part the unused Commitments, *provided* that each partial reduction shall be in an aggregate amount of U.S. \$1,000,000, or a multiple of U.S. \$1,000,000, in excess thereof; and any such reductions shall be applied to the Commitments of the Lenders ratably in accordance with the respective amounts thereof.

(c) No Reinstatement. Commitments once terminated or reduced may not be reinstated.

SECTION 2.08. Repayment of Loans; Evidence of Debt.

(a) Repayment of Loans. The then outstanding balances of the Loans shall be due and payable on the Maturity Date.

(b) Note Option. Any Lender may request that the Loans to be made by it to the Borrower be evidenced by a note, substantially in the form attached hereto as Exhibit A, appropriately completed (a "Note") payable by the Borrower. In such event, the Borrower shall prepare, have executed by the Borrower and deliver to such Lender a Note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns). If a Lender whose Loans are so evidenced by a Note thereafter assigns such Loans, such Loans will be evidenced by a Note only if the assignee so requests in accordance with this Section 2.08.

SECTION 2.09. Interest on Loans, Etc.

(a) Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of each Loan owing by the Borrower to each Lender, in U.S. Dollars, from the date of such Loan until such principal amount shall be paid in full, at the following rates per annum:

(i) Reserved.

(ii) Reserved.

(iii) U.S. Base Rate Loans. During such periods as such Loan is a U.S. Base Rate Loan, a rate per annum equal at all times to the sum of (x) the



U.S. Base Rate in effect from time to time *plus* (y) the Applicable Margin in effect from time to time.

(iv) Eurocurrency Rate Loans. During such periods as such Loan is a Eurocurrency Rate Loan, a rate per annum equal at all times during each Interest Period for such Loan to the sum of (x) the Eurocurrency Rate for such Interest Period for such Loan *plus* (y) the Applicable Margin in effect from time to time.

(b) Manner of Payment. Interest on each Loan shall be payable in cash monthly in arrears on the last Business Day of each month or Interest Period or on the date Converted or repaid in full, as applicable, and at such other times as may be specified herein. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error. Interest shall accrue from day to day, both before and after default, demand, maturity and judgment.

(c) Default Interest. Upon the occurrence and during the continuance of any Event of Default, the Borrower shall pay interest on the unpaid principal amount of each Loan, and upon the unpaid amount of all interest, fees and other amounts payable by any Obligor hereunder, such interest to be paid in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to (i) in the case of any amount of principal, 2% per annum above the rate per annum required to be paid on such Loan pursuant to subsection (a) above and (ii) in the case of all other amounts, 2% per annum above the U.S. Base Rate from time to time.

(d) Criminal Interest Rate, Etc. Any provision of this Agreement that would oblige a Canadian Obligor to pay any fine, penalty or rate of interest on any arrears of principal or interest secured by a mortgage on real property or hypothec on immovables that has the effect of increasing the charge on arrears beyond the rate of interest payable on principal money not in arrears shall not apply to such Canadian Obligor, which shall be required to pay interest on money in arrears at the same rate of interest payable on principal money not in arrears.

If any provision of this Agreement would oblige a Canadian Obligor to make any payment of interest or other amount payable to any Lender in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by that Lender of "interest" at a "criminal rate" (as such terms are construed under the *Criminal Code* (Canada)), then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by applicable law or so result in a receipt by that Lender of "interest" at a "criminal rate", such adjustment to be effected, to the extent necessary (but only to the extent necessary), as follows:

(i) first, by reducing the amount or rate of interest; and

(ii) thereafter, by reducing any fees, commissions, costs, expenses, premiums and other amounts required to be paid which would constitute interest for purposes of section 347 of the *Criminal Code* (Canada).

SECTION 2.10. Interest Rate Determination.

(a) Rates Not Covering Costs. If, with respect to any Eurocurrency Rate Loans, the Majority Lenders shall notify the Administrative Agent that the Eurocurrency Rate for any Interest Period for such Loans will not adequately reflect the cost to such Lenders of making, funding or maintaining their respective Eurocurrency Rate Loans for such Interest Period, the Administrative Agent shall forthwith so notify the Borrower and such Lenders, whereupon

(i) in the case of a Eurocurrency Rate Loan, such Eurocurrency Rate Loan will automatically, on the last day of the then existing Interest Period therefor, Convert into a U.S. Base Rate Loan and

(ii) the obligation of such Lenders to make, or to Convert Loans into, Eurocurrency Rate Loans, as applicable, shall be suspended until the Administrative Agent shall notify the Borrower and such Lenders that the circumstances causing such suspension no longer exist.

(b) Reserved.

(c) Automatic Conversion into U.S. Base Rate Loans. On the date on which the aggregate unpaid principal amount of Eurocurrency Rate Loans comprising any borrowing shall be reduced, by payment or prepayment or otherwise, to less than U.S. \$5,000,000 (in the case of U.S. Dollar Loans), such Loans shall automatically Convert into U.S. Base Rate Loans in the case of Eurocurrency Rate Loans, and on and after such date the right of the Borrower to Convert such Loans shall terminate.

(d) Limitation on Separate Interest Periods. The aggregate number of separate Eurocurrency Rate Loans outstanding hereunder (i.e. the aggregate number of separate Interest Periods applicable thereto) shall not exceed 5 at any one time.

SECTION 2.11. Conversion of Loans.

(a) Optional Conversion of Loans. The Borrower may on any Business Day, upon notice given to the Administrative Agent not later than 11:00 a.m. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.02(d), 2.10 and 2.14, Convert all Loans of one Type into Loans owing by the Borrower of the other Type; *provided* that any Conversion of Eurocurrency Rate Loans shall be made only on the last day of an Interest Period for such Eurocurrency Rate Loans. Each such notice of a Conversion shall, within the restrictions specified above, specify (x) the date of such Conversion and (y) the Loans to be Converted. Each notice of Conversion shall be irrevocable and binding on the Borrower.



(b) Mandatory Conversion of Loans. Upon notice given by the Majority Lenders or Administrative Agent after the occurrence and during the continuation of any Event of Default, (i) each Eurocurrency Rate Loan made by any Lender will automatically, on the last day of the then existing Interest Period therefor, Convert into a U.S. Base Rate Loan and (ii) the obligations of such Lenders to make or Convert Loans into, or to continue, Eurocurrency Rate Loans shall be suspended.

(c) No New Debt. A conversion of Loans under this Section 2.11 shall not be deemed to result in new indebtedness between the parties hereto. The existing indebtedness will continue in full force and effect as converted.

#### SECTION 2.12. Prepayments, Etc.

(a) Optional Payments of Loans. The Borrower may, upon notice by the Borrower to the Administrative Agent stating the proposed date and aggregate principal amount of the prepayment, given to the Administrative Agent not later than 11:00 a.m. (New York City time) on the proposed date in the case of Base Rate Loans and at least three Business Days prior to the proposed date in the case of Eurocurrency Rate Loans, and if such notice is given by the Borrower, then the Borrower shall, prepay the outstanding principal amount of such Loans owing by the Borrower in whole or in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; *provided* that (x) each partial prepayment shall be in an aggregate principal amount of U.S. \$500,000, or a multiple of U.S. \$100,000 in excess thereof, and (y) in the event of any such prepayment of a Eurocurrency Rate Loan, the Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 2.13(e).

(b) Dispositions. Without limiting any obligation of Cinram to obtain the consent of the Majority Lenders pursuant to Section 11.01 to any Disposition not otherwise permitted hereunder, no later than five Business Days prior to the occurrence of any Disposition, Cinram will deliver to the Lenders a statement, certified by a Senior Financial Officer, in form and detail satisfactory to the Administrative Agent, of the estimated amount of the Net Cash Proceeds of such Disposition and:

(i) on the date of such Disposition the Borrower will immediately prepay the Loans and other obligations, as set forth in subsection (f) below, in an amount equal to 100% of the Net Cash Proceeds of such Disposition; and

(ii) the Borrower will thereafter, to the extent Cinram or any of its Subsidiaries shall receive Net Cash Proceeds during such quarterly fiscal period under deferred payment arrangements or Investments entered into or received in connection with any Disposition, immediately prepay the Loans and other obligations, as set forth in subsection (f) below, in an amount equal to (x) 100% of the aggregate amount of such Net Cash Proceeds *minus* (y) any transaction expenses associated with such Disposition and not previously deducted in the determination of Net Cash Proceeds of such Disposition *plus* (or *minus*, as the case may be) (z) any other adjustment received or paid by Cinram or any of its Subsidiaries pur-

suant to the respective agreements, if any, giving rise to such Disposition and not previously taken into account in the determination of the Net Cash Proceeds of such Disposition.

Each prepayment required pursuant to the foregoing clauses (i) and (ii) shall be effected in each case in accordance with Section 2.12(f).

(c) Casualty Event. If any Net Cash Proceeds are received by any Obligor in respect of any Casualty Event, then to the extent not previously paid to the Administrative Agent, Cinram shall forthwith deliver the same to the Administrative Agent for deposit into the Collateral Account (and in that connection, the Administrative Agent (1) need not release such Net Cash Proceeds except upon presentation of evidence satisfactory to it, in its sole discretion, that such Net Cash Proceeds are to be applied to the repair or replacement of the property subject to such Casualty Event and that, after giving effect thereto, no Default or Event of Default shall have occurred and be continuing and a Responsible Officer shall have so certified to the Administrative Agent and (2) may not release such Net Cash Proceeds without consent of the Majority Lenders), *provided* that at any time following the occurrence and during the continuance of an Event of Default the Administrative Agent may, and shall at the request of the Majority Lenders, apply any such Net Cash Proceeds at the time held in the Collateral Account to the payment of any amounts then due and payable hereunder in accordance with the provisions of Section 2.12(f).

(d) Debt Issuance. Upon any Debt Issuance, the Borrower will prepay the Loans in an aggregate amount equal to 100% of the Net Cash Proceeds thereof, such prepayment to be effected in each case in accordance with Section 2.12(f). The Borrower will deliver notice of any such anticipated Debt Issuance and prepayment not later than five Business Days prior to the date thereof.

(e) Equity Issuance. Upon any Equity Issuance, the Borrower will prepay the Loans in an aggregate amount equal to 100% of the Net Cash Proceeds thereof, such prepayment to be effected in each case in accordance with Section 2.12(f). The Borrower will deliver notice of any such anticipated Equity Issuance and prepayment not later than five Business Days prior to the date thereof.

(f) Application of Prepayments. Any prepayment required to be made under this Section 2.12 shall be applied:

*first*, to costs and expenses of the Administrative Agent and Lenders that are reimbursable hereunder;

*second*, to accrued fees and interest payable hereunder,

*third*, to prepay the Loans on a pro rata basis (in accordance with the respective outstanding principal amounts thereof).



SECTION 2.13. Increased Costs, Etc.

(a) If due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any direction, guideline or request from any central bank or other governmental authority (whether or not having the force of law), in each case, after the date hereof, there shall be any increase in the cost to any Lender (other than an increase in taxes, imposts, deductions, charges or withholdings, for which an additional amount is required to be paid pursuant to the provisions of Section 2.16) of agreeing to make or making, funding or maintaining Eurocurrency Rate Loans, then such Lender may from time to time give notice of such circumstances to Cinram (with a copy to the Administrative Agent). The amount sufficient to compensate such Lender in light of such increase in costs to such Lender or any corporation controlling such Lender shall be determined by such Lender in good faith on a basis that allocates the amounts sufficient to compensate such Lender in light of such increase ratably among all applicable Loans. A certificate specifying the event referred to in this subsection (a), the amount sufficient to compensate such Lender and the basis of its computation (which shall be reasonable), submitted in good faith to Cinram and the Administrative Agent by such Lender, shall be conclusive and binding for all purposes absent manifest error. Notwithstanding anything in this Agreement to the contrary, the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof, shall be deemed to be a change after the Effective Date in a requirement of law or government rule, regulation or order, regardless of the date enacted, adopted, issued or implemented.

(b) Capital Requirements. If any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) after the date hereof affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender, then, such Lender may from time to time give notice of such circumstances to Cinram (with a copy to the Administrative Agent). The amount sufficient to compensate such Lender in light of such increase in the amount of capital maintained by such Lender or any corporation controlling such Lender shall be determined by such Lender in good faith. A certificate specifying the event referred to in this subsection (b), the amount sufficient to compensate such Lender and the basis of its computation (which shall be reasonable), submitted in good faith to Cinram and the Administrative Agent by such Lender, shall be conclusive and binding for all purposes absent manifest error.

(c) Illegality. Notwithstanding any other provision of this Agreement, if the introduction of or any change in or in the interpretation of (to the extent any such introduction or change occurs after the date hereof) any law or regulation shall make it unlawful, or any central bank or other governmental authority having appropriate jurisdiction shall assert in writing after the date hereof that it is unlawful, for any Lender or its Eurocurrency Lending Office, as applicable, to perform its obligations hereunder to make or to continue to fund or maintain Eurocurrency Rate Loans, then, on notice thereof and demand therefor by such Lender to Cinram through the Administrative Agent,

(i) each Eurocurrency Rate Loan of such Lender will automatically, upon such demand, Convert to a U.S. Base Rate Loan and

(ii) the obligation of such Lender to make, or to Convert Base Rate Loans into, Eurocurrency Rate Loans shall be suspended until the Administrative Agent shall notify Cinram that such Lender has determined that the circumstances causing such suspension no longer exist; *provided* that, before making any such demand, such Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Eurocurrency Lending Office, as applicable, if the making of such a designation would allow such Lender or its Eurocurrency Lending Office, as applicable, to continue to perform its obligations to make or to continue to fund or maintain Eurocurrency Rate Loans and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

(d) Excluded Period. The Borrower shall not be obligated to pay any additional amounts arising pursuant to subsections (a) and (b) above that are attributable to the Excluded Period (as defined below) with respect to such additional amount; *provided* that if an applicable law, rule, regulation, guideline or request shall be adopted or made on any date and shall be applicable to the period (a "Retroactive Period") prior to the date on which such law, rule, regulation, guideline or request is adopted or made, the limitation on the Borrower's obligation to pay such additional amounts hereunder shall not apply to the additional amounts payable in respect of such Retroactive Period. For purposes hereof, "Excluded Period" means, with respect to any additional amount payable under subsection (a) or (b) above, the period ending 90 days prior to the applicable Lender's delivery of a certificate referenced in subsection (a) or (b) above, as applicable, with respect to such additional amount.

(e) Breakfunding. If any payment of principal of, or Conversion of, any Eurocurrency Rate Loan is made by the Borrower to or for the account of a relevant Lender other than on the last day of the Interest Period for such Loan (including by reason of the acceleration of the maturity of the Loans pursuant to Section 9.01 or for any other reason), or in the event the Borrower shall fail (for any reason, including by reason of the failure of any conditions precedent in Article IV to be satisfied) to borrow a Eurocurrency Rate Loan from any Lender on the date specified therefor in the applicable Borrowing Notice, the Borrower shall, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment, including any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Loan.

#### SECTION 2.14. Payments and Computations.

(a) Payments. The Borrower shall make each payment hereunder not later than 12:00 Noon (New York City time) on the day when due in U.S. Dollars to the Administrative Agent at the Administrative Agent's Account in same day funds and, except as expressly set forth herein, without deduction, set-off or counterclaim. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or fees or commissions ratably (other than amounts payable pursuant to Section 2.13 or 2.16) to the Lenders for the account of their respective Applicable Lending Offices, and like



funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 11.06(c) from and after the effective date specified in such Assignment and Acceptance, the Administrative Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) Computations. All computations of interest based on the Base Rate (except during periods when the U.S. Base Rate is calculated with reference to the Federal Funds Rate) shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurocurrency Rate or the Federal Funds Rate and of fees or commissions shall be made by the Administrative Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees or commissions are payable. Each determination by the Administrative Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Payments Due on Non-Business Days. Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or fees or commissions, as the case may be; *provided* that, if such extension would cause payment of interest on or principal of Eurocurrency Rate Loans to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from Cinram prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

(e) Currency of Payment. All amounts owing under this Agreement are payable in U.S. Dollars.

SECTION 2.15. Notations on the Notes. The Borrower and each Lender whose Loans are evidenced by a Note agree that (a) all Loans made by such Lender to the Borrower evidenced by such Note pursuant to this Agreement and all payments made on account of principal thereof shall be recorded by such Lender and, prior to any assignment by such Lender of

such Note, all unpaid Loans evidenced by such Note shall be endorsed on the grid attached to such Note; *provided* that the failure of such Lender to make any such notations shall not limit or otherwise affect the Borrower's obligations to such Lender with respect to such Loans and (b) upon the payment in full of any Lender's Loans then outstanding, such Lender shall cancel and return such Lender's Note evidencing such Loans to the Borrower and be fully responsible for any claims or liabilities arising in connection with or resulting from any sale of participations therein.

SECTION 2.16. Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of the obligations of the Borrower hereunder or under any other Loan Document shall be made, in accordance with Section 2.14, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, *excluding*, in the case of each Lender and the Administrative Agent, income taxes imposed on or measured by its net income (and franchise taxes imposed in lieu thereof) or capital taxes, if such income taxes, franchise taxes or capital taxes are imposed by the jurisdiction under the laws of which such Lender or the Administrative Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, income taxes imposed on or measured by its net income (and franchise taxes imposed in lieu thereof), or capital taxes, if such income taxes, franchise taxes or capital taxes are imposed by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct or withhold any Taxes from or in respect of any sum payable (including any payment made pursuant to Section 2.09(b)), or in respect of any obligation, hereunder or under any Note to any Lender or the Administrative Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions or withholding for Taxes (including deductions or withholding applicable to additional sums payable under this Section 2.16) such Lender or the Administrative Agent (as the case may be) receives an amount (which, for purposes of this Agreement, shall be treated as additional interest) equal to the sum it would have received had no such deductions or withholding for Taxes been made, (ii) the Borrower shall make such deductions or withholding and (iii) the Borrower shall pay the full amount deducted or withheld to the relevant taxation authority or other authority in accordance with applicable law.

(b) Other Taxes. In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under any other Loan Document or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Document (hereinafter referred to as "Other Taxes"). Each Lender represents as of the date hereof that, to the best of its knowledge without having conducted any investigation, there exists no Other Taxes with respect to this Agreement or any other Loan Document imposed by the jurisdiction in which such Lender is organized or in which its Applicable Lending Office is located.

(c) Indemnification by Borrowers. The Borrower will indemnify each Lender and the Administrative Agent for the full amount of Taxes or Other Taxes (including any



Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.16) paid by such Lender or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Administrative Agent (as the case may be) makes written demand therefor.

(d) Evidence of Payments. Within a reasonable period of time after the date of any payment of Taxes by the Borrower, Cinram will furnish to the Administrative Agent, at its address referred to in Section 11.02, the original or a certified copy of a receipt evidencing payment thereof or other written proof of payment thereof that is reasonably satisfactory to the Administrative Agent.

(e) Lender Tax Forms. Any Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate. In addition, whether or not entitled to any such exemption, each Lender shall deliver to Cinram and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement the following information:

(i) the full name, address of head office and jurisdiction of organization of such Lender and the legal form of such Lender (i.e., whether it is a corporation, a trust, a partnership, a limited liability company or other form of organization) and (x) if such Lender is a general partnership, such information (to the extent disclosure thereof is not prohibited by an effective confidentiality arrangement) with respect to each general partner of the partnership and their respective share in the capital of such partnership and (y) if such Lender is a limited partnership, such information (to the extent disclosure thereof is not prohibited by an effective confidentiality arrangement) with respect to each general partner of such limited partnership and their respective share in the capital of such partnership;

(ii) a statement as to whether or not such Lender constitutes an organization that would be generally exempt from income taxation in its jurisdiction of organization;

(iii) the social security number, social insurance number or tax identification number, as applicable, with respect to such Lender; and

(iv) a statement as to whether or not such Lender constitutes an "authorized foreign bank" or a "registered non-resident insurer" within the meaning of such terms in the *Income Tax Act* (Canada), as amended.

In addition to the foregoing, each Lender that is not a United States person ("Non-U.S. Lender") shall deliver to Cinram and the Administrative Agent on or prior to the date on

which such Non-U.S. Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of Cinram or the Administrative Agent, but only if such Non-U.S. Lender remains legally entitled to do so), whichever of the following, if any, is applicable provided such Lender is legally able to do so: (i) two duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party, (ii) two duly completed copies of Internal Revenue Service Form W-8ECI, (iii) in the case of a Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Internal Revenue Code, (x) a certificate to the effect that such Non-U.S. Lender is not (A) a "bank" within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code, (B) a "10 percent shareholder" of Cinram within the meaning of Section 881(c)(3)(B) of the Internal Revenue Code or (C) a controlled foreign corporation described in Section 881(c)(3)(C) of the Internal Revenue Code and (y) two duly completed copies of Internal Revenue Service Form W-8BEN, or (iv) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit Cinram to determine the withholding or deduction required to be made.

If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required by the versions of Internal Revenue Service Form W-8BEN or W-8ECI in effect on the date hereof, that the Lender reasonably considers to be confidential, the Lender shall give notice thereof to Cinram and shall not be obligated to include in such form or document such confidential information.

(f) Effect of Failure to Provide Documentation. For any period with respect to which a Lender has failed to comply with its obligation to provide Cinram or the Borrower with the appropriate documentation pursuant to Section 2.16(e) above (other than if such failure is due to a change in law occurring subsequent to the date on which the Lender became a party to this Agreement, if such documentation otherwise is not required under subsection (e) above or, if applicable, the Borrower fails to request such documentation as required pursuant to the first sentence of subsection (e) above) and provided such Lender is legally able to do so, such Lender shall not be entitled to indemnification under Section 2.16(a) with respect to Taxes imposed by the applicable taxing authority to the extent such Taxes exceed the Taxes that would have been imposed had such documentation been provided; *provided* that should a Lender become subject to Taxes because of its failure to deliver documentation required hereunder, Cinram shall take such steps as the Lender shall reasonably request to assist the Lender to recover such Taxes.

(g) Additional Amounts. Each Lender hereby agrees that, upon the occurrence of any circumstances entitling such Lender to additional amounts pursuant to this Section 2.16, such Lender shall, upon request by Cinram, use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office or take such other action if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not otherwise be disadvantageous to such Lender.



(h) Refunds. In the event that an additional payment is made under subsection (a) or (b) above for the account of any Lender and such Lender, in its sole discretion, determines that it has finally and irrevocably received or been granted a refund of any Taxes giving rise to such payment, such Lender shall, to the extent that it determines that it can do so without prejudice to the retention of the amount of such refund, pay to the Borrower the amount of such refund (but only to the extent of the indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.16 with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant taxing authority with respect to such refund); *provided*, that the Borrower, upon the request of such Lender, agrees to repay the amount paid over to the Borrower (together with any penalties, interest or other charges imposed by the relevant taxing authority) to such Lender in the event such Lender is required to repay such refund to such taxing authority. Nothing herein contained shall interfere with the right of a Lender to arrange its tax affairs in whatever manner it thinks fit nor oblige any Lender to claim any tax credit or to disclose any information relating to its tax affairs or any computations in respect thereof or require any Lender to do anything that would prejudice such Lender's ability to benefit from any other credits, reliefs, remissions or repayments to which such Lender may be entitled.

SECTION 2.17. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Loans owing to it (other than pursuant to Section 2.13 or 2.16) in excess of its ratable share thereof as provided herein, such Lender shall forthwith purchase from the other Lenders such participations in the Loans owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; *provided* that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and each such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.17 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 2.18. Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 2.13(a) or 2.13(b), then such Lender shall use reasonable efforts to designate a different Applicable Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.13(a) or 2.13(b), as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. Cinram hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Election to Replace by ULC. Subject to paragraph (c) below, in the event that any Lender requests compensation pursuant to Section 2.13(a), 2.13(b), makes a demand under Section 2.13(c), any compensation shall be payable to any Lender under Section 2.16, or if any Lender refuses to consent to any amendment, modification or waiver of this Agreement or any other Loan Document that pursuant to Section 11.01 requires consent of 100% of the Lenders or 100% of the Lenders affected thereby (any Lender so requesting, demanding, receiving compensation or refusing being herein called an "Affected Lender"), then, so long as such condition exists, ULC at its sole expense and effort may require the Affected Lender to assign and delegate, without recourse to or representation or warranty by, the Affected Lender, all of such Affected Lender's Loans to an assignee (any such assignee being herein called a "Replacement Lender") acceptable to ULC and the Administrative Agent, which acceptance shall not be unreasonably withheld, *provided* that ULC may not replace any Initial Lender that is receiving compensation under Section 2.16 with respect to Canadian withholding taxes or United States withholding taxes, in each case, at the rate applicable to such Initial Lender on the date hereof. The purchase price of any such assignment shall be equal to the aggregate principal amount of the outstanding Loans held by the Affected Lender *plus* all accrued but unpaid interest on such Loans (including any amounts under Section 2.13(e) that would be payable if such outstanding Loans were being prepaid on such date) and accrued but unpaid fees owing to the Affected Lender (and upon such delegation and assignment, and subject to the execution and delivery to the Administrative Agent by the Replacement Lender of documentation satisfactory to the Administrative Agent and compliance with the requirements of Section 11.06, the Replacement Lender shall succeed to the rights and obligations of the Affected Lender hereunder); *provided* that ULC shall also arrange for payment to the Administrative Agent of the processing and recordation fee specified in Section 11.06(a)(iv) with respect to such assignment. In the event that ULC exercises its rights under this subsection (b), the Affected Lender shall no longer be a party hereto or have any rights or obligations hereunder; *provided* that the obligations of the Borrower to the Affected Lender under Sections 2.13(a), 2.13(b), 2.13(c), 2.16 and 11.03, and the obligations of the Affected Lender under Section 10.05, with respect to events occurring or obligations arising before or as a result of such replacement shall survive such exercise.

(c) No Replacement During Default, Etc. Cinram may not exercise its rights under this Section 2.18 with respect to any Affected Lender if a Default or Event of Default has occurred and is then continuing or Cinram has not otherwise paid, or caused to be paid, all amounts owing to such Affected Lender under the Loan Documents.

### ARTICLE III

### GUARANTEE

SECTION 3.01. The Guarantee. The Obligors hereby jointly and severally guarantee to each Lender, the Administrative Agent, each other obligee under any Guaranteed Obligation and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Guaranteed Obligations of each other Obligor. The Obligors hereby further jointly and severally agree that if the Borrower shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations owing by the Borrower, the Obligors will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renew-



al of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

SECTION 3.02. Obligations Unconditional. The obligations of the Obligors under Section 3.01 are irrevocable, absolute and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of the Borrowers under this Agreement, the other Loan Documents or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Article III that the obligations of the Obligors hereunder shall be absolute and unconditional under any and all circumstances. Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of the Obligors hereunder, which shall remain absolute and unconditional as described above:

(i) at any time or from time to time, without notice to the Obligors, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(ii) any of the acts mentioned in any of the provisions of this Agreement, the other Loan Documents or any other agreement or instrument referred to herein or therein shall be done or omitted;

(iii) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right under this Agreement, the other Loan Documents or any other agreement or instrument referred to herein or therein shall be waived or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with; or

(iv) any lien or security interest granted to, or in favor of, the Administrative Agent or any Lender or Lenders as security for any of the Guaranteed Obligations shall fail to be perfected.

The Obligors hereby expressly waive diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Administrative Agent, any Lender or any Issuing Bank exhaust any right, power or remedy or proceed against the Borrower under this Agreement or any other agreement or instrument referred to herein, or against any other Person under any other guarantee of, or security for, any of the Guaranteed Obligations.

SECTION 3.03. Reinstatement. The obligations of the Obligors under this Article III shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower in respect of the Guaranteed Obligations is rescinded or must be

otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and the Obligors jointly and severally agree that they will indemnify the Administrative Agent and each Lender on demand for all reasonable costs and expenses (including fees of counsel) incurred by the Administrative Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

SECTION 3.04. Subrogation. The Obligors hereby jointly and severally agree that until the payment and satisfaction in full of all Guaranteed Obligations they shall not exercise any right or remedy arising by reason of any performance by them of their guarantee in Section 3.01, whether by subrogation or otherwise, against the Borrower or any other guarantor of any of the Guaranteed Obligations or any security for any of the Guaranteed Obligations.

SECTION 3.05. Remedies. The Obligors jointly and severally agree that, as between the Obligors and the Lenders, the obligations of the Borrower under this Agreement guaranteed by the respective Obligors under Section 3.01 may be declared to be forthwith due and payable as provided in Article IX (and shall be deemed to have become automatically due and payable in the circumstances provided in Article IX) for purposes of Section 3.01 notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against the Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by the Borrower) shall forthwith become due and payable by the Obligors for purposes of Section 3.01.

SECTION 3.06. Instrument for the Payment of Money. Each Obligor hereby acknowledges that the guarantee in this Article III constitutes an instrument for the payment of money, and consents and agrees that any Lender or the Administrative Agent, at its sole option, in the event of a dispute by such Obligor in the payment of any moneys due hereunder, shall have the right to bring motion-action under New York CPLR Section 3213.

SECTION 3.07. Continuing Guarantee. The guarantee in this Article III is a continuing guarantee of payment (and not of collection), and shall apply to all Guaranteed Obligations whenever arising.

SECTION 3.08. Rights of Contribution. The Obligors hereby agree, as between themselves, that if any Obligor shall become an Excess Funding Obligor (as defined below) by reason of the payment by such Obligor of any of its Guaranteed Obligations, each other Obligor that is a guarantor in respect of such Guaranteed Obligations shall, on demand of such Excess Funding Obligor (but subject to the next sentence), pay to such Excess Funding Obligor an amount equal to such other Obligor's Pro Rata Share (as defined below and determined, for this purpose, without reference to the properties, debts and liabilities of such Excess Funding Obligor) of the Excess Payment (as defined below) in respect of such Guaranteed Obligations. The payment obligation of an Obligor to any Excess Funding Obligor under this Section 3.08 shall be subordinate and subject in right of payment to the prior payment in full of the obligations of such Obligor under the other provisions of this Article III and such Excess Funding Obligor shall not



exercise any right or remedy with respect to such excess until payment and satisfaction in full of all of such obligations.

For purposes of this Section 3.08, (i) "Excess Funding Obligor" means, in respect of any Guaranteed Obligations, an Obligor that is incorporated or organized in the United States or any State or district thereof that has paid an amount in excess of its Pro Rata Share of such Guaranteed Obligations, (ii) "Excess Payment" means, in respect of any Guaranteed Obligations, the amount paid by an Excess Funding Obligor in excess of its Pro Rata Share of such Guaranteed Obligations and (iii) "Pro Rata Share" means, for any Obligor that is a guarantor in respect of any Guaranteed Obligations, the ratio (expressed as a percentage) of (x) the amount by which the aggregate present fair saleable value of all properties of such Obligor (excluding any shares of stock of any other Obligor) exceeds the amount of all the debts and liabilities of such Obligor (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of such Obligor hereunder and any obligations of any other Obligor that have been Guaranteed by such Obligor) to (y) the amount by which the aggregate fair saleable value of all properties of all Obligors that are guarantors in respect of such Guaranteed Obligations exceeds the amount of all the debts and liabilities (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of the Obligors hereunder and under the other Loan Documents) of such Obligors, determined on the Effective Date.

SECTION 3.09. General Limitation on Guarantee Obligations. In any action or proceeding involving any state or provincial corporate law, or any foreign, state, provincial or federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Obligor under Section 3.01 would otherwise be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 3.01, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by such Obligor, any Lender, the Administrative Agent or any other Person, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

Without limiting the generality of the foregoing, with respect to any Obligor organized in a jurisdiction identified in Schedule 2 hereto, the additional limitations set forth in said Schedule 2 shall be applicable.

## ARTICLE IV

### CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 4.01. Effectiveness of Credit Agreement. This Agreement shall become effective against the signatories hereto on the Business Day when each of the following conditions precedent shall have been satisfied in a manner satisfactory to the Administrative Agent:

(a) the Administrative Agent shall have received a counterpart of this Agreement signed on behalf of each Obligor;

(b) the Administrative Agent shall have received certificates of resolutions or other action, and incumbency certificates of Responsible Officers of each Obligor as the Administrative Agent may reasonably request to evidence the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Obligor is a party or is to be a party;

(c) the Administrative Agent shall have received such documents and certifications as the Administrative Agent may reasonably request to evidence that each Obligor is duly organized or formed, and that each Obligor is validly existing, in good standing and qualified to engage in business in each jurisdiction where the failure to be so qualified would result in a Material Adverse Effect;

(d) [Reserved];

(e) [Reserved]

(f) the DIP Budget attached to this Agreement as Exhibit I shall be filed with the CCAA Court; and

(g) the Lenders shall have received all documentation and other information required by bank regulatory authorities under applicable "know-your-customer" and anti-money laundering rules and regulations.

SECTION 4.02. Final Facility Effectiveness.

The obligation of any Lender to make any Loans hereunder shall commence as of the Business Day when each of the following conditions precedent shall have been satisfied in a manner satisfactory to the Administrative Agent and the Majority Lenders:

(a) The Effective Date shall have occurred;

(b) The Initial Order shall have been entered by the CCAA Court and the Obligors shall have obtained entry by the U.S. Bankruptcy Court of the Interim Recognition Order, approving the DIP Facility and recognizing the DIP Charge; each of the Initial Order and the Interim Recognition Order shall be in form and substance satisfactory to the Administrative Agent and the Majority Lenders; and the Initial Order and the Interim Recognition Order shall be in full force and effect, and shall not have (in whole or in part) been reversed, modified, amended, stayed or vacated, appealed or be subject to a stay pending appeal or have been otherwise challenged, unless otherwise consented to by the Administrative Agent and the Majority Lenders and no motion, application or appeal to reverse, modify, amend, stay or vacate such order shall be pending or threatened;

(c) The Obligors shall be in compliance with all Bankruptcy Court Orders (including DIP Financing Orders but excluding any Bankruptcy Court Orders that are entered after the Final Facility Effective Date) entered in the Proceedings and the Loan Documents and shall be diligently pursuing the successful completion of the Proceedings;



(d) As of the Final Facility Effective Date, all Bankruptcy Court Orders issued in the Proceedings and all motions and other documents filed by any of the Obligors in the Proceeding shall be reasonably satisfactory in form and substance to the Administrative Agent and the Majority Lenders;

(e) No examiner or any trustee, receiver, interim receiver, receiver and manager, administrator, sequestrator, liquidator or similar official (other than the Monitor appointed pursuant to the Initial Order) shall have been appointed with respect to any or all of the Obligors or their Property in either the United States or Canada;

(f) No event or development shall have occurred since the Effective Date (other than the commencement of the Proceedings and the consequences and events that customarily result from commencement of cases under the CCAA and Chapter 15 of the U.S. Bankruptcy Code) which could have a Material Adverse Effect;

(g) There shall exist no claim, action, suit, investigation, litigation or proceeding pending in any court or before any governmental authority which relates to the transactions contemplated by this Agreement or the Loan Documents or which, in the opinion of the Administrative Agent, has a reasonable likelihood of having a Material Adverse Effect;

(h) The Administrative Agent shall have received the U.S. Security Agreement, the Canadian Security Agreement and the Mortgage, in each case, duly executed by the applicable Obligors; and

(i) Unless time for delivery is extended in the discretion of the Administrative Agent, the Administrative Agent shall have received evidence that the insurance required by Section 6.08 and by the Security Agreements is in effect.

SECTION 4.03. Conditions Precedent to Extension of Credit. On and after the Final Facility Effective Date, the obligation of each Lender to make a Loan on the Draw Date, shall be subject to the following conditions precedent:

(a) on the date of such Borrowing or issuance the following statements shall be true (and each of the giving of the Borrowing Notice and the acceptance by the Borrower of the proceeds of the Loans shall constitute a representation and warranty by Cinram that on the Draw Date such statements are true):

(i) the representations and warranties contained in Article V and in each of the other Loan Documents are true and correct on and as of the Draw Date, before and after giving effect to borrowing of the Loans and to the application of the proceeds therefrom, as though made on and as of such date (except to the extent that such representations and warranties specifically refer to an earlier date in which case such representation and warranty shall be true and correct as of such earlier date); and

(ii) no event has occurred and is continuing, or would result from such borrowing or from the application of the proceeds therefrom, that constitutes a Default under this Agreement.

(b) (i) all fees required to be paid to the Administrative Agent and the Lenders on or before the Draw Date shall have been paid (or shall, to the extent provided in the Fee Letter, be netted against the proceeds of the Loans on the Draw Date) and (ii) all costs and expenses (including legal fees and expenses, title premiums, survey charges and recording taxes and fees) required to be paid to the Administrative Agent and the Lenders shall have been paid to the extent invoiced prior to such date.

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES

Each of ULC, Cinram and the Borrower represents and warrants to the Administrative Agent and the Lenders as follows:

SECTION 5.01. Incorporation; Good Standing. Each Obligor is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Subject to the entry of the Bankruptcy Court Orders each Obligor has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not (individually or together with other similar failures) reasonably be expected to result in a Material Adverse Effect, is qualified or registered to do business in, and is in good standing in, every jurisdiction where the failure to be qualified or registered would result in a Material Adverse Effect.

SECTION 5.02. Corporate Authority; No Breach. Subject to obtaining the DIP Financing Orders, the execution, delivery and performance by each Obligor of this Agreement and the other Loan Documents to which it is a party, and the transactions contemplated hereby and thereby, (a) are within such Obligor's corporate powers, have been duly authorized by all necessary corporate action, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of such Obligor or any order of any governmental authority, court (including a Bankruptcy Court) or regulatory body, and (c) except for the Liens created pursuant to this Agreement, the Security Documents or the DIP Financing Orders, will not result in the creation or imposition of any Lien on any asset of such Obligor.

SECTION 5.03. No Consents or Approvals. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party (including any stock exchange and any shareholders of the Fund) is required for the due execution, delivery and performance by any Obligor of this Agreement or the other Loan Documents, other than (x) the Bankruptcy Court Orders, (y) authorizations, approvals, notices, filings and actions that are required to be obtained prior to the Effective Date (each of which will have been duly obtained, filed or taken by such Obligor prior to the Effective Date), and (z) authorizations, approvals, notices, filings and actions that are set forth on Schedule 5.03 (each of which will have been duly obtained, filed or taken by such Obligor prior to the required date).

SECTION 5.04. Enforceable Obligations, Etc. This Agreement has been, and each of the other Loan Documents to which it is a party when delivered hereunder will have been, duly executed and delivered by each Obligor. Subject to the entry of the DIP Financing



Orders, this Agreement is, and each of the other Loan Documents to which it is a party when delivered hereunder will be, the legal, valid and binding obligation of each Obligor enforceable against such Obligor in accordance with its respective terms and the DIP Financing Orders.

SECTION 5.05. Financial Statements, Etc.

(a) Financial Condition. Cinram has heretofore furnished to the Lenders and the Administrative Agent the audited consolidated balance sheets and statements of earnings and retained earnings and cash flows of Cinram as of and for the fiscal years ended December 31, 2009, December 31, 2010 and December 31, 2011, reported on by KPMG LLP, independent public accountants and the unaudited financial statements as of March 31, 2012.

Such financial statements present fairly, in all material respects the consolidated financial condition of Cinram as at said dates and the consolidated results of the operations and cash flows of Cinram for the fiscal periods ended on said dates, all in accordance with generally accepted accounting principles applied on a consistent basis. Except as set forth in said financial statements or in Schedule 5.05(a) hereto, as of the respective dates of such financial statements, there were no material contingent liabilities, material liabilities for taxes, material unusual forward or long-term commitments or material unrealized or anticipated material losses from any unfavorable commitments of Cinram or any of its Subsidiaries.

(b) No Material Adverse Change. Except as disclosed to the Administrative Agent or its advisors prior to the date hereof, since March 31, 2012, there has been no material adverse change in the business, assets, operations or properties or of ULC, Cinram and their Subsidiaries, taken as a whole, other than the commencement of the Proceedings and the consequences and events that customarily result.

SECTION 5.06. No Litigation, Etc. Except as set forth in Schedule 5.06 hereto and the Proceedings, there is no pending or, to the best of Cinram's knowledge, threatened, action, investigation, or proceeding that has not been stayed affecting any Obligor before any court, or governmental agency or arbitrator which could reasonably be expected to have a Material Adverse Effect.

SECTION 5.07. Employee Benefit Plans.

(a) ERISA Plans. Each of ULC and its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder, except where non-compliance has not had and could not (individually or together with other similar non-compliances) reasonably be expected to have a Material Adverse Effect. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events, could reasonably be expected to result in material liability of ULC or any of its ERISA Affiliates, except where such liability has not had and could not (individually or together with other similar liabilities) reasonably be expected to have a Material Adverse Effect.

(b) Canadian Employee Benefits Plans. ULC and its Subsidiaries have complied in all material respects with all applicable laws regarding each Canadian Employee Benefits Plan (including, where applicable, the *Pension Benefits Act* (Ontario) and the *Income*

*Tax Act* (Canada)); and each Canadian Employee Benefits Plan is, and has been, maintained and administered in substantial compliance with its terms, applicable collective bargaining agreements and all applicable laws (including, where applicable, the *Pension Benefits Act* (Ontario) and the *Income Tax Act* (Canada)) in each case except where non-compliance has not had and could not (individually or together with other similar non-compliances) reasonably be expected to have a Material Adverse Effect. All contributions or premiums required to be made or paid by ULC and its Subsidiaries to the Canadian Employee Benefits Plans have been made on a timely basis. There have been no improper withdrawals or applications of the assets of the Canadian Employee Benefits Plans. Each of the Canadian Employee Benefits Plans is fully funded on a solvency basis and going concern basis (using actuarial methods and assumptions which are consistent with the valuations last filed with the applicable governmental authorities). There exists no outstanding liability of ULC or any of its Subsidiaries with respect to any Canadian Employee Benefit Plan that has been terminated, which liability has had or could (individually or together with other similar liabilities) reasonably be expected to have a Material Adverse Effect. ULC and its Subsidiaries do not sponsor, administer or contribute to, or have any liability in respect of any Registered Pension Plan. No Fund Group member sponsors, administers or contributes to, or has any liability in respect of any Registered Pension Plan.

SECTION 5.08. Environmental Matters. Except as set forth in Schedule 5.08 hereto:

(a) Compliance and Permits. Each of ULC and its Subsidiaries has complied with all applicable Environmental Laws and has obtained all environmental, health and safety permits, licenses and other authorizations required under all applicable Environmental Laws to carry on its business as now being or as proposed to be conducted, except to the extent failure to comply or to have any such permit, license or authorization could not (individually or together with other similar failures) reasonably be expected to have a Material Adverse Effect. Each of such permits, licenses and authorizations is in full force and effect and each of ULC and its Subsidiaries is in compliance with the terms and conditions thereof, and is also in compliance with all other applicable limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any Environmental Law, except to the extent the failure of a permit, license or authorization to be in full force and effect, or the failure of ULC or any of its Subsidiaries to comply with the terms and conditions thereof or to comply with other applicable limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law, could not (individually or together with other similar failures) reasonably be expected to have a Material Adverse Effect.

(b) No Pending Environmental Matters. As of the date hereof, at any time during the five-year period preceding the Effective Date: no notice, notification, demand, request for information, citation, summons or order has been issued in writing to ULC or any of its Subsidiaries, no complaint has been filed, no penalty has been assessed and no investigation or review or Environmental Claim is pending or, to the best of Cinram's knowledge, threatened by any governmental or other entity with respect to any alleged failure by ULC or any of its Subsidiaries to have any environmental, health or safety permit, license or other authorization required under any Environmental Law in connection with the conduct of the business of any ULC or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, trans-



portation, discharge, disposal or Release of any Hazardous Materials generated by ULC or any of its Subsidiaries.

(c) No Permits Required; Certain Specific Representations. Neither ULC nor any of its Subsidiaries owns, operates or leases a treatment, storage or disposal facility requiring a permit under the Resource Conservation and Recovery Act of 1976, as amended, or under any comparable state, provincial or local statute; and at any time during the five-year period preceding the Effective Date:

(i) no polychlorinated biphenyls are or have been present in violation of Environmental Law at any site or facility now owned, operated or leased by ULC or any of its Subsidiaries or, during the period of ULC's or its Subsidiaries' ownership, operation or lease thereof, at any site or facility previously owned, operated or leased by ULC or any of its Subsidiaries;

(ii) no asbestos or asbestos-containing materials, that requires removal or encapsulation pursuant to applicable Environmental Law, is or has been present at any site or facility now owned, operated or leased by ULC or any of its Subsidiaries or, during the period of ULC's or its Subsidiaries' ownership, operation or lease thereof, at any site or facility previously owned, operated or leased by ULC or any of its Subsidiaries; and

(iii) there are no underground storage tanks or surface impoundments for Hazardous Materials, active or abandoned, at any site or facility now owned, operated or leased by ULC or any of its Subsidiaries or, during the period of ULC's or its Subsidiaries' ownership, operation or lease thereof, at any site or facility previously owned, operated or leased by ULC or any of its Subsidiaries.

(d) No Releases in Reportable Quantity. No Hazardous Materials have been Released in a reportable quantity established by applicable Environmental Law at, on or under any site or facility now owned, operated or leased by ULC or any of its Subsidiaries or, during the period of ULC's or its Subsidiaries' ownership, operation or lease thereof, at, on or under any site or facility previously owned, operated or leased by ULC or any of its Subsidiaries.

(e) No Releases Giving Rise to Material Adverse Effect. No Hazardous Materials have been otherwise Released that could (individually or together with other similar Releases) reasonably be expected to have a Material Adverse Effect at, on or under any site or facility now owned, operated or leased by ULC or any of its Subsidiaries or, during the period of ULC's or its Subsidiaries' ownership, operation or lease thereof, at, on or under any site or facility previously owned, operated or leased by ULC or any of its Subsidiaries.

(f) No Hazardous Material Transported to NPL Sites. Neither ULC nor any of its Subsidiaries has received written notice during the five-year period preceding the Effective Date or which has not otherwise been resolved that it is a potentially responsible party for the cost of remediating any location that is listed on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as

amended, or similar state or provincial law listed for possible inclusion on the NPL by the Environmental Protection Agency in the Comprehensive Environmental Response and Liability Information System, as provided for by 40 C.F.R. § 300.5 (“CERCLIS”), or on any similar state, provincial or local list or that is the subject of federal, state, provincial, local or foreign enforcement actions or other investigations that may lead to Environmental Claims against ULC or any of its Subsidiaries.

(g) No Other Locations. During the five-year period preceding the Effective Date, no Hazardous Material generated by ULC or any of its Subsidiaries has been recycled, treated, stored, disposed of or Released by ULC or any of its Subsidiaries at any location other than those listed in Schedule 5.08 hereto.

(h) No Notifications or Listings. No oral or written notification of a Release of a Hazardous Material has been filed by or on behalf of ULC or any of its Subsidiaries during the five-year period preceding the Effective Date, which has not been resolved, and no site or facility now owned, operated or leased by ULC or any of its Subsidiaries is listed or proposed for listing on the NPL, CERCLIS or any similar state list of sites requiring investigation or clean-up and, to the knowledge of Cinram, no site or facility previously owned, operated or leased is listed or proposed for any such listing.

(i) No Liens or Restrictions. No Liens securing an obligation have arisen under or pursuant to any Environmental Laws on any site or facility owned, operated or leased by ULC or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect, and no government action has been taken or, to the best knowledge of Cinram, is in process that could subject any such site or facility to such Liens; and neither ULC nor any of its Subsidiaries is required to place any notice or restriction relating to the presence of Hazardous Materials at any site or facility owned by it in any deed to the real property on which such site or facility is located.

(j) Full Disclosure. All environmental investigations, studies, audits, tests, reviews or other analyses generated at any time during the five-year period preceding the Effective Date and conducted by or that are in the possession of ULC or any of its Subsidiaries in relation to facts, circumstances or conditions at or affecting any site or facility now or previously owned, operated or leased by ULC or any of its Subsidiaries and that could (individually or together with other similar facts, circumstances or conditions) reasonably be expected to have a Material Adverse Effect have been made available to the Lenders.

SECTION 5.09. Investment Company. No Obligor is an “investment company”, or an “affiliated person” of, or “promoter” or “principal underwriter” for, an “investment company,” as such terms are defined in the Investment Company Act of 1940, as amended.

SECTION 5.10. Reserved.

SECTION 5.11. Margin Stock. No Obligor is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock, and no part of the proceeds of any extension of credit hereunder will be used to buy or carry any Margin Stock.



SECTION 5.12. Property. Each Obligor has good title to, or valid leasehold interests in, all its real and personal property material to its business taken as a whole, subject only to the Permitted Liens.

SECTION 5.13. Taxes. Each Obligor has timely filed or caused to be filed all material tax returns and reports required to have been filed.

SECTION 5.14. Reserved.

SECTION 5.15. Intellectual Property. Schedule 5.15 hereto sets forth under the name of each of the Obligors a complete and correct list, as of the date hereof, of all material patents, material trademarks (including any registrations therefor), material software and software licenses to be pledged to the Administrative Agent as contemplated hereby owned by the Obligors on the date hereof.

SECTION 5.16. Real Property. Schedule 5.16 hereto sets forth under the name of each Obligor a complete and correct list, as of the date hereof, of (i) all real property interests owned by such Obligor and (ii) all real property interests leased by such Obligor with improvements thereon owned by ULC and its Subsidiaries.

SECTION 5.17. Material Agreements and Liens.

(a) Debt. Part A of Schedule 5.17 hereto is a complete and correct list of each credit agreement, loan agreement, indenture, purchase agreement, guarantee, letter of credit or other arrangement providing for or otherwise relating to any Debt or any extension of credit (or commitment for any extension of credit) to, or guarantee by, any Obligor outstanding on the date hereof the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) U.S. \$1,000,000 (other than the Debt evidenced by the Pre-Petition Credit Agreement and the Second Lien Credit Agreement), and the aggregate principal or face amount outstanding or that may become outstanding under each such arrangement is correctly described in Part A of Schedule 5.17 hereto.

(b) Liens. Part B of Schedule 5.17 hereto is a complete and correct list of each Lien securing Debt of any Person outstanding on the date hereof the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) U.S. \$1,000,000 and covering any property of any Obligor (other than Liens in favor of the administrative agent under the Pre-Petition Credit Agreement or in favor of the administrative agent under the Second Lien Credit Agreement), and the aggregate Debt secured (or that may be secured) by each such Lien and the property covered by each such Lien is correctly described in Part B of Schedule 5.17 hereto. Part B of Schedule 5.17 sets out a complete list of all of the security agreements, pledge agreements, guarantees and all other security documents executed by any of the Obligors prior to the date hereof evidencing such Liens described in Part B of Schedule 5.17.

SECTION 5.18. Subsidiaries. Set forth on Schedule 5.18 hereto is a complete and correct list of all of the Subsidiaries of each of the Obligors as of the date hereof, together with, for each such Subsidiary, (i) the jurisdiction of organization of such Subsidiary, (ii) each Person holding ownership interests in such Subsidiary, and (iii) the nature of the ownership interests held by each such Person and the percentage of ownership of such Subsidiary represented

by such ownership interests. Except as disclosed on Schedule 5.18 hereto, (x) each of Obligor owns, free and clear of Liens (other than Permitted Liens, Liens created pursuant to the Security Documents and Liens created under the Pre-Petition Credit Agreement and the Second Lien Loan Documents, and has the unencumbered right to vote, all outstanding ownership interests in each Person shown to be held by it on Schedule 5.18 hereto, (y) all of the issued and outstanding capital stock of each such Person organized as a corporation is validly issued, fully paid and nonassessable and (z) there are no outstanding Equity Rights with respect to such Person.

SECTION 5.19. Labor Matters. No Obligor is engaged in any unfair labor practice that has had or could (individually or together with other similar unfair labor practices) reasonably be expected to have a Material Adverse Effect. There is (i) no unfair labor practice complaint, or comparable proceeding under applicable legislation in any other jurisdiction, pending or (to the knowledge of Cinram) threatened against Obligor before the National Labor Relations Board, or comparable governmental board in any other jurisdiction, and no grievance or arbitration proceeding arising out of or under any collective bargaining agreement is so pending or (to the knowledge of Cinram) threatened against any Obligor, (ii) no strike, labor dispute, slowdown or stoppage pending or (to the knowledge of Cinram) threatened against any Obligor and (iii) no union representation question existing with respect to the employees of any Obligor and no union organizing activities are taking place, except with respect to any matter specified in clause (i), (ii) or (iii) above, either individually or in the aggregate, such as has not had and could not reasonably be expected to have a Material Adverse Effect.

The consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which ULC or any of its Subsidiaries is bound, except where such event has not had and could not (individually or together with other similar events) reasonably be expected to have a Material Adverse Effect.

SECTION 5.20. Compliance with Laws. None of the Obligors nor any of their respective properties or assets is in violation of, nor will the continued operation of their properties and assets as currently conducted violate, any law, rule or regulation (excluding any of the matters set forth in Sections 5.07, 5.08 and 5.09, as to which such Sections shall apply), or is in default with respect to any judgment, writ, injunction, decree or order of any governmental authority, where such violation or default has had or could (individually or together with other similar defaults) reasonably be expected to have a Material Adverse Effect.

SECTION 5.21. DIP Priority. Upon the entry thereof, the DIP Financing Orders will create a valid and perfected super-priority priming security interest in favor of the Administrative Agent on behalf of the Lenders in the Collateral, having the priority set forth in the DIP Financing Orders securing the payment of the Obligations.

SECTION 5.22. Approved Budgets. The DIP Budget and all projected consolidated balance sheets, income statements and cash flow statements of the Obligors delivered to the Lenders pursuant to Section 6.09 were prepared and will be prepared, as applicable, in good faith on the basis of assumptions stated therein, which assumptions were fair and will be fair in the light of conditions existing at the time of delivery of such Budget or projections, as the case may be, and represented and will represent, at the time of delivery, ULC's good faith estimate of



its future financial performance (it being understood that such projections are not a guarantee or warranty of financial performance and that such DIP Budget, balance sheets, income statements and cash flow statements reflect Cinram's good faith projections and estimates as of the date thereof, based upon methods and data Cinram believes to be reasonable and accurate, but actual results during the period covered by such DIP Budget, balance sheets, income statements and cash flow statements may differ materially).

## ARTICLE VI

### AFFIRMATIVE COVENANTS

So long as any Loan shall remain unpaid or any Obligations remain outstanding, each of ULC and the Obligors agrees as follows:

SECTION 6.01. Preservation of Corporate Existence, Etc. ULC will, and will cause each of the other Obligors to, do or cause to be done all things necessary to preserve and keep in full force and effect its legal existence, and the rights, licenses, permits, privileges and franchises material to the conduct of its business; *provided* that the foregoing shall not prohibit any amalgamation, merger, consolidation, sale, liquidation or dissolution permitted under Section 7.02.

SECTION 6.02. Compliance with Laws, Etc. ULC will comply, and cause each of the other Obligors to comply, in all material respects, with all applicable laws, rules, regulations and orders, such compliance to include compliance with ERISA and all applicable Environmental Laws, except such noncompliance as could not (individually or together with other similar non-compliances) reasonably be expected to have a Material Adverse Effect.

SECTION 6.03. Payment of Taxes. ULC will duly pay and discharge, and cause each of the other Obligors to pay and discharge, all taxes, assessments and governmental charges, arising after the CCAA Filing Date or the date of filing of the Chapter 15 Cases, as the case may be, whatsoever and by whomsoever imposed upon it or against its properties pursuant to applicable law prior to the date on which penalties are attached thereto, unless and to the extent only that (i) the same shall be contested in good faith and by appropriate proceedings by ULC or the applicable Obligor and (ii) the failure to make a payment pending such contest could not (individually or together with other similar failures) reasonably be expected to result in a Material Adverse Effect.

SECTION 6.04. Reserved.

SECTION 6.05. Visitation. ULC will, and will cause each of the other Obligors to, permit any representatives designated by the Administrative Agent, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 6.06. Keeping of Books. ULC will keep, and cause each of the other Obligors to keep, proper books of record and account, in which full and correct entries shall be

made of all financial transactions and the assets and business of ULC and each such Obligor in accordance with generally accepted accounting standards in effect from time to time.

SECTION 6.07. Properties. ULC will, and will cause the other Obligors to, maintain and keep all material tangible properties used in the business of the Obligors in good condition, repair and working order, ordinary wear and tear excepted, and cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereto, in each case as in its the judgment may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times.

SECTION 6.08. Maintenance of Insurance. ULC will, and will cause each Obligor to:

(a) keep its insurable properties adequately insured at all times by financially sound and reputable insurers; maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies in the same or similar businesses operating in the same or similar locations, including public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by it and business interruption insurance; and maintain such other insurance as may be required by law;

(b) cause all such (i) property damage policies to be endorsed or otherwise amended to include a "standard" lender's loss payable endorsement specifying the Administrative Agent as a lender loss payee, in form and substance reasonably satisfactory to the Administrative Agent, which endorsement shall provide that, from and after the Effective Date, if the insurance carrier shall have received written notice from the Administrative Agent of the occurrence of an Event of Default, the insurance carrier shall pay all proceeds otherwise payable to ULC or any other Obligor under such policies directly to the Administrative Agent and (ii) all such liability insurance policies to name the Administrative Agent as additional insured, in form and substance reasonably satisfactory to the Administrative Agent; and, in the case of all insurance policies, deliver original or certified copies of all such policies to the Administrative Agent; and

(c) if any separate or additional property, casualty or "umbrella" insurance policy shall be obtained by ULC or any other Obligor, notify the Administrative Agent thereof promptly, and promptly deliver to the Administrative Agent a copy of such policy certified by a Responsible Officer.

SECTION 6.09. Reporting Requirements. ULC will furnish:

(a) to the Administrative Agent and each of the Lenders as soon as available and in any event within 45 days after the end of each fiscal quarter of each fiscal year of the Fund, (or by any earlier time by which such statements are required to be made public by applicable law), unaudited Consolidated balance sheets of the Fund and its Subsidiaries as of the end of such fiscal quarter and unaudited Consolidated statements of earnings and retained earnings and cash flows of the Fund and its Subsidiaries for the period commencing at the end of the



previous fiscal year and ending with the end of such fiscal quarter (and, separately stated, unaudited Consolidated statements of earnings and cash flows for the Fund and its Subsidiaries, along with, for each operating Subsidiary involved in the manufacturing of media products, contribution margin from material product lines) in each case duly certified (subject to year-end audit adjustments) by the Chief Financial Officer of Cinram as having been prepared in accordance with GAAP, together with (i) a certificate of the Chief Financial Officer of Cinram stating that no Default has occurred and is continuing or, if a Default has occurred and is continuing, a statement as to the nature thereof, (ii) a schedule in form and substance satisfactory to the Administrative Agent of the computations used by ULC in determining compliance with the covenants contained in Article VIII, and (iii) a comparison, on a quarter-by-quarter basis for each fiscal quarter during such fiscal year, to the consolidated projections for such fiscal quarter most-recently delivered pursuant to clause (d) below, together with an explanation of the variations (whether positive or negative) to such projections;

(b) reserved;

(c) reserved;

(d) reserved;

(e) to the Administrative Agent and each of the Lenders as soon as possible and in any event within five Business Days after (i) the determination by ULC or Cinram that a Default or Event of Default (including the occurrence of any Change of Control) has occurred and is continuing, a statement of a Responsible Officer setting forth details of such Default or Event of Default and the action that ULC has taken and proposes to take with respect thereto, (ii) a Responsible Officer has actual knowledge of the filing or commencement of any action, suit or proceeding (other than the Proceedings) by or before any arbitrator or governmental authority (including the assertion of any Environmental Claim) against or affecting any Obligor that, if adversely determined, could (individually or together with other similar actions, suits or proceedings) reasonably be expected to result in a Material Adverse Effect, notice of such action, suit or proceeding, and (iii) a Responsible Officer has actual knowledge of any other development that results in, or could (individually or together with other similar developments) reasonably be expected to result in, a Material Adverse Effect, notice of such development;

(f) to the Administrative Agent and each of the Lenders as soon as possible and in any event within five Business Days after the occurrence of any ERISA Event, or the assertion against any Obligor of any claims or liabilities in respect of any Canadian Employee Benefit Plan, in either case that, alone or together with any other ERISA Events or assertions, could reasonably be expected to result in liability of the Obligors in an aggregate amount exceeding U.S. \$1,000,000, written notice of such occurrence or assertion;

(g) to the Administrative Agent and each of the Lenders promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Fund or any of its Subsidiaries with the U.S. Securities and Exchange Commission, any Canadian provincial securities commission, or any governmental authority succeeding to any or all of the functions of said Commissions, or with any securities ex-

change, or distributed to its shareholders, as the case may be, in each case, to the extent a Lender in its capacity as such could be expected to take an interest;

(h) to the Administrative Agent and each of the Lenders, as soon as available and in any event within 30 days after the end of each monthly fiscal period, (i) unaudited Consolidated balance sheets of the Fund and its Subsidiaries as of the end of such monthly fiscal period, in the form customarily prepared by ULC, (ii) unaudited Consolidated statements of earnings and retained earnings of the Fund and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such fiscal month, in the form customarily prepared by ULC, and (iii) a certificate of the Chief Financial Officer of Cinram stating that no Default has occurred and is continuing or, if a Default has occurred and is continuing, a statement as to the nature thereof;

(i) reserved;

(j) to the Administrative Agent and each of the Lenders, (i) prior to the Effective Date the DIP Budget acceptable to the Administrative Agent and the Majority Lenders, and a 13-week cash flow projection for the European affiliates that are not Obligor, excluding Cinram Optical Disc S.A.S. (the "European Cash Flow Projection"), (ii) bi-weekly following the Effective Date, updated bi-weekly 13-week cash flow projections (the "Rolling 13-week Forecasts") for each of the Obligor entities and non-Obligor entities, (iii) on a weekly basis, a report of actual closing cash balances for ULC and its Subsidiaries, showing the daily closing cash balance for each day in the preceding week, and (iv) on each ten-week anniversary of the first day of the week in which the Effective Date occurs, an updated 13-week budget supplementing and replacing the DIP Budget and the European Cash Flow Projection then in effect commencing from the end of the thirteen week period reflected in the previously delivered DIP Budget in form and substance acceptable to the Administrative Agent and the Majority Lenders in their sole discretion; *provided* that unless and until the Administrative Agent and Majority Lenders have approved such updated budget, the Obligor shall still be subject to and be governed by the terms of the DIP Budget then in effect; *provided* further that and for the avoidance of doubt, the form of a DIP Budget annexed hereto as Exhibit I is acceptable to the Administrative Agent and the Majority Lenders;

(k) reserved;

(l) On a bi-weekly basis commencing with the last Business Day of the second week ending after the Effective Date, a variance report (a "Variance Report") certified by the Chief Financial Officer of the Fund, in form reasonably acceptable to the Administrative Agent and the Majority Lenders, setting forth (i) the actual cash receipts, expenditures and disbursements for such immediately preceding two calendar weeks on a line-item basis and actual cash balances as of the end of such two calendar week period, (ii) the variance in dollar amounts of the actual receipts, expenditures and disbursements for such two week period from those reflected in the most recent Rolling 13-week Forecasts, and (iii) the cumulative variance in dollar amounts of the actual receipts, expenditures and disbursements from those reflected in the DIP Budget and the European Cash Flow Projections;



(m) On request of the Administrative Agent, host conference calls and/or meetings to provide Lenders with updates relating to the business, the Loan Documents, the Proceedings or other reasonably requested information, excluding any information which has been identified as privileged or confidential.

(n) promptly after the same is available and to the extent practicable under the circumstances, advance copies of all pleadings, motions, applications, judicial information, financial information and other documents to be filed by or on behalf of any of the Obligors with the Bankruptcy Courts in the Proceedings by providing electronic copies of same to counsel for the Administrative Agent.

(o) such other information respecting the financial condition and operations of ULC and its Subsidiaries as the Administrative Agent or any Lender through the Administrative Agent may from time to time reasonably request.

SECTION 6.10. Use of Proceeds. The Borrower will use the proceeds of the Loans to finance the working capital needs and other general corporate purposes of the Obligors, in each case in compliance with all applicable legal and regulatory requirements and, subject to the variance permitted under Section 8.01, the DIP Budget.

SECTION 6.11. Security; Certain Obligations Respecting Subsidiaries; Further Assurances.

(a) Priority. Each Obligor hereby acknowledges the terms of the Initial Order and the Interim Recognition Order and agrees that upon entry thereof, the obligations of such Obligors under this Agreement and the other Loan Documents shall be secured by a valid, binding, continuing and enforceable super-priority, priming, first ranking court-ordered charge on the Collateral (together with the Liens created under this Agreement and other Loan Documents, the "DIP Charge"), subordinate only to the Carve-Out.

(b) Security. Each Obligor hereby grants to the Administrative Agent, for itself and for the ratable benefit of the Lenders, as security for the full and prompt payment when due (whether at stated maturity, by acceleration or otherwise) of the Obligations of such Obligor under the Loan Documents a super-priority, priming, first ranking charge and security interest (subject only to the Carve-Out), in and to all of the undertaking, property (whether real or personal) and assets of such Obligor, of any kind or nature, whether presently held or hereafter acquired (the "Collateral").

(c) Grants, Rights and Remedies. The DIP Charge and the Liens granted pursuant to clause (b) of this Section 6.11 and the other Loan Documents have been independently granted and may be independently granted by other Loan Documents hereafter entered into. This Agreement, the DIP Financing Orders and such other Loan Documents supplement each other, and the grants, priorities, rights and remedies of the Administrative Agent and the Lenders hereunder and thereunder are cumulative.

(d) No Filings Required. The DIP Charge referred to herein shall be deemed valid and perfected upon the entry of the DIP Financing Orders. The Administrative Agent shall not be required to file, register or record any financing statements, mortgages, certif-

icates of title, notices or similar instruments in any jurisdiction or filing office or to take any other action in order to validate or perfect the DIP Charge granted by or pursuant to this Agreement, any DIP Financing Order or any other Loan Document; provided, that the Administrative Agent shall be permitted to file any financing statements, mortgages, certificates of title, the DIP Financing Orders, notices or other similar instruments in any jurisdiction or filing office or to take any other action with respect to the DIP Charge granted by or pursuant to the DIP Financing Orders, this Agreement or any other Loan Agreement.

(e) Survival. The DIP Charge, the priority of such DIP Charge and other rights and remedies granted to Administrative Agent and the Lenders pursuant to the DIP Financing Orders, this Agreement and the other Loan Documents (specifically including, but not limited to, the existence, perfection and priority of the DIP Charge provided herein and therein, and the priority provided herein and therein) shall not be modified, altered or impaired in any manner by any other financing or extension of credit or incurrence of Indebtedness by the Borrower or any Guarantor, or by any termination, dismissal or conversion of any of the Proceedings, or by any other act or omission whatsoever. Without limiting the foregoing, notwithstanding any such termination, dismissal, conversion, act or omission:

(i) except for the Carve-Out, no costs or expenses of the administration that have been or may be incurred in any of the Proceedings or any conversion of the same or in any other proceedings related thereto, and except for the Carve-Out no priority claims, are or shall be prior to or *pari passu* with any claim of the Secured Parties against the Obligor in respect of any Obligation;

(ii) the Liens constituting the DIP Charge shall constitute valid and perfected first priority Liens and shall be prior to all other Liens, now existing or hereafter arising, in favor of any other creditor or any other Person whatsoever, subject only to the Carve-Out;

(iii) the Liens constituting the DIP Charge shall continue to be valid and perfected without the necessity that any financing statements, mortgages, certificates of title, notices or similar instruments be filed, registered or recorded in any jurisdiction or filing office or that any other action be taken in order to validate or perfect the DIP Charge.

(f) Ownership of Subsidiaries. In the event that any additional shares of stock or other ownership interests shall be issued by any of its Subsidiaries to ULC or any of the other Obligor, ULC shall, and shall cause such Person to which such shares of stock or other ownership interests are issued, to forthwith deliver to the Administrative Agent pursuant to the applicable Security Documents (or, in the case of any Subsidiary that is a Foreign Subsidiary, pursuant to a pledge agreement, security agreement or other instrument under the law applicable to such Subsidiary creating a lien on) the certificates evidencing such shares of stock or other ownership interests, accompanied by undated stock or other powers executed in blank and take such other action as the Administrative Agent shall reasonably request to perfect the security interest created therein pursuant to the Security Documents. Notwithstanding the foregoing, the Administrative Agent may in its discretion waive the requirements of this subsection (b) with respect to the stock or other ownership interests of any Subsidiary to the extent that it determines



that the costs of obtaining a Lien on such stock or ownership interests are excessive in relation to the value of the security to be afforded thereby.

(g) [Reserved].

(h) [Reserved].

(i) Real Property. If any Obligor shall acquire any fee owned real property interest, including improvements after the Effective Date (or shall make improvements upon any existing fee owned real property interest resulting in the fair market value of such interest together with such improvements being equal to U.S. \$1,000,000 or more), then, if Administrative Agent requests, it will execute and deliver in favor of the Administrative Agent a mortgage, deed of trust or similar instrument (as appropriate for the jurisdiction in which such respective real property is situated), all as reasonably requested by the Administrative Agent, pursuant to which such Obligor will create a Lien upon such real property interest (and improvements) in favor of the Administrative Agent for the benefit of the Lenders as collateral security for the obligations of such Obligor under this Agreement, *provided* that the Administrative Agent in its discretion may waive the requirements of this subsection (i) with respect to any fee owned real property to the extent that it determined that the costs of obtaining a Lien on such fee owned real property are excessive in relation to the value of the security to be afforded thereby.

(j) Further Assurances.

(i) Notwithstanding anything to the contrary in the DIP Financing Orders, each of the Obligors will upon the request of the Administrative Agent or the Majority Lenders, at Borrower's expense, execute, acknowledge and deliver, or cause the execution, acknowledgment and delivery of, and thereafter register, file or record, or cause to be registered, filed or recorded, in an appropriate governmental office, any document or instrument supplemental to or confirmatory of the Security Documents or otherwise deemed by the Administrative Agent necessary for the continued validity, perfection and priority of the Liens on the Collateral covered thereby (provided that no landlord or similar lien waivers and consents shall be required or deemed necessary).

(ii) reserved.

(iii) If the Administrative Agent or the Majority Lenders determine in good faith that it is required by any governmental authority or any Requirement of Law to obtain appraisals as to the market value of any real property constituting Collateral, Borrower shall obtain such appraisals as soon as practicable but in any event not less than 60 days after request therefor, at the sole cost and expense of Borrower and in conformity with the requirements of such governmental authority and all Requirements of Law, as from time to time in effect.

(iv) reserved.

(v) Upon the exercise by the Administrative Agent or the Lenders of any power, right, privilege or remedy pursuant to any Loan Document

which requires any consent, approval, registration, qualification or authorization of any governmental authority, each Obligor shall execute and deliver all applications, certifications, instruments and other documents and papers that the Administrative Agent or the Lenders may be so require to obtain any such consent, approval, registration, qualification or authorization.

(k) Reserved.

(l) Reserved

(m) Without limiting the generality of the foregoing, ULC will, and will cause each other Obligor to, take such action from time to time (including executing and delivering such assignments, security agreements and other instruments) as shall be reasonably requested by the Administrative Agent to create, in favor of the Administrative Agent for the benefit of the Lenders, perfected security interests and Liens in substantially all of the property of such Obligor as collateral security for its obligations hereunder subject to the relevant requirements of this Agreement and the Security Documents.

SECTION 6.12. Reserved.

SECTION 6.13. Governmental Approvals. Each Obligor agrees that it will promptly obtain from time to time at its own expense all such governmental licenses, authorizations, consents, permits and approvals as may be required (a) for this Agreement and each other Loan Document to which such Obligor is a party to be a valid and enforceable obligation of such Obligor and (b) to maintain the existence, priority and perfection of the Liens purported to be created under the Security Documents to which such Obligor is a party.

SECTION 6.14. Compliance with Court Orders. ULC and each other Obligor shall (a) at all times remain and take all actions necessary or available to ensure that each Obligor at all times remains in compliance with the DIP Financing Order(s), including all timelines and deadlines included therein, without amendment or extension of any kind, and in compliance with all other Bankruptcy Court Orders that are material to the interest of the Lenders and (b) take all actions necessary or available to defend the DIP Financing Orders and any other Bankruptcy Court Order material to the Administrative Agent or the Lenders from any appeal, reversal, modification, amendment, stay or vacating not expressly consented to in advance by the Administrative Agent and the Majority Lenders.

SECTION 6.15. Confirmation of Priority. Forthwith upon the request of the Administrative Agent or any Lender, bring one or more motions in Canada or the United States as the case may be on notice to any creditor that has a registered or recorded security interest in the Property or who otherwise claims in interest in any Property, for an order in form and substance satisfactory to the Lenders declaring that the DIP Charge, if applicable, has priority over such creditors' interest in the Property.

SECTION 6.16. U.S. Bankruptcy Court Motions. Within (2) days of the CCAA Filing Date, the Obligors shall (a) file a motion in the U.S. Bankruptcy Court seeking entry of the Interim Recognition Order and (b) file notice of the Initial Order in the U.S. Bankruptcy Court.



SECTION 6.17. The DIP Financing Orders. No Obligor shall, and no Obligor shall permit any of its Affiliates to make or permit to be made any change, amendment or modification, or any application or motion for any change, amendment or modification, to the Initial Order, the Recognition Order or any other DIP Financing Order, other than as approved by the Administrative Agent and the Majority Lenders.

## ARTICLE VII

### NEGATIVE COVENANTS

So long as any Loan shall remain unpaid or any Obligations remain outstanding, each of ULC and the Obligor agrees as follows:

SECTION 7.01. Liens, Etc. ULC will not create or suffer to exist, or permit any Obligor to create or suffer to exist, any Lien on or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any Obligor to assign, any right to receive income or revenues (including account receivables) or rights in respect of any thereof, except (collectively, "Permitted Liens"):

(a) (i) Liens for taxes, assessments, governmental charges or levies or other amounts owed to governmental entities other than for borrowed money; (ii) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations that (A) are not overdue for a period of more than 30 days or that are being contested in good faith or are subject to the Stay of Proceedings, and (B) that individually or together with all other such Liens outstanding at any time do not materially detract from the value of the property subject thereto or materially adversely affect the use of such property for its intended purposes; (iii) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations (or in either case to secure letters of credit securing such obligations); (iv) easements, rights of way, restrictions and other similar restrictions or encumbrances on title to real property that, in the aggregate, do not materially detract from the value of the property subject thereto or materially adversely affect the use of such property for its intended purposes; (v) Liens in favor of a landlord arising in the ordinary course of business (securing unpaid rent in arrears but not accelerated rent); and (vi) Liens consisting of minor defects in title that do not materially interfere with the ability of ULC and its Subsidiaries to conduct their business as currently conducted or to utilize such properties for their intended purposes;

(b) Reserved;

(c) Liens securing Debt existing on the Effective Date and identified in Part B of Schedule 5.17, and extensions, renewals or refinancings of any of the foregoing for the same or a lesser amount, *provided* that no such extension, renewal or refinancing shall extend to or cover any property not theretofore subject to the Lien being extended, renewed or replaced;

(d) Liens created hereunder or under the Security Documents;

(e) customary Liens for the fees, costs and expenses of trustees and escrow agents pursuant to any indenture, escrow agreement or similar agreement establishing a trust or escrow arrangement;

(f) customary arrangements under Media Contracts pursuant to which title to inventory passes from ULC and its Subsidiaries, upon the loading of media content on such inventory, to the counterparty to such Media Contract and, in that connection, the Administrative Agent is hereby authorized by the Lenders to confirm to any such counterparty that neither the Administrative Agent nor the Lenders have any Lien on any such property as to which title has passed to (or is held by) such counterparty (and the Administrative Agent is authorized to execute letters to counterparties to Media Contracts in substantially the form attached hereto as Exhibit E);

(g) Reserved;

(h) Liens on documents (and the goods covered thereby) delivered under trade letters of credit;

(i) the Carve-Out;

(j) rights of setoff or bankers' liens or other similar liens upon deposits of cash or securities in favor of banks, brokers or other depository or custodial institutions, solely to the extent incurred in connection with the maintenance of such deposit accounts or securities accounts in the ordinary course of business and not arising in connection with any borrowing, incurrence or issuance of Debt; and

(k) the Charges created by the Initial Order in the amounts and with the priority approved by the Administrative Agent and the Majority Lenders or such other court ordered charges as may be approved by the Administrative Agent and Majority Lenders.

Notwithstanding anything else contained herein, ULC will not, and will ensure that each Obligor will not, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect thereof, except (i) Liens created under this Agreement or the Security Documents in favor of the Administrative Agent, (ii) Liens of the type described in clauses (a), (e) and (j) above, and (iii) inchoate Liens under ERISA securing current service pension liabilities (A) incurred under any employee benefit plan and (B) in respect of which no ERISA Event shall have occurred.

Any reference herein or in any of the Security Documents to a Permitted Lien is not intended to subordinate or postpone, and shall not be interpreted as subordinating or postponing, or as any agreement to subordinate or postpone, any Lien created by any of the Security Documents to any Permitted Lien.

#### SECTION 7.02. Mergers, Etc.

(a) Mergers and Consolidations. ULC will not, and will not permit any Obligor to, enter into any merger or consolidation or amalgamation, or liquidate, wind up or



dissolve itself (or suffer any liquidation or dissolution) without the consent of the Majority Lenders.

(b) Permitted Acquisitions. ULC will not, and will not permit any Obligor to, consummate any acquisition of the (i) Equity Interests (by merger or purchase) of any Person or (ii) all or substantially all of the assets of any Person or business line.

(c) Dispositions. ULC will not, and will not permit any Obligor to, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, any part of its business or property, whether now owned or hereafter acquired, including receivables and leasehold interests, but excluding:

(i) obsolete or worn-out property, tools or equipment no longer used or useful in its business,

(ii) any inventory, cash equivalents or other property sold or disposed of in the ordinary course of business and on ordinary business terms, including sales of delinquent receivables for collection purposes, and

(iii) the Sale, provided the proceeds therefrom are applied in accordance with Section 2.12(b).

SECTION 7.03. Change in Nature of Business. (a) ULC will not, nor will it permit any Obligor to, engage to any material respect in any line or lines of business other than are conducted by the Obligors and their Subsidiaries on the Effective Date.

(b) ULC will not engage in any business or activity other than the ownership of all the outstanding equity interests in Cinram and activities incidental thereto, including activities in connection with the Proceedings, compliance with the Loan Documents and corporate maintenance activities (including payment of expenses) associated with being a holding company for a consolidated group. ULC will not own or acquire any assets (other than cash and Permitted Investments) or incur any liabilities (other than liabilities under the Loan Documents, liabilities imposed by law, including tax liabilities, obligations under any employment agreement, stock option plan or other benefit plan for management or employees of ULC and its Subsidiaries, and other liabilities (not including Debt) incidental to its existence and permitted business and activities).

SECTION 7.04. Transactions with Affiliates. Except to the extent expressly provided herein or otherwise set forth in Schedule 7.04 hereto, ULC will not, nor will it permit any Obligor to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates (including any Subsidiary or member of the Fund Group), except (a) transactions in the ordinary course of business at prices and on terms and conditions not less favorable to ULC or such Obligor than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Obligors and (c) any Restricted Payment permitted by Section 7.07.

SECTION 7.05. Debt. ULC will not create, incur, assume or permit to exist, or permit any Obligor to create, incur, assume or permit to exist, any Debt, or issue any Disqualified Stock, except:

- (a) Debt created hereunder and under the other Loan Documents;
- (b) Debt under facilities existing on the Effective Date and set forth in Part A of Schedule 5.17 hereto;
- (c) Debt of Cinram to any Obligor and of any Obligor to Cinram or any other Obligor;
- (d) Reserved;
- (e) Reserved;
- (f) other unsecured Debt, the proceeds of which are applied to the prepayment of Loans in accordance with Section 2.12(d) so long as (i) immediately prior to such incurrence and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing, (ii) no installments of principal of such Debt shall be payable (whether by sinking fund payments, mandatory redemptions or repurchases or otherwise) earlier than the date twelve months after the Maturity Date, (iii) the covenants, events of default and mandatory prepayment requirements (whether by sinking fund payments, mandatory redemptions or repurchases or otherwise) of such Debt are consistent with those customarily found in Debt of similar issuers issued under Rule 144A, or in a public offering, as reasonably determined by the Administrative Agent and the terms and conditions thereof are not inconsistent with the provisions of the Loan Documents as determined by the Administrative Agent and do not, in any event, impose restrictions such as the imposition of an incurrence test, and (iv) Cinram furnishes to the Administrative Agent on the date of such incurrence a certificate of a Responsible Officer demonstrating in reasonable detail compliance with the foregoing conditions;
- (g) any extension, renewal, refunding or replacement of any Debt referred to in paragraph (f) above, including any guarantees in respect of such Debt so long as (i) in the case of all such Debt, such extension, renewal, refunding or replacement does not increase the principal amount of such Debt other than an increase in the principal amount of such Debt due to the payment of premiums, fees and costs associated with any such extension, renewal, refunding or replacement and (ii) such Debt, as so extended, renewed, refunded or replaced, would have been permitted to be issued on the date of such extension, renewal, refunding or replacement under paragraph (f) (other than the requirement that the proceeds of such Debt be applied to the prepayment of the Loans) above, as applicable;
- (h) Reserved;
- (i) any Debt in respect of amounts deposited or advanced by customers with respect to future services to be provided by Cinram and its Subsidiaries under a Media Contract, so long as (i) the aggregate amount so deposited or advanced (and not earned) shall not exceed U.S. \$25,000,000 at any time outstanding and (ii) such services shall be performed not later than six months after the date such deposit is made;



Notwithstanding anything else contained herein, ULC will not create, incur, assume or permit to exist any Debt except Debt created under (or permitted to be incurred or created by the terms of) the Loan Documents, the Pre-Petition Credit Agreement and the Second Lien Loan Documents.

SECTION 7.06. Investments. ULC will not, and will not permit any Obligor to, make or permit to remain outstanding any Investments except:

- (a) Investments (i) outstanding on the date hereof and identified in Schedule 7.06 hereto (other than Advance Payments) and (ii) Advance Payments made to customers pursuant to one or more Media Contracts set forth on said Schedule 7.06 with the prior written consent of the Administrative Agent and the Majority Lenders;
- (b) operating deposit accounts with banks;
- (c) cash and Permitted Investments;
- (d) Investments and advances by any Obligor in any other Obligor;
- (e) Reserved;
- (f) Investments consisting of security deposits with utilities and other like Persons made in the ordinary course of business;
- (g) Reserved; and
- (h) Investments constituting Guarantees permitted under Section 7.05;

For the avoidance of doubt, there will be no limitation on common equity contributions in ULC by Persons other than the Subsidiaries of ULC.

SECTION 7.07. Restricted Payments. ULC will not, and will not permit any Obligor to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment (other than to ULC or any other Obligor).

Nothing herein shall be deemed to prohibit the payment of pro rata dividends to its stockholders by any Subsidiary of ULC.

SECTION 7.08. Restrictive Agreements. ULC will not, and will not permit any Obligor to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement to which ULC or any other Obligor is a party that prohibits, restricts or imposes any condition upon (x) the ability of ULC or such Obligor to create, incur or permit to exist any Lien upon any of its property or assets to secure obligations under the Loan Documents; or (y) the ability of any Obligor to pay dividends or other distributions with respect to any shares of its capital stock or other ownership interests or to make or repay loans or advances to Cinram or any other Obligor or to guarantee Debt of ULC or any other Obligor; *provided that*:

(A) the foregoing shall not apply to (I) restrictions and conditions imposed by law or by this Agreement, the Pre-Petition Credit Agreement or the Second Lien Loan Documents, (II) restrictions and conditions existing on the date hereof and identified in Schedule 7.08 hereto (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), (III) customary restrictions and conditions in new Media Contracts of the type described in Schedule 7.08 hereto that (1) are not materially more onerous than such restrictions and conditions in Media Contracts of ULC and its Subsidiaries in effect on the Effective Date and (2) do not adversely affect the rights and remedies of the Lenders under the Loan Documents and (IV) customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, *provided* such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder; and

(B) clause (x) of the foregoing shall not apply to (I) restrictions or conditions imposed by any agreement relating to secured Debt permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Debt and (II) customary provisions in leases and other contracts restricting the assignment thereof.

SECTION 7.09. Prepayment of Debt. ULC will not, and will not permit any Obligor to (1) purchase, redeem, retire or otherwise acquire for value, or set apart any money for a sinking, defeasance or other analogous fund for the purchase, redemption, retirement or other acquisition of, or make any repayment, payment or prepayment of the principal of or interest on, or any other amount owing in respect of any Debt (whether in cash, securities or other Property) or any other obligation arising prior to the CCAA Filing Date or (2) cash collateralize any letters of credit arising prior to the CCAA Filing Date, in each case, other than in accordance with the DIP Budget or as otherwise approved by the Administrative Agent and the Majority Lenders.

SECTION 7.10. Modifications of Certain Documents. ULC will not, and will not permit any Obligor to, consent to any modification, supplement or waiver of any Material Contract that adversely affects the rights or interests of the Lenders.

SECTION 7.11. [Reserved].

SECTION 7.12. Collections, Funds and Permitted Investments. Except as otherwise reasonably necessary to comply with an order of any Bankruptcy Court, the Obligors (a) will at all times cause all payments in respect of accounts receivable of the Obligors and all other cash payments to or for the benefit of the Obligors (collectively, "Receipts") to be deposited directly into bank accounts in respect of which no Affiliate of ULC and its Subsidiaries (other than ULC or any other Obligor) has any interest or claim (collectively, "ULC Bank Accounts") and (b) will not cause or permit Receipts to be commingled at any time with funds owned (beneficially or otherwise) by, or subject to claims of, any Affiliate of ULC and its Subsidiaries other than ULC or any Obligor. ULC and the other Obligors will at all times cause all cash and Permitted Investments owned or held by ULC or any other Obligor to be held only in ULC Bank Accounts and in securities accounts over which no Affiliate of ULC and its Subsidiaries (other than ULC or any Obligor) has any interest or claim

SECTION 7.13. Intercompany Transactions. Notwithstanding anything else contained herein, an Obligor may enter into intercompany transactions and Investments acceptable to the Administrative Agent, acting reasonably, in connection with the extinguishment of intercompany indebtedness as required by (i) the asset purchase agreement dated as of June 22, 2012 between Cinram, as seller, and Cinram Acquisition, Inc., as purchaser, and (ii) the share purchase offer dated as of June 22, 2012 between Cinram and 1362806, as sellers, and Cinram Acquisition, Inc., as purchaser.

SECTION 7.14. Establishment of Defined Benefit Plan. Notwithstanding any other provision of this Agreement (including, without limitation, Section 7.02 and Section 7.06) or any other Loan Document, ULC will not, and will not permit any of its Subsidiaries, to (i) establish or commence contributing to any Defined Benefit Plan or (ii) acquire an interest in any Person if such Person sponsors, administers, maintains or contributes to, or has any liability in respect of, any Defined Benefit Plan.

SECTION 7.15. Bankruptcy Court Orders. The Obligors will not at any time seek, consent to or suffer to exist any reversal, modification, stay or vacation of any of the DIP Financing Orders, except for modifications agreed to by the Administrative Agent, or take any action in the Proceedings adverse to the Administrative Agent or the Lenders or their rights and remedies under the DIP Financing Orders, this Agreement, any other Loan Documents or otherwise available to it in law or equity.

## ARTICLE VIII

### FINANCIAL COVENANTS

So long as any Loan shall remain unpaid or any Obligations remain outstanding, each of ULC and the Obligors agree as follows:

SECTION 8.01. Variance. ULC will not permit (i) a negative variance of cumulative actual aggregate "Operating Disbursements" from the cumulative Projected Operating Disbursements set forth in the DIP Budget since the beginning of the first projected calendar week ending June 22, 2012 of greater than \$5,000,000 in the aggregate, or (ii) a negative variance of cumulative actual "Receipts" (excluding intercompany receipts or transfers) from the Projected Receipts set forth in the DIP Budget since the beginning of the first projected calendar week ending June 22, 2012 of greater than \$5,000,000 in the aggregate, unless, with respect to clauses (i) and (ii) above, a negative variance of cumulative actual "Operating Cash Flow" from the Projected Operating Cash Flow set forth in the DIP Budget since the beginning of the first projected calendar week ending June 22, 2012 is less than \$3,000,000.

SECTION 8.02. Minimum Cash Balance. ULC will not permit the aggregate amount of cash (plus Permitted Investments) of the Obligors to be less than \$7,000,000 at any time after the Draw Date.

SECTION 8.03. Capital Expenditures. ULC will not permit the aggregate amount of Capital Expenditures by ULC and the other Obligors to exceed U.S. \$1,800,000 from and after the Effective Date.



## ARTICLE IX

### EVENTS OF DEFAULT

SECTION 9.01. Events of Default. If any of the following events (“Events of Default”) shall occur and be continuing:

(a) the Borrower shall fail to pay any principal of any Loan owing by the Borrower when the same becomes due and payable (including any such failure to pay upon any acceptance or deemed acceptance by any Lender of a mandatory offer to prepay made by the Borrower under Section 2.12); the Borrower shall fail to make an offer of prepayment required to be made by it under Section 2.12 when such offer is required to be made; the Borrower shall fail to make a prepayment required to be made by it under Section 2.12 when such prepayment is required to be made; or any Obligor shall fail to pay any interest on any Loans owing by such Obligor or make any other payment under this Agreement or any other Loan Document within three Business Days after the same becomes due and payable;

(b) any representation or warranty made or deemed made by or on behalf of ULC or any other Obligor in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof, shall prove to have been incorrect in any material respect when made or deemed made; or

(c) (i) ULC or any Obligor shall fail to observe or perform any covenant condition or agreement contained in Section 6.09 (other than 6.09(e), 6.09(j) and 6.09(l)) and such failure shall continue unremedied for a period of five (5) or more Business Days or (ii) ULC or any Obligor shall fail to observe or perform any covenant, condition or agreement contained in Section 6.01 (with respect to the existence of any Obligor), 6.09(e), 6.09(j), 6.09(l), 6.16, 6.17, or Articles VII or VIII;

(d) any Obligor shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a) or (c) of this Section 9.01) or any other Loan Document and such failure shall continue unremedied for a period of 30 or more days after notice thereof from the Administrative Agent (given promptly at the request of any Lender to Cinram);

(e) any Obligor shall fail to observe or perform any covenant or agreement contained in any (i) DIP Financing Order or (ii) any Bankruptcy Court Order other than a DIP Financing Order and such failure is determined by the Administrative Agent in its reasonable discretion to adversely impact the Lenders’ rights hereunder;

(f) any Subsidiary of ULC (other than any Obligor or any other Subsidiary party to an insolvency or workout and windown proceeding on the date hereof) shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any federal, provincial or foreign law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement or relief

or protection of debtors (including, without limitation, any chapter of the U.S. Bankruptcy Code, the CCAA, the BIA, any applicable provisions of any corporations legislation or similar foreign law) seeking similar relief at common law or in equity, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (g) of this Section 9.01, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator, responsible officer or an examiner with enlarged powers relating to the operation of the business or an interim receiver, receiver and manager, administrator, liquidator or similar official for it or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action to authorize any of the foregoing;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of any Subsidiary of ULC (other than any Obligor or any other Subsidiary party to an insolvency or workout and windown proceeding on the date hereof) or its debts, or of a substantial part of its assets, under any federal, provincial or foreign law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement or relief or protection of debtors (including, without limitation, any chapter of the U.S. Bankruptcy Code, the CCAA, the BIA, any applicable provisions of any corporations legislation or similar foreign law) seeking similar relief at common law or in equity or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator, responsible officer or an examiner with enlarged powers relating to the operation of the business or an interim receiver, receiver and manager, administrator, liquidator or similar official for any Subsidiary of ULC (other than any Obligor or any other Subsidiary party to an insolvency or workout and windown proceeding on the date hereof) for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for a period of 60 or more days or an order or decree approving or ordering any such liquidation, reorganization or other relief, or any such appointment, shall be entered;

(h) (i) any of the Proceedings shall be dismissed or terminated; (ii) any proceedings or case (other than the Proceedings) shall be commenced (whether voluntary or involuntary) by or in respect of any Obligor under any federal, provincial or foreign law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement or relief or protection of debtors (including, without limitation, any chapter of the U.S. Bankruptcy Code, the CCAA, the BIA or any applicable provisions of any corporations legislation) seeking similar relief at common law or in equity, except with the prior written consent of the Majority Lenders in their sole discretion; (iii) a bankruptcy order shall be made under the BIA against any Obligor; (iv) any Obligor shall file a motion or other pleading seeking the dismissal or termination of any of the Proceedings under the U.S. Bankruptcy Code, the CCAA or otherwise; (v) a trustee under Chapter 7 or Chapter 11 of the Bankruptcy Code or the BIA, a responsible officer or an examiner with enlarged powers relating to the operation of the business or an interim receiver, a receiver, receiver and manager, administrator, sequestrator or liquidator shall be appointed in respect of any Obligor or its assets in any of the Proceedings or otherwise and the order appointing such trustee, responsible officer or a receiver, interim receiver, receiver and manager, administrator, sequestrator or liquidator or examiner shall not be reversed or vacated within 30 days after the entry thereof; (vi) other than as set forth in the DIP Financing Orders, an application shall be filed by any Obligor for the approval of any superpriority claim (other than the Carve-Out) in any of the Proceedings which is *pari passu* with or senior

to the claims of the Administrative Agent and the Lenders against the Obligors; or (vii) other than as set forth in the DIP Financing Orders, there shall arise or be granted any such pari passu or senior superpriority claim;

(i) any Obligor or any of its Subsidiaries is enjoined, restrained or in any way prevented by an order of any Bankruptcy Court or any other court of competent jurisdiction from continuing to conduct all or any material part of its business affairs;

(j) any DIP Financing Order or other Bankruptcy Court Order material to the Administrative Agent or the Lenders shall have been stayed, amended, modified, reversed, vacated or shall have otherwise expired or shall be amended, supplemented or otherwise modified without the prior written consent of the Administrative Agent or the Stay of Proceedings shall have expired;

(k) there shall be an authorization, approval, payment or cash collateralization by or on behalf of the Obligors of any (1) expenditure not permitted by the applicable DIP Financing Orders or not specifically provided for in the DIP Budget or (2) of any pre-petition obligation or payment of any Advance Payment without the consent of the Administrative Agent and the Majority Lenders;

(l) (i) the seeking or support by any Obligor of any court order (in the Proceedings or otherwise) which is adverse or potentially adverse to the interests of the Administrative Agent, Lenders or (except for the DIP Financing Orders) the lenders under the Pre-Petition Credit Agreement or (ii) the issuance of any order in the Proceedings which is adverse in any material respect to the interests of the Administrative Agent, the Lenders or the lenders under the Pre-Petition Credit Agreement;

(m) a final post-petition judgment or judgments for the payment of money in an aggregate amount in excess of U.S. \$1,000,000 shall be rendered against any Obligor or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be rightfully taken by a judgment creditor to attach or levy upon any assets of any of Obligor to enforce any such judgment (other than a judgment, the enforcement of which is stayed by the DIP Financing Orders);

(n) the issuance of any court order (1) lifting or granting relief from the Stay of Proceedings, in each case, as could reasonably be expected to have an adverse impact on the Lenders (2) discontinuing the Proceedings or (3) staying, reversing, vacating or otherwise modifying the terms of the DIP Facility or the DIP Charge;

(o) reserved;

(p) an ERISA Event shall have occurred that, either individually or in the aggregate when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a liability in excess of U.S. \$2,000,000; or the assertion against any Obligor any claims or liabilities in respect of any Canadian Employee Benefit Plan that either individually or in the aggregate, has had or could reasonably be expected to result in a liability in excess of U.S. \$2,000,000;



(q) if (a) the Initial Order has not been entered within 2 days of the CCAA Filing Date, (b) the Interim Recognition Order shall not have been entered by the U.S. Bankruptcy Court within 7 days of the CCAA Filing Date, or (c) the Final Recognition Order shall not have been entered by the U.S. Bankruptcy Court within 35 days of the CCAA Filing Date;

(r) if an application for any of the orders described in Section 9.01(i) through (o) above shall be made by a Person and either (a) such application is not contested by Obligors in good faith or (b) the relief requested is granted in an order that is not stayed pending appeal;

(s) if (a) any Obligor shall attempt to invalidate, reduce or otherwise impair the DIP Charge or to subject any Collateral to assessment pursuant to Section 506(c) of the U.S. Bankruptcy Code (or any equivalent Section of the CCAA), (b) the DIP Charge created by this Agreement, any other Loan Document or the Bankruptcy Court Orders shall, for any reason, cease to be valid or (c) any action is commenced by any Person which contests the validity, perfection or enforceability of the DIP Charge created by the Bankruptcy Court Orders, the DIP Facility, this Agreement, any other Loan Document, or the liens of the lenders under the Pre-Petition Credit Agreement;

(t) if, without the consent of Administrative Agent, (a) any Obligor (or any Person acting on behalf of an Obligor) circulates or distributes any plan of compromise and arrangement, or draft thereof (or term sheet or similar indicative statements of terms thereof) that does not provide as a pre-condition to the implementation of such plan of compromise and arrangement for repayment in full, in cash, of all Obligations hereunder and under the other Loan Documents or (b) there occurs any filing, prosecution, promulgation or other support of a plan of compromise and arrangement or any document supplementing any plan of compromise and arrangement that is otherwise adverse to the Administrative Agent and the Lenders;

(u) a reasonable basis shall exist for the assertion against ULC or any of its Subsidiaries, or any predecessor in interest of ULC or any of its Subsidiaries, of (or there shall have been asserted against ULC or any of its Subsidiaries) an Environmental Claim that is reasonably likely to be determined adversely to ULC or any of its Subsidiaries, and the amount thereof (individually or together with other Environmental Claims) is reasonably likely to have a Material Adverse Effect (insofar as such amount is payable by ULC or any of its Subsidiaries but after deducting any portion thereof that is reasonably expected to be paid by other creditworthy Persons jointly and severally liable therefor);

(v) a Change of Control shall occur;

(w) the Liens created by the Security Documents or the DIP Financing Orders shall at any time not constitute a valid and perfected Lien on any material portion of the collateral intended to be covered thereby (to the extent perfection by filing, registration, recordation or possession is required herein or therein) in favor of the Administrative Agent, free and clear of all other Liens (other than Permitted Liens), or, except for expiration in accordance with its terms (or with the consent of the Administrative Agent), any of the Security Documents or

DIP Financing Orders shall for whatever reason be terminated or cease to be in full force and effect;

(x) any Loan Document shall cease to be (or shall be asserted by any Obligor not to be) a legal, valid, binding and enforceable obligation of any Obligor party thereto;

(y) any contract with any customer that, together with its affiliates, accounted for not less than 5% of the combined revenues of the Obligors and their consolidated subsidiaries for the twelve-month period ended May 31, 2012 shall cease to be performed by any party thereto in the ordinary course of business, or shall be terminated or any remedies thereunder shall be exercised against any Person other than in the ordinary course of business; or

(z) the Majority Consenting Lenders (as defined in the Support Agreement dated as of June 22, 2012 (the "Support Agreement") among lenders under the Pre-Petition Credit Agreement party thereto and Cinram and certain of its affiliates) have the right (whether or not exercised) to terminate the Support Agreement pursuant to Section 7(a)(iii)(A) thereof as in effect on the date hereof or there is an automatic termination of the Support Agreement pursuant to Section 7(a)(iv)(C) thereof as in effect on the date hereof.

then, and in any such event the Administrative Agent (subject to any notice requirements in the Initial Order) (i) may with the consent of, and shall at the request of the Majority Lenders, by notice to ULC (on its own behalf and on behalf of Cinram and the Borrower), declare the obligation of each Lender to make Loans to be terminated, whereupon the same shall forthwith terminate, and (ii) may with the consent of, and shall at the request of the Majority Lenders, by notice to ULC (on its own behalf and on behalf of Cinram and the Borrower), declare the Loans, the Notes, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Loans, the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by ULC, Cinram and the Borrower and, in either case, the Lenders may then: (a) exercise any and all of the rights and remedies under or pursuant to the Initial Order and/or the Loan Documents and, as set forth below, the Incorporated Security Provisions, and realize upon all or any part of the Collateral and (b) take such actions and commence such proceedings as may be permitted at law or in equity (whether or not provided for herein or in the Security Documents) at such times and in such manner as the Lenders in their sole discretion may consider expedient, all without any additional notice, presentment, demand, protest, notice of protest, dishonor or any other action except as required by law. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are in addition to and not in substitution for any other rights or remedies provided by applicable law or by any other Loan Document.

In addition to the remedies provided for herein and in the other Loan Documents, upon the occurrence and during the continuance of an Event of Default, the Administrative Agent and the Lenders may take any actions and shall be entitled to all rights and privileges inuring to the agents and lenders under or in respect of the Pre-Petition Credit Agreement, including all mortgages, security agreements, control agreements and other "Loan Documents" (as defined in the Pre-Petition Credit Agreement) executed in connection therewith (the "Incorporated Secu-

rity Provisions”), and all such Incorporated Security Provisions are incorporated herein mutatis mutandis.

The Obligors expressly authorize the Administrative Agent and the Lenders to take each of the actions described in the Incorporated Security Provisions upon the occurrence and during the continuance of an Event of Default, notwithstanding that the Administrative Agent and the Lenders may (or may not) require execution of certain mortgages and other security agreements in connection with this Agreement.

The Obligors expressly authorize the Administrative Agent to take each of the foregoing actions without further notice of, or application to, any Bankruptcy Court, and in connection with the exercise of such rights and remedies, Administrative Agent shall have relief from the stay ordered by any Bankruptcy Court, including, without limitation, without further notice or order, to foreclosure on all or any portion of the Collateral or otherwise exercise remedies against the Collateral permitted by the Bankruptcy Court Orders, this Agreement, the other Loan Documents, the Incorporated Security Provisions and other non-bankruptcy law, including, without limitation, subject to the terms of the Initial Order, the cessation of Borrower’s right, if any, to use cash collateral (it being understood and agreed that, subject to the terms of the Initial Order, upon the occurrence and during the continuance of any Event of Default, or upon the maturity of the Obligations, the Borrower shall not have any right to use or seek to use any cash collateral (as that term is defined in Section 363(a) of the U.S. Bankruptcy Code or any equivalent Section of the CCAA) in which Administrative Agent or any Lender has an interest).

SECTION 9.02. Remedies Cumulative. The rights and remedies of the Lenders under this Agreement and the other Loan Documents shall be cumulative. The Lenders shall have all other rights and remedies not inconsistent herewith as provided under the Uniform Commercial Code, the Personal Property Security Act (Ontario), the personal property legislation of any other applicable jurisdiction, the U.S. Bankruptcy Code or otherwise by law, or in equity. No exercise by the Lenders of one right or remedy shall be deemed an election, and no waiver by the Lenders of any Event of Default shall be deemed a continuing waiver. No delay by the Lenders shall constitute a waiver, election, or acquiescence by it.

## ARTICLE X

### THE ADMINISTRATIVE AGENT

SECTION 10.01. Authorization and Action. Each Lender hereby appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement and the other Loan Documents as are delegated to the Administrative Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto, including without limitation the entry, on behalf of the Lenders, into the Security Documents. Notwithstanding the foregoing, the Administrative Agent shall not be required to exercise any discretion or take any action without, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon, the instructions of the Majority Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; *provided* that the Administrative Agent shall not be required to take any action that exposes the Administrative Agent to personal liability or that is



contrary to this Agreement or applicable law. The Administrative Agent agrees to give to each Lender prompt notice of each notice given to it by Cinram or the Borrower pursuant to the terms of this Agreement or any other Loan Document.

It is understood and agreed, that for purposes of any pledge of the stock or assets of a Subsidiary organized under the laws of France that the Administrative Agent is an agent (*mandataire*) as referred to in section 1984 *et seq.* of the French Civil Code.

For greater certainty, and without limiting the powers of the Administrative Agent or any other Person acting as an agent or mandatary for the Administrative Agent hereunder or under any of the other Loan Documents, each Obligor hereby acknowledges that, for purposes of holding any security granted by any Obligor on property pursuant to the laws of the Province of Quebec to secure obligations of such Person under any debenture, the Administrative Agent shall be the holder of an irrevocable power of attorney (*fondé de pouvoir*) (within the meaning of the *Civil Code of Québec*) for all present and future Lenders and in particular for all present and future holders of any such debenture. Each Lender hereby irrevocably constitutes, to the extent necessary, the Administrative Agent as the holder of an irrevocable power of attorney (*fondé de pouvoir*) (within the meaning of Article 2692 of the *Civil Code of Québec*) in order to hold security granted by the any Obligor in the Province of Quebec to secure the obligations of such Person under any debenture. Each assignee of a Lender shall be deemed to have confirmed and ratified the constitution of the Administrative Agent as the holder of such irrevocable power of attorney (*fondé de pouvoir*) by execution of an Assignment and Assumption. Notwithstanding the provisions of section 32 of *An Act respecting the special powers of legal persons* (Québec), the Administrative Agent may acquire and be the holder of any debenture. Each Obligor hereby acknowledges that such debenture constitutes a title of indebtedness, as such term is used in Article 2692 of the *Civil Code of Québec*.

SECTION 10.02. Administrative Agent's Reliance, Etc. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or any of the other Loan Documents, except for its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Administrative Agent:

(i) may treat the payee of any Note as the holder thereof until the Administrative Agent receives and accepts an Assignment and Acceptance entered into by the Lender that is the payee of such Note, as assignor, and an assignee, as assignee, as provided in Section 11.06;

(ii) may consult with legal counsel (including counsel for the Obligors), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts;

(iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or any of the other Loan Documents;

(iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any of the other Loan Documents on the part of ULC or any of its Subsidiaries or to inspect the property (including the books and records) of ULC or any of its Subsidiaries;

(v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, this Agreement or any of the other Loan Documents or any other instrument or document furnished pursuant hereto; and

(vi) shall incur no liability under or in respect of this Agreement or any of the other Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 10.03. JPMorgan Chase Bank, N.A., and Affiliates. With respect to the Loans made by it, and the Notes issued to it, JPMorgan Chase Bank, N.A., shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Administrative Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include JPMorgan Chase Bank, N.A., in its individual capacity. JPMorgan Chase Bank, N.A., and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, Cinram, any of its Subsidiaries and any Person who may do business with or own securities of Cinram or any such Subsidiary, all as if JPMorgan Chase Bank, N.A., were not the Administrative Agent and without any duty to account therefor to the Lenders.

SECTION 10.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on the financial statements referred to in Article V and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

SECTION 10.05. Indemnification. The Lenders agree to indemnify the Administrative Agent, in each case to the extent not reimbursed by Cinram, ratably in accordance with their respective Indemnification Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against such Agent in any way relating to or arising out of this Agreement or any action taken or omitted by such Agent under this Agreement and the other Loan Documents, *provided* that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or

willful misconduct. Without limiting the generality of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Administrative Agent is not reimbursed for such expenses by Cinram.

SECTION 10.06. Successor Administrative Agent. The Administrative Agent may at any time give notice of its resignation to the Lenders and ULC. Upon receipt of any such notice of resignation, the Majority Lenders shall have the right, in consultation with ULC, to appoint a successor, which shall be a bank with an office in New York City, or an affiliate of any such bank with an office in New York City and a combined capital and surplus of at least \$500,000,000. If no such successor shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders, either appoint a successor Administrative Agent meeting the qualifications set forth above (if a successor is willing to serve) or, alternatively, notify Cinram and the Lenders that its resignation shall become effective on a date specified in such notice and, on and after such date, (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Security Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Majority Lenders appoint a successor Administrative Agent as provided for above in this Section 10.06. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section 10.06). The fees payable by Cinram to a successor Administrative Agent shall not, without Cinram's approval, be greater than those payable to its predecessor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article X and Section 11.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and its respective Indemnified Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

## ARTICLE XI

### MISCELLANEOUS

#### SECTION 11.01. Waivers; Amendments.

(a) No Deemed Waivers; Remedies Cumulative. No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall op-



erate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Obligor therefrom shall in any event be effective unless the same shall be permitted by subsection (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Amendments to this Agreement. Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Obligors and the Majority Lenders or by the Obligors and the Administrative Agent with the consent of the Majority Lenders; *provided* that no such agreement shall:

(i) without the written consent of each Lender affected thereby (w) increase the Commitment of such Lender, (x) reduce the principal amount of any Loan held by such Lender or reduce the rate of interest thereon, or reduce any fees payable to such Lender hereunder or (y) postpone the scheduled date of payment of the principal amount of any Loan held by such Lender, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment of such Lender, or

(ii) without the written consent of each Lender (x) change the percentage set forth in the definition of the term "Majority Lenders" or any provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, (y) release all or substantially all of the Obligors from their guarantee obligations under Article III or (z) modify or waive any of the provisions of Section 2.17, and *provided further* that any modification or supplement of Article III shall require the consent of each Obligor.

Anything in this Agreement to the contrary notwithstanding, if all the capital stock of any Guarantor is sold to any Person that is not an Affiliate of Cinram pursuant to a disposition permitted hereunder or to which the Majority Lenders have consented, the guarantee of such Guarantor and its Wholly Owned Subsidiaries under Article III may be terminated (and, in such circumstances, the Administrative Agent is hereby authorized and directed to release such Guarantor from its obligations hereunder and under the Security Documents).

(c) Amendments to Security Documents. Except as otherwise provided in subsection (b) above with respect to this Agreement, the Administrative Agent may, with the prior consent of the Majority Lenders (but not otherwise), consent to any modification, supplement or waiver under any of the Loan Documents, *provided* that without the prior consent

of each Lender, the Administrative Agent shall not (except as provided herein or in the Security Documents) (i) release all or substantially all of the collateral, or otherwise terminate all or substantially all of the Liens, under the Security Documents, (ii) agree to additional obligations being secured by all or substantially all of the collateral under the Security Documents (except that no such consent shall be necessary, so long as the Majority Lenders have consented thereto, if such additional obligations shall be junior to the Lien in favor of the other obligations secured by the Security Documents, or (iii) alter the relative priorities of the obligations entitled to the benefits of the Liens created under the Security Documents with respect to all or substantially all of such collateral, except that no such consent shall be required, and the Administrative Agent is hereby authorized and directed, to release any Lien covering property that is the subject of a disposition of property permitted hereunder or a disposition to which the Majority Lenders have consented.

SECTION 11.02. Notices, Etc.

(a) Notices Generally. All notices and other communications provided for hereunder shall be in writing (including telecopier) and mailed, telecopied or delivered by hand:

(i) If to ULC or any other Obligor:

c/o Cinram International Inc.  
2255 Markham Road  
Toronto, Ontario M1B 2W3  
Canada  
Attention: John Bell

Telephone No.: 416-298-8190  
Telecopier No.: 416-298-0612

with a copy to:

John Tino

Telephone No.: 416-298-8190  
Telecopier No.: 416-298-1595

(ii) If to the Administrative and the Majority Lenders:

JPMorgan Chase Bank, N.A.,  
270 Park Avenue  
New York, NY 10017  
Mailcode: NY1-K425  
Attention: Jane Orndahl  
email address: jane.orndahl@chase.com  
Telephone No.: 212-270-0522  
Telecopier No.: 212-270-0433

in each case, with a copy to:

JPMorgan Chase Bank, N.A.,  
1111 Polaris Parkway  
4P0663  
Columbus, OH 43240  
Attention: Joseph Giampapa  
email address: joseph.a.giampapa@jpmchase.com  
Telephone No.: 212-270-0522  
Telecopier No.: 212-270-0433

(*provided* that all information that Cinram is required to provide to the Administrative Agent pursuant to Section 6.09 shall be emailed to the Administrative Agent at jane.orndahl@chase.com with a copy to joseph.a.giampapa@jpmchase.com); and

(iii) If to any Lender, at the Domestic Lending Office specified in the Administrative Questionnaire of such Lender,

or, as to ULC, Cinram (or the Borrower) or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to ULC and the Administrative Agent. All such notices and communications shall be deemed to have been duly given or made (i) in the case of hand deliveries, when delivered by hand, (ii) in the case of mailed notices, when received and (iii) in the case of telecopier notice, when transmitted and confirmed during normal business hours (or, if delivered after the close of normal business hours, at the beginning of business hours on the next Business Day), except that notices and communications to the Administrative Agent pursuant to Article II or IX shall not be effective until received by the Administrative Agent.

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent. The Administrative Agent or the Borrower may, in their discretion, agree to accept notices and other communications to them hereunder by electronic communications pursuant to procedures approved by it, *provided* that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), *provided* that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail



address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Obligors and the Lenders hereby agrees that the Administrative Agent may make the information provided to it available to the Lenders by posting such information, documents and other materials on Intralinks or a substantially similar electronic transmission system (the "Platform") on a link set up for purposes of this Agreement. In no event shall the Administrative Agent have any liability to the Obligors, any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind arising out of the transmission of materials through the Platform.

SECTION 11.03. Costs and Expenses; Indemnification, Etc.

(a) Costs and Expenses. The Borrower agrees to pay on demand all reasonable and documented out-of-pocket costs and expenses of the Administrative Agent in connection with (i) the preparation, execution, delivery, modification and amendment of this Agreement, the other Loan Documents, and the other documents to be delivered hereunder and thereunder, and (ii) the Proceedings, including the monitoring thereof and the participation therein in the Administrative Agent's discretion, in each case including the reasonable fees and expenses of (1) counsel for the Administrative Agent with respect thereto and with respect to advising the Agents as to their rights and responsibilities under this Agreement and the other Loan Documents and in the Proceedings (limited in the case of counsel to not more than one counsel in each applicable jurisdiction) and (2) a financial advisor to the Administrative Agent. The Borrower further agrees to pay on demand:

(i) all reasonable and documented costs and expenses of the Administrative Agent, if any (including the reasonable fees and expenses of counsel), in connection with (A) any Default and any enforcement or collection proceedings resulting therefrom, including all manner of participation in or other involvement with the Proceedings and (B) the enforcement of this Section 11.03;

(ii) reserved;

(iii) all transfer, stamp, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement or any of the other Loan Documents or any other document referred to herein or therein and all costs, expenses, taxes, assessments and other charges incurred in connection with any filing, registration, recording or perfection of any security interest contemplated by any Security Document or any other document referred to therein;

(iv) all costs, expenses and other charges in respect of title insurance or notary fees procured with respect to the Liens created pursuant to the Mortgages or any of the other Security Documents; and

(v) reserved.

(b) Indemnification. Each of the Obligors shall, jointly and severally, indemnify the Agents and each Lender, and each of their Affiliates and their respective officers, directors, employees, agents and advisors (each, an "Indemnified Party") against, and hold each Indemnified Party harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnified Party, incurred by or asserted against any Indemnified Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, the performance by the parties hereto of their respective obligations hereunder or the consummation of the transactions contemplated hereby or by any Loan Document, (ii) any Loan or the use of the proceeds therefrom, any payments that the Administrative Agent is required to make under any indemnity issued to any bank pursuant to the Security Agreements to which remittances in respect of Accounts, as defined therein, are to be made, (iii) any actual or alleged presence or Release of Hazardous Materials on or from any property owned or operated by Cinram or any of its Subsidiaries, or any Environmental Claim or other liability under any Environmental Law related in any way to Cinram or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnified Party is a party thereto or whether brought by ULC or any of its Affiliates or by a third party; *provided* that such indemnity shall not, as to any Indemnified Party, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final judgment to have resulted from breach of the Loan Documents by, or the gross negligence or willful misconduct of, such Indemnified Party.

(c) Survival. Without prejudice to the survival of any other agreement of Cinram or the Borrower hereunder, the agreements and obligations of Cinram and the Borrower contained in Sections 2.13 and 2.16, and this Section 11.03, shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes.

(d) Reserved.

(e) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, ULC will not and will not permit any of its Subsidiaries to assert, and ULC (on behalf of itself and each of its Subsidiaries) hereby waives, any claim (other than any claim with respect to actual or contemplated assignments or participations under this Agreement, including claims relating to the disclosure of confidential information in connection therewith) against any Lender, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, the other Loan Documents or any agreement or instrument contemplated hereby or thereby, any Loan or the use of the proceeds thereof.

SECTION 11.04. Right of Set-off. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Obligor against any of and all the obligations of any Obligor now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and

although such obligations may be unmaturred. Each Lender agrees promptly to notify ULC (on its own behalf and on behalf of the Borrower, if applicable) after any such set-off and application made by such Lender, *provided* that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 11.04 are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 11.05. Binding Effect. This Agreement shall become effective when it shall have been executed by each Obligor and the Administrative Agent and when the Administrative Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and thereafter shall be binding upon and inure to the benefit of the Obligors, the Administrative Agent and each Lender and their respective successors and assigns, except that neither ULC, Cinram nor any other Obligor shall have the right to assign its rights hereunder or any interest herein without the prior written consent of each Lender.

SECTION 11.06. Assignments and Participations, Register.

(a) Assignments. Each Lender may (and shall, at the expense of ULC, if requested to do so by ULC pursuant to Section 2.18) assign to one or more Persons (other than to ULC or any of its Subsidiaries or Affiliates) all or a portion of its rights and obligations under this Agreement; *provided* that:

(i) other than in the case of (x) an assignment to an Affiliate or Related Fund of such Lender or an assignment to another Lender or any Affiliate or Related Fund of another Lender or (y) assignments of the type described in Section 11.06(g), such Lender shall have obtained the prior written consent of the Administrative Agent, no such consent to be unreasonably withheld;

(ii) each such assignment of Loans shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement in respect of the Loans;

(iii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender, or an assignment by a Lender to an Affiliate of such Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Loans of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than U.S. \$500,000 or a multiple of U.S. \$500,000 in excess thereof (it being understood that any assignment to a group of funds under common management effected at the same time shall be deemed to be a single assignment for purposes hereof, even though the Loans so assigned may be allocated among such funds in amounts that would be below U.S. \$500,000); and

(iv) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note subject to such assignment and a processing and recordation fee of U.S. \$3,500.



Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business Days after the execution and delivery thereof to the Administrative Agent, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) Agreements of Assignee. By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows:

(i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the other Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto;

(ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Obligor or the performance or observance by any Obligor of any of their respective obligations under this Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto;

(iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Article V and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement or the other Loan Documents;

(v) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement and the other Loan Documents as are delegated to the Administrative Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto; and

(vi) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Register; Notification of Assignments. The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at its address referred to in Section 11.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders of, and principal amount of the Loans held by each such Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and ULC, Cinram, the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by ULC or any Lender at any reasonable time and from time to time upon reasonable prior notice.

Promptly but in no event later than five Business Days following its receipt of any Assignment and Acceptance hereunder that is not required under subsection (a) above to be executed by ULC, the Administrative Agent shall deliver a copy of such Assignment and Acceptance to Cinram. In addition, the Administrative Agent shall, within 10 days upon request by ULC after the end of each calendar quarter, provide ULC with a list of each Lender identified on the Register as holding Loans hereunder as at the end of such quarter, which list shall include (to the extent the same shall have been provided to the Administrative Agent) the type of entity and jurisdiction of organization of each Lender.

(d) Acceptance of Assignments; Notes. Upon the Administrative Agent's receipt of an Assignment and Acceptance (executed by an assigning Lender and an assignee and accompanied by any Note subject to such assignment), the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to ULC.

Within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent:

(x) in the case of an assignment where (1) Loans of the assigning Lender are evidenced by a Note and (2) the assigning Lender has retained Loans hereunder, in exchange for the surrendered Note a new Note payable to the order of the assigning Lender in an amount equal to the Loans as applicable, retained by it hereunder;

(y) in the case of an assignment of Loans, where the assignee has requested that its Loans be evidenced by a Note in accordance with Section 2.08(e), a Note payable to the order of such assignee in an amount equal to the Loans as applicable, purchased by it pursuant to such Assignment and Acceptance.

The new Notes to be executed and delivered by the Borrower under clauses (x) and (y) above shall be in an aggregate principal amount equal to the aggregate principal amount of the Note surrendered in connection with the related assignment, as applicable, shall be dated

the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A hereto, as applicable.

(e) Participations. Each Lender may sell participations to one or more banks or other entities (other than to ULC or any of its Subsidiaries or Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including all or a portion of the Loans owing to it and/or the Note or Notes held by it); *provided* that (i) such Lender's obligations under this Agreement and the other Loan Documents shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Loans or Notes for all purposes of this Agreement, (iv) ULC, Cinram, the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents, and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of any of the Loan Documents or any Note, or any consent to any departure by ULC, Cinram or the Borrower therefrom, except to the extent that such amendment, waiver or consent would increase any Commitment, reduce the principal of, or interest on, the Loans or any fees or other amounts payable hereunder, extend any scheduled amortization or final maturity or release any guarantee or collateral in a transaction requiring approval by more than the Majority Lenders, in each case to the extent subject to such participation. Upon the sale of a participation pursuant to this subsection (e), such Lender shall promptly provide notice to ULC and the Administrative Agent of the sale of a participation (other than a sale of a participation pursuant to Section 2.17); *provided* that the failure by such Lender to provide such notice shall not invalidate the sale of such participation.

If a Lender sells a participation, such Lender shall at the time of the sale provide ULC and the Administrative Agent with revised documentation required by Section 2.16(e). Without limiting the generality of the foregoing, in the case of a Non-U.S. Lender, such Lender shall provide documentation reflecting the portion of its Loans and/or Notes sold pursuant to such participating interest on an executed Internal Revenue Service Form W-8IMY (or replacement form) with any required attachments and the portion of its Loans and/or Notes retained on an Internal Revenue Service Form W-8BEN or W-8ECI (or replacement forms) in each case to the extent such Lender is legally able to do so. Subject to the immediately preceding sentence, the Borrower agrees that each participant shall be entitled to the benefits of Sections 2.13 and 2.16 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (a) of this Section, and that, to the extent permitted by law, each participant also shall be entitled to the benefits of Section 11.04 as though it were a Lender, *provided* such participant agrees to be subject to Section 2.17 as though it were a Lender, and *provided further* that a participant shall not be entitled to receive any greater payment under Section 2.13 or 2.16 than the applicable Lender would have been entitled to receive with respect to the participation sold to such participant, unless the sale of the participation to such participant is made with Cinram's prior written consent.

(f) Disclosure to Assignees and Participants. Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 11.06, disclose to the assignee or participant or proposed assignee or participant, any information relating to ULC or any of its Subsidiaries furnished to such Lender by or



on behalf of ULC; *provided* that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree in writing to preserve the confidentiality of any confidential information relating to ULC and its Subsidiaries received by it from such Lender.

(g) Certain Security Interests. Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement or any other Loan Document (including the Loans owing to it and the Notes held by it) in favor of any third party, including any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System, *provided* that no such security interest shall release a Lender from any of its obligations hereunder or substitute any pledgee for such Lender as a party hereto.

(h) Securities Laws. Each Lender agrees that it will not assign any Loan or sell any participation in any manner or under any circumstances that would require registration, qualification or filings under the securities laws of the United States of America, Canada or any state or province of any country.

(i) No Repayment or Novation. Any assignment or grant of a participation pursuant to this Section 11.06 shall constitute neither a repayment by the Borrower to the assigning or granting Lender of any Loan included therein, nor a new advance of any such Loan to the Borrower by such Lender or by the Assignee or Participant, as the case may be. The parties acknowledge that the Borrower's obligations hereunder with respect to any such Loans will continue and will not constitute new obligations or a novation as a result of such assignment or participation.

SECTION 11.07. Governing Law. This Agreement and the other Loan Documents shall be governed by, and construed in accordance with, the law of the State of New York.

SECTION 11.08. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 11.09. Jurisdiction, Etc. The parties hereto irrevocably submit and attorn to the non-exclusive jurisdiction of the CCAA court and, to the extent applicable, the U.S. Bankruptcy Court, and to the extent that such courts do not have or do not exercise jurisdiction, to any court of competent jurisdiction in the Province of Ontario or any New York State court or federal court of the United States sitting in New York City, and any appellate court from any thereof for all matters arising out of or in connection with this Agreement and the other Loan Documents.

SECTION 11.10. Judgment Currency. This is an international loan transaction in which the specification of Dollars (the "Specified Currency"), and payment in New York City (the "Specified Place"), is of the essence, and the Specified Currency shall be the currency of account in all events relating to Loans or other obligations denominated in the Specified Curren-

cy. The payment obligations of a Borrower or any Guarantor under this Agreement shall not be discharged or satisfied by an amount paid in another currency or in another place, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on conversion to the Specified Currency and transfer to the Specified Place under normal banking procedures does not yield the amount of the Specified Currency at the Specified Place due hereunder. If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in the Specified Currency into another currency (the "Second Currency"), the rate of exchange that shall be applied shall be the rate at which in accordance with normal banking procedures the Administrative Agent could purchase the Specified Currency with the Second Currency on the Business Day next preceding the day on which such judgment is rendered. The obligation of the Borrower or any Guarantor in respect of any such sum due from it to the Administrative Agent or any Lender hereunder (in this Section 11.10 called an "Entitled Person") shall, notwithstanding the rate of exchange actually applied in rendering such judgment, be discharged only to the extent that on the Business Day following receipt by such Entitled Person of any sum adjudged to be due hereunder in the Second Currency such Entitled Person may in accordance with normal banking procedures purchase and transfer to the Specified Place the Specified Currency with the amount of the Second Currency so adjudged to be due; and the Borrower or Guarantor hereby, as a separate obligation and notwithstanding any such judgment, agrees to indemnify such Entitled Person against, and to pay such Entitled Person on demand, in the Specified Currency, the amount (if any) by which the sum originally due to such Entitled Person in the Specified Currency hereunder exceeds the amount of the Specified Currency so purchased and transferred.

SECTION 11.11. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Confidential Information (as defined below), except that Confidential Information may be disclosed (a) to it, its Affiliates and their respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential), (b) to the extent requested by any regulatory authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 11.11, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Obligors and their respective obligations, (g) with the consent of Cinram or (h) to the extent such Confidential Information (x) becomes publicly available other than as a result of a breach of this Section 11.11 or (y) becomes available to the Administrative Agent, any Lender, or any of their respective Affiliates on a nonconfidential basis from a source other than Cinram.

For purposes of this Section 11.11, "Confidential Information" means all information received from ULC or any of its Subsidiaries relating to ULC or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by or on behalf of

ULC, provided that, in the case of information received from ULC after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Confidential Information as provided in this Section 11.11 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Confidential Information as such Person would accord to its own confidential information.

Notwithstanding anything herein to the contrary, "Confidential Information" shall not include, and ULC, the Administrative Agent and each Lender (and their Affiliates and respective partners, directors, officers, employees, agents, advisors and other representatives) may disclose to any and all Persons, without limitation of any kind, any information with respect to the U.S. federal income tax treatment and U.S. federal income tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Administrative Agent or such Lender relating to such tax treatment and tax structure.

SECTION 11.12. Patriot Act Notice. Each Lender subject to the USA Patriot Act of 2001 (31 U.S.C. 5318 et seq.) hereby notifies the Borrower that, pursuant to Section 326 thereof, it is required to obtain, verify and record information that identifies the Borrower, including the name and address of the Borrower and other information allowing such Lender to identify the Borrower in accordance with such act.

SECTION 11.13. Exclusion of Certain French Subsidiaries. Anything in this Agreement or in any Security Document to the contrary notwithstanding, none of Cinram France Holdings S.A., Cinram Optical Disc S.A.S. and Cinram France, S.A. shall be required to be or become a "Guarantor" hereunder, or to grant Liens under any Security Document, *provided* that, to the extent any Obligor shall hold any Indebtedness of any such entity, such Indebtedness shall be secured by Liens pursuant to Security Documents in form satisfactory to the Administrative Agent, granting a Lien on substantially all of their assets to secure such Indebtedness.

SECTION 11.14. [Reserved].

SECTION 11.15. [Reserved].

SECTION 11.16. Anti-Money Laundering.

(a) The Borrower acknowledges that, pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and other applicable anti-money laundering, anti-terrorist financing, government sanction and "know your client" Laws, whether within Canada or any other jurisdiction (collectively, including any guidelines or orders thereunder, "AML Legislation"), the Lenders and the Administrative Agent may be required to obtain, verify and record information regarding the Borrower, its directors, authorized signing officers, direct or indirect shareholders or other Persons in control of the Borrower, and the transactions contemplated hereby. Borrower shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by any Lender or the Administrative Agent, or any prospective assign or participant of a Lender or the Adminis-



trative Agent, in order to comply with any applicable AML Legislation, whether now or hereafter in existence.

(b) If the Administrative Agent has ascertained the identity of the Borrower or any authorized signatories of the Borrower for the purposes of applicable AML Legislation, then the Administrative Agent:

(i) shall be deemed to have done so as an agent for each Lender, and this Agreement shall constitute a "written agreement" in such regard between each Lender and the Administrative Agent within the meaning of applicable AML Legislation; and

(ii) shall provide to each Lender copies of all information obtained in such regard without any representation or warranty as to its accuracy or completeness.

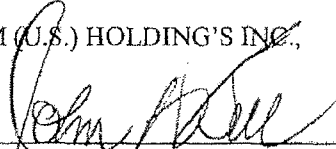
Notwithstanding the preceding sentence and except as may otherwise be agreed in writing, each of the Lenders agrees that the Administrative Agent has no obligation to ascertain the identity of the Borrower or any authorized signatories of the Borrower on behalf of any Lender, or to confirm the completeness or accuracy of any information it obtains from the Borrower or any such authorized signatory in doing so.

[remainder of page intentionally blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

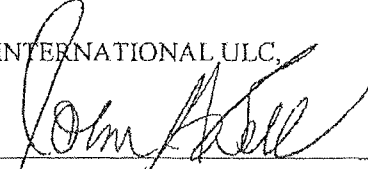
CINRAM (U.S.) HOLDING'S INC.,

by

  
Name: JOHN H. BELL  
Title: A.S.O.

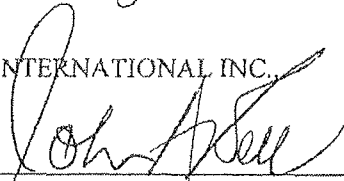
CINRAM INTERNATIONAL ULC,

By

  
Name: JOHN H. BELL  
Title: A.S.O.

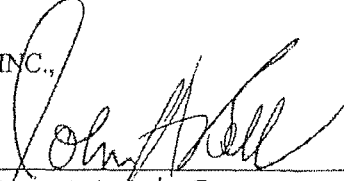
CINRAM INTERNATIONAL INC.,

by

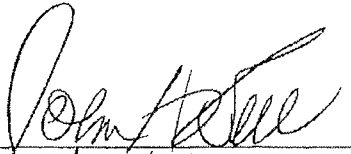
  
Name: John H. Bell  
Title: Chief Financial Officer

CINRAM, INC.,

By

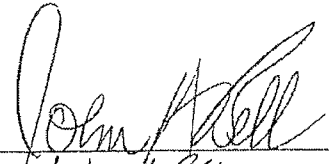
  
Name: JOHN H. BELL  
Title: A.S.O.

CINRAM WIRELESS LLC  
CINRAM MANUFACTURING LLC  
IHC CORPORATION  
CINRAM RETAIL SERVICES, LLC  
ONE K STUDIOS, LLC  
CINRAM DISTRIBUTION LLC

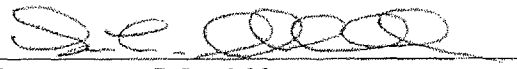
By:   
Name: John H Beal  
Title: A.S.O



1362806 ONTARIO LIMITED

By:   
Name: JOHN H BEKE  
Title: A.S.O

JPMORGAN CHASE BANK, N.A., as Administrative Agent

By: 

Name: Jane E Orndahl

Title: Special Credits Senior Asset Mgr.

**[LENDERS' SIGNATURE PAGES REDACTED]**



**Schedule 1.01**

**Mortgaged Real Property**

<b>Owner</b>	<b>Address</b>	<b>City</b>	<b>Country</b>
Cinram International Inc.	2255 Markham Road	Toronto, ON	Canada

**Schedule 2.01 to the DIP Credit Agreement**

**CONFIDENTIAL**

**Consents and Authorizations**

None.



**Financial Statements**

None.

**Schedule 5.06**

**Litigation**

None.

**Environmental Matters**

In April 2010, Cinram, Inc. ("Cinram") received an environmental assessment report (the "Report") from the landlord of the facility located in Richmond, Indiana (the "Facility") that had been used by Cinram to manufacture compact discs. The Report shows likely hydraulic oil contamination in the soil and alleges that hydraulic oil seeped up through cracks in the basement of the Facility and dripped from the pipe insulation in the basement. The landlord alleges that Cinram breached its lease agreement by causing such contamination. Cinram has asserted that (a) the contamination resulted from the prior tenant's operations in the Facility and (b) Cinram is not in breach of the lease agreement.



Intellectual PropertyA. CINRAM COPYRIGHT REGISTRATIONS – U.S.

	Copyright Title	Author	Copyright Number	Owner
001	Introduction to ISO9660	Clayton Summers & Disc Manufacturing	TX 3-701-242 (1993)	Cinram, Inc.
002	Compact disc terminology	Steven C. Langer, Phillip J. Busk, Clay Summers et al. 2nd ed.	TX 3-781-250 (1993)	Cinram, Inc.
003	Compact disc terminology	James Randolph Fricks & Disc Manufacturing, Inc.	TX[u] 497-708 (1991)	Cinram, Inc.
004	DMI interactive gallery	Disc Manufacturing, Inc. PA	PA 726-119 (1994)	Cinram, Inc.
005	Integrating mixed-mode CD ROM	Phillip J. Busk & Disc Manufacturing, Inc.	TX 513-335 (1992)	Cinram, Inc.
006	Clud indee	Media Vortex, Inc.	PA 718-691 (1995)	Cinram, Inc.
007	Club IN 3	Media Vortex, Inc.	TX 4-187-046 (1996)	Cinram, Inc.
008	Myriad multimedia music magazine	Vortex, Inc. PA	PA 765-801 (1995)	Cinram, Inc.
009	Compact disc terminology	James Randolph Fricks & Disc Manufacturing, Inc.	Txu 513-336 (1992)	Cinram, Inc.
010	An overview of multimedia CD-Rom production	Disc Manufacturing, Inc.	TXu 513-334 (1992)	Cinram, Inc.
011	Measuring print characteristics	Ivy Hill Corporation	TXu 573-080 (1992)	Cinram, Inc.

**B. PATENTS AND PATENT APPLICATIONS**Cinram International Inc.

Title	Appl. No.	Filed	Patent/Publ. No.	Status
APPARATUS AND METHOD FOR ELECTROPLATING	08/084,543	Sept. 14, 1993	5,427,674	Lapsed
APPARATUS AND METHOD FOR ELECTROPLATING	07/838,556	Sept. 14, 1993	5,244,563	Lapsed
APPARATUS AND METHOD FOR FORMING REFLECTIVE LAYER OF OPTICAL DISC	11/136,229	May 24, 2005	2006/0270080 A1 7,978,583	Granted
METHOD AND APPARATUS FOR PROTECTING AGAINST COPYING OF CONTENT RECORDED ON OPTICAL RECORDING MEDIA	10/903,099	July 30, 2004	2006/0023598 A1	Filed (on appeal)
APPARATUS AND METHOD FOR MINIMIZING REGISTRATION ERRORS WHEN MOUNTING PLATE CYLINDERS IN AN OPTICAL DISC PRINTING SYSTEM	10/988,302	Nov. 12, 2004	7,325,287	Granted
SECURE OPTICAL MEDIA STORAGE	10/987,768	Nov. 12, 2004	2006/0104190 A1 8,151,366	Granted
SECURE OPTICAL MEDIA STORAGE	12/718,889 (div. of 10/987,768 )	March 5, 2010		Filed
OPTICAL DISC WITH TEXTURED EDGE	11/095,903	March 31, 2005	2006/0222808 A1 7,906,194	Granted
OPTICAL DISC WITH TEXTURED EDGE	13/022,094	February 7, 2011	2011/0171416 A1	Filed
IMPROVED APPARATUS FOR MULTILEVEL OPTICAL RECORDING	11/042,893	Jan. 25, 2005	2006/0165419 A1	Filed (on appeal)
PROCESS FOR ENHANCING DYE POLYMER RECORDING YIELDS BY PRE-SCANNING COATED SUBSTRATE FOR DEFECTS	11/057,941	Feb. 15, 2005	2006/0181706 A1	Filed(on appeal)

Title	Appl. No.	Filed	Patent/Publ. No.	Status
TECHNIQUES FOR FORMING BURST CUTTING AREA MARK (Title used in Non-Provisional application)	11/301,312 (60/687,101)	Dec. 12, 2005 (June 3, 2005)	2006/0274617 A1	Filed
TECHNIQUES FOR FORMING BURST CUTTING AREA MARK (Title used in parent Non-Provisional application)	12/567,886 (div of 11/301,312 )	Sept. 28, 2009	8,147,729	Granted
IMPROVED APPARATUS AND METHOD FOR DETECTING LASER DROPOUT	11/176,774	July 7, 2005	7,535,806	Granted
BONDED PRE-RECORDED AND RECORDABLE OPTICAL DISC	11/181,156	July 14, 2005	7,564,771	Granted
APPARATUS AND METHOD FOR IMPROVING PACKAGING FLOW	11/197,904	Aug. 5, 2005	7,419,045	Granted
SPINDLE SLEEVE	11/259,487	Oct. 26, 2005	2007/0090006 A1	Filed (on appeal)
MULTI-PURPOSE HIGH-DENSITY OPTICAL DISC	11/284,687 (60/733,598)	Nov. 22, 2005 (Nov. 3, 2005)	7,684,309	Granted
MULTI-PURPOSE HIGH-DENSITY OPTICAL DISC	12/696,878 (contin. of 11/284,687 )	January 29, 2010 (Nov. 22, 2005)	7,986,601	Granted
METHOD FOR FORMING LIGHT-TRANSMITTING COVER LAYER FOR OPTICAL RECORDING MEDIUM	11/715,249 (60/781,085)	March 6, 2007 (March 9, 2006)	7,910,191	Granted
MULTI-IMAGE DISC MOLDING APPARATUS AND METHOD FOR SMALL FORM FACTOR DISC REPLICATION	11/938,572 (60/860,556; 60/928,837 )	Nov. 12, 2007 (Nov. 21, 2006; May 11, 2007)		Filed
APPARATUS AND METHOD FOR SEPARATING TOPMOST DISC-LIKE OBJECT FROM A STACK	11/705,682	Feb. 13, 2007	7,637,713	Granted
METHOD AND APPARATUS FOR SEPARATING DUMMY DISC FROM MULTI-LAYER SUBSTRATE FOR OPTICAL STORAGE MEDIUM	11/936,625 (60/860,286)	Nov. 7, 2007 (Nov. 20, 2006)	7,946,015	Granted



Title	Appl. No.	Filed	Patent/Publ. No.	Status
HIGH-DENSITY OPTICAL RECORDING MEDIA AND METHOD FOR MAKING SAME	11/726,968	March 22, 2007	7,986,611	Granted
RECORDING MEDIA WITH FEATURES TO RENDER MEDIA UNREADABLE AND METHOD AND APPARATUS FOR REPLICATION OF SAID MEDIA	12/126,667 (60/931,849)	May 23, 2008 (May 25, 2007)	8,031,580	Granted
MANUFACTURING OF OPTICAL RECORDING MEDIA	61/316,055	March 22, 2010		Filed
DUAL SIDED OPTICAL STORAGE MEDIA AND METHOD FOR MAKING SAME	(61/249,949) 12/896,344	October 8, 2009 October 1, 2010		Filed
CONTROLLING ACCESS TO DIGITAL CONTENT	(61/260,499) 12/945,320	Nov. 12, 2009 Nov. 12, 2010		Filed
TIMELINE MARKS FOR DIGITAL MEDIA	(61/309,212) 13/028,709	March 1, 2010 Feb. 6, 2011		Filed
CONTENT UNLOCKING	(61/290,052) 12/978,299	December 24, 2009 Dec. 23, 2010		Filed
OPTICAL RECORDING MEDIUM AND BCA RECORDING METHOD AND APPARATUS	(61/331,250) 13/100,513	May 4, 2010 May 4, 2011		Filed
MEDIA REPLICATION METHOD & COPY PROTECTION METHOD & APPARATUSES THEREFOR	(61/362,215) 13/100,653	July 7, 2010 May 4, 2011		Filed
REPRODUCTION METHOD FOR AUDIOVISUAL CONTENT	61/621,688	April 9, 2012		
METHODS, APPARATUS AND RECORDING MEDIUM FOR SELECTIVE ACCESS TO CONTENT	61/500,839	June 24, 2011		

**C. U.S. TRADEMARKS**Cinram International Inc.

<b>Trademark</b>	<b>Reg. No./Date</b>	<b>App. No./Filed</b>	<b>Status</b>
CINRAM & DESIGN	2,224,909 February 23, 1999	75-136,887 July 19, 1996	Registered
CINRAM	2,224,908 February 23, 1999	75-136,880 July 19, 1996	Registered
CINRAM & design	4,078,474 January 3, 2012	77-806,166 August 17, 2009	Registered
CINRAM RETAIL SERVICES		85-380,853 July 26, 2011	Pending
DITAN	4,143,377 May 15, 2012	85-095,960 July 29, 2010	Registered
GRIP FLIX & DESIGN	4,046,235 October 25, 2011	85-019318 April 21, 2010	Registered
VISION & DESIGN		85-361,516 July 1, 2011	Pending

IHC Corporation

<b>Trademark</b>	<b>Reg. No. / Date</b>	<b>App. No. / Filed</b>	<b>Status</b>
IVY HILL	1,707,281 19920811	74-139,202 19910214	Registered

Cinram Distribution LLC

<b>Trademark</b>	<b>Reg. No. / Date</b>	<b>App. No. / Filed</b>	<b>Status</b>
CINRAM GAMES		85-262,186 March 9, 2011	Pending

One K Studios, LLC

<b>Trademark</b>	<b>Reg. No. / Date</b>	<b>App. No. / Filed</b>	<b>Status</b>
1KSTUDIOS		85-500,896 December 21, 2011	Pending
LIFECYCLE		85-498,410 December 19, 2011	Pending
SHOWBOOK		85-574,449 March 20, 2012	Pending

**Part D of Schedule 5.15 to the DIP Credit Agreement**

**CONFIDENTIAL**



**Part E of Schedule 5.15 to the DIP Credit Agreement**

**CONFIDENTIAL**

**F. FOREIGN TRADEMARKS**

Cinram International Inc.

<b>Trademark</b>	<b>Country/Region</b>	<b>Reg. No./ Date</b>	<b>APP. No. / Filed</b>	<b>Status</b>
CINRAM	Canada	537,502 November 22, 2000	0816,103 June 24, 1996	Registered
CINRAM & DESIGN	Canada		1,479,788 May 5, 2010	Pending
CINRAM	Canada		1,479,794 May 5, 2010	Pending
CINRAM & design	Canada	537,505 November 22, 2000	0816,102 June 24, 1996	Registered
CINRAM & design	Canada	803,206 July 29, 2011	1,429,291 February 27, 2009	Registered
CINRAM RETAIL SERVICES	Canada		1,534,031 June 30, 2011	Pending
DITAN	Canada		1,463,368 May 1, 2010	Pending <sup>5</sup>
DITAN & design	Canada		1,463,370 May 1, 2010	Pending <sup>6</sup>
ECONOFILE	Canada	439,729 February 24, 1995	715,375 October 23, 1992	Registered
VISION	Canada		1,530,462 June 3, 2011	Pending
CINRAM	Canada		1,569,796 March 21, 2012	Pending
CINRAM & DESIGN	Canada		1,569,797 March 21, 2012	Pending
CINRAM& design	Europe	351,759 June 29, 1999	351,759 October 8, 1996	Registered
CINRAM	Europe	378,620 March 30, 1999	378,620 October 8, 1996	Registered
CINRAM & design	Europe	8,509,267 April 5, 2010	8509267 August 25, 2009	Registered
CINRAM RETAIL SERVICES	Europe	10184091 January 11, 2012	10184091 August 9, 2011	Registered
VISION& design	Europe	10190081 January 11, 2012	10190081 August 11, 2011	Registered

<sup>5</sup> Currently in the name of Ditan Distribution LLC, a Delaware Limited Liability Company but being transferred to Cinram International Inc.

<sup>6</sup> Currently in the name of Ditan Distribution LLC, a Delaware Limited Liability Company but being transferred to Cinram International Inc.

<b>Trademark</b>	<b>Country</b>	<b>Reg. No. / Date</b>	<b>App. No. / Filed</b>	<b>Owner</b>	<b>Status</b>
CINRAM	MX	516469 February 2, 1996	213364 September 28, 1994	N/A	N/A
N/A	JP	N/A	2001507848 June 12, 2001	N/A	N/A
FLIP-PAK	JP	4550236 March 8, 2002	108493 October 4, 2000	N/A	N/A
FLP	NZ	258,843 March 4, 1998	N/A February 15, 1996	N/A	N/A



**Part G of Schedule 5.15 to the DIP Credit Agreement**

**CONFIDENTIAL**

## Schedule 5.16

Real Property

Interest Holder	Owned/ Leased	Address	City	Country	Subject to Mortgage (Y/N)
Cinram Distribution LLC	Leased	437 Sanford Road	LaVergne, TN	USA	N
Cinram Distribution LLC	Leased	948 Meridian Lake Drive	Aurora, IL	USA	N
Cinram, Inc.	Owned	4905 Moores Mill Road	Huntsville, AL	USA	Y
Cinram, Inc.	Leased	300 Diamond Drive	Huntsville, AL	USA	N
Cinram, Inc.	Leased	1000 James Record Road	Huntsville, AL	USA	N
Cinram International Inc.	Leased	5590 Finch Avenue East	Toronto Ontario M1B 2W3	Canada	N
Cinram International Inc.	Owned	2255 Markham Road	Toronto, ON	Canada	Y
Cinram International Inc.	Leased	400 Nugget Avenue	Toronto, ON	Canada	N
Cinram Wireless LLC	Leased	5300 Westport Parkway	Fort Worth, TX	USA	N
Cinram Distribution LLC	Leased	3500 West Valley Highway N. Unit B103	Auburn, WA	USA	N
Cinram Distribution LLC	Leased	701 Congressional Boulevard	Carmel, IN	USA	N
Cinram Retail Services LLC	Leased	340 East Big Beaver, Unit 220	Troy, MI	USA	N
Cinram Manufacturing LLC	Owned	1400 E. Lackawanna Avenue	Olyphant, PA	USA	Y
IHC Corporation	Owned	4325 Shepherdsville Road	Louisville, KY	USA	Y
One K Studios LLC	Leased	3400 West Olive Avenue, Suite 300	Burbank, CA	USA	N
One K Studios LLC	Leased	3400 West Olive Avenue, Suite 370	Burbank, CA	USA	N
Cinram Distribution LLC	Leased	2682 Bishop Drive, Suite 216	San Ramon, CA	USA	N
Cinram Distribution LLC	Leased	39 South Park Blvd	Greenwood, IN	USA	N
Cinram Distribution LLC	Leased	160 First St.	Batavia, IL	USA	N

**Material Agreements and Liens**

**A. Debt**

1. Third Party Debt

Cinram, Inc.

Capital Lease, dated June 8, 2011 Singulus Technologies AG, as Seller and Cinram, Inc., as Buyer, in an amount up to Euro 7,000,000. As of May 31, 2012 the balance is U.S. \$4,787,810.



**Part A.2. of Schedule 5.17 to the DIP Credit Agreement**

**CONFIDENTIAL**

B. Liens

U.S. LIENS

Debtor	State	UCC Type, File No. and File Date	Secured Party	Collateral Description
CINRAM INTERNATIONAL INC.	DC	UCC-1 #2007071783 5/29/07	Singulus Technologies AG	Equipment lease
		UCC-3 6/6/07	Singulus Technologies AG	Amendment to add additional equipment lease
		UCC-3 6/17/07	Singulus Technologies AG	Amendment to add additional equipment lease
CINRAM INTERNATIONAL INC.	DC	UCC-1 #2007071818 5/29/07	Singulus Technologies AG	Equipment lease
		UCC-3 6/6/07	Singulus Technologies AG	Amendment to add additional equipment lease
CINRAM INTERNATIONAL INC.	DC	UCC-1 #2008089090 8/19/08	Singulus Technologies AG	Equipment lease
CINRAM, INC.	DE	UCC-1 #13002311 8/3/11	SINGULUS TECHNOLOGIES AG	Amendment to add additional equipment lease
CINRAM, INC.	DE	UCC-1 #13184085 8/16/11	SINGULUS TECHNOLOGIES AG	Equipment lease
CINRAM, INC.	DE	UCC-1 #13269514 8/23/11	SINGULUS TECHNOLOGIES AG	Equipment lease
CINRAM, INC.	DE	UCC-1 #13372607 8/31/11	SINGULUS TECHNOLOGIES AG	Equipment lease

<u>Debtor</u>	<u>State</u>	<u>UCC Type, File No. and File Date</u>	<u>Secured Party</u>	<u>Collateral Description</u>
CINRAM, INC.	DE	UCC-1 #13571265 9/16/11	SINGULUS TECHNOLOGIES AG	

CANADIAN LIENS

<u>Secured Party</u>	<u>File Number</u>	<u>Regr. No.</u>	<u>Collateral Description</u>	<u>Debtor</u>
1. G.N. Johnston Equipment Co. Ltd.	660454353	20100409 1507 1097 3898	Specific equipment (lift trucks and batteries)	Cinram International Inc.
2. G.N. Johnston Equipment Co. Ltd.	659255544	20100212 1350 1097 3858	Specific equipment (lift trucks and batteries)	Cinram International Inc.
3. G.N. Johnston Equipment Co. Ltd.	651970566	20090310 1509 1097 3620	Specific equipment (lift trucks and batteries)	Cinram International Inc.
4. G.N. Johnston Equipment Co. Ltd.	651817332	20090303 1456 1097 3616	Specific equipment (lift trucks and batteries)	Cinram International Inc.
5. G.N. Johnston Equipment Co. Ltd.	642157371	20080121 1411 1097 3140	Specific equipment (lift trucks and batteries)	Cinram International Inc.
6. G.N. Johnston Equipment Co. Ltd.	620754345	20051124 1328 1097 2318	Specific equipment (lift trucks and batteries)	Cinram International Inc.



<u>Secured Party</u>	<u>File Number</u>	<u>Regn No.</u>	<u>Collateral Description</u>	<u>Debtor</u>
7. G.N. Johnston Equipment Co. Ltd.	676688373	20120307 1515 1097 4506	Specific equipment (lift trucks and batteries)	Cinram International Inc.
8. CIT Financial Ltd.	674472429	20111118 1319 1616 8157	Equipment (Xerox printers)	Cinram International Inc.
9. G.N. Johnston Equipment Co. Ltd.	673186833	20110926 1341 1097 4344	Equipment (lift trucks and batteries)	Cinram International Inc.
10. G.N. Johnston Equipment Co. Ltd.	670125348	20110525 1526 1097 4220	Equipment (lift trucks and batteries)	Cinram International Inc.

## Schedule 5.18

Subsidiaries

Name of Entity	Jurisdiction of Organization	Form of Entity	Parent Entity	Percentage Ownership
1362806 Ontario Limited	Ontario, Canada	Corporation	Cinram International Inc.	100%
Cinram Distribution LLC	Delaware	Limited Liability Company	Cinram (U.S.) Holding's Inc.	100%
Cinram, Inc.	Delaware	Corporation	Cinram (U.S.) Holding's Inc.	100%
Cinram International (Hungary)	Hungary	Servicing Company Limited by Shares (Szolgáltató Részvénytársaság)	Cinram International Inc.	100%
Cinram International Inc.	Canada	Corporation	Cinram International ULC	100%
Cinram Manufacturing LLC	Delaware	Limited Liability Company	Cinram (U.S.) Holding's Inc.	100%
Cinram Wireless LLC	Delaware	Limited Liability Company	Cinram (U.S.) Holding's Inc.	100%
Cinram (U.S.) Holding's Inc.	Delaware	Corporation	Cinram International Inc.	100%
IHC Corporation	Delaware	Corporation	Cinram (U.S.) Holding's Inc.	100%
Cinram Retail Services LLC	Delaware	Limited Liability Company	Cinram (U.S.) Holding's Inc.	100%
One K Studios, LLC	California	Limited Liability Company	Cinram (U.S.) Holding's Inc.	100%
Coöperatie Cinram Netherlands U.A.	Netherlands	Cooperative	1362806 Ontario Limited	0.05%
			Cinram International Inc.	99.95%
Synbar Equities	Barbados	Corporation	Cinram International Inc.	100%

**Transactions with Affiliates**

None.



**Schedule 7.06 to the DIP Credit Agreement**

**CONFIDENTIAL**

**Schedule 7.08 to the DIP Credit Agreement**

**CONFIDENTIAL**

[Form of Note]

## PROMISSORY NOTE

U.S. \$ \_\_\_\_\_

Dated: \_\_\_\_\_

FOR VALUE RECEIVED, CINRAM (U.S.) HOLDING'S INC., a corporation organized under the law of Delaware (the "Payor") hereby promises to pay to \_\_\_\_\_ (the "Lender"), for account of its Applicable Lending Office provided for by the Credit Agreement as defined below, at the principal office of JPMorgan Chase Bank, N.A., 270 Park Avenue, New York, NY 10017, such amount as shall equal the aggregate unpaid principal amount of each Loan made by the Lender to the Payor under the Credit Agreement, in immediately available funds, on the dates, in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Loan, at such office in accordance with the terms of the Credit Agreement.

The date, amount, Type, interest rate and duration of Interest Period (if applicable) of each Loan made by the Lender to the Payor, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the schedule attached hereto or any continuation thereof, *provided* that the failure of the Lender to make any such recordation (or any error in making any such recordation) or endorsement shall not affect the obligations of the Payor to make a payment when due of any amount owing under the Credit Agreement or hereunder in respect of the Loans made by the Lender to the Payor.

This Note is one of the Notes referred to in the Senior Secured Priming and Superpriority Debtor-in-Possession Credit Agreement dated as of June ●, 2012 (as modified and supplemented and in effect from time to time, the "Credit Agreement") between Cinram International ULC, Cinram International Inc., Cinram, Inc., Cinram (U.S.) Holding's Inc., the Guarantors party thereto, the Lenders party thereto (including the Lender) and JPMorgan Chase Bank, N.A., as Administrative Agent, and evidences Loans made thereunder by the Lender to the Payor. Terms used but not defined in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of the Loans upon the terms and conditions specified therein.

Except as permitted by Section 11.06 of the Credit Agreement, this Note may not be assigned by the Lender to any other Person.

Form of Note



This Note shall be governed by, and construed in accordance with, the law of the State of New York.

IN WITNESS WHEREOF, the Payor has caused this Note to be duly executed by its authorized officer as of the day and year first above written.

CINRAM (U.S.) HOLDING'S INC.

By: \_\_\_\_\_

Name:

Title:



[Form of Notice of Borrowing]

NOTICE OF BORROWING

[ \_\_\_\_\_ ], 2012

JPMorgan Chase Bank, N.A.,  
270 Park Avenue, 22<sup>nd</sup> Floor  
New York, NY 10172-0003  
Mailcode: NY1-L271  
Attention: Jane Orndahl  
email address: jane.orndahl@chase.com  
Telephone No.: 212-270-0522  
Telecopier No.: 212-270-0433

with a copy to:

JPMorgan Chase Bank, N.A.,  
1111 Polaris Parkway, Floor 4P  
Columbus, OH 43240-2050  
Attention: Gregory E. Sutton  
email address: gregory.e.sutton@jpmchase.com  
Telecopier No.: 614-248-6060

Ladies and Gentlemen:

The undersigned refers to the Senior Secured Priming and Superpriority Debtor-in-Possession Credit Agreement dated as of June ●, 2012 (as modified and supplemented and in effect from time to time, the "Credit Agreement") between Cinram International ULC, Cinram International Inc., Cinram, Inc., Cinram (U.S.) Holding's Inc., the Guarantors party thereto, the Lenders party thereto (including the Lender) and JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent. Terms defined in the Credit Agreement are used herein as defined therein.

Form of Notice of Borrowing



The undersigned hereby requests Loans under the Credit Agreement (the "Proposed Borrowing"), as follows:

- (1) The proposed Draw Date is \_\_\_\_\_, 2012.
  
- (2) The Loans are to be comprised of [Base Rate Loans] [Eurocurrency Rate Loans].
  
- (3) The aggregate amount of the Loans is U.S. \$\_\_\_\_\_.
  
- (4) The account of the undersigned to which the proceeds of the Loans are to be made available is as follows:

Bank Name: \_\_\_\_\_

Bank Address: \_\_\_\_\_

ABA Number: \_\_\_\_\_

Account Number: \_\_\_\_\_

Attention: \_\_\_\_\_

Reference: \_\_\_\_\_

The undersigned hereby represents and warrants that:

- (a) the representations and warranties contained in Article V of the Credit Agreement, and in each of the other Loan Documents, are complete and correct on and as of the date of such Proposed Borrowing, before and after giving effect to such proposed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date; and

Form of Notice of Borrowing

(b) no event has occurred and is continuing, or would result from the proposed Borrowing or from the application of the proceeds therefrom, that constitutes a Default.

Very truly yours,

CINRAM (U.S.) HOLDING'S INC.

By: \_\_\_\_\_

Name:

Title:

[Form of Assignment and Acceptance]

ASSIGNMENT AND ACCEPTANCE

This Assignment and Acceptance (the “Assignment and Acceptance”) is dated as of the Effective Date set forth below and is entered into by and between [NAME OF ASSIGNOR] (the “Assignor”) and [NAME OF ASSIGNEE] (the “Assignee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement defined below, receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Acceptance as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the “Assigned Interest”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Acceptance, without representation or warranty by the Assignor.

- 1. Assignor: \_\_\_\_\_
  
- 2. Assignee: \_\_\_\_\_



[and is an Affiliate/Approved Fund of [*identify Lender*]<sup>1</sup>]

3. Borrower: Cinram (U.S.) Holding's Inc.

Administrative Agent: JPMorgan Chase Bank, N.A., as the administrative agent under the Credit Agreement

4. Credit Agreement: The Senior Secured Priming and Superpriority Debtor-in-Possession Credit Agreement dated as of June ●, 2012 (as modified and supplemented and in effect from time to time, the "Credit Agreement") between Cinram International ULCC, Cinram International Inc., Cinram, Inc., Cinram (U.S.) Holding's Inc., the Guarantors party thereto, the Lenders party thereto (including the Lender) and JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent (as amended, the "Credit Agreement").

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<sup>1</sup> Select as applicable.

5. Assigned Interest:

Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned	Percentage assigned of Commitment/Loans <sup>2</sup>
\$	\$	%
\$	\$	%
\$	\$	%
\$	\$	%
\$	\$	%

Effective Date: \_\_\_\_\_, 20\_\_ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The Assignee agrees to deliver to the Administrative Agent a completed Administrative Questionnaire in which the Assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Borrowers and their Affiliates) will be made available and who may receive such information in accordance with the Assignee's compliance procedures and applicable laws, including Federal and state securities laws.

...(continued)

<sup>2</sup> Set forth, to at least 9 decimals, as a percentage of the Commitment/Advances of all Lenders thereunder.

The terms set forth in this Assignment and Acceptance are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

by

\_\_\_\_\_  
Name:

Title:

ASSIGNEE

[NAME OF ASSIGNEE],

by

\_\_\_\_\_  
Name:

Title:

[Consented to and]<sup>3</sup> Accepted:

\_\_\_\_\_  
<sup>3</sup> To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.



JPMORGAN CHASE BANK, N.A., as  
Administrative Agent,

by

\_\_\_\_\_

Name:

Title:

[Consented to]<sup>4</sup>

[NAME OF RELEVANT PARTY],

by

\_\_\_\_\_

Name:

Title:

\_\_\_\_\_  
<sup>4</sup> To be added only if the consent of ULC and/or other parties is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR  
ASSIGNMENT AND ACCEPTANCE

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrowers, any of their Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrowers, any of their Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received and/or had the opportunity to review a copy of the Credit Agreement to the extent it has in its sole discretion deemed necessary, together with copies of the most recent financial statements delivered pursuant to Section 6.09(a) thereof and such other documents and information as it has in its sole discretion deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Non-U.S. Lender, attached to the Assignment and Acceptance is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

Form of Assignment and Acceptance

3. General Provisions. This Assignment and Acceptance shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Acceptance may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Acceptance by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. This Assignment and Acceptance shall be governed by, and construed in accordance with, the law of the State of New York.



EXHIBIT D

[RESERVED]

EXHIBIT E

[RESERVED]

**Freehold Mortgage**

FREEHOLD MORTGAGE, ASSIGNMENT OF RENTS,  
SECURITY AGREEMENT AND FIXTURE FILING

KNOW ALL PERSONS BY THESE PRESENTS:

THIS FREEHOLD MORTGAGE, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "Mortgage") is made as of June 22, 2012 by CINRAM INTERNATIONAL INC., a company duly organized and validly existing under the Canada Business Corporations Act and having an office at 2255 Markham Road, Toronto, Ontario, M1B 2W3, Canada (the "Mortgagor"), in favour of JPMORGAN CHASE BANK, N.A., a bank listed on Schedule III of the Bank Act (Canada) company having its principal office at Suite 1800, South Tower, Royal Bank Plaza, Toronto, Ontario, M5J 2J2, Canada, as administrative agent for the Secured Parties (as defined in the Credit Agreement referred to below) (in such capacity, together with its successors in such capacity, the "Mortgagee").

WITNESSETH:

WHEREAS, **CINRAM INTERNATIONAL ULC**, a Nova Scotia unlimited liability company ("ULC"); the Mortgagor; **CINRAM, INC.**, a corporation organized under the laws of the State of Delaware ("CIUS"); **CINRAM (U.S.) HOLDING'S INC.**, a corporation organized under the law of the State of Delaware (the "Borrower"), the Guarantors party thereto (including the Mortgagor), certain lenders (collectively, the "Lenders") and the Mortgagee are parties to the Senior Secured Priming and Superpriority Debtor-in-Possession Credit Agreement dated as of June 22, 2012 (said Credit Agreement, including all annexes, exhibits and schedules thereto, and from time to time as amended, amended and restated, supplemented or otherwise modified, being herein collectively, called the "Credit Agreement"); except as otherwise herein expressly provided, all terms defined in the Credit Agreement being used herein as defined therein), which Credit Agreement provides for extensions of credit (by making of debtor-in-possession loans) to be made by the Lenders to the Borrower in an aggregate principal or face amount not exceeding U.S. \$15,000,000;

WHEREAS, pursuant to Section 3.01 of the Credit Agreement the Mortgagor has, *inter alia*, unconditionally guaranteed the principal of and interest on, and all other amounts from time to time owing under the Credit Agreement;

WHEREAS, the Mortgagor, ULC and 1362806 Ontario Limited have commenced cases or applications to obtain protection from their creditors under the Companies' Creditors Arrangement Act (Canada);

WHEREAS, it is a condition to the obligation of the Lenders to extend credit to the Borrower pursuant to the Credit Agreement that the Mortgagor execute and deliver this Mortgage;



NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, and FOR THE PURPOSE OF SECURING the following (collectively, the "Obligations"):

(a) the obligations of the Mortgagor in respect of the Guaranteed Obligations pursuant to Article III of the Credit Agreement; and

(b) all other amounts from time to time owing by the Mortgagor hereunder,

the Mortgagor hereby irrevocably grants, bargains, sells, releases, conveys, warrants, assigns, transfers, mortgages, pledges, sets over and confirms unto the Mortgagee, under and subject to the terms and conditions hereinafter set forth, the land and premises (collectively, the "Property") described in Schedule I attached hereto;

TOGETHER WITH all interests, estates or other claims, both in law and in equity, that the Mortgagor now has or may hereafter acquire in (a) the Property, (b) all easements, rights-of-way and rights used in connection therewith or as a means of access thereto and (c) all tenements, hereditaments and appurtenances in any manner belonging, relating or appertaining thereto (all of the foregoing interests, estates and other claims being hereinafter collectively called "Easements and Rights of Way"); and

TOGETHER WITH all estate, right, title and interest of the Mortgagor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any streets, open or proposed, adjoining the Property, and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection therewith (all of the foregoing estate, right, title and interest being hereinafter called "Adjacent Rights"); and

TOGETHER WITH all estate, right, title and interest of the Mortgagor, now owned or hereafter acquired, in and to any and all buildings and other improvements now or hereafter located on the Property and all building materials, building equipment and fixtures of every kind and nature located on the Property or, attached to, contained in or used in any such buildings and other improvements, and all appurtenances and additions thereto and betterments, substitutions and replacements thereof (all of the foregoing estate, right, title and interest being hereinafter collectively called "Improvements"); and

TOGETHER WITH all estate, right, title and interest of the Mortgagor in and to all such tangible property now owned or hereafter acquired by the Mortgagor (including all machinery, apparatus, equipment, fittings and articles of personal property) and now or hereafter located on or at or attached to the Property that an interest in such tangible property arises under applicable real estate law, and any and all products and accessions to any such property that may exist at any time (all of the foregoing estate, right, title and interest, and products and accessions being hereinafter called "Fixtures"); and

TOGETHER WITH all estate, right, title and interest of the Mortgagor in and to all rights, royalties and profits in connection with all minerals, oil and gas and other hydrocarbon substances on or in the Property, development rights or credits, air rights, water, water rights

(whether riparian, appropriative, or otherwise and whether or not appurtenant) and water stock (all of the foregoing estate, right, title and interest being hereinafter collectively called "Mineral and Related Rights"); and

TOGETHER WITH all reversion or reversions and remainder or remainders of the Property and Improvements and all estate, right, title and interest of the Mortgagor in and to any and all present and future leases of space in the Property and Improvements, and all rents, revenues, proceeds, issues, profits, royalties, income and other benefits now or hereafter derived from the Property, the Improvements and the Fixtures, subject to the right, power and authority hereinafter given to the Mortgagor to collect and apply the same (all of the foregoing reversions, remainders, leases of space, rents, revenues, proceeds, issues, profits, royalties, income and other benefits being hereinafter collectively called "Rents"); and

TOGETHER WITH all estate, right, title and interest and other claim or demand that the Mortgagor now has or may hereafter acquire with respect to any damage to the Property, the Improvements or the Fixtures and any and all proceeds of insurance in effect with respect to the Improvements or the Fixtures, and any and all awards made for the taking by eminent domain, or by any proceeding or purchase in lieu thereof, of the Property, the Improvements or the Fixtures, including without limitation any awards resulting from a change of grade of streets or as the result of any other damage to the Property, the Improvements or the Fixtures for which compensation shall be given by any governmental authority (all of the foregoing estate, right, title and interest and other claims or demand, and any such proceeds or awards being hereinafter collectively called "Damage Rights"); and

TOGETHER WITH all the estate, right, title, interest and other claim of the Mortgagor with respect to any parking facilities located other than on the Property and used or intended to be used in connection with the operation, ownership or use of the Property, any and all replacements and substitutions for the same, and any other parking rights, easements, covenants and other interests in parking facilities acquired by the Mortgagor for the use of tenants or occupants of the Improvements (all of the foregoing estate, right, title, interest and other claim being hereinafter collectively called "Parking Rights"); and

TOGETHER WITH all estate, right, title and interest of the Mortgagor in respect of any and all air rights, development rights, zoning rights or other similar rights or interests that benefit or are appurtenant to the Property or the Improvements (all of the foregoing estate, right, title and interest being hereinafter collectively called "Air and Development Rights");

All of the foregoing Easements and Rights of Way, Adjacent Rights, Improvements, Fixtures, Mineral and Related Rights, Rents, Damage Rights, Parking Rights and Air and Development Rights being sometimes hereinafter referred to collectively as the "Ancillary Rights and Properties" and the Property and Ancillary Rights and Properties being sometimes hereinafter referred to collectively as the "Mortgage Estate";

TO HAVE AND TO HOLD the Mortgage Estate with all privileges and appurtenances thereunto belonging, to the Mortgagee and its successors and assigns, forever, upon the terms and conditions and for the uses hereinafter set forth;

PROVIDED ALWAYS, that if the principal of and interest on the loans under the Credit Agreement and all of the other Obligations shall be paid in full, and the Mortgagor shall abide by and comply with each and every covenant contained herein and in the Credit Agreement, then this Mortgage and the Lien and estate hereby granted shall cease, terminate and become void.

This Mortgage, the Credit Agreement and any other instrument given to evidence or further secure the payment and performance of any Obligation are sometimes hereinafter collectively referred to as the "Loan Instruments".

TO PROTECT THE SECURITY OF THIS MORTGAGE, THE MORTGAGOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

#### ARTICLE 1

##### Particular Covenants and Agreements of the Mortgagor

**Section 1.01 Payment of Secured Obligations.** The Mortgagor shall pay when due all Obligations.

**Section 1.02 Title, Etc.** The Mortgagor represents and warrants that it has good and marketable fee simple title in and to the Properties, and the related Ancillary Rights and Property, in each case subject to no mortgage, deed of trust, lien, pledge, charge, security interest or other encumbrance or adverse claim of any nature except those permitted under the Credit Agreement.

The Mortgagor represents and warrants that it has the full power and lawful authority to grant, bargain, sell, release, convey, warrant, assign, transfer, mortgage, pledge, set over and confirm unto the Mortgagee the Mortgage Estate as hereinabove provided and warrants that it will forever defend the title to the Mortgage Estate and the validity and priority of the Lien or estate hereof against the claims and demands of all persons whomsoever.

##### **Section 1.03 Further Assurances: Filing: Re-Filing: Etc.**

(a) Further Instruments. The Mortgagor shall execute, acknowledge and deliver, from time to time, such further instruments as the Mortgagee may require to accomplish the purposes of this Mortgage.

(b) Filing and Re-Filing. The Mortgagor, immediately upon the execution and delivery of this Mortgage, and thereafter from time to time, shall cause this Mortgage, any security agreement or mortgage supplemental hereto and each instrument of further assurance to be filed, registered or recorded and re-filed, re-registered or re-recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and perfect the Lien or estate of this Mortgage upon the Mortgage Estate.



(c) Fees and Expenses. The Mortgagor shall pay all filing, registration and recording fees, all re-filing, re-registration and re-recording fees, and all expenses incident to the execution, filing, recording and acknowledgment of this Mortgage, any security agreement or mortgage supplemental hereto and any instrument of further assurance, and all Federal, provincial, county and municipal taxes and other fees, duties, imposts, assessments and charges arising out of or in connection with the execution, delivery, filing and recording of this Mortgage or any of the other Loan Instruments, any security agreement or mortgage supplemental hereto or any instruments of further assurance.

**Section 1.04 Liens.** Except as otherwise provided in Section 7.01 of the Credit Agreement, but without limiting the obligations of the Mortgagor under Section 1.06 of this Mortgage, the Mortgagor shall not create or suffer to be created any mortgage, deed of trust, Lien, security interest, charge or encumbrance upon the Mortgage Estate prior to, on a parity with, or subordinate to the Lien of this Mortgage. The Mortgagor shall pay and promptly discharge at the Mortgagor's cost and expense, any such mortgages, deeds of trust, Liens, security interests, charges or encumbrances upon the Mortgage Estate or any portion thereof or interest therein.

**Section 1.05 Insurance and Casualty and Expropriation Events.**

(a) Insurance. The Mortgagor shall purchase and maintain in full force and effect policies of insurance in such form and amounts, covering such risks, satisfying such requirements, and issued by such companies, in each case in the manner and to the extent required pursuant to Section 6.08 of the Credit Agreement and shall cause each of such policies to name the Mortgagee as loss payee (to the extent covering risk of loss or damage to tangible property) and as an additional named insured as its interests may appear (to the extent covering any other risk) in the manner and to the extent specified in said Section 6.08. Each policy shall provide that it will not be cancelled or reduced, or allowed to lapse without renewal, except after not less than 30 days' notice to the Mortgagee. The Mortgagor expressly assumes all risk of loss, including a decrease in the use, enjoyment or value of the Mortgage Estate from any fire or other casualty whatsoever, whether or not insurable or insured against. The Mortgagor will advise the Mortgagee promptly of any policy cancellation, reduction or amendment.

Nothing in this Section 1.05(a) shall be deemed to limit in any respect the obligations under Section 6.08 of the Credit Agreement.

(b) Casualty and Expropriation. Should the Mortgage Estate or any part thereof be taken or damaged by reason of any fire or other casualty (collectively, a "Casualty"), or by reason of any public improvement or expropriation proceeding (collectively, an "Expropriation") or should the Mortgagor receive any notice or other information regarding any such proceeding, the Mortgagor shall give prompt notice thereof to the Mortgagee. The Mortgagee shall, subject to the provisions of this Agreement and the Credit Agreement be entitled to receive all insurance or other amounts payable as a result of any such Casualty (collectively, the "Casualty Proceeds"), and all compensation, awards, damages and other payments or relief arising out of any such expropriation or any part thereof (collectively, "Expropriation Proceeds"), and all such insurance and other amounts, and compensation, awards,

damages and other payments or relief, together with all rights and causes of action relating thereto or arising out of any such Casualty or Expropriation, are hereby assigned to the Mortgagee as collateral security. The Mortgagor shall execute such further assignments of the Casualty Proceeds and Expropriation Proceeds as the Mortgagee may from time to time require.

(c) Collateral Account. Following the occurrence of any Casualty or Expropriation involving the Mortgage Estate or any part thereof resulting in a loss in excess of \$1,000,000, the Mortgagor shall give prompt notice thereof to the Mortgagee and shall cause all Casualty or Expropriation Proceeds, as the case may be, to be paid to the Mortgagee as additional collateral security hereunder subject to the Lien of this Mortgage. Upon receipt by the Mortgagee of any such proceeds (including, without limitation, any Casualty Proceeds payable directly to the Mortgagee as loss payee under the respective policies maintained pursuant to paragraph (a) of this Section 1.05), the Mortgagee shall deposit the same into a cash collateral account (the "Collateral Account") in the name and under the control of the Mortgagee. The balance from time to time in the Collateral Account shall constitute part of the Mortgage Estate hereunder and shall not constitute payment of the Obligations until applied as hereinafter provided.

(d) Application of Proceeds. Following the occurrence of any Casualty or Expropriation involving the Mortgage Estate or any part thereof resulting in a loss in excess of \$1,000,000, but without limiting its obligations under Section 1.07 to restore and repair any Improvements and Fixtures affected by such event, the Mortgagor may, at its option, to be exercised by delivery of notice to the Mortgagee within thirty days of such Casualty or Expropriation, elect to either apply any Casualty or Expropriation Proceeds received as a result of such event: (i) to the restoration and repair of that part of the Mortgage Estate affected by such Casualty or Expropriation (the "Affected Property"); or (ii) to the prepayment of or offer to prepay the loans or other indebtedness constituting the Obligations hereunder in the manner and to the extent specified in Section 2.12(c) of the Credit Agreement. Failure of the Mortgagor to make such an election within thirty days from the date of the respective Casualty or Expropriation shall automatically constitute an election to so apply the respective Casualty or Expropriation Proceeds to the prepayment or offer to prepay as aforesaid of the indebtedness secured hereby.

If the Mortgagor elects to so restore and repair the Affected Property, any amounts (and any earnings thereon) held in the Collateral Account shall be applied by the Mortgagee to the restoration and repair of the Affected Property and advanced to the Mortgagor in periodic installments upon compliance by the Mortgagor with such reasonable conditions to disbursement as may be imposed by the Mortgagee, including, but not limited to, reasonable retention amounts and receipt of lien releases.

Anything in this Section 1.05 to the contrary notwithstanding, the Mortgagee shall have no obligation to release any amounts held in the Collateral Account to the Mortgagor for restoration or repair of the Affected Property if a Default (as defined in Section 4.01), or any event that with lapse of time or with notice and lapse of time would become a Default, has occurred and is continuing. If a Default has occurred and is continuing, the Mortgagee may, in its sole discretion apply any Casualty or Expropriation Proceeds either: (A) to the payment of the

Obligations as provided in paragraph (a) of Section 4.03 or (B) to the restoration or repair of the Affected Property; provided, however, that if the Mortgagee requires such proceeds to be applied to the restoration or repair of the Affected Property, the Mortgagee will advance to the Mortgagor in accordance with the foregoing provisions of this Section 1.05(d), the Casualty and Expropriation Proceeds, less such amounts that may have been expended by the Mortgagee to effectuate any cure of such Default. All Casualty or Expropriation Proceeds remaining after the payment for restoration and repair of the Affected Property pursuant to this Section 1.05(d) may, at the option of the Mortgagee be applied to the prepayment of or offer to prepay the loans or other indebtedness constituting the Obligations hereunder in the manner and to the extent specified in Section 2.12(c) of the Credit Agreement.

(e) Compromise, Adjustment or Settlement. The Mortgagee shall be entitled at its option to participate in any compromise, adjustment or settlement in connection with any claims for loss, damage or destruction under any policy or policies of insurance, in excess of \$500,000, and the Mortgagor shall within five Business Days after request therefor reimburse the Mortgagee for all out-of-pocket expenses (including reasonable legal fees and disbursements) incurred by the Mortgagee in connection with such participation. The Mortgagor shall not make any compromise, adjustment or settlement in connection with any such claim without the approval of the Mortgagee.

(f) Foreclosure. Etc. In the event of foreclosure of the Lien of this Mortgage or other transfer of title or assignment of the Mortgage Estate in extinguishment, in whole or in part, of the Obligations, all right, title and interest of the Mortgagor in and to all policies of casualty insurance covering all or any part of the Mortgage Estate shall inure to the benefit of and pass to the successors in interest to the Mortgagee or the purchaser or grantee of the Mortgage Estate or any part thereof.

#### **Section 1.06 Impositions.**

(a) Payment of Impositions. The Mortgagor shall pay or cause to be paid, before any fine, penalty, interest or cost attaches thereto, all taxes, assessments, water and sewer rates, utility charges and all other governmental or nongovernmental charges or levies now or hereafter assessed or levied against any part of the Mortgage Estate (including, without limitation, nongovernmental levies or assessments such as maintenance charges, owner association dues or charges or fees, levies or charges resulting from covenants, conditions and restrictions affecting the Mortgage Estate) or upon the Lien or estate of the Mortgagee therein (collectively, "Impositions"), as well as all claims for labor, materials or supplies that, if unpaid, might by law become a prior Lien thereon, and within 10 days after request by the Mortgagee will exhibit receipts showing payment of any of the foregoing; provided, however, that if by law any such Imposition may be paid in installments (whether or not interest shall accrue on the unpaid balance thereof), the Mortgagor may pay the same in installments (together with accrued interest on the unpaid balance thereof) as the same respectively become due, before any fine, penalty or cost attaches thereto.

(b) Right to Contest Impositions. Notwithstanding anything contained in Section 1.06(a) to the contrary, to the extent not inconsistent with the provisions of Section 6.03



of the Credit Agreement, the Mortgagor at its expense may, after prior notice to the Mortgagee, contest by appropriate legal, administrative or other proceedings conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Imposition or Lien therefor or any claims of mechanics, material men, suppliers or vendors or Lien thereof, and may withhold payment of the same pending such proceedings if permitted by law, so long as (i) in the case of any Impositions or Lien therefor or any claims of mechanics, material men, suppliers or vendors or Lien thereof, such proceedings shall suspend the collection thereof from the Mortgage Estate, (ii) neither the Mortgage Estate nor any part thereof or interest therein will be sold, forfeited or lost if the Mortgagor pays the amount or satisfies the condition being contested, and the Mortgagor would have the opportunity to do so, in the event of the Mortgagor's failure to prevail in the contest, (iii) neither the Mortgagee nor any of the Secured Parties would, by virtue of such permitted contest, be exposed to any risk of any civil liability for which the Mortgagor has not furnished additional security as provided in clause (iv) below, or to any risk of criminal liability, and neither the Mortgage Estate nor any interest therein would be subject to the imposition of any Lien for which the Mortgagor has not furnished additional security as provided in clause (iv) below, as a result of the failure to comply with such law or of such proceeding and (iv) the Mortgagor shall have furnished to the Mortgagee additional security in respect of the claim being contested or the loss or damage that may result from the Mortgagor's failure to prevail in such contest in such amount as may be reasonably requested by the Mortgagee.

**Section 1.07 Maintenance of the Improvements and Fixtures.** The Mortgagor shall not permit the Improvements or Fixtures to be removed or demolished (provided, however, that, subject to the provisions of Section 7.02(c)(i) of the Credit Agreement, the Mortgagor may remove or alter such Improvements and Fixtures that become obsolete in the usual conduct of the Mortgagor's business and the removal or alteration of which do not materially detract from the operation of the Mortgagor's business); shall maintain the Mortgage Estate in good repair, working order and condition, except for reasonable wear and use; and shall restore and repair the Improvements and Fixtures or any part thereof now or hereafter affected by any Casualty or Expropriation.

**Section 1.08 Compliance With Laws.**

(a) Representation. The Mortgagor represents and warrants that, except as otherwise previously disclosed in writing to the Mortgagee (and except for the matters described in paragraph (b) of this Section 1.08, as to which the provisions of said paragraph (b) shall apply) the Mortgagor and its operations at the Property currently comply in all material respects with all laws, ordinances, orders, rules and regulations of all Federal, provincial, and local governments and of the appropriate departments, commissions, boards and offices thereof, and the orders, rules and regulations of the Insurance Bureau of Canada or any other body now or hereafter constituted exercising similar functions, that at any time are applicable to the Mortgage Estate.

(b) Compliance with Environmental Laws. The Mortgagor hereby confirms the representations and warranties set forth in Section 5.08 of the Credit Agreement (relating to compliance by the Mortgagor with applicable Environmental Laws) insofar as such representations and warranties apply to the Mortgage Estate.

(c) Notification of Notices and Orders. The Mortgagor shall notify the Mortgagee promptly of any notice or order that the Mortgagor receives from any agency or body/entity of the Federal, or any provincial or local, government with respect to the Mortgagor's compliance with any laws or regulations (including Environmental Laws) applicable to the Mortgage Estate and promptly take any and all actions necessary to bring its operations at the Property into compliance with such laws or regulations (and shall fully comply with the requirements of such laws or regulations that at any time are applicable to its operations at the Property) all to the extent required under the applicable provisions of the Credit Agreement; provided, that to the extent not inconsistent with the provisions of the Credit Agreement, the Mortgagor at its expense may, after prior notice to the Mortgagee, contest by appropriate legal, administrative or other proceedings conducted in good faith and with due diligence, the validity or application, in whole or in part, of any such laws or regulations so long as (i) neither the Mortgage Estate nor any part thereof or any interest therein, will be sold, forfeited or lost if the Mortgagor pays the amount or satisfies the condition being contested, and the Mortgagor would have the opportunity to do so, in the event of the Mortgagor's failure to prevail in the contest, (ii) neither the Mortgagee nor any of the Secured Parties would, by virtue of such permitted contest, be exposed to any risk of any civil liability for which the Mortgagor has not furnished additional security as provided in clause (iii) below, or to any risk of criminal liability, and neither the Mortgage Estate nor any interest therein would be subject to the imposition of any lien for which the Mortgagor has not furnished additional security as provided in clause (iii) below as a result of the failure to comply with such law or of such proceeding and (iii) the Mortgagor shall have furnished to the Mortgagee additional security in respect of the claim being contested or the loss or damage that may result from the Mortgagor's failure to prevail in such contest in such amount as may be reasonably requested by the Mortgagee.

(d) Right to Cure Non-Compliance with Environmental Laws. The Mortgagee, at its election and in its sole discretion may, without obligation to do so, and upon notice to the Mortgagor (except in an emergency), cure any failure on the part of the Mortgagor to comply with any laws or regulations referred to in this Section 1.08, and without limitation, may take any of the following actions:

- (i) arrange for the prevention of any Release or threat of Release of Hazardous Materials at the Property, and pay any costs associated with such prevention;
- (ii) arrange for the removal or remediation of Hazardous Materials that may be Released or result from a Release at the Property, and pay any costs associated with such removal and/or remediation;
- (iii) pay, on behalf of the Mortgagor, any costs, fines or penalties imposed on the Mortgagor by the Federal, or any provincial or local, government or any representative thereof in connection with such Release or threat of Release of Hazardous Materials; or

- (iv) make any other payment or perform any other act that will prevent a Lien in favor of any governmental agency from attaching to the Property or the Mortgage Estate.

Any partial exercise by the Mortgagee of the remedies hereinafter set forth, or any partial undertaking on the part of the Mortgagee to cure the Mortgagor's failure to comply with any Environmental Law, shall not obligate the Mortgagee to complete the actions taken or require the Mortgagee to expend further sums to cure the Mortgagor's noncompliance; nor shall the exercise of any such remedies operate to place upon the Mortgagee any responsibility for the operation, control, care, management or repair of the Property or make the Mortgagee the "operator" of the Property within the meaning of any Environmental Laws. Any amount paid or costs incurred by the Mortgagee as a result of the exercise by the Mortgagee of any of the rights hereinabove set forth, together with interest thereon at the default rate specified in Section 2.09(c) of the Credit Agreement, shall be immediately due and payable by the Mortgagor to the Mortgagee, and until paid shall be added to and become a part of the Obligations secured hereby; and the Mortgagee, by making any such payment or incurring any such costs, shall be subrogated to any rights of the Mortgagor to seek reimbursement from any third parties, including, without limitation, a predecessor-in-interest to the Mortgagor's title who may be a "responsible party" or otherwise liable under any Environmental Law in connection with any such Release or threat of Release of Hazardous Materials.

(e) Environmental Survey and Risk Assessment. If after the occurrence and during the continuance of any Default the Mortgagee desires that an environmental survey and risk assessment/site assessment with respect to the Property be prepared, the Mortgagor agrees to supply such a survey and risk assessment/site assessment by an independent engineering firm selected by the Mortgagor and satisfactory to the Mortgagee, in form and detail satisfactory to the Mortgagee (including test borings of the ground and chemical analyses of air, water and waste discharges), estimating current liabilities and assessing potential sources of future liabilities of the Mortgagor or any other owner or operator of the Property under applicable Environmental Laws.

(f) Indemnity. Without limiting the provisions of Section 11.03(b) of the Credit Agreement, the Mortgagor shall indemnify and hold the Mortgagee and the Secured Parties harmless from and against any and all losses, liabilities, claims, damages or expenses (including any Lien filed against the Property or any part of the Mortgage Estate in favor of any governmental entity, but excluding any loss, liability, claim, damage or expense incurred by reason of the gross negligence or willful misconduct of the person to be indemnified) arising under any Environmental Law as a result of the past, present or future operations of the Mortgagor (or any predecessor-in-interest to the Mortgagor), or the past, present or future condition of the Property, or any Release or threatened Release of any Hazardous Materials from the Property, excluding any such Release or threatened Release that shall occur during any period when the Mortgagee or any of the Secured Parties shall be in possession of the Property following the exercise by the Mortgagee of any of its rights and remedies hereunder, but including any such Release or threatened Release occurring during such period that is a



continuation of conditions previously in existence, or of practices employed by the Mortgagor, at the Property.

**Section 1.09 Limitations of Use.** The Mortgagor shall not initiate, join in or consent to any change in any private restrictive covenant, zoning by-law or other public or private restrictions limiting or defining the uses that may be made of the Property and the Improvements or any part thereof that would have a material adverse effect on the value of the Property or the Improvements. The Mortgagor shall comply with the provisions of all leases, licenses, agreements and private covenants, conditions and restrictions that at any time are applicable to the Mortgage Estate.

**Section 1.10 Inspection of the Property.** The Mortgagor shall keep adequate records and books of account in accordance with generally accepted accounting principles consistently applied and shall permit the Mortgagee and its authorized representatives to enter and inspect the Property, to examine the records and books of account of the Mortgagor with respect thereto and make copies or extracts thereof, all at such reasonable times as may be requested by the Mortgagee.

**Section 1.11 Actions to Protect Mortgage Estate.** If the Mortgagor shall fail to (a) effect the insurance required by Section 1.05, (b) make the payments required by Section 1.06 or (c) perform or observe any of its other covenants or agreements hereunder, the Mortgagee may, without obligation to do so, and upon notice to the Mortgagor (except in an emergency) effect or pay the same. To the maximum extent permitted by law, all sums, including reasonable legal fees and disbursements, so expended or expended to sustain the Lien or estate of this Mortgage or its priority, or to protect or enforce any of the rights hereunder, or to recover any of the Obligations, shall be a Lien on the Mortgage Estate, shall be deemed to be added to the Obligations secured hereby, and shall be paid by the Mortgagor within 10 days after demand therefor, together with interest thereon at the default rate specified in Section 2.09(c) of the Credit Agreement.

**Section 1.12 Insurance and Expropriation Proceeds.** Any Casualty or Expropriation Proceeds, shall, as provided in Section 1.05, be held by the Mortgagee in the Collateral Account and any interest or other amounts, if any, actually earned on the balance held by the Mortgagee in the Collateral Account shall be credited to the Collateral Account, for the benefit of the Mortgagor. So long as no Default shall have occurred and be continuing, at the written request of the Mortgagor, any monies held in the Collateral Account shall be invested or reinvested in such Permitted Investments as the Mortgagor shall from time to time specify. Such Permitted Investments shall be held by the Mortgagee pursuant to this Section 1.12; but, upon request of the Mortgagor, the Mortgagee shall sell all or any designated part of the same and the proceeds of such sale shall be held by the Mortgagee in the Collateral Account subject to the provisions hereof in the same manner as the cash used by it to purchase the Permitted Investments so sold. The Mortgagor agrees to pay the Mortgagee, on demand, amounts equal to any loss resulting from any investment or reinvestment pursuant to this Section 1.12 (and any such payments made by the Mortgagor shall be deposited by the Mortgagee into the Collateral Account), it being understood that the Mortgagee shall not be liable or responsible for any such loss.

Notwithstanding anything herein or at law or in equity to the contrary, none of the Casualty or Expropriation Proceeds paid to the Mortgagee as herein provided, and none of the other amounts from time to time held in the Collateral Account, shall be deemed trust funds, and the Mortgagee shall be entitled to advance amounts from time to time held in the Collateral Account to the Mortgagor, or to apply the same to the prepayment of the loans or other indebtedness constituting the Obligations hereunder, as provided in Section 1.05(d) and subject to the provisions of the Credit Agreement.

## ARTICLE 2

### Assignment of Rents, Issues and Profits

**Section 2.01 Assignment of Rents, Issues and Profits.** The Mortgagor hereby assigns and transfers the Mortgagee, FOR THE PURPOSE OF SECURING the Obligations, all Rents, and hereby gives to and confers upon the Mortgagee the right, power and authority to collect the same. The Mortgagor irrevocably appoints the Mortgagee its true and lawful attorney-in-fact, at its option at any time and from time to time following the occurrence and during the continuance of a Default, to demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, in the name of the Mortgagor or otherwise, for Rents and apply the same to the Obligations as provided in paragraph (a) of Section 4.03; provided, however, that the Mortgagor shall have the right to collect Rents at any time prior to the occurrence of a Default (but not more than one month in advance, except in the case of security deposits).

**Section 2.02 Collection Upon Default.** To the extent permitted by law, upon the occurrence of any Default, the Mortgagee may, at any time without notice, either in person, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the Obligations or the solvency of the Mortgagor, enter upon and take possession of the Property, the Improvements and the Fixtures or any part thereof in its own name, sue for or otherwise collect Rents including those past due and unpaid, and, apply the same, less costs and expenses of operation and collection, including legal fees and disbursements, to the payment of the Obligations as provided in paragraph (a) of Section 4.03, and in such order as the Mortgagee may determine. The collection of Rents or the entering upon and taking possession of the Property, the Improvements or the Fixtures or any part thereof, or the application thereof as aforesaid, shall not cure or waive any Default or notice thereof or invalidate any act done in response to such Default or pursuant to notice thereof.

## ARTICLE 3

### Security Agreement

**Section 3.01 Creation of Security Interest.** The Mortgagor hereby grants to the Mortgagee a security interest in the Fixtures for the purpose of securing the Obligations. The Mortgagee shall have, in addition to all rights and remedies provided herein and in the other Loan Instruments, all the rights and remedies of a secured party under the *Personal Property Security Act* of the province in which the applicable portion of the Fixtures is located.

**Section 3.02 Warranties, Representations and Covenants.** The Mortgagor hereby warrants, represents and covenants that: (a) the Fixtures will be kept on or at the Property

and the Mortgagor will not remove any Fixtures from the Property, except such portions or items of the Fixtures that are consumed or worn out in ordinary usage, all of which shall be promptly replaced by the Mortgagor, except as otherwise expressly provided in Section 1.07, (b) all; covenants and obligations of the Mortgagor contained herein relating to the Mortgage Estate shall be deemed to apply to the Fixtures whether or not expressly referred to herein and (c) if required by the Mortgagee, the Mortgagor shall register in the applicable land registry office in which the Property is located a Notice of Security Interest (*Personal Property Security Act*). Information relative to the security interest created hereby may be obtained by application to the Mortgagee (secured party) at the mailing address set forth on Page 1 hereof. The mailing address of the Mortgagor is set forth on Page 1 hereof.

#### **ARTICLE 4** **Defaults; Remedies**

**Section 4.01 Defaults.** If any Event of Default (herein, a “Default”) under the Credit Agreement shall occur and be continuing and, as more particularly provided in the Credit Agreement, the principal of and accrued interest on the extensions of credit and all other Obligations under the Credit Agreement shall be declared, or become, due and payable, then the obligations of the Mortgagor in respect of its guarantee under the Credit Agreement shall become due and payable, without presentment, demand, protest or other formalities of any kind, all of which have been waived pursuant to the Credit Agreement.

#### **Section 4.02 Default Remedies.**

(a) **Remedies Generally.** If a Default shall have occurred and be continuing, this Mortgage may, to the maximum extent permitted by law, be enforced, and the Mortgagee may exercise any right, power or remedy permitted to it hereunder, under the Credit Agreement or under any of the other Loan Instruments or by law, and, without limiting the generality of the foregoing, the Mortgagee may, personally or by its agents, to the maximum extent permitted by law:

(i) enter into and take possession of the Mortgage Estate or any part thereof, exclude the Mortgagor and all persons claiming under the Mortgagor whose claims are junior to this Mortgage, wholly or partly therefrom, and use, operate, manage and control the same either in the name of the Mortgagor or otherwise as the Mortgagee shall deem best, and upon such entry, from time to time at the expense of the Mortgagor and the Mortgage Estate, make all such repairs, replacements, alterations, additions or improvements to the Mortgage Estate or any part thereof as the Mortgagee may deem proper and, whether or not the Mortgagee has so entered and taken possession of the Mortgage Estate or any part thereof, collect and receive all Rents and apply the same to the payment of all expenses that the Mortgagee may be authorized to make under this Mortgage, the remainder to be applied to the payment of the Obligations until the same shall have been repaid in full; if the Mortgagee demands or attempts to take possession of the Mortgage Estate or any portion thereof in the exercise of any rights



hereunder, the Mortgagor shall promptly turn over and deliver complete possession thereof to the Mortgagee; and

(ii) personally or by agents, with or without entry, if the Mortgagee shall deem it advisable:

(x) sell the Mortgage Estate at a sale or sales held at such place or places and time or times and upon such notice and otherwise in such manner as may be required by law, or, in the absence of any such requirement, as the Mortgagee may deem appropriate, and from time to time adjourn any such sale by announcement at the time and place specified for such sale or for such adjourned sale without further notice, except such as may be required by law;

(y) proceed to protect and enforce its rights under this Mortgage, by suit for specific performance of any covenant contained herein or in the Loan Instruments or in aid of the execution of any power granted herein or in the Loan Instruments, or for the foreclosure of this Mortgage (as a mortgage or otherwise) and the sale of the Mortgage Estate under the judgment or decree of a court of competent jurisdiction, or for the enforcement of any other right as the Mortgagee shall deem most effectual for such purpose, provided, that in the event of a sale, by foreclosure or otherwise, of less than all of the Mortgage Estate, this Mortgage shall continue as a Lien on, and security interest in, the remaining portion of the Mortgage Estate; or

(z) exercise any or all of the remedies available to a secured party under the applicable *Personal Property Security Act* (Ontario), including, without limitation:

(1) either personally or by means of a court appointed receiver, take possession of all or any of the Fixtures and exclude therefrom the Mortgagor and all persons claiming under the Mortgagor, and thereafter hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions and improvements to and exercise all rights and powers of the Mortgagor in respect of the Fixtures or any part thereof; if the Mortgagee demands or attempts to take possession of the Fixtures in the exercise of any rights hereunder, the Mortgagor shall promptly turn over and deliver complete possession thereof to the Mortgagee;

(2) without notice to or demand upon the Mortgagor, make such payments and do such acts as the Mortgagee may deem necessary to protect its security interest in the Fixtures, including, without limitation, paying, purchasing, contesting or

compromising any encumbrance that is prior to or superior to the security interest granted hereunder, and in exercising any such powers or authority paying all expenses incurred in connection therewith;

(3) require the Mortgagor to assemble the Fixtures or any portion thereof, at a place designated by the Mortgagee and reasonably convenient to both parties, and promptly to deliver the Fixtures to the Mortgagee, or an agent or representative designated by it; the Mortgagee, and its agents and representatives, shall have the right to enter upon the premises and property of the Mortgagor to exercise the Mortgagee's rights hereunder, and

(4) sell, lease or otherwise dispose of the Fixtures, with or without; having the Fixtures at the place of sale, and upon such terms and in such manner as the Mortgagee may determine (and the Mortgagee or any Secured Party may be a purchaser at any such sale).

(b) Appointment of Receiver. If a Default shall have occurred and be continuing, the Mortgagee, to the maximum extent permitted by law, shall be entitled, as a matter of right, to the appointment of a receiver of the Mortgage Estate, without notice or demand, and without regard to the adequacy of the security for the Obligations or the solvency of the Mortgagor. The Mortgagor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of the Mortgagee in case of entry and shall continue as such and exercise all such powers until the date of confirmation of sale of the Mortgage Estate, unless such receivership is sooner terminated.

(c) Rents. If a Default shall have occurred and be continuing, the Mortgagor shall, to the maximum extent permitted by law, pay monthly in advance to the Mortgagee, or to any receiver appointed at the request of the Mortgagee to collect Rents, the fair and reasonable rental value for the use and occupancy of the Property, the Improvements and the Fixtures or of such part thereof as may be in the possession of the Mortgagor. Upon default in the payment thereof; the Mortgagor shall vacate and surrender possession of the Property, the Improvements and the Fixtures to the Mortgagee or such receiver, and upon a failure so to do may be evicted by summary proceedings.

(d) Sale. In any sale under any provision of this Mortgage or pursuant to any judgment or decree of court, the Mortgage Estate, to the maximum extent permitted by law, may be sold in one or more parcels or as an entirety and in such order as the Mortgagee may elect, without regard to the right of the Mortgagor or any person claiming under the Mortgagor to the marshalling of assets. The purchaser at any such sale shall take title to the Mortgage Estate or the part thereof so sold free and discharged of the estate of the Mortgagor therein, the purchaser being hereby discharged from all liability to see to the application of the purchase money. Any person, including Mortgagee or any Secured Party, may purchase at any such sale. Upon the

completion of any such sale by virtue of this Section 4.02 the Mortgagee shall execute and deliver to the purchaser an appropriate instrument that shall effectively transfer all of the Mortgagor's estate, right, title, interest, property, claim and demand in and to the Mortgage Estate or portion thereof so sold, but without any covenant or warranty, express or implied. The Mortgagee is hereby irrevocably appointed the attorney-in-fact of the Mortgagor in its name and stead to make all appropriate transfers and deliveries of the Mortgage Estate or any portions thereof so sold and, for that purpose, the Mortgagee may execute all appropriate instruments of transfer, and may substitute one or more persons with like power, the Mortgagor hereby ratifying and confirming all that said attorneys or such substitute or substitutes shall lawfully do by virtue hereof. Nevertheless, the Mortgagor shall ratify and confirm, or cause to be ratified and confirmed, any such sale or sales by executing and delivering, or by causing to be executed and delivered, to the Mortgagee or to such purchaser or purchasers all such instruments as may be advisable, in the judgment of the Mortgagee, for such purpose, and as may be designated in such request. Any sale or sales made under or by virtue of this Mortgage, to the extent not prohibited by law, shall operate to divest all the estate, right, title, interest, property, claim and demand whatsoever, whether at law or in equity, of the Mortgagor in, to and under the Mortgage Estate, or any portions thereof so sold, and shall be a perpetual bar both at law and in equity against the Mortgagor and against any and all persons claiming or who may claim the same, or any part thereof, by, through or under the Mortgagor. The powers and agency herein granted are coupled with an interest and are irrevocable.

(e) Possession of Loan Instruments Not Necessary. All rights of action under the Loan Instruments and this Mortgage may be enforced by the Mortgagee without the possession of the Loan Instruments and without the production thereof at any trial or other proceeding relative thereto.

#### **Section 4.03 Application of Proceeds.**

(a) Application of Proceeds Generally. Following a Default, the proceeds of any sale made either under the power of sale hereby given or under a judgment, order or decree made in any action to foreclose or to enforce this Mortgage, or of any monies held by the Mortgagee hereunder shall, to the maximum extent permitted by law, be applied:

- (i) first, to the payment of the costs and expenses of such sale, including reasonable out-of-pocket costs and expenses of the Mortgagee and the fees and expenses of its agents and counsel, and all expenses incurred and advances made by the Mortgagee in connection therewith;
- (ii) second, to the payment in full of the remaining Obligations, in each case equally and ratably in accordance with the respective amounts thereof then due and owing or as the Secured Parties holding the same may otherwise agree; and
- (iii) finally, to the payment to the Mortgagor, or its successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining.



(b) Liability for Deficiencies. No sale or other disposition of all or any part of the Mortgage Estate pursuant to Section 4.02 shall be deemed to relieve the Mortgagor of its obligations under the Credit Agreement or any other Loan Instrument except to the extent the proceeds thereof are applied to the payment of such obligations. If the proceeds of sale, collection or other realization of or upon the Mortgage Estate are insufficient to cover the costs and expenses of such realization and the payment in full of the Obligations, the Mortgagor shall remain liable for any deficiency.

**Section 4.04 Right to Sue.** The Mortgagee shall have the right from time to time to sue for any sums required to be paid by the Mortgagor under the terms of this Mortgage as the same become due, without regard to whether or not the Obligations shall be, or have become, due and without prejudice to the right of the Mortgagee thereafter to bring any action or proceeding of foreclosure or any other action upon the occurrence of any Default existing at the time such earlier action was commenced.

**Section 4.05 Powers of the Mortgagee.** The Mortgagee may at any time or from time to time renew or extend this Mortgage or (with the agreement of the Mortgagor) alter or modify the same in any way, or waive any of the terms, covenants or conditions hereof or thereof, in whole or in part, and may release any portion of the Mortgage Estate or any other security, and grant such extensions and indulgences in relation to the Obligations, or release any person liable therefor as the Mortgagee may determine without the consent of any junior lienor or encumbrancer, without any obligation to give notice of any kind thereto, without in any manner affecting the priority of the Lien and estate of this Mortgage on or in any part of the Mortgage Estate, and without affecting the liability of any other person liable for any of the Obligations.

**Section 4.06 Remedies Cumulative.**

(a) Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Mortgagee is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy under this Mortgage, or under applicable law, whether now or hereafter existing; the failure of the Mortgagee to insist at any time upon the strict observance or performance of any of the provisions of this Mortgage or to exercise any right or remedy provided for herein or under applicable law, shall not impair any such right or remedy nor be construed as a waiver or relinquishment thereof.

(b) Other Security. The Mortgagee shall be entitled to enforce payment and performance of any of the obligations of the Mortgagor and to exercise all rights and powers under this Mortgage or under any Loan Instrument or any laws now or hereafter in force, notwithstanding that some or all of the Obligations may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, Lien, assignment or otherwise; neither the acceptance of this Mortgage nor its enforcement, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect the Mortgagee's right to realize upon or enforce any other security now or hereafter held by the Mortgagee, it being stipulated that the Mortgagee shall be entitled to enforce this Mortgage and

any other security now or hereafter held by the Mortgagee in such order and manner as the Mortgagee, in its sole discretion, may determine; every power or remedy given by the Credit Agreement, this Mortgage or any of the other Loan Instruments to the Mortgagee, or to which the Mortgagee is otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Mortgagee, and the Mortgagee may pursue inconsistent remedies.

**Section 4.07 Waiver of Stay, Extension; Moratorium Laws; Equity of Redemption.** To the maximum extent permitted by law, the Mortgagor shall not at any time insist upon, or plead, or in any manner whatever claim or take any benefit or advantage of any applicable present or future stay, extension or moratorium law, that may affect observance or performance of the provisions of this Mortgage; nor claim, take or insist upon any benefit or advantage of any present or future law providing for the valuation or appraisal of the Mortgage Estate or any portion thereof prior to any sale or sales thereof that may be made under or by virtue of Section 4.02; and the Mortgagor, to the extent that it lawfully may, hereby waives all benefit or advantage of any such law or laws. The Mortgagor for itself and all who may claim under it, hereby waives, to the maximum extent permitted by applicable law, any and all rights and equities of redemption from sale under the power of sale created hereunder or from sale under any order or decree of foreclosure of this Mortgage and (if a Default shall have occurred) all notice or notices of seizure, and all right to have the Mortgage Estate marshalled upon any foreclosure hereof. The Mortgagee shall not be obligated to pursue or exhaust its rights or remedies as against any other part of the Mortgage Estate and the Mortgagor hereby waives any right or claim of right to have the Mortgagee proceed in any particular order.

## **ARTICLE 5** **Miscellaneous**

**Section 5.01 Release by Mortgagee.** Upon the termination of the Commitments under and as defined in the Credit Agreement and the payment in full of the Obligations, the Mortgagee shall release the Lien of this Mortgage, or upon the request of the Mortgagor, and at the Mortgagor's expense, assign this Mortgage without recourse to the Mortgagor's designee, or to the person or persons legally entitled thereto, by an instrument duly acknowledged in form for recording.

**Section 5.02 Notices.** All notices, demands, consents, requests or other communications (collectively, "notices") that are permitted or required to be given by any party to the other hereunder shall be in writing and given in the manner specified in Section 11.02 of the Credit Agreement

**Section 5.03 Amendments; Waivers; Etc.** This Mortgage cannot be modified, changed or discharged except by an agreement in writing, duly acknowledged in form for recording, signed by the Mortgagor and the Mortgagee with the consent of the Secured Parties as provided in the Credit Agreement. For purposes hereof, a statement by the Mortgagee in any modification or supplement to this Mortgage to the effect that such modification or supplement has been consented to by the Secured Parties as provided in the Credit Agreement shall be conclusive evidence of such consent and it shall not be necessary for a copy of such consent to

be recorded with such modification or supplement as a condition to such modification or supplement being recorded in the appropriate real estate records.

**Section 5.04 Successors and Assigns.** This Mortgage applies to, inures to the benefit of and binds the Mortgagor and the Mortgagee and their respective successors and assigns and shall run with the Property.

**Section 5.05 Captions.** The captions or headings at the beginning of Articles, Sections and paragraphs hereof are for convenience of reference and are not a part of this Mortgage.

**Section 5.06 Severability.** If any term or provision of this Mortgage or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Mortgage, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Mortgage shall be valid and enforceable to the maximum extent permitted by law. If any portion of the Obligations shall for any reason not be secured by a valid and enforceable Lien upon any part of the Mortgage Estate, then any payments made in respect of the Obligations (whether voluntary or under foreclosure or other enforcement action or procedure or otherwise) shall, for purposes of this Mortgage (except to the extent otherwise required by applicable law) be deemed to be made (i) first, in respect of the portion of the Obligations not secured by the Lien of this Mortgage, (ii) second, in respect of the portion of the Obligations secured by the Lien of this Mortgage, but which Lien is on less than all of the Mortgage Estate, and (iii) last, to the portion of the Obligations secured by the Lien of this Mortgage, and which Lien is on all of the Mortgage Estate.

**Section 5.07 Conflict/Ambiguity.** Where conflict or ambiguity exists or arises between any one or more of the provisions contained in this schedule and any one or more of the provisions contained in the Standard Charge Terms 200033, the provisions contained in this schedule shall, to the extent of such conflict or ambiguity, be deemed to govern and prevail. Notwithstanding anything contained herein to the contrary, to the extent any provision hereof expressly conflicts with any provision contained in the Credit Agreement, such provision contained in the Credit Agreement shall control.

**Section 5.08 Non-Merger.** Notwithstanding the registration of this Mortgage and the advance of funds hereunder, the terms and provisions of the Credit Agreement and all other documents in connection thereto shall remain binding and effective upon the parties. It is understood and agreed that any default under the Credit Agreement shall be deemed a default under this Mortgage. In the event of an inconsistency between the terms of this Mortgage and the terms of the Credit Agreement, the Mortgagee may, in its sole discretion, determine which shall prevail.

[Signature page follows.]



IN WITNESS WHEREOF, this Mortgage has been duly executed by the Mortgagor as of the day and year first above written.

**CINRAM INTERNATIONAL INC.**

By: \_\_\_\_\_  
Name:  
Title:

I have authority to bind the Corporation.

SCHEDULE I

DESCRIPTION OF PROPERTY

**2255 Markham Road, Toronto, Ontario**

Firstly: PIN 06079-0067(LT), being Part of Lot 18, Concession 3 Scarborough, designated as Parts 2 and 3 on Plan 64R-6927 and Part 1 on Plan 64R-7116 confirmed by 64B1990; Subject to Easement No. SC74898, City of Toronto.

Secondly: PIN 06079-0280(LT), being Part of Lot 18, Concession 3 Scarborough, designated as Parts 2 and 3 on Plan 66R-23795; Subject to Easement No. SC574898, City of Toronto.

## SECURITY AGREEMENT

**SECURITY AGREEMENT** (this "Agreement"), dated as of June 22, 2012, among **CINRAM INTERNATIONAL INC.**, a corporation duly organized under the laws of Canada ("Cinram"); **CINRAM INTERNATIONAL ULC**, an unlimited liability company organized under the laws of Nova Scotia ("ULC"); **1362806 ONTARIO LIMITED**, a corporation organized under the laws of Ontario ("1362806" and, together with Cinram and ULC, the "Canadian Securing Parties"); and **JPMORGAN CHASE BANK, N.A.**, as administrative agent for the Secured Parties (as hereinafter defined) (in such capacity, together with its successors in such capacity, the "Administrative Agent").

The Borrowers and the other Canadian Securing Parties have commenced or are about to commence cases or applications (the "CCA Proceedings") to obtain protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCA");

The Canadian Securing Parties are parties to the Senior Secured Priming and Superpriority Debtor-in-Possession Credit Agreement dated as of June 22, 2012 (including all annexes, exhibits and schedules thereto, and from time to time as amended, amended and restated, supplemented or otherwise modified, the "Credit Agreement"), among, *inter alios*, the Canadian Securing Parties, the lenders from time to time parties thereto (the "Lenders") and the Administrative Agent.

In order to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to make the Loans in accordance with the terms of the Credit Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the Canadian Securing Parties has agreed to pledge and grant a continuing security interest in the Collateral (as defined below) as security for its Secured Obligations (as defined below). Accordingly, the parties hereto agree as follows:

### **Section 1. Definitions.**

**1.01 Terms Generally.** Terms used herein and not otherwise defined herein (including the preliminary statements hereto) are used herein as defined in the Credit Agreement. Except as otherwise specified herein, all references to the "PPSA" shall mean the *Personal Property Security Act* as in effect from time to time in the Province of Ontario and include any statute enacted in replacement thereof. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined.

**1.02 Definitions.** As used herein:

"1362806" has the meaning assigned to such term in the preliminary statements hereof.

"Accounts" means all present and future debts, demands and amounts due or accruing due to any Canadian Securing Party whether or not earned by performance, including its book



debts, accounts receivable, and claims under policies of insurance, and all contracts, security interests and other rights and benefits in respect thereof.

“Borrowers” has the meaning assigned to such term in the preliminary statements hereof.

“Administrative Agent” has the meaning assigned to such term in the preliminary statements hereof.

“Agreement” has the meaning assigned to such term in the preliminary statements hereof.

“Available Permitted Investments” means such Permitted Investments as the Administrative Agent can make available to the Canadian Securing Parties for investment under Section 4.03.

“Blocked Account Agreement” means, with respect to any Deposit Account established by a Canadian Securing Party, an agreement, in form and substance satisfactory to the Administrative Agent and whereby the bank maintaining such Deposit Account agrees, among other things, that upon notice from the Administrative Agent, the Administrative Agent shall have exclusive authority to give instructions with respect to such Deposit Account (including as to withdrawal, payment, transfer or other fund disposition).

“Borrowers” has the meaning assigned to such term in the preliminary statements hereof.

“Canadian Securing Parties” has the meaning assigned to such term in the preliminary statements hereof.

“CCAA” has the meaning assigned to such term in the preliminary statements hereof.

“CCAA Proceedings” has the meaning assigned to such term in the preliminary statements hereof.

“Chattel Paper” means all present and future agreements made between any Canadian Securing Party and others which evidence both a monetary obligation and a security interest in or a lease of specific goods.

“Cinram” has the meaning assigned to such term in the preliminary statements hereof.

“Collateral” shall have the meaning ascribed thereto in Section 3.

“Collateral Account” has the meaning assigned to such term in Section 4.01.

“Copyright Collateral” means all Copyrights, whether now owned or hereafter acquired by any Canadian Securing Party, including each Copyright identified in Annex 4.

“Copyrights” means all copyrights, copyright registrations and applications for copyright registrations, including all renewals and extensions thereof.

“Credit Agreement” has the meaning assigned to such term in the preliminary statements hereof.

“Deposit Accounts” has the meaning assigned to such term in Section 2(e).

“Documents” means all books, accounts, invoices, letters, papers, documents and other records in any form or medium evidencing or relating to the Collateral.

“Documents of Title” means all present and future documents of title of any Canadian Securing Party, whether negotiable or otherwise, including all warehouse receipts and bills of lading.

“Equipment” means all present and future Goods of any Canadian Securing Party which are not Inventory or Consumer Goods (as defined in the PPSA), including all equipment, machinery, fixtures, plant, tools, furniture, vehicles of any kind or description, all spare parts, accessions installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating thereto.

“Equity Collateral” has the meaning assigned to such term in Section 3(a).

“Financial Asset” has the meaning assigned to such term in the STA.

“Goods” means tangible personal property other than chattel paper, documents of title, instruments, money and securities, and includes fixtures, growing crops, the unborn young of animals, timber to be cut and minerals and hydrocarbons to be extracted.

“IP Licenses” means (a) all licenses or user or other agreements granted by any Canadian Securing Party to any Person with respect to any Intellectual Property and (b) all licenses or user or other agreements granted to any Canadian Securing Party by any Person with respect to any Intellectual Property, together with the rights to receive income, royalties and payments thereunder, including the licenses identified in Annex 7. Notwithstanding the foregoing, IP Licenses does not and shall not include any license that by its express terms would cause a breach thereof by reason of its being included as part of the IP Licenses.

“Inventory” means all present and future inventory of any Canadian Securing Party, including all raw materials, materials used or consumed in the business of such Canadian Securing Party, work-in-progress, finished goods, goods used for packing, and goods acquired or held for sale or lease or furnished or to be furnished under contracts of service.

“Instruments” means all present and future bills, notes and cheques (as such are defined pursuant to the *Bills of Exchange Act (Canada)*) of any Canadian Securing Party, and all other writings that evidence the right to the payment of money and are of a type that in the ordinary course of business are transferred by delivery without any necessary endorsement or assignment, or a letter of credit and an advice of credit if the letter or advice states that it must be surrendered upon claiming payment thereunder.

“Intangibles” means all present and future intangible personal property of any Canadian Securing Party, including all contract rights, goodwill, Patents, Trademarks, Copyrights and other Intellectual Property, and all other choses in action of such Canadian Securing Party of every kind, whether due at the present time or hereafter to become due or owing.

“Intellectual Property” means, collectively, all Copyright Collateral, all Patent Collateral and all Trademark Collateral, together with (a) all inventions, processes, production methods, proprietary information, know-how and trade secrets; (b) all information, customer lists, identification of suppliers, data, plans, blueprints, specifications, designs, drawings, recorded knowledge, surveys, engineering reports, test reports, manuals, materials standards, processing standards, performance standards, catalogs, computer and automatic machinery software and programs; (c) all field repair data, sales data and other information relating to sales or service of products now or hereafter manufactured; (d) all accounting information and all media in which or on which any information or knowledge or data or records may be recorded or stored and all computer programs used for the compilation or printout of such information, knowledge, records or data; (e) all consents, permits, variances, certifications and approvals of governmental agencies now or hereafter held by any Canadian Securing Party; and (f) all claims and warranties now or hereafter owned or acquired by any Canadian Securing Party in respect of any of the items listed above.

“Issuers” means, collectively, (a) the respective corporations, partnerships or other entities identified next to the names of the Canadian Securing Parties on Annex 3 under the caption “Issuer” and (b) any other entity that shall at any time be a Subsidiary of any of the Canadian Securing Parties.

“Lenders” has the meaning assigned to such term in the preliminary statements hereof.

“Money” means all present and future money of any Canadian Securing Party, whether authorized or adopted by the Parliament of Canada as part of its currency or any foreign government as part of its currency.

“Motor Vehicles” means motor vehicles, tractors, trailers and other like property, whether or not the title thereto is governed by a certificate of title or ownership.

“Patent Collateral” means all Patents, whether now owned or hereafter acquired by any Canadian Securing Party, including each Patent identified in Annex 5.

“Patents” means all patents and patent applications, including, without limitation, the inventions and improvements claimed therein together with the reissues, divisionals, continuations, renewals, extensions and continuations-in-part thereof.

“Pledged Equity” has the meaning ascribed thereto in Section 3(a).

“Proceeds” means all personal property in any form derived directly or indirectly from any dealing with collateral subject to the security interest created pursuant hereto or the proceeds



therefrom, including insurance proceeds and any other payment representing indemnity or compensation for the loss of or damage thereto and the proceeds therefrom.

“Receiver” has the meaning ascribed thereto in Section 5.05(f).

“Secured Obligations” means (a) the obligations of the Canadian Securing Parties in respect of the Guaranteed Obligations pursuant to Article III of the Credit Agreement and (b) all other amounts from time to time owing by the Canadian Securing Parties hereunder.

“Secured Parties” means collectively, the Lenders and the Administrative Agent.

“Securities” means all present and future securities held by any Canadian Securing Party, including shares, options, rights, warrants, joint venture interest, interests in limited partnerships, bonds, debentures and all other documents which constitute evidence of a share, participation or other interest of such Canadian Securing Party in property or in an enterprise or which constitute evidence of an obligation of the issuer, including an uncertificated security within the meaning of Part VI (Investments Securities) of the *Business Corporations Act* (Ontario) and all substitutions therefor and dividends and income derived therefrom.

“Securities Account” has the meaning assigned to such term in the STA.

“STA” means the *Securities Transfer Act, 2006* (Ontario) as in effect from time to time in the Province of Ontario and includes any statute enacted in replacement thereof.

“Trademark Collateral” means all Trademarks, whether now owned or hereafter acquired by any Canadian Securing Party, including each Trademark identified in Annex 6, together, in each case, with the product lines and goodwill of the business connected with the use of, and symbolized by, each such trade name, trademark and service mark. Notwithstanding the foregoing, the Trademark Collateral does not and shall not include any Trademark that would be rendered invalid, abandoned, void or unenforceable by reason of its being included as part of the Trademark Collateral.

“Trademarks” means all trade names, trademarks and service marks, logos, trademark and service mark registrations, and applications for trademark and service mark registrations, including, without limitation, all renewals of trademark and service mark registrations.

“ULC” has the meaning assigned to such term in the preliminary statements hereof.

**Section 2. Representations and Warranties.** Each Canadian Securing Party represents and warrants to the Secured Parties that:

(a) Title and Priority. Such Canadian Securing Party is the sole beneficial owner of the Collateral in which it purports to grant a security interest pursuant to Section 3, and no Lien exists upon such Collateral (and no right or option to acquire the same exists in favor of any other Person), except for Liens permitted under Section 7.01 of the Credit Agreement and subject to the Carve-Out. Upon the entry of the Initial Order (and, in the case of any Collateral located in the United States, upon the entry of each of the Interim Recognition Order) the Administrative

Agent shall have a first priority perfected security interest in the Collateral (subject to the Carve-Out).

(b) Names and Changes in Circumstances. The full and correct legal name, type of organization, jurisdiction of organization, organizational ID number (if applicable) and mailing address of each Canadian Securing Party as of the date hereof are correctly set forth in Annex 1. Annex 1 correctly specifies (i) the place of business of each Canadian Securing Party or, if such Canadian Securing Party has more than one place of business, the location of the chief executive office of such Canadian Securing Party, and (ii) each location where Equipment, Inventory and Goods of each Canadian Securing Party are located (other than Motor Vehicles constituting Equipment).

Such Canadian Securing Party has not (i) within the period of four months prior to the date hereof, changed the location of its chief executive office, (ii) except as specified in Annex 1, heretofore changed its name, or (iii) except as specified in Annex 2, heretofore acquired any Collateral from any other Person which is subject to a currently effective security agreement previously entered into by any other Person.

(c) Pledged Equity. The Pledged Equity identified under the name of such Canadian Securing Party in Annex 3 (Part A) is, and all other Pledged Equity in which such Canadian Securing Party shall hereafter grant a security interest pursuant to Section 3 will (i) be, duly authorized, validly existing, fully paid and non-assessable (in the case of any equity interest in a corporation), (ii) constitute legal, valid and binding obligations of such Canadian Securing Parties (in the case of any equity interest in a partnership) and (iii) be duly issued and outstanding (in the case of any equity interest in any other entity), and none of such Pledged Equity is or will be subject to any contractual restriction, or any restriction under the charter, by-laws, partnership agreement or other organizational instrument of the respective Issuer of such Pledged Equity, upon the transfer of such Pledged Equity (except for any such restriction (x) contained herein or in the Credit Agreement, the Pre-Petition Credit Agreement (or the other "Loan Documents" as defined in the Pre-petition Credit Agreement) or the Second Lien Loan Documents or (y) under such organizational instruments).

The Pledged Equity identified under the name of such Canadian Securing Party in Annex 3 (Part A) hereto constitutes in the case of each Issuer all of the issued and outstanding shares of capital stock, partnership or other ownership interest of any class of such Issuer beneficially owned by such Canadian Securing Party on the date hereof, whether or not registered in the name of such Canadian Securing Party (or, in the case of any supplement to said Annex 3 upon the execution and delivery of a Guarantee Assumption Agreement, or other supplement effecting such pledge, as of the date of such supplement). Annex 3 (Part A) hereto correctly identifies, as at the date hereof, the respective Issuers of such Pledged Equity, and (in the case of any corporate Issuer) the respective class and par value of the shares comprising such Pledged Equity and the respective number of shares (and registered owners thereof) represented by each such certificate.

(d) Intellectual Property. Annexes 4, 5, and 6, respectively, set forth under the name of such Canadian Securing Party a complete and correct list of all copyright registrations,

patents, patent applications, trademark registrations and applications owned by such Canadian Securing Party on the date hereof (or, in the case of any supplement to said Annexes upon the execution and delivery of a Guarantee Assumption Agreement, or other supplement effecting such pledge, as of the date of such supplement); except pursuant to the IP Licenses and the licenses and other user agreements entered into by such Canadian Securing Party in the ordinary course of business, except to the extent of a *de minimis* nature, that are listed in Annex 7 (including as supplemented pursuant to any Guarantee Assumption Agreement, or other supplement effecting such pledge), such Canadian Securing Party has done nothing to authorize or enable any other Person to use any Copyright, Patent or Trademark listed in Annexes 4, 5, and 6 (as so supplemented), and all registrations listed in Annexes 4, 5, and 6 (as so supplemented), are, except as noted therein, in full force and effect.

Annex 7 sets forth a complete and correct list of all IP Licenses on the date hereof (or, in the case of any supplement to Annex 7 hereof upon the execution and delivery of a Guarantee Assumption Agreement, or other supplement effecting such pledge, as of the date of such supplement) other than IP Licenses of a *de minimis* nature.

To such Canadian Securing Party's knowledge, (i) except as set forth in Annex 7 (as supplemented pursuant to a Guarantee Assumption Agreement, or other supplement effecting such pledge), there is no violation by others of any right of such Canadian Securing Party with respect to any Copyright, Patent or Trademark listed in Annexes 4, 5, and 6 (as so supplemented), respectively, under the name of such Canadian Securing Party and (ii) such Canadian Securing Party is not infringing in any respect upon any Copyright, Patent or Trademark of any other Person; and no proceedings alleging such infringement have been instituted or are pending against such Canadian Securing Party and no written claim against such Canadian Securing Party has been received by such Canadian Securing Party, alleging any such violation, except as may be set forth in Annex 7 (as so supplemented).

Such Canadian Securing Party does not own any Trademarks registered in Canada to which the last sentence of the definition of Trademark Collateral applies.

(e) Deposit and Securities Accounts. Annex B sets forth a complete and correct list of all deposit accounts and Securities Accounts of the Canadian Securing Parties on the date hereof. For the purposes of this Agreement, all present and future deposit accounts of the Canadian Securing Parties are referred to herein collectively as the "Deposit Accounts."

### **Section 3. Collateral.**

(a) Security Interests. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of all of its Secured Obligations whether now existing or hereafter from time to time arising, each Canadian Securing Party hereby mortgages, pledges, hypothecates, transfers, assigns and charges to the Administrative Agent and grants to the Administrative Agent, for the benefit of the Secured Parties as hereinafter provided, a continuing security interest in all of such Canadian Securing Party's (i) present and future undertaking and (ii) right, title and interest in, to and under the following property, assets and revenues, whether now owned by such Canadian Securing Party or hereafter



acquired and whether now existing or hereafter coming into existence (all of the property, assets and revenues described in this Section 3 being collectively referred to herein as the "Collateral"):

- (i) all Accounts, Deposit Accounts, Instruments (including, without limitation, the promissory notes described in Annex 3 (Part B) hereto), Documents, Documents of Title, Chattel Paper (whether tangible or electronic), Inventory, Equipment, Goods, Money, Motor Vehicles, and other Intangibles;
- (ii) the shares of common and preferred stock of, or partnership and other ownership interest in, the Issuers identified in Annex 3 (Part A) (as supplemented from time to time pursuant to any Guarantee Assumption Agreement, or other supplement effecting such pledge) under the name of such Canadian Securing Party and all other shares of capital stock, or partnership and other ownership interest, of whatever class or character of any Issuer, now or hereafter owned by such Canadian Securing Party, and all certificates evidencing the same (collectively, the "Pledged Equity"), together with, in each case:
  - (1) all shares, securities, moneys or property representing a dividend on any of the Pledged Equity, or representing a distribution or return of capital upon or in respect of the Pledged Equity, or resulting from a split-up, revision, reclassification or other like change of the Pledged Equity or otherwise received in exchange therefor, and any subscription warrants, rights or options issued to the holders of, or otherwise in respect of, the Pledged Equity; and
  - (2) without affecting the obligations of such Canadian Securing Party under any provision prohibiting such action hereunder or under any Loan Document, in the event of any consolidation or merger in which an Issuer is not the surviving entity, all ownership interests of any class or character of the successor entity (unless such successor entity is such Canadian Securing Party itself) formed by or resulting from such consolidation or merger (the Pledged Equity, together with all other certificates, shares, securities, properties or moneys as may from time to time be pledged hereunder pursuant to this clause (ii) and clause (i) above being herein collectively called the "Equity Collateral"); and
- (iii) the Collateral Account and the balance from time to time therein;
- (iv) all Securities, Securities Accounts and all other Investment Property and Financial Assets of such Canadian Securing Party not covered by the foregoing clauses (i), (ii) and (iii);
- (v) all Intellectual Property and IP Licenses, and the right to recover for past, present and future infringements or misappropriations thereof and all other rights of any kind whatsoever accruing thereunder or pertaining thereto;
- (vi) all other tangible and intangible personal property whatsoever of such Canadian Securing Party not covered by the preceding clauses of this Section 3(a); and

(vii) all real property of such Canadian Securing Party; and

(viii) all Proceeds, products, offspring, accessions, rents, profits, income, benefits, substitutions and replacements of and to any of the Collateral and, to the extent related to any Collateral, all books, correspondence, credit files, records, invoices and other papers (including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of such Canadian Securing Party or any computer bureau or service company from time to time acting for such Canadian Securing Party).

IT BEING UNDERSTOOD, HOWEVER, that (A) in the case of any of the foregoing that consists of general or limited partnership interests in a general or limited partnership, the security interest hereunder shall be deemed to be created only to the maximum extent permitted under the applicable organizational instrument pursuant to which such partnership is formed, (B) in no event shall the security interest granted under this Section 3 attach to any lease, license, contract, property rights or agreement to which any Canadian Securing Party is a party (or to any of its rights or interests thereunder) if the grant of such security interest would constitute or result in either (i) the abandonment, invalidation or unenforceability of any right, title or interest of any Canadian Securing Party therein or (ii) in a breach or termination pursuant to the terms of, or a default under, any such lease, license, contract, property rights or agreement (but the applicable Canadian Securing Party shall hold its interest in such lease, license, contract, property rights or agreement in trust for the Administrative Agent), and (C) the last day of the term of any lease or sublease to which any Canadian Securing Party is party or lessee is specifically excepted from the security interest created pursuant hereto, but such Canadian Securing Party agrees to stand possessed of such last day in trust for any Person acquiring such interest of such Canadian Securing Party.

Without limiting the effectiveness of this Agreement with respect to any Collateral that may be located outside Canada, it is contemplated that, with respect to Collateral of any Canadian Securing Party that may be located outside of Canada (and with respect to any Canadian Securing Party that may be organized or that conducts business outside of Canada), such Canadian Securing Party will concurrently with the execution and delivery of this Agreement execute and deliver such Security Documents as shall be necessary in order to better ensure the validity, enforceability, perfection and priority (or the analogous concepts under applicable local laws) of the Liens on substantially all of the assets of each such Canadian Securing Party.

(b) Perfection and Priority. Each Canadian Securing Party acknowledges the terms of the Initial Order and the Interim Recognition Order and agrees that upon entry of the Initial Order (or, in the case of Collateral located in the United States, the Interim Recognition Order), the obligations of such Canadian Securing Party under this Agreement and the other Loan Documents shall be secured by a valid, binding, continuing and enforceable super-priority, priming, first ranking court-ordered charge on the Collateral (together with the Liens created under this Agreement and other Loan Documents, the "DIP Charge"), subordinate only to the Carve-Out. The DIP Charge referred to herein shall be deemed valid and perfected upon the entry of the Initial Order and Interim Recognition Order, as applicable. The Administrative

Agent shall not be required to file, register or record any financing statements, mortgages, certificates of title, notices or similar instruments in any jurisdiction or filing office or to take any other action in order to validate or perfect the DIP Charge granted by or pursuant to this Agreement, any DIP Financing Order or any other Loan Document; provided, that the Administrative Agent shall be permitted to file any financing statements, mortgages, certificates of title, the DIP Financing Orders, notices or other similar instruments in any jurisdiction or filing office or to take any other action with respect to perfecting, maintaining, protecting or enforcing the Liens and security interests in the Collateral granted by or pursuant to the DIP Financing Orders, this Agreement or any other Loan Document.

(c) **Survival.** The DIP Charge, the priority of such DIP Charge and other rights and remedies granted to the Administrative Agent and the Lenders pursuant to the DIP Financing Orders, this Agreement and the other Loan Documents (specifically including, but not limited to, the existence, perfection and priority of the DIP Charge provided herein and therein, and the priority provided herein and therein) shall not be modified, altered or impaired in any manner by any other financing or extension of credit or incurrence of Indebtedness by any of the Canadian Securing Parties, or by any termination, dismissal or conversion of any of the Proceedings, or by any other act or omission whatsoever. Without limiting the foregoing, notwithstanding any such termination, dismissal, conversion, act or omission:

(i) except for the Carve-Out, no costs or expenses of the administration that have been or may be incurred in any of the Proceedings or any conversion of the same or in any other proceedings related thereto, and except for the Carve-Out no priority claims, are or shall be prior to or *pari passu* with any claim of the Secured Parties against the Canadian Securing Parties in respect of any Secured Obligation;

(ii) the Liens constituting the DIP Charge shall constitute valid and perfected first priority Liens and shall be prior to all other Liens, now existing or hereafter arising, in favor of any other creditor or any other Person whatsoever, subject only to the Carve-Out; and

(iii) the Liens constituting the DIP Charge shall continue to be valid and perfected without the necessity that any financing statements, mortgages, certificates of title, notices or similar instruments be filed, registered or recorded in any jurisdiction or filing office or that any other action be taken in order to validate or perfect the DIP Charge.

#### **Section 4. Cash Proceeds of Collateral.**

**4.01 Collateral Account.** The Administrative Agent may establish at a banking institution selected by the Administrative Agent a cash collateral account (the "Collateral Account"), that:

(a) to the extent of all Instruments, Securities and any other Investment Property or Financial Assets (other than cash) credited thereto shall be a Securities



Account in respect of which the Administrative Agent shall be the "entitlement holder" (as defined in the STA);

(b) to the extent of any cash credited thereto, shall be a Deposit Account and into which there shall be deposited from time to time the cash proceeds of any of the Collateral (including proceeds of insurance thereon) required to be delivered to the Administrative Agent pursuant to the Credit Agreement, or pursuant hereto, and into which the Canadian Securing Parties may from time to time deposit any additional amounts that any of them wishes to pledge to the Administrative Agent for the benefit of the Secured Parties as additional collateral security hereunder. The balance from time to time in the Collateral Account shall constitute part of the Collateral hereunder and shall not constitute payment of the Secured Obligations until applied as hereinafter provided. Except as expressly provided in Section 4.04, the Administrative Agent shall remit the collected balance standing to the credit of the Collateral Account to or upon the order of the respective Canadian Securing Party as such Canadian Securing Party through the Borrower shall from time to time instruct, *provided* that, at any time following the occurrence and during the continuance of an Event of Default, the Administrative Agent shall not be required to remit such balance to any Canadian Securing Party and may (and, if instructed by the Lenders as specified in the Credit Agreement, shall) in its (or their) discretion apply or cause to be applied (subject to collection) the balance from time to time standing to the credit of the Collateral Account to the payment of the Secured Obligations then due and payable in the manner specified in Section 5.09. The balance from time to time in the Collateral Account shall be subject to withdrawal only as provided herein, except as expressly provided in Section 2.12(c) of the Credit Agreement; and

(c) is and will continue to be subject to an agreement satisfactory to the Administrative Agent among the Canadian Securing Parties, the Administrative Agent and such banking institution that shall cause such banking institution to agree to comply with instructions from the Administrative Agent directing the disposition of funds from time to time credited to such account and with "entitlement orders" (as defined in the STA) from the Administrative Agent in respect of such account (to the extent such account is a Securities Account), in each case without further consent of any Securing Party or any other Person.

**4.02 Proceeds of Accounts.** If so requested by the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, each Canadian Securing Party shall (and authorizes the Administrative Agent to) instruct (which instruction shall be effected as to all account debtors within 10 Business Days of such request) all account debtors in respect of Accounts, Chattel Paper, Intangibles and Instruments payable in the United States of America and Canada, as applicable, to make all payments in respect thereof either (i) directly to the Administrative Agent (by instructing that such payments be remitted to an account which shall be in the name and under the control of the Administrative Agent) or (ii) to one or more other banks in the United States of America or Canada, as applicable, (by instructing that such payments be remitted to an account which shall be in the name and under the control of the

Administrative Agent) under arrangements, in form and substance satisfactory to the Administrative Agent, pursuant to which such Canadian Securing Party shall have irrevocably instructed such other bank (and such other bank shall have agreed) to remit all proceeds of such payments directly to the Administrative Agent for deposit into the Collateral Account. All payments made to the Administrative Agent, as provided in the preceding sentence, shall be immediately deposited in the Collateral Account.

Similarly, if so requested by the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, each Canadian Securing Party shall make similar arrangements (which arrangements shall be effected within 10 Business Days of such request) with respect to Accounts, Chattel Paper, Intangibles and Instruments payable outside of the United States of America and Canada, as applicable.

In addition to the foregoing, each Canadian Securing Party agrees that, at any time after the occurrence and during the continuance of an Event of Default, if the proceeds of any Collateral hereunder (including the payments made in respect of Accounts) shall be received by it, such Canadian Securing Party shall, upon the request of the Administrative Agent, as promptly as possible deposit such proceeds into the Collateral Account. Until so deposited, following such request all such proceeds shall be held in trust by such Canadian Securing Party for and as the property of the Administrative Agent and shall not be commingled with any other funds or property of such Canadian Securing Party.

**4.03 Investment of Balance in Collateral Account.** The cash balance standing to the credit of the Collateral Account shall be invested from time to time in such Available Permitted Investments as the respective Canadian Securing Party through Cinram (or, after the occurrence and during the continuance of an Event of Default, the Administrative Agent) shall determine, which Available Permitted Investments shall be held in the name and be under the control of the Administrative Agent (and credited to the Collateral Account), *provided* that at any time after the occurrence and during the continuance of an Event of Default, the Administrative Agent may (and, if instructed by the Lenders as specified in the Credit Agreement, shall) in its (or their) discretion at any time and from time to time elect to liquidate any such Available Permitted Investments and to apply or cause to be applied the proceeds thereof to the payment of the Secured Obligations then due and payable in the manner specified in Section 5.09.

**4.04 Casualty Events Proceeds.** Amounts deposited into the Collateral Account pursuant to Section 2.12(c) of the Credit Agreement representing the Net Cash Proceeds of any Casualty Event may be withdrawn only (1) if consented to by the Administrative Agent and the Majority Lenders, in connection with the replacement and repair of the property affected by such Casualty Event (the "Damaged Property") in accordance with the Credit Agreement or (2) for application to the prepayment of the Loans in the manner set forth in Section 2.12(f) of the Credit Agreement, and if the respective Canadian Securing Party elects, after consent is received from the Administrative Agent and the Majority Lenders, to so replace and repair Damaged Property, any such monies shall be advanced to such Canadian Securing Party by the Administrative Agent in periodic installments upon compliance by such Canadian Securing Party with such reasonable conditions to disbursement as may be imposed by the Administrative Agent, including, but not limited to, reasonable retention amounts and receipt of lien releases,

*provided* that (without the consent of the Majority Lenders) the Administrative Agent shall not be obligated to release such monies for application to any such replacement repair or prepayment at any time after the occurrence and during the continuance of any Event of Default.

**Section 5. Further Assurances; Remedies.** In furtherance of the grant of the pledge and security interest pursuant to Section 3, the Canadian Securing Parties hereby jointly and severally agree with the Administrative Agent for the benefit of the Secured Parties as follows:

**5.01 Delivery and Other Perfection.** Each Canadian Securing Party shall:

(a) if any of the Equity Collateral or other Securities, Investment Property or Financial Assets pledged by such Canadian Securing Party under clauses (ii) and (iv) of Section 3(a) are received by such Canadian Securing Party, forthwith either (x) transfer and deliver to the Administrative Agent such Equity Collateral or other Securities, Investment Property or Financial Assets (together with the certificates or instruments for any such Equity Collateral or other Securities, Investment Property or Financial Assets duly endorsed in blank or accompanied by such instruments of assignment and transfer in such form and substance as the Administrative Agent may request), all of which thereafter shall be held by the Administrative Agent, pursuant to the terms of this Agreement, as part of the Collateral or (y) take such other action as the Administrative Agent shall reasonably deem necessary or appropriate to duly record or otherwise perfect the Lien created hereunder in such Equity Collateral or other Securities, Investment Property or Financial Assets pursuant to said clauses (ii) and (iv);

(b) deliver and pledge to the Administrative Agent any and all Instruments constituting part of the Collateral in which such Canadian Securing Party purports to grant a security interest hereunder, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Administrative Agent may request; *provided* that (other than in the case of the promissory notes described in Annex 3 (Part B) hereto) so long as no Default shall have occurred and be continuing, such Canadian Securing Party may retain for collection in the ordinary course any Instruments received by such Canadian Securing Party in the ordinary course of business and the Administrative Agent shall, promptly upon request of such Canadian Securing Party through Cinram, make appropriate arrangements for making any Instrument pledged by such Canadian Securing Party available to such Canadian Securing Party, as applicable, for purposes of presentation, collection or renewal (any such arrangement to be effected, to the extent deemed appropriate by the Administrative Agent, against trust receipt or like document);

(c) give, execute, deliver, file, record, authorize or obtain all such financing statements, notices, instruments, documents, agreements or consents or other papers as may be necessary or desirable (in the judgment of the Administrative Agent) to create, preserve, perfect or validate the security interest granted pursuant hereto or to enable the Administrative Agent to exercise and enforce its rights hereunder with respect to such pledge and security interest, including, without limitation, following the occurrence and during the continuance of an Event of Default, causing any or all of the Equity Collateral



to be transferred of record into the name of the Administrative Agent or its nominee (and the Administrative Agent agrees that if any Equity Collateral is transferred into its name or the name of its nominee, the Administrative Agent will thereafter promptly give to such Canadian Securing Party copies of any notices and communications received by it with respect to the Equity Collateral pledged by such Canadian Securing Party hereunder), *provided* that notices to account debtors in respect of any Accounts, Chattel Paper or Intangibles and to Canadian Securing Parties on Instruments shall be subject to the provisions of Section 4.02;

(d) furnish to the Administrative Agent from time to time, upon request of the Administrative Agent, (i) updated statements and schedules identifying all IP Licenses and all registrations and applications included in the Copyright Collateral, the Patent Collateral and the Trademark Collateral, respectively, and (ii) such other reports in connection with the Copyright Collateral, the Patent Collateral and the Trademark Collateral as the Administrative Agent may reasonably request, all in reasonable detail; and promptly (x) take appropriate actions (whether or not the Administrative Agent has made a request to do so) to comply with Section 5.01(c) with respect to all IP Licenses, Copyright Collateral, Patent Collateral and Trademark Collateral and (y) upon request of the Administrative Agent, following receipt by the Administrative Agent of any statements, schedules or reports pursuant to this clause (d), modify this Agreement by amending Annexes 4, 5 and 6, as the case may be, to include such after acquired Copyright Collateral, Patent Collateral or Trademark Collateral owned by any Canadian Securing Party;

(e) keep full and accurate books and records relating to the Collateral, and stamp or otherwise mark such books and records in such manner as the Administrative Agent may reasonably require in order to reflect the security interests granted by this Agreement;

(f) permit representatives of the Administrative Agent, upon reasonable notice, at any time during normal business hours to inspect and make abstracts from its books and records pertaining to the Collateral, and permit representatives of the Administrative Agent to be present at such Canadian Securing Party's place of business to receive copies of all communications and remittances relating to the Collateral, and forward copies of any notices or communications received by such Canadian Securing Party with respect to the Collateral, all in such manner as the Administrative Agent may require;

(g) execute and deliver and, subject to the execution thereof by the Administrative Agent, cause to be filed, such financing/financing change statements, and do such other acts and things, as may be necessary to maintain the perfection and priority of the security interests granted pursuant hereto;

(h) if requested by the Administrative Agent, enter into, and cause the applicable depositary bank where each Deposit Account (other than any Deposit Account

maintained outside Canada) is maintained to enter into, a Blocked Account Agreement with respect to such Deposit Account;

(i) if requested by the Administrative Agent, enter into, and cause the applicable Securities Intermediary where each Securities Account (other than any Securities Account maintained outside Canada) is maintained to enter into, an account control agreement, in form and substance reasonably satisfactory to the Administrative Agent, as may be necessary to perfect the security interests granted by Section 3 of this Agreement with respect to all Securities Accounts; and

(j) if requested by the Administrative Agent, take such actions as may be required under the other Security Documents or as the Administrative Agent may reasonably request with respect to any Deposit Account or Securities Account maintained in a jurisdiction outside Canada in order to create and perfect (or the equivalent) a security interest therein under the laws of such jurisdiction.

**5.02 Other Financing Statements and Liens.** Except as otherwise permitted under Section 7.01 of the Credit Agreement, without the prior written consent of the Administrative Agent (granted with the authorization of the Lenders as specified in the Credit Agreement), no Canadian Securing Party shall (a) file or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to any of the Collateral in which the Administrative Agent is not named as the sole secured party for, the benefit of the Secured Parties, (b) cause or permit any Person other than the Administrative Agent to have "possession" as collateral of any of the Collateral in which a security interest may be perfected by way of possession under the PPSA or (c) cause or permit any Person other than the Administrative Agent to have "control" (for purposes of the PPSA) of any Investment Property.

**5.03 Preservation of Rights.** No Secured Party shall be required to take steps necessary to preserve any rights against prior parties to any of the Collateral.

**5.04 Special Provisions Relating to Certain Collateral.**

(a) **Equity Collateral.**

(1) The Canadian Securing Parties will cause the Equity Collateral to constitute at all times 100% of the total shares of capital stock, limited liability company and other ownership interests of each Issuer then outstanding owned by the Canadian Securing Parties.

(2) So long as no Event of Default shall have occurred and be continuing, the Canadian Securing Parties shall have the right to exercise all voting, consensual and other powers of ownership pertaining to the Equity Collateral for all purposes not inconsistent with the terms of this Agreement, the Credit Agreement or any other instrument or agreement referred to herein or therein, *provided* that the Canadian Securing Parties jointly and severally agree that they will not vote the Equity Collateral in any manner that is inconsistent with the terms of this

Agreement, the Credit Agreement or any such other instrument or agreement; and the Administrative Agent shall execute and deliver to the Canadian Securing Parties or cause to be executed and delivered to the Canadian Securing Parties all such proxies, powers of attorney, dividend and other orders, and all such instruments, without recourse, as the Canadian Securing Parties may reasonably request for the purpose of enabling the Canadian Securing Parties to exercise the rights and powers that they are entitled to exercise pursuant to this Section 5.04(a)(2).

(3) Unless and until an Event of Default shall have occurred and be continuing, the Canadian Securing Parties shall be entitled to receive and retain any dividends, distributions or proceeds on the Equity Collateral paid in cash out of earned surplus.

(4) If any Event of Default shall have occurred and be continuing, and whether or not any Secured Party exercises any available right to declare any Secured Obligation due and payable or seeks or pursues any other relief or remedy available to it under applicable law or under this Agreement, the Credit Agreement or any other agreement relating to such Secured Obligation, all dividends and other distributions on the Equity Collateral shall be paid directly to the Administrative Agent and retained by it in the Collateral Account as part of the Equity Collateral, subject to the terms of this Agreement, and, if the Administrative Agent shall so request in writing, the Canadian Securing Parties jointly and severally agree to execute and deliver to the Administrative Agent appropriate additional dividend, distribution and other orders and documents to that end, *provided* that if such Event of Default is cured, any such dividend or distribution theretofore paid to the Administrative Agent shall, upon request of the Canadian Securing Parties (except to the extent theretofore applied to the Secured Obligations), be returned by the Administrative Agent to the Canadian Securing Parties.

(b) **Intellectual Property.**

(1) For the purpose of enabling the Administrative Agent to exercise rights and remedies under Section 5.05 at such time as the Administrative Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, each Canadian Securing Party hereby grants to the Administrative Agent, to the extent assignable, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to such Canadian Securing Party) to use, assign, license or sublicense any of the Intellectual Property now owned or hereafter acquired by such Canadian Securing Party, wherever the same may be located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof.

(2) Notwithstanding anything contained herein to the contrary, but subject to the provisions of Section 7.02 of the Credit Agreement that limit the rights of the Canadian Securing Parties to dispose of their property, so long as no Event of Default shall have occurred and be continuing, the Canadian Securing Parties will be permitted to exploit, use, enjoy, protect, license, sublicense, assign, sell, dispose of or take other actions with respect to the Intellectual Property in the ordinary course of the business of the Canadian Securing Parties. In furtherance of the foregoing, unless an Event of Default shall have occurred and be continuing the

Administrative Agent shall from time to time, upon the request of the respective Canadian Securing Party, execute and deliver any instruments, certificates or other documents, in the form so requested, that such Canadian Securing Party through Cinram shall have certified are appropriate (in its judgment) to allow it to take any action permitted above (including relinquishment of the license provided pursuant to clause (1) above as to any specific Intellectual Property). Further, upon the payment in full of all of the Secured Obligations and cancellation or termination of the Commitment or earlier expiration of this Agreement or release of the Collateral, the Administrative Agent shall grant back to the Canadian Securing Parties the license granted pursuant to clause (1) immediately above. The exercise of rights and remedies under Section 5.05 by the Administrative Agent shall not terminate the rights of the holders of any licenses or sublicenses theretofore granted by the Canadian Securing Parties in accordance with the first sentence of this clause (2).

(c) **Motor Vehicles.** With respect to all Motor Vehicles that are covered by certificates of title issued in the Canada (without limiting the obligations of any Canadian Securing Party to take such action as shall be requested by the Administrative Agent pursuant to Section 5.01 with respect to any Motor Vehicles not covered by certificates of title issued in the Canada):

(1) If at any time requested by the Administrative Agent, each Canadian Securing Party shall within 30 days of receipt of such request, deliver to the Administrative Agent originals of the certificates of title or ownership for the Motor Vehicles owned by it with the Administrative Agent listed as lienholder (if permitted under applicable law) and take such other action as the Administrative Agent shall deem appropriate to perfect the security interest created hereunder in all such Motor Vehicles; *provided*, however, if a Motor Vehicle is subject to a purchase money security interest, the Administrative Agent shall be listed as a subordinate lienholder to the Person holding such purchase money security interest; and

(2) Without limiting Section 5.10, each Canadian Securing Party hereby appoints the Administrative Agent as its lawful attorney, effective the date hereof and terminating upon the termination of this Agreement, for the purpose of (i) executing on behalf of such Canadian Securing Party title or ownership applications for filing with appropriate provincial agencies to enable Motor Vehicles now owned or hereafter acquired by such Canadian Securing Party to be retitled and the Administrative Agent listed as lienholder thereon (if permitted under applicable law), (ii) filing such applications with such provincial agencies and (iii) executing such other documents, schedules and instruments on behalf of, and taking such other action in the name of, such Canadian Securing Party as the Administrative Agent may deem necessary or advisable to accomplish the purposes hereof (including, without limitation, the purpose of creating in favor of the Administrative Agent a perfected lien on the Motor Vehicles and exercising the rights and remedies of the Administrative Agent under Section 5.05). This appointment as an attorney is irrevocable and coupled with an interest.

**5.05 Events of Default, Etc.** During the period during which an Event of Default shall have occurred and be continuing:



(a) each Canadian Securing Party shall, at the request of the Administrative Agent, assemble the Collateral owned by it at such place or places, reasonably convenient to the Administrative Agent and such Canadian Securing Party, designated in the Administrative Agent's request;

(b) the Administrative Agent may make any reasonable compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, any of the Collateral;

(c) the Administrative Agent shall have all of the rights and remedies with respect to the Collateral of a secured party under the PPSA and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including, without limitation, the right, to the maximum extent permitted by law, (i) to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Administrative Agent were the sole and absolute owner thereof (and each Canadian Securing Party agrees to take all such action as may be appropriate to give effect to such right); (ii) to enter upon any premises where Collateral may be located; and (iii) to take possession of Collateral by any method permitted by law;

(d) the Administrative Agent in its discretion may, in its name or in the name of any Canadian Securing Party or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so;

(e) the Administrative Agent may, upon not less than fifteen days prior written notice to the Canadian Securing Parties and to all other Persons as required under the PPSA, of the time and place, with respect to the Collateral or any part thereof that shall then be or shall thereafter come into the possession, custody or control of the Administrative Agent, the Lenders or any of their respective agents, sell, lease, assign or otherwise dispose of all or any part of such Collateral, at such place or places as the Administrative Agent deems best on commercially reasonable terms, and for cash or for credit or for future delivery (without thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of the time or place thereof (except such notice as is required above or by applicable law and cannot be waived), and any Secured Party or anyone else may be the purchaser, lessee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale) and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Canadian Securing Parties, any such demand, notice and right or equity being hereby expressly waived and released. In the event of any sale, assignment, or other disposition of any of the Trademark Collateral, the goodwill connected with and symbolized by the Trademark Collateral subject to such disposition shall be included. The Administrative Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from

time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned; and

(f) the Administrative Agent may appoint by instrument in writing a receiver or a receiver and manager (each of which is herein called a "Receiver") of the Collateral or commence proceedings in any court of competent jurisdiction for the appointment of a receiver or a receiver and manager or for the sale of the Collateral. Any Receiver appointed by the Administrative Agent may be any Person or Persons, and the Administrative Agent may remove any Receiver so appointed and appoint another or others instead. Any Receiver appointed shall act as agent for the Administrative Agent for the purposes of taking possession of the Collateral and (except as provided below) as agent for the Canadian Securing Parties for all other purposes, including without limitation the occupation of any premises of the Canadian Securing Parties and in carrying on the business of the Canadian Securing Parties. For the purposes of realizing upon the security interest created pursuant hereto, any Receiver may sell, lease or otherwise dispose of Collateral as agent for the Canadian Securing Parties or as agent for the Administrative Agent and the Secured Parties as the Administrative Agent may determine in its discretion. The Canadian Securing Parties agree to ratify and confirm all actions of any Receiver acting as agent for the Canadian Securing Parties and to release and indemnify any Receiver in respect of all such actions. Any Receiver so appointed shall have the following powers: (i) to enter upon, use and occupy all premises owned or occupied by the Canadian Securing Parties; (ii) to take possession of the Collateral; (iii) to carry on the business of the Canadian Securing Parties; (iv) to borrow money required for the maintenance, preservation or protection of the Collateral or for the carrying on of the business of the Canadian Securing Parties, and in the discretion of such Receiver, to charge and grant further security interests in the Collateral in priority to the security interest created pursuant hereto, as security for the money so borrowed; (v) to sell, lease or otherwise dispose of the Collateral or any part thereof on such terms and conditions, and in such manner as any Receiver shall determine in its discretion; (vi) to demand, commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and to give valid and effectual receipts and discharges therefor and to compromise or give time for the payment or performance of all or any part of the Accounts or any other obligation of any third party to the Canadian Securing Parties; and (vii) to exercise any rights or remedies which could have been exercised by the Administrative Agent against the Canadian Securing Parties or the Collateral.

The Proceeds of each collection, sale or other disposition under this Section 5.05, including by virtue of the exercise of the license granted to the Administrative Agent in Section 5.04(b), shall be applied in accordance with Section 5.09.

The Canadian Securing Parties acknowledge that any such private sales may be at prices and on terms less favorable to the Administrative Agent than those obtainable through a public sale without any restrictions, and, notwithstanding such circumstances, agree that conducting such sale as a private sale is a commercially reasonable manner for conducting such

sale and that the Administrative Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the respective issuer thereof to register it for public sale except as required by applicable law.

**5.06 Deficiency.** If the proceeds of sale, collection or other realization of or upon the Collateral pursuant to Section 5.05 are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Canadian Securing Parties shall remain liable for any deficiency.

**5.07 Locations; Names.** Without at least 30 days' prior written notice to the Administrative Agent, no Canadian Securing Party shall (i) change the location of its chief executive office, (ii) change its name from the name shown as its current legal name on Annex 1 or (iii) change the location specified in Annex 1 where Equipment, Inventory or Goods of such Canadian Securing Party are located to any other province or state.

**5.08 Private Sale.** None of the Secured Parties shall incur any liability as a result of the sale of the Collateral, or any part thereof, at any private sale pursuant to Section 5.05 conducted in a commercially reasonable manner. To the extent permitted by law, each Canadian Securing Party hereby waives any claims against any Secured Party arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Administrative Agent accepts the first offer received and does not offer the Collateral to more than one offeree.

**5.09 Application of Proceeds.** Following an Event of Default, except as otherwise herein expressly provided, the Proceeds of any collection, sale or other realization of all or any part of the Collateral pursuant hereto, and any other cash at the time held by the Administrative Agent under Section 4 or this Section 5, shall be applied by the Administrative Agent:

First, to the payment of the costs and expenses of such collection, sale or other realization, including reasonable out-of-pocket costs and expenses of the Administrative Agent and the fees and expenses of its agents and counsel, and all expenses incurred and advances made by the Administrative Agent in connection therewith;

Second, to the payment in full of the Loans, equally and ratably to the Lenders in accordance with the respective amounts thereof then due and owing or as the Lenders holding the same may otherwise agree;

Third, to the payment in full (and, as to contingent obligations, cash collateralization) of the remaining Secured Obligations, in each case equally and ratably in accordance with the respective amounts thereof then due and owing or as the Secured Parties holding the same may otherwise agree; and

Finally, to the payment to the respective Canadian Securing Parties, or their respective successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining.

**5.10 Power of Attorney.** Without limiting any rights or powers granted by this Agreement to the Administrative Agent while no Event of Default has occurred and is continuing, upon the occurrence and during the continuance of any Event of Default the Administrative Agent is hereby appointed the lawful attorney of each Canadian Securing Party for the purpose of carrying out the provisions of this Section 5 and taking any action and executing any instruments that the Administrative Agent may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, so long as the Administrative Agent shall be entitled under this Section 5 to make collections in respect of the Collateral, the Administrative Agent shall have the right and power to receive, endorse and collect all checks made payable to the order of any Canadian Securing Party representing any dividend, payment or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same.

**5.11 Perfection and Recordation.** Prior to the execution and delivery of this Agreement, or, to the extent not previously accomplished, concurrently with the execution and delivery of this Agreement (i) the Administrative Agent shall have filed or caused to be filed such financing statements and other documents in such offices as the Administrative Agent may deem necessary or advisable to perfect the security interests granted by Section 3 of this Agreement, and (ii) each Canadian Securing Party shall have (a) delivered to the Administrative Agent all certificates evidencing any of the Pledged Equity, accompanied by undated stock or other powers duly executed in blank, (b) delivered the originals of any of the promissory notes referred to in clause (i) of Section 3(a), (c) caused each Issuer (other than an Issuer the ownership interests in which are evidenced by certificates) to agree that it will comply with instructions originated by the Administrative Agent and (d) executed, delivered and recorded such short form security agreements relating to Collateral consisting of the Intellectual Property as the Administrative Agent may reasonably request.

**5.12 Attachment.** The parties hereto acknowledge that value has been given; each Canadian Securing Party has rights in the Collateral; and the parties have not agreed to postpone the time for attachment of the security interest created pursuant hereto. In respect of Collateral in which any Canadian Securing Party obtains an interest after the execution and delivery of this Agreement, the security interest in such Collateral shall attach thereto immediately upon such Canadian Securing Party obtaining such rights.

**5.13 Termination.** When all Secured Obligations shall have been paid in full and the Commitment shall have expired or been terminated, this Agreement shall terminate, and the Administrative Agent shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect thereof, to or on the order of the respective Canadian Securing Party and to be released and canceled all licenses and rights referred to in Section 5.04(b). The Administrative Agent shall also execute and deliver to the respective Canadian Securing Party upon such termination such PPSA financing change statements, and such other documentation as shall be reasonably requested by the respective Canadian Securing Party to effect the termination and release of the Liens on the Collateral.



**5.14 Further Assurances.** Each Canadian Securing Party agrees that, from time to time upon the written request of the Administrative Agent, such Canadian Securing Party will, within a reasonable period of time after such request, execute and deliver such further documents and do such other acts and things as the Administrative Agent may reasonably request in order fully to effect the purposes of this Agreement.

**Section 6. Miscellaneous.**

**6.01 Notices.** All notices, requests, consents and demands hereunder shall be in writing and telecopied or delivered to the intended recipient at its "Address for Notices" specified pursuant to Section 11.02 of the Credit Agreement and shall be deemed to have been given at the times specified in said Section.

**6.02 No Waiver.** No failure on the part of any Secured Party to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by any Secured Party of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

**6.03 Amendments, Etc.** The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by each Canadian Securing Party and the Administrative Agent (with the consent of the Lenders or, as the case may be, the Majority Lenders as specified in the Credit Agreement). Any such amendment or waiver shall be binding upon the Secured Parties and each holder of any of the Secured Obligations and each Canadian Securing Party.

**6.04 Conflicts with Credit Agreement.** Notwithstanding anything contained herein to the contrary, to the extent any provision hereof expressly conflicts with any provision contained in the Credit Agreement, such provision contained in the Credit Agreement shall control.

**6.05 Expenses.** Without limiting the generality of the provisions of Section 11.03 of the Credit Agreement, the Canadian Securing Parties jointly and severally agree to reimburse the Administrative Agent for all out-of-pocket costs and expenses of the Administrative Agent (including, without limitation, the reasonable fees and expenses of legal counsel) in connection with (i) any Default and any enforcement or collection proceeding resulting therefrom, including, without limitation, all manner of participation in or other involvement with (w) performance by the Administrative Agent of any obligations of the Canadian Securing Parties in respect of the Collateral that the Canadian Securing Parties have failed or refused to perform, (x) bankruptcy, insolvency, receivership, foreclosure, winding up or liquidation proceedings, or any actual or attempted sale, or any exchange, enforcement, collection, compromise or settlement in respect of any of the Collateral, and for the care of the Collateral and defending or asserting rights and claims of the Administrative Agent in respect thereof, by litigation or otherwise, including expenses of insurance, (y) judicial or regulatory proceedings and (z) workout, restructuring or other negotiations or proceedings (whether or not the workout, restructuring or transaction

contemplated thereby is consummated) and (ii) the enforcement of this Section 6.04, and all such costs and expenses shall be Secured Obligations entitled to the benefits of the collateral security provided pursuant to Section 3.

**6.06 Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of each Canadian Securing Party and the Secured Parties, (*provided*, however, that no Canadian Securing Party shall assign or transfer its rights or obligations hereunder without the prior written consent of the Administrative Agent).

**6.07 Counterparts.** This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

**6.08 Governing Law.** This Agreement shall be governed by, and construed in accordance with, the law of the Province of Ontario, Canada.

**6.09 Captions.** The captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

**6.10 Agents and Attorneys.** The Administrative Agent may employ agents and attorneys in connection herewith and shall not be responsible for the negligence or misconduct of any such agents or attorneys selected by it in good faith.

**6.11 Severability.** If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Secured Parties in order to carry out the intentions of the parties hereto as nearly as may be possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

**6.12 DIP Financing Orders.** For the avoidance of doubt, the security interests granted pursuant to this Agreement shall be in addition to, and in no way shall be construed as limiting or modifying in any respect, the security interests and Liens granted pursuant to the DIP Financing Orders.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered as of the day and year first above written.

**CINRAM INTERNATIONAL INC.**

By: \_\_\_\_\_ c/s  
Name:  
Title:

**1362806 ONTARIO LIMITED**

By: \_\_\_\_\_ c/s  
Name:  
Title:

**CINRAM INTERNATIONAL ULC**

By: \_\_\_\_\_ c/s  
Name:  
Title:

**JPMORGAN CHASE BANK, N.A.**  
as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:



ANNEX 1

**FILING DETAILS**

Current Legal Name (no trade names)	Type of Organization (corporation, limited liability company, etc.)	Jurisdiction of Organization	Organizational ID Number (if applicable)	Current Mailing Address	Place of Business or Location of Chief Executive Office	Location of Inventory, Equipment Goods	Former Legal Name(s) (if any)

**ASSIGNMENT OF COLLATERAL**

**PLEDGED EQUITY AND PROMISSORY NOTES**(A) Pledged Capital

<u>Issuer</u>	<u>Obligor</u>	<u>Percentage Ownership</u>	<u>Class/Par Value</u>	<u>Certificate No.</u>	<u>Number of Shares</u>

(B) Promissory Notes

ANNEX 4

**LIST OF COPYRIGHTS, COPYRIGHT REGISTRATIONS AND  
APPLICATIONS FOR COPYRIGHT REGISTRATIONS**



**LIST OF PATENTS AND PATENT APPLICATIONS**

<b>Title</b>	<b>Appl. No.</b>	<b>Filed</b>	<b>Patent/Publ. No. Status</b>	<b>Status</b>

**LIST OF TRADE NAMES, TRADEMARKS, SERVICES MARKS,  
TRADEMARK AND SERVICE MARK REGISTRATIONS AND  
APPLICATIONS FOR TRADEMARK AND SERVICE MARK REGISTRATIONS**

<b>Trademark</b>	<b>Reg. No./Date</b>	<b>App. No./Filed</b>	<b>Status</b>

ANNEX 7

**LIST OF CONTRACTS, LICENSES AND OTHER AGREEMENTS**

**LIST OF DEPOSIT AND SECURITIES ACCOUNTS**

<u>Obligor</u>	<u>Type of Account</u>	<u>Account Number</u>	<u>Name and address</u>



Exhibit H

**U.S. SECURITY AGREEMENT** (this "Agreement") dated as of [\_\_\_\_], 2012, by and among **CINRAM INTERNATIONAL ULC**, a Nova Scotia unlimited liability company ("ULC"); **CINRAM INTERNATIONAL INC.**, a corporation organized under the law of Canada ("Cinram"); **CINRAM, INC.**, a corporation organized under the law of the State of Delaware ("CIUS"); **CINRAM (U.S.) HOLDING'S INC.**, a corporation organized under the law of the State of Delaware (the "Borrower"); each of **1362806 ONTARIO LIMITED** ("**1362806**"), **IHC CORPORATION** ("**IHC**"), **CINRAM MANUFACTURING LLC** ("**Cinram Manufacturing**"), **CINRAM DISTRIBUTION LLC** ("**Cinram Distribution**"), **CINRAM WIRELESS LLC** ("**Cinram Wireless**"), **CINRAM RETAIL SERVICES, LLC** ("**Cinram Retail**"), **ONE K STUDIOS, LLC** ("**One K**" and together with **ULC, Cinram, CIUS, 1362806, IHC, Cinram Manufacturing, Cinram Distribution, Cinram Wireless and Cinram Retail** the "Guarantors" and, together with the Borrower, the "Securing Parties"), and **JPMORGAN CHASE BANK, N.A.**, as administrative agent for the Lenders or other financial institutions or entities party, as Lenders, to the Credit Agreement referred to below (in such capacity, together with its successors in such capacity, the "Administrative Agent").

The Borrower and the other Securing Parties have commenced or are about to commence cases or applications (the "CCAA Proceedings") to obtain protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA");

The Securing Parties, the Lenders and the Administrative Agent are parties to the Senior Secured Priming and Superpriority Debtor-in-Possession Credit Agreement dated as of June [ ], 2012 among the Securing Parties, the lenders from time to time parties thereto (the "Lenders") and the Administrative Agent (including all annexes, exhibits and schedules thereto, and from time to time as amended, amended and restated, supplemented or otherwise modified, the "Credit Agreement").

In order to induce the Administrative Agent and the Lenders to enter into the Credit Agreement, and to make the Loans in accordance with the terms of the Credit Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the Securing Parties has agreed to pledge and grant a continuing security interest in the Collateral (as defined below) to secure the Secured Obligations. Accordingly, the parties hereto agree as follows:

**SECTION 1. Definitions.**

1.01. Terms Generally. Terms used herein and not otherwise defined herein are used herein as defined in the Credit Agreement.

1.02. Certain NYUCC Terms. The terms "Accounts", "Chattel Paper", "Deposit Account", "Document", "Electronic Chattel Paper", "Equipment", "Fixture", "General Intangible", "Goods", "Instrument", "Inventory", "Investment Property", "Letter-of-Credit Right", "Payment Intangible", "Proceeds" and "Software" have the respective meanings ascribed thereto in Article 9 of the NYUCC. The term "Financial Assets" and "Securities Account" shall have the meaning ascribed thereto in Article 8 of the NYUCC.

1.03. Additional Definitions. In addition, as used herein:

“Available Permitted Investments” means such Permitted Investments as the Administrative Agent can make available to the Securing Parties for investment under Section 4.03.

“Collateral” has the meaning assigned to such term in Section 3(a).

“Collateral Account” has the meaning assigned to such term in Section 4.01.

“Copyright Collateral” means all Copyrights, whether now owned or hereafter acquired by any Securing Party, including each Copyright identified in Annex 4.

“Copyrights” means all copyrights, copyright registrations and applications for copyright registrations, including, without limitation, all renewals and extensions thereof.

“Domestic Securing Party” means a Securing Party that is a Domestic Subsidiary.

“Equity Collateral” has the meaning assigned to such term in Section 3(b).

“Excluded Subsidiaries” means any Foreign Subsidiary of a Foreign Securing Party.

“Foreign Securing Party” means a Securing Party that is not a Domestic Securing Party.

“IP Licenses” means (a) all licenses or user or other agreements granted by any Securing Party to any Person with respect to any Intellectual Property and (b) all licenses or user or other agreements granted to any Securing Party by any Person with respect to any Intellectual Property, together with the rights to receive income, royalties and payments thereunder, including the licenses identified in Annex 7. Notwithstanding the foregoing, “IP Licenses” does not and shall not include any license that by its express terms would cause a breach thereof by reason of the grant of the security interest contemplated by this Agreement.

“Intellectual Property” means, collectively, all Copyright Collateral, all Patent Collateral and all Trademark Collateral, together with (a) all inventions, processes, production methods, proprietary information, know-how and trade secrets; (b) all information, customer lists, identification of suppliers, data, plans, blueprints, specifications, designs, drawings, recorded knowledge, surveys, engineering reports, test reports, manuals, materials standards, processing standards, performance standards, catalogs, computer and automatic machinery software and programs; (c) all field repair data, sales data and other information relating to sales or service of products now or hereafter manufactured; (d) all accounting information and all media in which or on which any information or knowledge or data or records may be recorded or stored and all

computer programs used for the compilation or printout of such information, knowledge, records or data; (e) all consents, permits, variances, certifications and approvals of governmental agencies now or hereafter held by any Securing Party; and (f) all claims and warranties now or hereafter owned or acquired by any Securing Party in respect of any of the items listed above.

“Issuers” means, collectively, (a) the respective corporations, partnerships or other entities identified next to the names of the Securing Parties on Annex 3 under the caption “Issuer” and (b) any other entity that shall at any time be a Subsidiary of any of the Securing Parties other than a Foreign Subsidiary of a Foreign Securing Party.

“Motor Vehicles” means motor vehicles, tractors, trailers and other like property, whether or not the title thereto is governed by a certificate of title or ownership.

“NYUCC” means the Uniform Commercial Code as in effect from time to time in the State of New York.

“Patent Collateral” means all Patents, whether now owned or hereafter acquired by any Securing Party, including each Patent identified in Annex 5.

“Patents” means all patents and patent applications, including, without limitation, the inventions and improvements claimed therein together with the reissues, divisionals, continuations, renewals, extensions and continuations-in-part thereof.

“Pledged Equity” has the meaning assigned to such term in Section 3(b).

“Secured Obligations” means, collectively, (a) in the case of the Borrower, the principal of and interest on the Loans made by the Lenders to the Borrower and all other amounts from time to time owing to the Lenders or the Administrative Agent by the Borrower under the Credit Agreement and (b) in the case of all Securing Parties, the obligations of the Securing Parties in respect of the Guaranteed Obligations pursuant to Article III of the Credit Agreement and all other amounts from time to time owing by the Securing Parties hereunder.

“Secured Parties” means, collectively, the Lenders and the Administrative Agent.

“Trademark Collateral” means all Trademarks, whether now owned or hereafter acquired by any Securing Party, including each Trademark identified in Annex 6, together, in each case, with the product lines and goodwill of the business connected with the use of, and symbolized by, each such trade name, trademark and service mark. Notwithstanding the foregoing, the Trademark Collateral does not and shall not include any Trademark that would be rendered invalid, abandoned, void or unenforceable by reason of its being included as part of the Trademark Collateral including, without limitation, any intent-to-use Trademark applications to the extent that, and solely during

the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use Trademark applications under applicable federal law.

“Trademarks” means all trade names, trademarks and service marks, logos, trademark and service mark registrations, and applications for trademark and service mark registrations, including, without limitation, all renewals of trademark and service mark registrations.

SECTION 2. Representations and Warranties. Each Securing Party represents and warrants to the Secured Parties that:

(a) Title and Priority. Such Securing Party is the sole beneficial owner of the Collateral in which it purports to grant a security interest pursuant to Section 3, and no Lien exists upon such Collateral (and no right or option to acquire the same exists in favor of any other Person), except for Liens permitted under Section 7.01 of the Credit Agreement or the DIP Orders. Upon entry of the Interim Recognition Order (and, in the case of any Collateral located in Canada, upon the entry of the Initial Order) the Administrative Agent shall have a first priority perfected security interest in the Collateral subject to the Carve-Out.

(b) Names and Changes in Circumstances. The full and correct legal name, type of organization, jurisdiction of organization, organizational ID number (if applicable) and mailing address of each Securing Party as of the date hereof are correctly set forth in Annex 1. Annex 1 correctly specifies (i) the place of business of each Securing Party or, if such Securing Party has more than one place of business, the location of the chief executive office of such Securing Party, and (ii) as to each Domestic Securing Party, each location where Goods of each Securing Party are located (other than Motor Vehicles constituting Equipment and Goods in transit).

Such Securing Party has not (i) within the period of four months prior to the date hereof, changed its location (as defined in Section 9-307 of the NYUCC), (ii) except as specified in Annex 1, heretofore changed its name, or (iii) except as specified in Annex 2, heretofore become a “new debtor” (as defined in Section 9-102(a)(56) of the NYUCC) with respect to a currently effective security agreement previously entered into by any other Person.

(c) Pledged Equity. The Pledged Equity identified under the name of such Securing Party in Annex 3 (Part A) is, and all other Pledged Equity in which such Securing Party shall hereafter grant a security interest pursuant to Section 3 will (i) be, duly authorized, validly existing, fully paid and non-assessable (in the case of any equity interest in a corporation), (ii) constitute legal, valid and binding obligations of such Securing Parties (in the case of any equity interest in a partnership) and (iii) be duly issued and outstanding (in the case of any equity interest in any other entity), and none of such Pledged Equity is or will be subject to any contractual restriction, or any restriction under the charter, by-laws, partnership agreement or other organizational instrument of



the respective Issuer of such Pledged Equity, upon the transfer of such Pledged Equity (except for any such restriction contained herein or in the Credit Agreement, or under such organizational instruments).

The Pledged Equity identified under the name of such Securing Party in Annex 3 (Part A) hereto constitutes (i) in the case of each Issuer other than an Excluded Subsidiary, all of the issued and outstanding shares of capital stock, partnership or other ownership interest of any class of such Issuers beneficially owned by such Securing Party on the date hereof, whether or not registered in the name of such Securing Party (or, in the case of any supplement to said Annex 3 upon the execution and delivery of a Guarantee Assumption Agreement, or other supplement effecting such pledge, as of the date of such supplement) and (ii) in the case of each Issuer that is an Excluded Subsidiary, (A) the lesser of (x) 100% of the issued and outstanding shares of voting stock of such Issuer beneficially owned by such Securing Party on the date hereof and (y) 65% of the issued and outstanding shares of voting stock of such Issuer (whether or not beneficially owned by such Securing Party) and (B) 100% of all other issued and outstanding shares of capital stock of whatever class of such Issuer beneficially owned by such Securing Party on the date hereof, in each case whether or not registered in the name of such Securing Party (or, in the case of any supplement to said Annex 3 upon the execution and delivery of a Guarantee Assumption Agreement, or other supplement effecting such pledge, as of the date of such supplement). Annex 3 (Part A) hereto correctly identifies, as at the date hereof, the respective Issuers of such Pledged Equity, and (in the case of any Issuer that is a corporation) the respective class and par value of the shares comprising such Pledged Equity and the respective number of shares (and registered owners thereof) represented by each such certificate.

(d) Intellectual Property. Annexes 4, 5, and 6, respectively, set forth under the name of such Securing Party a complete and correct list of all copyright registrations, patents, patent applications, trademark registrations and applications owned by such Securing Party (or, in the case of a Foreign Securing Party, owned by such Foreign Securing Party and located in the United States) on the date hereof (or, in the case of any supplement to said Annexes upon the execution and delivery of a Guarantee Assumption Agreement, or other supplement effecting such pledge, as of the date of such supplement); except pursuant to the IP Licenses and the licenses and other user agreements entered into by such Securing Party in the ordinary course of business, except to the extent of a de minimis nature, that are listed in Annex 7 (including as supplemented pursuant to any Guarantee Assumption Agreement, or other supplement effecting such pledge), such Securing Party has done nothing to authorize or enable any other Person to use any Copyright, Patent or Trademark listed in Annexes 4, 5, and 6 (as so supplemented), and all registrations listed in Annexes 4, 5, and 6 (as so supplemented), are, except as noted therein, in full force and effect.

Annex 7 sets forth a complete and correct list of all IP Licenses (or, in the case of Foreign Securing Parties, all IP Licenses located in the United States) on the date

hereof (or, in the case of any supplement to Annex 7 hereof upon the execution and delivery of a Guarantee Assumption Agreement, or other supplement effecting such pledge, as of the date of such supplement) other than IP Licenses of a de minimis nature.

To such Securing Party's knowledge, (i) except as set forth in Annex 7 (as supplemented pursuant to a Guarantee Assumption Agreement, or other supplement effecting such pledge), there is no violation by others of any right of such Securing Party with respect to any Copyright, Patent or Trademark listed in Annexes 4, 5, and 6 (as so supplemented), respectively, under the name of such Securing Party and (ii) such Securing Party is not infringing in any respect upon any Copyright, Patent or Trademark of any other Person; and no proceedings alleging such infringement have been instituted or are pending against such Securing Party and no written claim against such Securing Party has been received by such Securing Party, alleging any such violation, except as may be set forth in Annex 7 (as so supplemented).

(e) Commercial Tort Claims. To the knowledge of each Domestic Securing Party, Annex 8 sets forth a complete and correct list of all commercial tort claims of such Securing Party in existence on the date hereof.

(f) Deposit and Securities Accounts. Annex 9 sets forth a complete and correct list of all Deposit Accounts and Securities Accounts of the Domestic Securing Parties on the date hereof.

(g) Fair Labor Standards Act. Any goods now or hereafter produced in the United States of America by such Securing Party or any of its Subsidiaries included in the Collateral have been and will be produced in compliance with the requirements of the Fair Labor Standards Act, as amended.

### SECTION 3. Collateral.

(a) Security Interests. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of all the Secured Obligations, whether now existing or hereafter from time to time arising, each Securing Party hereby mortgages, pledges, hypothecates, transfers, assigns and charges to the Administrative Agent and grants to the Administrative Agent, for the benefit of the Secured Parties, a continuing first priority security interest in all of such Securing Party's right, title and interest in, to and under the following property, assets and revenues, whether now owned by such Securing Party or hereafter acquired and whether now existing or hereafter coming into existence (all of the property, assets and revenues described in this Section 3 being collectively referred to herein as the "Collateral"):

(i) all Accounts, Deposit Accounts, Instruments (including, without limitation, the promissory notes described in Annex 3 (Part B) hereto), Documents, Chattel Paper (whether tangible or electronic), Inventory, Equipment,

Fixtures, Goods, Letter-of-Credit Rights, Payment Intangibles, Software and other General Intangibles;

(ii) the shares of common and preferred stock of, or partnership and other ownership interest in, the Issuers identified in Annex 3 (Part A) (as supplemented from time to time pursuant to any Guarantee Assumption Agreement, or other supplement effecting such pledge) under the name of such Securing Party and all other shares of capital stock, or partnership and other ownership interest, of whatever class or character of any Issuer, now or hereafter owned by such Securing Party, and all certificates evidencing the same (collectively, the "Pledged Equity"), together with, in each case:

(1) all shares, securities, moneys or property representing a dividend on any of the Pledged Equity, or representing a distribution or return of capital upon or in respect of the Pledged Equity, or resulting from a split-up, revision, reclassification or other like change of the Pledged Equity or otherwise received in exchange therefor, and any subscription warrants, rights or options issued to the holders of, or otherwise in respect of, the Pledged Equity; and

(2) without affecting the obligations of such Securing Party under any provision prohibiting such action hereunder or under any Loan Document, in the event of any consolidation or merger in which an Issuer is not the surviving entity, all ownership interests of any class or character of the successor entity (unless such successor entity is such Securing Party itself) formed by or resulting from such consolidation or merger (the Pledged Equity, together with all other certificates, shares, securities, properties or moneys as may from time to time be pledged hereunder pursuant to this clause (ii) and clause (i) above being herein collectively called the "Equity Collateral"); and

(iii) the Collateral Account and the balance from time to time therein;

(iv) in the case of each Domestic Securing Party, all Investment Property, Financial Assets and Securities Accounts not covered by the foregoing clauses (i), (ii) and (iii);

(v) all Intellectual Property and IP Licenses (or, in the case of Foreign Securing Parties, all Intellectual Property and IP Licenses located in the United States), and the right to recover for past, present and future infringements or misappropriations thereof and all other rights of any kind whatsoever accruing thereunder or pertaining thereto;

(vi) all Payment Intangibles, Software and all other General Intangibles whatsoever not covered by the preceding clauses of this Section 3;

(vii) in the case of each Domestic Subsidiary, all commercial tort claims, as defined in Section 9-102(a)(13) of the NYUCC, arising out of the events described in Annex 8;

(viii) in the case of each Domestic Subsidiary, all other tangible and intangible personal property whatsoever of such Securing Party; and

(ix) all Proceeds, products, offspring, accessions, rents, profits, income, benefits, substitutions and replacements of and to any of the Collateral and, to the extent related to any Collateral, all books, correspondence, credit files, records, invoices and other papers (including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of such Securing Party or any computer bureau or service company from time to time acting for such Securing Party).

IT BEING UNDERSTOOD, HOWEVER, that (A) in the case of any of the foregoing that consists of general or limited partnership interests in a general or limited partnership, the security interest hereunder shall be deemed to be created only to the maximum extent permitted under the applicable organizational instrument pursuant to which such partnership is formed, (B) in no event shall the security interest granted under this Section 3 attach to any lease, license, contract, property rights or agreement to which any Securing Party is a party (or to any of its rights or interests thereunder) if the grant of such security interest would constitute or result in either (i) the abandonment, invalidation or unenforceability of any right, title or interest of any Securing Party therein or (ii) in a breach or termination pursuant to the terms of, or a default under, any such lease, license, contract, property rights or agreement (other than, to the extent that any such term would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the NYUCC), (C) such Liens shall exclude the shares of stock or other ownership interests of any Issuer not required pursuant to Section 5.04(a)(1) to be pledged hereunder, and (D) in no event shall the security interest granted under this Section 3 attach to any Intellectual Property or IP License that is located outside of the United States and the subject of a security interest granted to the Administrative Agent pursuant to the Foreign Security Documents.

(b) Perfection and Priority. Each Securing Party acknowledges the terms of the Initial Order and the Interim Recognition Order and agrees that upon entry thereof, the obligations of such Securing Party under this Agreement and the other Loan Documents shall be secured by a valid, binding, continuing and enforceable super-priority, priming, first ranking court-ordered charge on the Collateral (together with the Liens created under this Agreement and other Loan Documents, the "DIP Charge"), subordinate only to the Carve-Out. The DIP Charge referred to herein shall be deemed valid and perfected upon the entry of the Initial Order and Interim Recognition Order, as applicable. The Administrative Agent shall not be required to file, register or record any financing statements, mortgages, certificates of title, notices or similar instruments in any jurisdiction or filing office or to take any other action in order to validate or perfect the DIP Charge granted by or pursuant to this Agreement, any DIP Financing Order or any other Loan Document; provided, that the Administrative Agent shall be permitted to file any financing statements, mortgages, certificates of title, the DIP Financing Orders, notices or other



similar instruments in any jurisdiction or filing office or to take any other action with respect to perfecting, maintaining, protecting or enforcing the Liens and security interests in the Collateral granted by or pursuant to the DIP Financing Orders, this Agreement or any other Loan Agreement.

(c) Survival. The DIP Charge, the priority of such DIP Charge and other rights and remedies granted to the Administrative Agent and the Lenders pursuant to the DIP Financing Orders, this Agreement and the other Loan Documents (specifically including, but not limited to, the existence, perfection and priority of the DIP Charge provided herein and therein, and the priority provided herein and therein) shall not be modified, altered or impaired in any manner by any other financing or extension of credit or incurrence of Indebtedness by any of the Securing Parties, or by any termination, dismissal or conversion of any of the Proceedings, or by any other act or omission whatsoever. Without limiting the foregoing, notwithstanding any such termination, dismissal, conversion, act or omission:

(i) except for the Carve-Out, no costs or expenses of the administration that have been or may be incurred in any of the Proceedings or any conversion of the same or in any other proceedings related thereto, and except for the Carve-Out no priority claims, are or shall be prior to or *pari passu* with any claim of the Secured Parties against the Obligors in respect of any Obligation;

(ii) the Liens constituting the DIP Charge shall constitute valid and perfected first priority Liens and shall be prior to all other Liens, now existing or hereafter arising, in favor of any other creditor or any other Person whatsoever, subject only to the Carve-Out;

(iii) the Liens constituting the DIP Charge shall continue to be valid and perfected without the necessity that any financing statements, mortgages, certificates of title, notices or similar instruments be filed, registered or recorded in any jurisdiction or filing office or that any other action be taken in order to validate or perfect the DIP Charge.

#### SECTION 4. Cash Proceeds of Collateral.

4.01. Collateral Account. The Administrative Agent may establish at a banking institution selected by the Administrative Agent a cash collateral account (the "Collateral Account"), that

(i) to the extent of all Investment Property or Financial Assets (other than cash) credited thereto shall be a "securities account" (as defined in Section 8-501 of the NYUCC) in respect of which the Administrative Agent shall be the "entitlement holder" (as defined in Section 8-102(a)(7) of the NYUCC);

(ii) to the extent of any cash credited thereto, shall be a Deposit Account and into which there shall be deposited from time to time the cash proceeds of any of the Collateral (including proceeds of insurance) required to be delivered to the Administrative Agent pursuant to the Credit Agreement, or pursuant hereto, and into which the Securing Parties may from time to time deposit any additional amounts that any of them wishes to pledge to the Administrative Agent for the benefit of the Secured Parties as additional collateral security hereunder. The balance from time to time in the Collateral Account shall constitute part of the Collateral hereunder and shall not constitute payment of the Secured Obligations until applied as hereinafter provided. Except as expressly provided in Section 4.04 or 4.05, the Administrative Agent shall remit the collected balance standing to the credit of the Collateral Account to or upon the order of the respective Securing Party as such Securing Party through the Borrower shall from time to time instruct, *provided that*, at any time following the occurrence and during the continuance of an Event of Default, the Administrative Agent shall not be required to remit such balance to any Securing Party and may (and, if instructed by the Lenders as specified in the Credit Agreement, shall) in its (or their) discretion apply or cause to be applied (subject to collection) the balance from time to time standing to the credit of the Collateral Account to the payment of the Secured Obligations then due and payable in the manner specified in Section 5.09. The balance from time to time in the Collateral Account shall be subject to withdrawal only as provided herein, except as expressly provided in Section 2.12(c) of the Credit Agreement; and

(iii) is and will continue to be subject to an agreement satisfactory to the Administrative Agent among the Securing Parties, the Administrative Agent and the depository bank or issuer that shall either (a) cause the depository bank to agree to comply with instructions from the Administrative Agent directing the disposition of funds from time to time credited to such deposit account without further consent of any Securing Party or any other Person or (b) cause the Issuer to agree to comply with entitlement orders from the Administrative Agent as to such securities, without further consent of any Securing Party or any other Person.

4.02. Proceeds of Accounts. If so requested by the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, each Securing Party shall (and authorizes the Administrative Agent to) instruct (which instruction shall be effected as to all account debtors within 10 Business Days of such request) all account debtors in respect of Accounts, Chattel Paper, General intangibles and Instruments payable in the United States of America to make all payments in respect thereof either (i) directly to the Administrative Agent (by instructing that such payments be remitted to an account which shall be in the name and under the control of the Administrative Agent) or (ii) to one or more other banks in the United States of America (by instructing that such payments be remitted to a post office box which shall be in the name and under the control of the Administrative Agent) under arrangements, in form and substance satisfactory to the Administrative Agent, pursuant to which such Securing Party shall have irrevocably instructed such other bank (and such other bank shall have agreed) to remit all proceeds of such payments directly to the Administrative Agent for deposit into the

Collateral Account. All payments made to the Administrative Agent, as provided in the preceding sentence, shall be immediately deposited in the Collateral Account.

Similarly, if so requested by the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, each Securing Party shall make similar arrangements (which arrangements shall be effected within 10 Business Days of such request) with respect to Accounts, Chattel Paper, General Intangibles and Instruments payable outside of the United States of America (to the extent such arrangements are not already in effect pursuant to the respective Foreign Security Documents to which such Securing Party is a party).

In addition to the foregoing, each Securing Party agrees that, at any time after the occurrence and during the continuance of an Event of Default, if the proceeds of any Collateral hereunder (including the payments made in respect of Accounts) shall be received by it, such Securing Party shall, upon the request of the Administrative Agent, as promptly as possible deposit such proceeds into the Collateral Account. Until so deposited, following such request all such proceeds shall be held in trust by such Securing Party for and as the property of the Administrative Agent and shall not be commingled with any other funds or property of such Securing Party.

4.03. Investment of Balance in Collateral Account. The cash balance standing to the credit of the Collateral Account shall be invested from time to time in such Available Permitted Investments as the respective Securing Party through Cinram (or, after the occurrence and during the continuance of an Event of Default, the Administrative Agent) shall determine, which Available Permitted Investments shall be held in the name and be under the control of the Administrative Agent (and credited to the Collateral Account), *provided* that at any time after the occurrence and during the continuance of an Event of Default, the Administrative Agent may (and, if instructed by the Lenders as specified in the Credit Agreement, shall) in its (or their) discretion at any time and from time to time elect to liquidate any such Available Permitted Investments and to apply or cause to be applied the proceeds thereof to the payment of the Secured Obligations then due and payable in the manner specified in Section 5.09.

4.04. Casualty Events Proceeds. Amounts deposited into the Collateral Account pursuant to Section 2.12(c) of the Credit Agreement representing the Net Cash Proceeds of any Casualty Event may be withdrawn only (1) if consented to by the Administrative Agent and the Majority Lenders, in connection with the replacement and repair of the property affected by such Casualty Event (the "Damaged Property") in accordance with the Credit Agreement or (2) for application to the prepayment of the Loans in the manner set forth in Section 2.12(f) of the Credit Agreement, and if the respective Securing Party elects, after consent is received by the Administrative Agent and the Majority Lenders, to so replace or repair Damaged Property, any such monies shall be advanced to such Securing Party by the Administrative Agent in periodic installments upon compliance by such Securing Party with such reasonable conditions to disbursement as may be imposed by the Administrative Agent, including, but not limited to, reasonable retention amounts and receipt of lien releases, *provided* that (without the consent of the Majority Lenders) the Administrative Agent shall not be obligated to release such monies for

application to any such replacement or repair or prepayment at any time after the occurrence and during the continuance of any Event of Default.

SECTION 5. Further Assurances; Remedies. In furtherance of the grant of the pledge and security interest pursuant to Section 3, the Securing Parties hereby jointly and severally agree with the Administrative Agent for the benefit of the Secured Parties as follows:

5.01. Delivery and Other Perfection. Each Securing Party shall:

(a) if any of the Equity Collateral, Investment Property or Financial Assets pledged by such Securing Party under clauses (ii) and (iv) of Section 3(a) are received by such Securing Party, forthwith either (x) deliver to the Administrative Agent such Equity Collateral, Investment Property and Financial Asset (together with the certificates or instruments for any such Equity Collateral, Investment Property or Financial Assets duly endorsed in blank or accompanied by such instruments of assignment and transfer in such form and substance as the Administrative Agent may request), all of which thereafter shall be held by the Administrative Agent, pursuant to the terms of this Agreement, as part of the Collateral or (y) take such other action as the Administrative Agent shall reasonably deem necessary or appropriate to duly record or otherwise perfect the Lien created hereunder in such Equity Collateral, Investment Property and Financial Assets pursuant to said clauses (ii) and (iv);

(b) deliver and pledge to the Administrative Agent any and all Instruments constituting part of the Collateral in which such Securing Party purports to grant a security interest hereunder, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Administrative Agent may request; *provided* that (other than in the case of the promissory notes described in Annex 3 (Part B) hereto) so long as no Default shall have occurred and be continuing, such Securing Party may retain for collection in the ordinary course any Instruments received by such Securing Party in the ordinary course of business and the Administrative Agent shall, promptly upon request of such Securing Party through Cinram, make appropriate arrangements for making any Instrument pledged by such Securing Party available to such Securing Party, as applicable, for purposes of presentation, collection or renewal {any such arrangement to be effected, to the extent deemed appropriate by the Administrative Agent, against trust receipt or like document);

(c) give, execute, deliver, file, record, authorize or obtain all such financing statements, notices, instruments, documents, agreements or consents or other papers as may be necessary or desirable (in the judgment of the Administrative Agent) to create, preserve, perfect or validate the security interest granted pursuant hereto or to enable the Administrative Agent to exercise and enforce its rights hereunder with respect to such pledge and security interest, including, without limitation, following the occurrence and during the continuance of an Event of Default, causing any or all of the Equity Collateral to be transferred of record into the name of the Administrative Agent or its nominee (and the Administrative Agent agrees that if any Equity Collateral is



transferred into its name or the name of its nominee, the Administrative Agent will thereafter promptly give to such Securing Party copies of any notices and communications received by it with respect to the Equity Collateral pledged by such Securing Party hereunder), *provided* that notices to account debtors in respect of any Accounts, Chattel Paper or General Intangibles and to Securing Parties on Instruments shall be subject to the provisions of Section 4.02;

(d) furnish to the Administrative Agent from time to time, upon request of the Administrative Agent, (i) updated statements and schedules identifying all IP Licenses and all registrations and applications included in the Copyright Collateral, the Patent Collateral and the Trademark Collateral, respectively, and (ii) such other reports in connection with the Copyright Collateral, the Patent Collateral and the Trademark Collateral as the Administrative Agent may reasonably request, all in reasonable detail; and promptly (x) take appropriate actions (whether or not the Administrative Agent has made a request to do so) to comply with Section 5.01(c) with respect to all IP Licenses, Copyright Collateral, Patent Collateral and Trademark Collateral and (y) upon request of the Administrative Agent, following receipt by the Administrative Agent of any statements, schedules or reports pursuant to this clause (d), modify this Agreement by amending Annexes 4, 5 and 6, as the case may be, to include such after-acquired Copyright Collateral, Patent Collateral or Trademark Collateral owned by any Securing Party;

(e) keep full and accurate books and records relating to the Collateral, and stamp or otherwise mark such books and records in such manner as the Administrative Agent may reasonably require in order to reflect the security interests granted by this Agreement;

(f) permit representatives of the Administrative Agent, upon reasonable notice, at any time during normal business hours to inspect and make abstracts from its books and records pertaining to the Collateral, and permit representatives of the Administrative Agent to be present at such Securing Party's place of business to receive copies of all communications and remittances relating to the Collateral, and forward copies of any notices or communications received by such Securing Party with respect to the Collateral, all in such manner as the Administrative Agent may require;

(g) execute and deliver and, subject to the execution thereof by the Administrative Agent, cause to be filed, such continuation statements, and do such other acts and things, as may be necessary to maintain the perfection and priority of the security interests granted pursuant hereto; and

(h) if requested by the Administrative Agent, enter into such account control agreements (and obtain the written agreement with respect thereto from the applicable financial institution where each Deposit Account or Securities Account is located) as may be necessary to perfect the security interests granted by Section 3 of this Agreement with respect to all Deposit Accounts and Securities Accounts.

5.02. Other Financing Statements and Liens. Except as otherwise permitted under Section 7.01 of the Credit Agreement, without the prior written consent of the Administrative Agent (granted with the authorization of the Lenders as specified in the Credit Agreement), no Securing Party shall (a) file or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to any of the Collateral in which the Administrative Agent is not named as the sole secured party for the benefit of the Secured Parties, or (h) cause or permit any other Person other than the Administrative Agent to have "control" (as defined in Section 9-104, 9-105, 9-106 or 9-107 of the NYUCC) of any Deposit Account, Electronic Chattel Paper, Investment Property or Letter-of-Credit Right constituting part of the Collateral.

5.03. Preservation of Rights. No Secured Party shall be required to take steps necessary to preserve any rights against prior parties to any of the Collateral.

5.04. Special Provisions Relating to Certain Collateral.

(a) Equity Collateral.

(1) The Securing Parties will cause the Equity Collateral to constitute at all times (i) in the case of all Issuers other than any Excluded Subsidiary, 100% of the total shares of capital stock, limited liability company and other ownership interests of each Issuer then outstanding owned by the Securing Parties and (ii) in the case of any Issuer that is an Excluded Subsidiary, 65% of the total number of shares of voting stock of such Issuer and 100% of the total number of shares of all other classes of capital stock of such Issuer then issued and outstanding.

(2) So long as no Event of Default shall have occurred and be continuing, the Securing Parties shall have the right to exercise all voting, consensual and other powers of ownership pertaining to the Equity Collateral for all purposes not inconsistent with the terms of this Agreement, the Credit Agreement or any other instrument or agreement referred to herein or therein, *provided* that the Securing Parties jointly and severally agree that they will not vote the Equity Collateral in any manner that is inconsistent with the terms of this Agreement, the Credit Agreement or any such other instrument or agreement; and the Administrative Agent shall execute and deliver to the Securing Parties or cause to be executed and delivered to the Securing Parties all such proxies, powers of attorney, dividend and other orders, and all such instruments, without recourse, as the Securing Parties may reasonably request for the purpose of enabling the Securing Parties to exercise the rights and powers that they are entitled to exercise pursuant to this Section 5.04(a)(2).

(3) Unless and until an Event of Default shall have occurred and be continuing, the Securing Parties shall be entitled to receive and retain any dividends, distributions or proceeds on the Equity Collateral paid in cash out of earned surplus.

(4) If any Event of Default shall have occurred and be continuing, and whether or not any Secured Party exercises any available right to declare any Secured Obligation

due and payable or seeks or pursues any other relief or remedy available to it under applicable law or under this Agreement, the Credit Agreement or any other agreement relating to such Secured Obligation, all dividends and other distributions on the Equity Collateral shall be paid directly to the Administrative Agent and retained by it in the Collateral Account as part of the Equity Collateral, subject to the terms of this Agreement, and, if the Administrative Agent shall so request in writing, the Securing Parties jointly and severally agree to execute and deliver to the Administrative Agent appropriate additional dividend, distribution and other orders and documents to that end, *provided* that if such Event of Default is cured, any such dividend or distribution theretofore paid to the Administrative Agent shall, upon request of the Securing Parties (except to the extent theretofore applied to the Secured Obligations), be returned by the Administrative Agent to the Securing Parties.

(b) Intellectual Property.

(1) For the purpose of enabling the Administrative Agent to exercise rights and remedies under Section 5.05 at such time as the Administrative Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, each Securing Party hereby grants to the Administrative Agent, to the extent assignable, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to such Securing Party) to use, assign, license or sublicense any of the Intellectual Property now owned or hereafter acquired by such Securing Party, wherever the same may be located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof.

(2) Notwithstanding anything contained herein to the contrary, but subject to the provisions of Section 7.02 of the Credit Agreement that limit the rights of the Securing Parties to dispose of their property, so long as no Event of Default shall have occurred and be continuing, the Securing Parties will be permitted to exploit, use, enjoy, protect, license, sublicense, assign, sell, dispose of or take other actions with respect to the Intellectual Property in the ordinary course of the business of the Securing Parties. In furtherance of the foregoing, unless an Event of Default shall have occurred and be continuing the Administrative Agent shall from time to time, upon the request of the respective Securing Party, execute and deliver any instruments, certificates or other documents, in the form so requested, that such Securing Party through Cinram shall have certified are appropriate (in its judgment) to allow it to take any action permitted above (including relinquishment of the license provided pursuant to clause (1) above as to any specific Intellectual Property). Further, upon the payment in full of all of the Secured Obligations and cancellation or termination of the Commitments or earlier expiration of this Agreement or release of the Collateral, the Administrative Agent shall grant back to the Securing Parties the license granted pursuant to clause (1) immediately above. The exercise of rights and remedies under Section 5.05 by the Administrative Agent shall not terminate the rights of the holders of any licenses or sublicenses theretofore granted by the Securing Parties in accordance with the first sentence of this clause (2).

(c) Motor Vehicles. With respect to all Motor Vehicles that are covered by certificates of title issued in the United States of America (without limiting the obligations of any

Securing Party to take such action as shall be requested by the Administrative Agent pursuant to Section 5.01 with respect to any Motor Vehicles not covered by certificates of title issued in the United States of America):

(1) If at any time requested by the Administrative Agent, each Securing Party shall, within 30 days of receipt of such request, deliver to the Administrative Agent originals of the certificates of title or ownership for the Motor Vehicles owned by it with the Administrative Agent listed as lienholder and take such other action as the Administrative Agent shall deem appropriate to perfect the security interest created hereunder in all such Motor Vehicles; *provided, however*, if a Motor Vehicle is subject to a purchase money security interest, the Administrative Agent shall be listed as a junior lienholder to the Person holding such purchase money security interest; and

(2) Without limiting Section 5.10, each Securing Party hereby appoints the Administrative Agent as its attorney-in-fact, effective the date hereof and terminating upon the termination of this Agreement, for the purpose of (i) executing on behalf of such Securing Party title or ownership applications for filing with appropriate state agencies to enable Motor Vehicles now owned or hereafter acquired by such Securing Party to be retitled and the Administrative Agent listed as lienholder thereon, (ii) filing such applications with such state agencies and (iii) executing such other documents and instruments on behalf of, and taking such other action in the name of such Securing Party as the Administrative Agent may deem necessary or advisable to accomplish the purposes hereof (including, without limitation, the purpose of creating in favor of the Administrative Agent a perfected lien on the Motor Vehicles and exercising the rights and remedies of the Administrative Agent under Section 5.05). This appointment as attorney-in-fact is irrevocable and coupled with an interest.

5.05. Events of Default, Etc. During the period during which an Event of Default shall have occurred and be continuing:

(a) each Securing Party shall, at the request of the Administrative Agent, assemble the Collateral owned by it at such place or places, reasonably convenient to the Administrative Agent and such Securing Party, designated in the Administrative Agent's request;

(b) the Administrative Agent may make any reasonable compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in installments, or otherwise modify the terms of any of the Collateral;

(c) the Administrative Agent shall have all of the rights and remedies with respect to the Collateral of a secured party under the NYUCC (whether or not the Uniform Commercial Code is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled



under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including, without limitation, the right, to the maximum extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Administrative Agent were the sole and absolute owner thereof (and each Securing Party agrees to take all such action as may be appropriate to give effect to such right);

(d) the Administrative Agent in its discretion may, in its name or in the name of any Securing Party or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so; and

(e) the Administrative Agent may, upon ten Business Days' prior written notice to the Securing Parties of the time and place, with respect to the Collateral or any part thereof that shall then be or shall thereafter come into the possession, custody or control of the Administrative Agent, the Lenders or any of their respective agents, sell, lease, assign or otherwise dispose of all or any part of such Collateral, at such place or places as the Administrative Agent deems best, and for cash or for credit or for future delivery (without thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of the time or place thereof (except such notice as is required above or by applicable statute and cannot be waived), and any Secured Party or anyone else may be the purchaser, lessee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale) and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Securing Parties, any such demand, notice and right or equity being hereby expressly waived and released. In the event of any sale, assignment, or other disposition of any of the Trademark Collateral, the goodwill connected with and symbolized by the Trademark Collateral subject to such disposition shall be included. The Administrative Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned.

The Proceeds of each collection, sale or other disposition under this Section 5.05, including by virtue of the exercise of the license granted to the Administrative Agent in Section 5.04(b), shall be applied in accordance with Section 5.09.

The Securing Parties recognize that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and applicable state securities laws, the Administrative Agent may be compelled, with respect to any sale of all or any part of the Collateral, to limit purchasers to those who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to the distribution or resale thereof. The Securing Parties acknowledge that any such private sales may be at prices and on terms less favorable to the Administrative Agent than those obtainable through a public sale without such restrictions,

and, notwithstanding such circumstances, agree that conducting such sale as a such private sale a commercially reasonable manner for conducting such sale and that the Administrative Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the respective issuer thereof to register it for public sale.

5.06. Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral pursuant to Section 5.05 are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Securing Parties shall remain liable for any deficiency.

5.07. Locations; Names. Without at least 30 days' prior written notice to the Administrative Agent, no Securing Party shall change its location (as defined in Section 9-307 of the NYUCC) or change its name from the name shown as its current legal name on Annex 1.

5.08. Private Sale. None of the Secured Parties shall incur any liability as a result of the sale of the Collateral, or any part thereof, at any private sale pursuant to Section 5.05 conducted in a commercially reasonable manner. Each Securing Party hereby waives any claims against any Secured Party arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Administrative Agent accepts the first offer received and does not offer the Collateral to more than one offeree.

5.09. Application of Proceeds. Except as otherwise herein expressly provided, the Proceeds of any collection, sale or other realization of all or any part of the Collateral pursuant hereto, and any other cash at the time held by the Administrative Agent under Section 4 or this Section 5, shall be applied by the Administrative Agent:

First, to the payment of the costs and expenses of such collection, sale or other realization, including reasonable out-of-pocket costs and expenses of the Administrative Agent and the fees and expenses of its agents and counsel, and all expenses incurred and advances made by the Administrative Agent in connection therewith;

Second, to the payment in full of the Loans in each case equally and ratably to the Lenders in accordance with the respective amounts thereof then due and owing or as the Lenders holding the same may otherwise agree;

Third, to the payment in full (and, as to contingent obligations, cash collateralization) of the remaining Secured Obligations in each case equally and ratably in accordance with the respective amounts thereof then due and owing or as the Secured Parties holding the same may otherwise agree; and

Finally, to the payment to the respective Securing Parties, or their respective successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining.

5.10. Attorney-in-Fact. Without limiting any rights or powers granted by this Agreement to the Administrative Agent while no Event of Default has occurred and is continuing, upon the occurrence and during the continuance of any Event of Default the Administrative Agent is hereby appointed the attorney-in-fact of each Securing Party for the purpose of carrying out the provisions of this Section 5 and taking any action and executing any instruments that the Administrative Agent may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, so long as the Administrative Agent shall be entitled under this Section 5 to make collections in respect of the Collateral, the Administrative Agent shall have the right and power to receive, endorse and collect all checks made payable to the order of any Securing Party representing any dividend, payment or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same.

5.11. Perfection and Recordation.

(a) Prior to the execution and delivery of this Agreement, or, to the extent not previously accomplished, concurrently with the execution of this Agreement, each Securing Party shall have, or shall, as applicable file such financing statements and other similar documents in such offices as the Administrative Agent may request to perfect the security interests granted by Section 3 of this Agreement,

(b) To the extent not previously accomplished, prior to or concurrently with the execution of this Agreement, deliver to the Administrative Agent all certificates evidencing any of the Pledged Equity, accompanied by undated stock or other powers duly executed in blank,

(c) To the extent not previously accomplished, prior to or concurrently with the execution of this Agreement, deliver the originals of any of the promissory notes referred to in clause (i) of Section 3(a),

(d) To the extent not previously accomplished and if requested by the Administrative Agent, prior to or concurrently with the execution of this Agreement (or such later date as the Administrative Agent agrees), cause each Issuer (other than an Issuer the ownership interests in which are evidenced by certificates) to agree that it will comply with instructions originated by the Administrative Agent, and

(e) To the extent not previously accomplished, not later than 10 days after the execution and delivery of this Agreement execute, deliver and record such short form security agreements substantially in the form of Exhibit A to this Agreement relating to Collateral consisting of the Intellectual Property as the Administrative Agent may reasonably request.

Without limiting the foregoing, each Securing Party consents that Uniform Commercial Code financing statements may be filed describing the Collateral as "all assets" or "all personal property" of such Securing Party (*provided* that no such description shall be deemed to modify the description of Collateral set forth in Section 3).

5.12. Termination. When (i) all Secured Obligations under the Loan Documents shall have been paid in full and the Commitments shall have expired or been terminated, this Agreement shall terminate, and the Administrative Agent shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect thereof, to or on the order of the respective Securing Party and to be released and canceled all licenses and rights referred to in Section 5.04(b). The Administrative Agent shall also execute and deliver to the respective Securing Party upon such termination such Uniform Commercial Code termination statements, certificates for terminating the Liens (if any) on the Motor Vehicles and such other documentation as shall be reasonably requested by the respective Securing Party to effect the termination and release of the Liens on the Collateral.

5.13. Further Assurances. Each Securing Party agrees that, from time to time upon the written request of the Administrative Agent, such Securing Party will within a reasonable period of time after such request, execute and deliver such further documents and do such other acts and things as the Administrative Agent may reasonably request in order fully to effect the purposes of this Agreement.

#### SECTION 6. Miscellaneous.

6.01. Notices. All notices, requests, consents and demands hereunder shall be in writing and telecopied or delivered to the intended recipient at its "Address for Notices" specified pursuant to Section 11.02 of the Credit Agreement and shall be deemed to have been given at the times specified in said Section.

6.02. No Waiver. No failure on the part of any Secured Party to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by any Secured Party of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

6.03. Amendments, Etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by each Securing Party and the Administrative Agent (with the consent of the Lenders or, as the case may be, the Majority Lenders as specified in the Credit Agreement). Any such amendment or waiver shall be binding upon the Secured Parties and each holder of any of the Secured Obligations and each Securing Party.



6.04. Conflicts with Credit Agreement. Notwithstanding anything contained herein to the contrary, to the extent any provision hereof expressly conflicts with any provision contained in the Credit Agreement, such provision contained in the Credit Agreement shall control.

6.05. Expenses. Without limiting the generality of the provisions of Section 11.03 of the Credit Agreement, the Securing Parties jointly and severally agree to reimburse the Administrative Agent for all out-of-pocket costs and expenses of the Administrative Agent (including, without limitation, the reasonable fees and expenses of legal counsel) in connection with (i) any Default and any enforcement or collection proceeding resulting therefrom, including, without limitation, all manner of participation in or other involvement with (w) performance by the Administrative Agent of any obligations of the Securing Parties in respect of the Collateral that the Securing Parties have failed or refused to perform, (x) bankruptcy, insolvency, receivership, foreclosure, winding up or liquidation proceedings, or any actual or attempted sale, or any exchange, enforcement, collection, compromise or settlement in respect of any of the Collateral, and for the care of the Collateral and defending or asserting rights and claims of the Administrative Agent in respect thereof, by litigation or otherwise, including expenses of insurance, (y) judicial or regulatory proceedings and (z) workout, restructuring or other negotiations or proceedings (whether or not the workout, restructuring or transaction contemplated thereby is consummated) and (ii) the enforcement of this Section 6.05, and all such costs and expenses shall be Secured Obligations entitled to the benefits of the collateral security provided pursuant to Section 3.

6.06. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of each Securing Party and the Secured Parties, (*provided, however*, that no Securing Party shall assign or transfer its rights or obligations hereunder without the prior written consent of the Administrative Agent).

6.07. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

6.08. Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York.

6.09. Captions. The captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

6.10. Agents and Attorneys-in-Fact. The Administrative Agent may employ agents and attorneys-in-fact in connection herewith and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith.

6.11. Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall

remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Secured Parties in order to carry out the intentions of the parties hereto as nearly as may be possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

6.12. DIP Financing Orders. For the avoidance of doubt, the security interests granted pursuant to this Agreement shall be in addition to, and in no way shall be construed as limiting or modifying in any respect, the security interests and Liens granted pursuant to the DIP Financing Orders.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered as of the day and year first above written.

CINRAM INTERNATIONAL ULC

By: \_\_\_\_\_  
Name:  
Title:

CINRAM, INC.,  
CINRAM (U.S.) HOLDING'S INC.,

By: \_\_\_\_\_  
Name:  
Title:

CINRAM INTERNATIONAL INC.

By: \_\_\_\_\_  
Name:  
Title:

CINRAM DISTRIBUTION LLC,  
CINRAM MANUFACTURING LLC,  
IHC CORPORATION,  
ONE K STUDIOS, LLC  
CINRAM WIRELESS LLC  
CINRAM RETAIL SERVICES, LLC

By: \_\_\_\_\_  
Name:  
Title:

1362806 ONTARIO LIMITED

By: \_\_\_\_\_  
Name:  
Title:



JPMORGAN CHASE BANK, N.A., as Administrative Agent

By: \_\_\_\_\_

Name:

Title:

**INTELLECTUAL PROPERTY SECURITY AGREEMENT SUPPLEMENT**

This INTELLECTUAL PROPERTY SECURITY AGREEMENT (as amended, amended and restated, supplemented or otherwise modified from time to time, the "*IP Security Agreement*") dated [ ], 2012, is made by the Persons listed on the signature pages hereof in favor of JPMorgan Chase Bank, N.A. ("*JFMCB*"), as administrative agent (the "*Administrative Agent*") for the Secured Parties (as defined in the Credit Agreement referred to below).

WHEREAS, Cinram (U.S.) Holding's Inc., a corporation organized under the laws of the State of Delaware (the "*Borrower*"), the other companies named therein as Guarantors (the Borrower and the Guarantors, collectively, the "*Securing Parties*"), the financial institutions named therein as Lenders, and JPMCB, as Administrative Agent, have entered into that Senior Secured Priming and Superpriority Debtor-in-Possession Credit Agreement dated as of June [ ], 2012 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*"). Terms defined in the Credit Agreement and the Security Agreement (as hereinafter defined) and not otherwise defined herein are used herein as defined in the Credit Agreement or the Security Agreement, as applicable.

WHEREAS, as a condition precedent to the making of Loans under the Credit Agreement, each Securing Party has executed and delivered that certain Security Agreement dated [ ], 2012 made by the Securing Parties to the Administrative Agent (as amended, amended and restated, supplemented or otherwise modified from time to time, the "*Security Agreement*").

WHEREAS, under the terms of the Security Agreement, the Securing Parties have granted to the Administrative Agent, for the ratable benefit of the Secured Parties, a security interest in, among other property, certain intellectual property of the Securing Parties, and have agreed as a condition thereof to execute this IP Security Agreement for the purpose of recording the grant of the security interest in such intellectual property with the United States Patent and Trademark Office and the United States Copyright Office.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Securing Party agrees as follows:

**SECTION 1. Grant of Security.** Each Securing Party hereby confirms the grant to the Administrative Agent, for the ratable benefit of the Secured Parties, under the terms of the Security Agreement of a security interest in all of such Securing Party's right, title and interest in and to the United States patents, patent applications, trademark registrations and applications and copyright registrations as set forth in Schedules 1 through 3 hereto, and the right to recover for past, present and future infringements or misappropriations thereof and all other rights of any kind whatsoever accruing thereunder or pertaining thereto (collectively, the "*Collateral*"). For the avoidance of doubt, the parties hereto agree and acknowledge that no security interest shall

be granted in United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark applications under the applicable federal law.

SECTION 2. Security for Obligations. The grant of a security interest in the Collateral by each Securing Party under the Security Agreement, as evidenced by this IP Security Agreement, secures the payment of all Secured Obligations of such Securing Party now or hereafter existing under or in respect of the Loan Documents, whether direct or indirect, absolute or contingent, and whether for principal, reimbursement obligations, interest, premiums, penalties, fees, indemnifications, contract causes of action, costs, expenses or otherwise.

SECTION 3. Recordation. Each Securing Party authorizes and requests that the Register of Copyrights, the Commissioner for Patents and the Commissioner for Trademarks and any other applicable government officer record this IP Security Agreement.

SECTION 4. Execution in Counterparts. This IP Security Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 5. Grants, Rights and Remedies. This IP Security Agreement has been entered into pursuant to the terms of the Security Agreement. Each Securing Party does hereby acknowledge and confirm that the grant of the security interest referenced herein to, and the rights and remedies of, the Administrative Agent with respect to the Collateral are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated herein by reference as if fully set forth herein.

SECTION 6. Termination of Security Interest. Pursuant to Section 5.12 of the Security Agreement, upon the payment in full of the Secured Obligations, as more fully set forth therein, this IP Security Agreement shall terminate, and the Administrative Agent shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect thereof, to or on the order of the respective Securing Party. All rights of the Administrative Agent in the Collateral shall revert to the Securing Party without delivery of any instrument or performance of any act by any party. The Administrative Agent shall also execute and deliver to the respective Securing Party upon such termination such Uniform Commercial Code termination statements and such other documentation as shall be reasonably requested by the respective Securing Party to effect the termination and release of the Liens on the Collateral.

SECTION 7. Governing Law. This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, each Securing Party has caused this Supplement Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

CINRAM (U.S.) HOLDING'S INC.

By: \_\_\_\_\_

Name:

Title:

CINRAM, INC.

By: \_\_\_\_\_

Name:

Title:

CINRAM INTERNATIONAL INC.

By: \_\_\_\_\_

Name:

Title:

CINRAM INTERNATIONAL ULC

CINRAM WIRELESS LLC

IHC CORPORATION

CINRAM MANUFACTURING LLC

CINRAM DISTRIBUTION LLC

CINRAM RETAIL SERVICES, LLC

ONE K STUDIOS, LLC

By: \_\_\_\_\_

Name:

Title:

1362806 ONTARIO LIMITED

By: \_\_\_\_\_

Name:

Title:



**Exhibit I – DIP Budget**

**See Attached**

### Cinram International Inc - North American Entities

#### 13 Week DIP Budget Cash Flow Forecast

(US\$ in millions)

Week Ending Forecast Week	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
	6/22/12	6/29/12	7/6/12	7/13/12	7/20/12	7/27/12	8/3/12	8/10/12	8/17/12	8/24/12	8/31/12	9/7/12	9/14/12	
<b>Cash Flow from Operations</b>														
Receipts	5.3	6.5	8.1	6.9	6.0	6.7	8.5	10.9	5.8	5.8	6.9	12.3	8.4	98.1
Operating Disbursements	(8.5)	(9.2)	(8.9)	(5.4)	(7.3)	(5.8)	(9.3)	(7.6)	(7.9)	(6.1)	(9.9)	(9.8)	(10.4)	(106.2)
<b>Operating Cash Flows</b>	<b>(3.2)</b>	<b>(2.7)</b>	<b>(0.8)</b>	<b>1.5</b>	<b>(1.3)</b>	<b>0.9</b>	<b>(0.8)</b>	<b>3.3</b>	<b>(2.1)</b>	<b>(0.3)</b>	<b>(3.0)</b>	<b>2.5</b>	<b>(2.0)</b>	<b>(8.1)</b>
Restructuring Professional Fees	(0.5)	(0.5)	(0.5)	(0.9)	(0.4)	(0.4)	(0.4)	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(4.5)
Royalties	-	(0.9)	-	-	-	(0.1)	-	-	-	-	(0.2)	-	-	(1.2)
Financing	-	15.0	-	-	-	-	-	-	-	-	-	-	-	15.0
DIP Proceeds	(0.5)	13.6	(0.5)	(0.9)	(0.4)	(0.5)	(0.4)	(0.4)	(0.1)	(0.1)	(0.3)	(0.1)	(0.1)	9.3
<b>Non-Operating Cash Flow</b>	<b>(3.7)</b>	<b>10.9</b>	<b>(1.3)</b>	<b>0.6</b>	<b>(1.7)</b>	<b>0.4</b>	<b>(1.2)</b>	<b>2.9</b>	<b>(2.2)</b>	<b>(0.4)</b>	<b>(3.3)</b>	<b>2.4</b>	<b>(2.1)</b>	<b>1.2</b>
<b>Projected Net Cash Flow</b>	<b>11.5</b>	<b>7.8</b>	<b>18.7</b>	<b>17.4</b>	<b>18.0</b>	<b>16.2</b>	<b>16.6</b>	<b>15.4</b>	<b>18.2</b>	<b>16.0</b>	<b>15.6</b>	<b>12.4</b>	<b>14.8</b>	<b>11.5</b>
Beginning Cash Balance	7.3	18.7	17.4	18.0	16.2	16.6	15.4	18.2	16.0	15.6	12.4	14.8	12.7	12.7
Ending Cash Balance														

**Notes:**

- [1] The purpose of this cash flow forecast is to determine the liquidity requirements of the Cinram North American entities during the forecast period.
- [2] Receipts from operations are forecast based on existing Accounts Receivable, forecast sales, and customer payment terms.
- [3] Forecast Operating Disbursements are based on existing Accounts Payable, forecast production expenses, and vendor payment terms.
- [4] Restructuring /Non-recurring disbursements include professional fees associated with the Applicants' restructuring. Forecast disbursements are based on advisor-level estimates of fees that may be incurred during the forecast period.
- [5] Financing disbursements include payments under existing capital leases and interest and transaction fees associated with DIP financing. No interest or principal payments to secured lenders are assumed in the forecast.

**Exhibit J – Form of Initial Order**

**See Attached**

Court File No.

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE ) MONDAY, THE 25<sup>TH</sup>  
JUSTICE ) DAY OF JUNE, 2012

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 CINRAM INTERNATIONAL  
INC., CINRAM INTERNATIONAL INCOME FUND, CII  
TRUST AND THE COMPANIES LISTED IN SCHEDULE  
"A"

Applicants

INITIAL ORDER

THIS APPLICATION, made by Cinram International Inc. ("**CII**"), Cinram International Income Fund ("**Cinram Fund**"), CII Trust and the companies listed in Schedule "A" hereto (collectively, the "**Applicants**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of John Bell sworn ●, 2012 and the Exhibits thereto (the "**Bell Affidavit**") and the Pre-filing Report of the Proposed Monitor, FTI Consulting Canada Inc. ("**FTI**"), and on being advised that the Pre-Petition First Lien Agent (as hereinafter defined) and the Administrative Agent under the Second Lien Credit Agreement (the "**Pre-Petition Second Lien Agent**", with the lenders under the Second Lien Credit Agreement being the "**Pre-Petition Second Lien Lenders**") were given notice of this Application, and on hearing the submissions of counsel for the Applicants and Cinram International Limited

DRAFT: 1 - June 22, 2012 at 10:26 PM



Partnership (the “**Cinram LP**”), FTI and the Pre-Petition First Lien Agent and the DIP Agent (as hereinafter defined) (collectively, the “**Agent**”), and on reading the consent of FTI to act as the Court-appointed monitor (the “**Monitor**”),

#### **SERVICE**

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

#### **CAPITALIZED TERMS**

2. THIS COURT ORDERS that unless otherwise indicated or defined herein, capitalized terms have the meaning given to them in the Bell Affidavit.

#### **APPLICATION**

3. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies. Although not an Applicant, Cinram LP (together with the Applicants, the “**CCAA Parties**”) shall enjoy the benefit of the protections and authorizations provided by this Order.

#### **PLAN OF ARRANGEMENT**

4. THIS COURT ORDERS that the Applicants, or any one of them, shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “**Plan**”) between, *inter alia*, one or more of the CCAA Parties and one or more classes of creditors.

#### **POSSESSION OF PROPERTY AND OPERATIONS**

5. THIS COURT ORDERS that the CCAA Parties shall remain in possession and control of their respective current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the CCAA Parties shall each continue

to carry on business in the ordinary course and in a manner consistent with the preservation of their business (the “**Business**”) and the Property. The CCAA Parties shall each be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6. THIS COURT ORDERS that the CCAA Parties shall be entitled to continue to utilize the central cash management system currently in place, including the CCAA Parties’ current business forms, cheques and bank accounts, as described in the Bell Affidavit, including for the purpose of completing intercompany transfers among the CCAA Parties (other than between a CCAA Party that is not a Fund Entity (as hereinafter defined) and a Fund Entity) in the ordinary course of business, or replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the CCAA Parties of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the CCAA Parties, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

7. THIS COURT ORDERS that, subject to the terms and conditions of the DIP Credit Agreement (as hereinafter defined) and subject to the applicable cash flow budget approved by the DIP Lenders (as hereinafter defined) (the “**Cash Flow Budget**”), the CCAA Parties shall be entitled but not required to pay the following expenses and satisfy the following obligations whether incurred prior to, on or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order to employees and contractors, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the CCAA Parties in respect of these proceedings or any other similar or ancillary proceedings in other jurisdictions in which the CCAA Parties or any subsidiaries or affiliates are domiciled or in respect of related corporate matters, at their standard rates and charges, including the fees and disbursements of legal counsel, financial advisors and investment bankers retained by the CCAA Parties;
- (c) all amounts owing for goods and services actually supplied to the CCAA Parties, or to obtain the release of goods contracted for prior to the date of this Order, with the prior consent of the Monitor and the Agent, if in the opinion of the CCAA Parties and the Monitor the supplier is critical to the Business and ongoing operations of any of the CCAA Parties;
- (d) with the prior consent of the Monitor and the Agent, all amounts owing in respect of the CCAA Parties' customer programs including rebates, refunds, relocation payments, warranties and similar programs or obligations (the "**Customer Programs**");
- (e) with the prior consent of the Monitor, amounts owing by one or more of the CCAA Parties to another CCAA Party (other than between a CCAA Party that is not a Fund Entity and a Fund Entity) in order to settle their intercompany accounts and to make intercompany loans in the ordinary course of business, including as a result of the shared services (as described in the Bell Affidavit); and
- (f) with the prior consent of the Monitor, any amounts owing prior to the date of this Order in respect of customs or duties for goods supplied to the CCAA

Parties where such goods have been paid for but lawfully retained or subject to a possessory lien.

8. THIS COURT ORDERS that, subject to the terms and conditions of the DIP Credit Agreement and subject to the Cash Flow Budget, and except as otherwise provided to the contrary herein, the CCAA Parties shall be entitled but not required to pay all reasonable expenses incurred by the CCAA Parties in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance and directors and officers tail insurance, provided that the premium for the tail insurance does not exceed \$300,000), maintenance and security services;
- (b) payment for goods or services actually supplied to the CCAA Parties following the date of this Order; and
- (c) payments and credits in respect of the Customer Programs.

9. THIS COURT ORDERS that the CCAA Parties shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the CCAA Parties in connection with the sale of goods and services by the CCAA Parties, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes



were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the CCAA Parties.

10. THIS COURT ORDERS that until a real property lease is disclaimed in accordance with the CCAA, the CCAA Parties shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the CCAA Parties and the landlord from time to time (“Rent”), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

11. THIS COURT ORDERS that, except as specifically permitted herein, the CCAA Parties are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the CCAA Parties to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of the Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

#### RESTRUCTURING

12. THIS COURT ORDERS that the CCAA Parties shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations, and to dispose of redundant or non-material assets not exceeding \$500,000 in any one transaction or \$1,000,000 in the aggregate;
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate and to deal with any claims arising from such termination in the Plan;
- (c) in accordance with paragraphs 13 and 14, vacate, abandon or quit the whole but not the part of any leased premises and/or disclaim any real property lease and any ancillary agreements relating to the leased premises, in accordance with section 32 of the CCAA;
- (d) disclaim such of their arrangements or agreements of any nature whatsoever with whomsoever, whether oral or written, as the CCAA Parties deem appropriate, in accordance with section 32 of the CCAA and to deal with any claims arising from such disclaimer in the Plan; and
- (e) pursue all avenues of refinancing and offers for their Business or the Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or any sale (except as permitted by subparagraph (a) above),

all of the foregoing to permit the CCAA Parties to proceed with an orderly restructuring or sale of the Business, including effecting the Proposed Transaction (the “**Restructuring**”).

13. THIS COURT ORDERS that the CCAA Parties shall provide each of the relevant landlords with notice of the relevant CCAA Party’s intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the CCAA Party’s entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such

landlord and the relevant CCAA Party, or by further Order of this Court upon application by the relevant CCAA Party on at least two (2) days notice to such landlord and any such secured creditors. If a CCAA Party disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the CCAA Party's claim to the fixtures in dispute.

14. THIS COURT ORDERS that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the relevant CCAA Party and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the CCAA Party in respect of such lease or leased premises and such landlord shall be entitled to notify the CCAA Party of the basis on which it is taking possession and to gain possession of and release such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

#### SUPPORT AGREEMENT

15. THIS COURT ORDERS that the Applicants party to the support agreement dated as of June 22, 2012 (the "**Support Agreement**") between, among others, certain Applicants and certain Pre-Petition First Lien Lenders (the "**Initial Consenting Lenders**"), appended as Exhibit F to the Bell Affidavit, are authorized and empowered to take all steps and actions in respect thereof and to comply with all of their obligations pursuant thereto and the Applicants will cooperate with the Pre-Petition First Lien Agent in providing notice in any reasonable manner to lenders (the "**Pre-Petition First Lien Lenders**") under the Pre-Petition First Lien Credit Agreement (as hereinafter defined) of the Support Agreement to enable additional Pre-Petition First Lien Lenders to execute a

**DRAFT: 1 - June 22, 2012 at 10:26 PM**

Consent Agreement in the form attached as Schedule "C" to the Support Agreement and to become bound thereby as Consenting Lenders (as defined in the Support Agreement).

16. THIS COURT ORDERS that any Pre-Petition First Lien Lender under the Pre-Petition First Lien Credit Agreement (other than an Initial Consenting Lender) who wishes to become a Consent Date Lender (as defined in the Support Agreement) and become entitled to the Early Consent Consideration (as defined in the Support Agreement) (if such Early Consent Consideration becomes payable pursuant to the terms of the Support Agreement, and subject to such Pre-Petition First Lien Lender providing evidence satisfactory to the Applicants in accordance with the Support Agreement of the aggregate principal amount of loans held under the Pre-Petition First Lien Credit Agreement by such Pre-Petition First Lien Lender as at the Consent Date) must execute a Consent Agreement and return it to the Applicants in accordance with the instructions set out in the Support Agreement such that it is received by the Applicants prior to the Consent Date and, upon doing so, such Pre-Petition First Lien Lender shall become a Consent Date Lender and shall be bound by the terms of the Support Agreement.

17. THIS COURT ORDERS that as soon as practicable after the Consent Date, the Applicants shall provide to the Monitor copies of all executed Consent Agreements received from Pre-Petition First Lien Lenders prior to the Consent Date.

18. THIS COURT ORDERS that the Applicants are authorized to pay the Early Consent Consideration to the Consent Date Lenders in accordance with the Support Agreement if the Consent Date Lenders become entitled thereto.

19. THIS COURT ORDERS that the Consent Date Lenders shall be entitled to the benefit of and are hereby granted a charge (the "**Consent Consideration Charge**") on the Charged Property as security for the obligations to pay the Early Consent Consideration to the Consent Date Lenders if they become entitled thereto in accordance with the Support Agreement. The Consent Consideration Charge shall have the priority set out in paragraphs 57 and 59 herein. "**Charged Property**" as used in this Order shall mean all assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof of the CCAA Parties other than Cinram Fund, CII



Trust, Cinram International General Partner Inc. and Cinram LP (collectively, the “**Fund Entities**”).

**NO PROCEEDINGS AGAINST THE CCAA PARTIES OR THE PROPERTY**

20. THIS COURT ORDERS that until and including July 25, 2012, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the CCAA Parties or the Monitor, or affecting the Business or the Property, except with the written consent of the CCAA Parties and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the CCAA Parties or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

21. THIS COURT ORDERS that until and including the Stay Period, no Proceeding shall be commenced or continued against or in respect of any of the CCAA Parties’ direct or indirect subsidiaries that are also party to an agreement with a CCAA Party (whether as surety or guarantor or otherwise) (each, a “**Subsidiary Counterparty**”), including any contract or credit agreement, or against or in respect of any of a Subsidiary Counterparty’s current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Subsidiary Property**”) with respect to any guarantee, contribution or indemnity obligation, liability or claim in respect of or that relates to any agreement involving a CCAA Party and a Subsidiary Counterparty or the obligations, liabilities and claims of and against the CCAA Parties (collectively, the “**Related Claims Against Subsidiaries**”), except with the written consent of the CCAA Parties and the Monitor, or with leave of this Court, and any and all Proceedings currently under way by a Person against or in respect of any Subsidiary Counterparty or Subsidiary Property in respect of Related Claims Against Subsidiaries are hereby stayed and suspended pending further Order of this Court. For the purposes of paragraphs 21 and 23 of this Order: (a) “**Subsidiary Counterparty**” does not include Cinram Optical Discs S.A.S. that has filed insolvency proceedings in France; and (b) in the event a direct or indirect subsidiary of the CCAA Parties files insolvency proceedings in a foreign

**DRAFT: 1 - June 22, 2012 at 10:26 PM**

jurisdiction (other than the United States), “**Subsidiary Counterparty**” shall be deemed to exclude any such subsidiary.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

22. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the CCAA Parties or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the CCAA Parties, the Monitor and the DIP Agent, or leave of this Court, provided that nothing in this Order shall (i) empower the CCAA Parties to carry on any business which the CCAA Parties are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

23. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any Person against or in respect of a Subsidiary Counterparty or Subsidiary Property in respect of Related Claims Against Subsidiaries are hereby stayed and suspended and shall not be commenced, proceeded with or continued, except with the written consent of the CCAA Parties and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower any Subsidiary Counterparty to carry on any business which such Subsidiary Counterparty is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH RIGHTS**

24. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the CCAA

Parties, except with the written consent of the CCAA Parties and the Monitor, or leave of this Court.

#### **CONTINUATION OF SERVICES**

25. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with a CCAA Party or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, licenses, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or a CCAA Party, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the CCAA Parties, and that the CCAA Parties shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the CCAA Parties in accordance with normal payment practices of the CCAA Parties or such other practices as may be agreed upon by the supplier or service provider and each of the applicable CCAA Parties and the Monitor, or as may be ordered by this Court.

#### **NON-DEROGATION OF RIGHTS**

26. THIS COURT ORDERS that, subject to paragraphs 20 to 25, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the CCAA Parties. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

**DRAFT: 1 - June 22, 2012 at 10:26 PM**

**KEY EMPLOYEE RETENTION PROGRAM**

27. THIS COURT ORDERS that the key employee retention program (the “**KERP**”) as described in the Bell Affidavit relating to key employees, including certain key officers (collectively, the “**Key Employees**”) is hereby approved.

28. THIS COURT ORDERS that the CCAA Parties (and any other person that may be appointed to act on behalf of the CCAA Parties, including without limitation, any trustee, liquidator, receiver, interim receiver, receiver and manager or other person acting on behalf of any such person) are authorized and directed to perform the obligations under the KERP, including making all payments to the Key Employees of amounts due and owing under the KERP at the time specified and in accordance with the terms of the KERP.

29. THIS COURT ORDERS that the CCAA Parties are hereby authorized to execute and deliver such additional documents as may be necessary to give effect to the KERP, subject to prior approval of such documents by the Monitor or as may be ordered by this Court.

30. THIS COURT ORDERS that the Key Employees shall be entitled to the benefit of and are hereby granted a charge (the “**KERP Charge**”) on the Charged Property, which charge shall not exceed an aggregate amount of \$3 million, as security for the obligations of the CCAA Parties to the Key Employees under the KERP. The KERP Charge shall have the priority set out in paragraph 57 and 59 herein.

31. THIS COURT ORDERS that the summary of the KERP attached as Exhibit K to the Bell Affidavit be sealed, kept confidential and not form part of the public record, but rather shall be placed separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of this Court.



### INVESTMENT BANKER

32. THIS COURT ORDERS that CII is authorized to carry out and perform its obligations under its engagement letter with Moelis & Company LLC (the “**Engagement Letter**”) as investment banker for the CCAA Parties (the “**Investment Banker**”) (including payment of the amounts due to be paid pursuant to the terms of the Engagement Letter, including but not limited to any success or transaction fee under the Engagement Letter).

33. THIS COURT ORDERS that all claims of the Investment Banker pursuant to the Engagement Letter are not claims that may be compromised pursuant to any Plan under the CCAA, any proposal (“**Proposal**”) under the *Bankruptcy and Insolvency Act* or any other restructuring and no such Plan, Proposal or restructuring shall be approved that does not provide for the payment of all amounts due to the Investment Banker pursuant to the terms of the Engagement Letter.

34. THIS COURT ORDERS that notwithstanding any order in these proceedings, the CCAA Parties are authorized to make all payments required by the Engagement Letter, including all fees and expenses, if and when due.

35. THIS COURT ORDERS that the Investment Banker, its affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of either its engagement by CII as Investment Banker or any matter referred to in the Engagement Letter except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Investment Banker in performing its obligations under the Engagement Letter.

### PROCEEDINGS AGAINST TRUSTEES, DIRECTORS AND OFFICERS

36. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future trustees, directors or officers of the Applicants with respect to any claim against the trustees, directors or officers that arose before the date

hereof and that relates to any obligations of the CCAA Parties whereby the trustees, directors or officers are alleged under any law to be liable in their capacity as trustees, directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the CCAA Parties, if one is filed, is sanctioned by this Court or is refused by the creditors of the CCAA Parties or this Court.

#### **TRUSTEES', DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

37. THIS COURT ORDERS that the Applicants shall indemnify their trustees, directors and officers against obligations and liabilities that they may incur as trustees, directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any trustee, officer or director, the obligation or liability was incurred as a result of the trustee's, director's or officer's gross negligence or wilful misconduct.

38. THIS COURT ORDERS that the trustees, directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Charged Property, which charge shall not exceed an aggregate amount of \$13 million, as security for the indemnity provided in paragraph 37 of this Order. The Directors' Charge shall have the priority set out in paragraphs 57 and 59 herein.

39. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' trustees, directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 37 of this Order.

#### **APPOINTMENT OF MONITOR**

40. THIS COURT ORDERS that FTI is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the CCAA Parties with the powers and obligations set out in the CCAA or set forth herein and

that the CCAA Parties and their shareholders, officers, directors, trustees, partners and Assistants shall advise the Monitor of all material steps taken by the CCAA Parties pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

41. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the CCAA Parties' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination, to the DIP Agent and the administrative agent (the "**Pre-Petition First Lien Agent**") under the amended and restated credit agreement dated April 11, 2011 (the "**Pre-Petition First Lien Credit Agreement**") and their counsel and financial advisors, on a weekly or bi-weekly basis as set out in the DIP Credit Agreement of financial and other information as agreed to between the Applicants party thereto and the Agent which may be used in these proceedings including reporting on a basis to be agreed with the Agent;
- (d) advise the CCAA Parties in their preparation of the CCAA Parties' cash flow statements and reporting required by the Agent, which information shall be reviewed with the Monitor and delivered to the Agent and its counsel and financial advisors on a periodic basis, but not less than bi-weekly, or as otherwise agreed to by the Agent;
- (e) advise the CCAA Parties in their development of the Plan and any amendments to the Plan;

- (f) assist the CCAA Parties, to the extent required by the CCAA Parties, with any matters relating to any of the CCAA Parties' subsidiaries and any foreign proceedings commenced in relation thereto, including retaining independent legal counsel, agents, experts, accountants or such other persons as the Monitor deems necessary or advisable respecting the exercise of this power;
- (g) assist the CCAA Parties, to the extent required by the CCAA Parties, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (h) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the CCAA Parties, to the extent that is necessary to adequately assess the CCAA Parties' business and financial affairs or to perform its duties arising under this Order;
- (i) assist the CCAA Parties and/or the Investment Banker with respect to any sales and marketing process to sell the Property and the Business or any part thereof;
- (j) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (k) perform such other duties as are required by this Order or by this Court from time to time.

42. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

43. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally



contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

44. THIS COURT ORDERS that that the Monitor shall provide any creditor of the CCAA Parties and the Agent with information provided by the CCAA Parties in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the CCAA Parties is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the CCAA Parties may agree.

45. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

46. THIS COURT ORDERS that the Monitor, counsel to the Monitor, Canadian counsel to the CCAA Parties and U.S. Counsel to the CCAA Parties (together with

Canadian counsel to the CCAA Parties, “**CCAA Parties’ Counsel**”) and the Canadian and U.S. counsel to the DIP Agent and DIP Lenders and the Pre-Petition First Lien Agent and Pre-Petition First Lien Lenders (collectively, the “**Lenders’ Counsel**”) and the financial advisor of the DIP Lenders and Pre-Petition First Lien Lenders (the “**Lenders’ Financial Advisor**”) shall be paid their reasonable fees and disbursements (including any pre-filing fees and disbursements), in each case at their standard rates and charges, by the CCAA Parties as part of the costs of these proceedings. The CCAA Parties are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, CCAA Parties’ Counsel, Lenders’ Counsel and Lenders’ Financial Advisor on a bi-weekly basis and, in addition, the CCAA Parties are hereby authorized to pay to the Monitor, counsel to the Monitor, and CCAA Parties’ Counsel, new retainers in the aggregate amount of up to \$250,000 to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

47. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

48. THIS COURT ORDERS that the Monitor, counsel to the Monitor, the Investment Banker, the CCAA Parties’ Counsel, the Lenders’ Counsel and the Lenders’ Financial Advisor shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Charged Property, which charge shall not exceed an aggregate amount of \$3.5 million, as security for their professional fees and disbursements incurred at the standard rates and charges of the CCAA Parties’ Counsel, Lenders’ Counsel, Lenders’ Financial Advisor and the Monitor and, in the case of the Investment Banker, pursuant to the Engagement Letter, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 57 and 59 hereof.

## DIP FINANCING

49. THIS COURT ORDERS that the Applicants party thereto are hereby authorized and empowered to obtain and borrow under a credit facility from JP Morgan Chase Bank N.A., as administrative agent (the “**DIP Agent**”), and as lender and certain other lenders (collectively, the “**DIP Lenders**”) in order to finance the CCAA Parties’ working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed US\$15 million unless permitted by further Order of this Court.

50. THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the DIP credit agreement between the Applicants party thereto and the DIP Lenders dated as of June 22, 2012 (the “**DIP Credit Agreement**”), filed, as such terms of such DIP Credit Agreement may be amended by the Applicants party thereto and the DIP Lenders with the consent of the Monitor.

51. THIS COURT ORDERS that each of Schedule 2.01, Part D, E and G of Schedule 5.15, Part A.2 of Schedule 5.17, Schedule 7.06 and Schedule 7.08 to the DIP Credit Agreement be sealed, kept confidential and not form part of the public record, but rather shall be placed separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of this Court.

52. THIS COURT ORDERS that the Applicants party thereto are hereby authorized and empowered to execute and deliver the DIP Credit Agreement and such mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Credit Agreement, collectively, the “**Definitive Documents**”), as are contemplated by the DIP Credit Agreement or as may be reasonably required by the DIP Lenders pursuant to the terms thereof, and the Applicants party thereto are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Lenders under and pursuant to the DIP Credit

**DRAFT: 1 - June 22, 2012 at 10:26 PM**

Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

53. THIS COURT ORDERS that the DIP Lenders shall be entitled to the benefit of and are hereby granted a charge (the “**DIP Lenders’ Court Charge**”) on the Charged Property, including, without limitation, the real property described in Schedule “B” hereto, which DIP Lenders’ Court Charge shall not secure an obligation that exists before this Order is made. The DIP Lenders’ Court Charge and any contractual security interests granted pursuant to the Definitive Documents (collectively with the DIP Lenders’ Court Charge, the “**DIP Lenders’ Charge**”) shall attach to the Charged Property and shall secure all obligations under the Definitive Documents. The DIP Lenders’ Charge shall have the priority set out in paragraphs 57 and 59 hereof.

54. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

- (a) the DIP Lenders may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lenders’ Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lenders’ Charge (A) the DIP Agent and DIP Lenders may cease making advances to the Applicants, and (B) the DIP Agent, DIP Lenders, Pre-Petition First Lien Agent and Pre-Petition First Lien Lenders may (i) set off and/or consolidate any amounts owing by the DIP Lenders or the Pre-Petition First Lien Lenders to the Applicants against the obligations of the Applicants to the DIP Lenders or Pre-Petition First Lien Lenders under the DIP Credit Agreement, the Definitive Documents, the DIP Lenders’ Charge or the Pre-Petition First Lien Credit Agreement and may make demand, accelerate payment and give other notices, and (ii) upon five days notice to the CCAA Parties and the Monitor, exercise any and all of its rights and remedies against the Applicants or the Charged Property under or pursuant to the DIP Credit Agreement, Definitive Documents, DIP Lenders’ Charge, Pre-Petition First Lien Credit Agreement or the *Personal Property Security Act* of Ontario or any other applicable



jurisdiction, the *Uniform Commercial Code* of the applicable jurisdiction and/or *Mortgages Act* (Ontario) and equivalent legislation in the applicable jurisdiction, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and

- (c) the foregoing rights and remedies of the DIP Lenders shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Charged Property.

55. THIS COURT ORDERS AND DECLARES that all claims of the DIP Agent and DIP Lenders pursuant to the Definitive Documents are not claims that may be compromised pursuant to any Plan filed by the CCAA Parties or any one of them under the CCAA, or any Proposal filed by the CCAA Parties or any one of them under the *Bankruptcy and Insolvency Act* of Canada (the "BIA") or any other restructuring, and the DIP Agent and the DIP Lenders shall be treated as unaffected in any Plan, Proposal or other restructuring with respect to any obligations outstanding to the DIP Agent or DIP Lenders under or in respect of the Definitive Documents.

56. THIS COURT ORDERS that the CCAA Parties or any one of them shall not file a Plan or Proposal in these proceedings or proceed with any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the DIP Credit Agreement and the other Definitive Documents as a pre-condition to the implementation of any such Plan or Proposal or any other restructuring, without the prior written consent of the DIP Agent. Further, if the Support Agreement terminates in accordance with Section 7(a)(iv)(C) thereof, the stays of proceedings provided for herein shall not apply to the Pre-Petition First Lien Agent, Pre-Petition First Lien Lenders or their respective rights under or in respect of the Pre-Petition First Lien Credit Agreement and the Pre-Petition First Lien Agent and Pre-Petition First Lien Lenders may (A) set off and/or consolidate any amounts owing by the Pre-Petition First Lien Lenders to the Applicants against the obligations of the Applicants to the Pre-Petition First Lien Lenders

under the Pre-Petition First Lien Credit Agreement and may make, demand, accelerate payment and give other notices, and (B) upon 5 days notice to the CCAA Parties and the Monitor, exercise any and all of their rights and remedies under or pursuant to the Pre-Petition First Lien Credit Agreement or the *Personal Property Security Act* of Ontario or any other applicable jurisdiction, the *Uniform Commercial Code* of the applicable jurisdiction and/or *Mortgages Act* (Ontario) and equivalent legislation in the applicable jurisdiction, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

57. THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge, the KERP Charge, the Consent Consideration Charge and the DIP Lenders' Charge, as among them, shall be as follows, subject to paragraph 59 of this Order:

First – Administration Charge (to the maximum amount of \$3.5 million);

Second – DIP Lenders' Charge;

Third – Directors' Charge (to the maximum amount of \$13 million);

Fourth – KERP Charge (to the maximum amount of \$3 million); and

Fifth – Consent Consideration Charge.

58. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge, the Administration Charge, the KERP Charge, the Consent Consideration Charge or the DIP Lenders' Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

59. THIS COURT ORDERS that each of the Directors' Charge, the Administration Charge, the KERP Charge, the Consent Consideration Charge and the DIP Lenders' Charge (all as constituted and defined herein) shall constitute a charge on the Charged Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person, notwithstanding the order of perfection or attachment, except for any validly perfected security interest in favour of a "secured creditor" as defined in the CCAA existing as at the date hereof other than any validly perfected security interest in favour of the Pre-Petition First Lien Agent, Pre-Petition Second Lien Agent, Pre-Petition First Lien Lenders or Pre-Petition Second Lien Lenders; provided that the Consent Consideration Charge is subordinate to the prior payment in full of all obligations under the Pre-Petition First Lien Credit Agreement in respect of the First-Out Revolving Credit Commitments (as defined in the Pre-Petition First Lien Credit Agreement). No Charge created by this Order shall attach to or create any claim, lien, charge, security interest or encumbrance on the property of a customer of a CCAA Party or where a customer has title to such property, notwithstanding that such property may be in a CCAA Party's possession. Nothing in this Order affects the priority of the Pre-Petition First Lien Agent, Pre-Petition Second Lien Agent, Pre-Petition First Lien Lenders and the Pre-Petition Second Lien Lenders against the rights of third parties (other than beneficiaries of the Charges) as of the date of this Order.

60. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the CCAA Parties shall not grant any Encumbrances over any Charged Property that rank in priority to, or *pari passu* with, any of the Directors' Charge, the Administration Charge, the KERP Charge, the Consent Consideration Charge or the DIP Lenders' Charge, unless the CCAA Parties also obtain the prior written consent of the Monitor, the DIP Lenders and the beneficiaries of the Directors' Charge, the Administration Charge, the KERP Charge and the Consent Consideration Charge, or further Order of this Court.

61. THIS COURT ORDERS that the Directors' Charge, the Administration Charge, the KERP Charge, the Consent Consideration Charge, the DIP Credit Agreement, the

Definitive Documents and the DIP Lenders' Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the CCAA Parties, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Credit Agreement or the Definitive Documents shall create or be deemed to constitute a breach by the CCAA Parties of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Credit Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the CCAA Parties pursuant to this Order, the DIP Credit Agreement or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

62. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the CCAA Parties' interest in such real property leases.



**FOREIGN PROCEEDINGS**

63. THIS COURT ORDERS that Cinram International ULC is hereby authorized and empowered to act as the foreign representative in respect of the within proceedings for the purposes of having these proceedings recognized in a jurisdiction outside Canada.

64. THIS COURT ORDERS that Cinram International ULC is hereby authorized, as the foreign representative of the CCAA Parties and of the within proceedings, to apply for foreign recognition of these proceedings, as necessary, in any jurisdiction outside of Canada, including as "Foreign Main Proceedings" in the United States pursuant to Chapter 15 of the *U.S. Bankruptcy Code*, and to take such actions necessary or appropriate in furtherance of the recognition of these proceedings or the prosecution of any sale transaction (including the Proposed Transaction) in any such jurisdiction.

65. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, in the United States or in any other foreign jurisdiction, to give effect to this Order and to assist the CCAA Parties, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the CCAA Parties and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to Cinram International ULC in any foreign proceeding, or to assist the CCAA Parties and the Monitor and their respective agents in carrying out the terms of this Order.

66. THIS COURT ORDERS that each of the CCAA Parties and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and any other Order issued in these proceedings.

**DRAFT: 1 - June 22, 2012 at 10:26 PM**

## SERVICE AND NOTICE

67. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in the Globe and Mail and the Wall Street Journal a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the CCAA Parties of more than \$5000, and (C) prepare a list showing the names and addresses of those creditors, save and except creditors who are individuals, and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

68. THIS COURT ORDERS that the CCAA Parties and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the CCAA Parties' creditors or other interested parties at their respective addresses as last shown on the records of the CCAA Parties and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

69. THIS COURT ORDERS that the CCAA Parties, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on the Monitor's Website.

## GENERAL

70. THIS COURT ORDERS that the CCAA Parties or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

71. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the CCAA Parties, the Business or the Property.

72. THIS COURT ORDERS that any interested party (including the CCAA Parties and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order, provided however that the DIP Lenders shall be entitled to rely on this Order as issued for all advances made under the DIP Credit Agreement and Definitive Documents up to and including the date this Order may be varied or amended.

73. THIS COURT ORDERS that, notwithstanding the immediately preceding paragraph, no order shall be made varying, rescinding or otherwise affecting the provisions of this Order with respect to the DIP Credit Agreement or the Definitive Documents, unless notice of a motion is served on the Monitor and the CCAA Parties and the DIP Agent, returnable no later than ●.

74. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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## SCHEDULE A

### Additional Applicants

Cinram International General Partner Inc.  
Cinram International ULC  
1362806 Ontario Limited  
Cinram (U.S.) Holding's Inc.  
Cinram, Inc.  
IHC Corporation  
Cinram Manufacturing LLC  
Cinram Distribution LLC  
Cinram Wireless LLC  
Cinram Retail Services, LLC  
One K Studios, LLC



## SCHEDULE B

### Charged Real Property Description

#### 2255 Markham Road, Toronto, Ontario

Firstly:

PIN 06079-0067 (LT)

Part of Lot 18, Concession 3 Scarborough, designated as Parts 2 and 3 on Plan 64R6927 and Part 1 on Plan 64R7116, confirmed by 64B1990, subject to SC574898, Toronto, City of Toronto

Secondly:

PIN 06079-0280 (LT)

Part of Lot 18, Concession 3 Scarborough, designated as Parts 2 and 3 on Plan 66R23795, subject to an easement over Part 3 on Plan 66R23795 as in SC574898, City of Toronto

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

Court File No: \_\_\_\_\_

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

Applicants

**ONTARIO  
SUPERIOR COURT OF JUSTICE-  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**INITIAL ORDER**

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Lawyers for the Applicants

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1, 2012 at 10:26 PM