

CINRAM U.S. SUBSIDIARIES SUPPLIER FAQs

1. What is happening?

- Cinram has entered into an agreement to sell substantially all of its Canadian and US assets and operations to Najafi Companies. Najafi Companies have also offered to purchase substantially all of Cinram's European assets and operations. Subject to Court approval and satisfying other conditions, Cinram intends to accept that offer and complete the sales as soon as possible.
- To give effect to the sales, the Company initiated proceedings today in the Ontario Superior Court of Justice under the Companies' Creditors Arrangement Act (the "CCA"). Our U.S. subsidiaries have also filed voluntary petitions under Chapter 15 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware seeking recognition of the CCA Proceedings as the "foreign main proceeding" for the reorganization of the estates of Cinram's Canadian and U.S. subsidiaries and seeking certain additional relief.

2. Why did the Company file for protection under the CCA and Chapter 15?

- The Board determined that filing for CCA in Canada and Chapter 15 in the US was the best course of action to:
- Implement the sales of the Company's assets and business to Najafi Companies ,
- Facilitate obtaining the \$15 million debtor-in-possession financing being provided by the Company's senior secured lenders forming the steering committee under the Company's senior secured credit facilities to finance the Company's working capital needs, and
- Obtain Court protection for the Company from actions that creditors might otherwise seek to take while the Company is pursuing the completion of the sale transactions. This Court-supervised process allows Cinram to pursue its objectives while continuing its ongoing business operations and minimizing financial pressure from creditors.

3. What is the CCA and what is the relationship to the Company's Chapter 15 filing?

- The Companies' Creditors Arrangements Act, or "CCA," is a Canadian Federal statute that enables companies to restructure their financial affairs under the supervision of the Courts.
- As part of the CCA proceedings, the Court typically grants a "stay of proceedings" in favor of the Company which prevents creditors from taking action against the Company without court approval, giving the Company time and stability to enable it to restructure while continuing its day-to-day operations.
- Concurrently, the U.S. subsidiaries of Cinram filed petitions for relief under Chapter 15 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware to

ensure all companies in Cinram's North American group are governed under a common proceeding.

- The orders obtained in connection with the Chapter 15 filing provide that the U.S. court will generally enforce the orders of the Canadian CCAA court and apply the CCAA to creditors of both the U.S. and Canadian Cinram companies.

4. Is the Company bankrupt?

- No. the Company is under CCAA proceedings.
- The CCAA proceedings amongst other things, prevents creditors from forcing the Company into bankruptcy without Court approval. For this reason, CCAA proceedings are sometimes referred to as "bankruptcy protection".

5. Why did the Company decide to sell its business and assets to Najafi Companies?

- The Company with the assistance of its professional advisors has undertaken a thorough review of the alternatives available to it. Based on this review and the recommendations management and advisors the Board determined that selling the Company's business and assets was the best course of action to realize value for its stakeholders, to preserve the going-concern value of the business, to preserve employment for the greatest number of its employees and to ensure continuity of services for its customers.

6. What happens in a CCAA filing?

- The Company is typically given time to restructure its financial affairs, or, as in this case, to execute a sale of the business. During that time, a "stay of proceedings" is in place to prevent creditors from taking actions that could destabilize the Company.
- The Court appoints a Monitor to assist the Company and oversee its activities and provide information to the Court and the Company's creditors. FTI Consulting Canada Inc. has been appointed by the Court as Monitor.
- Subject to the oversight of the Court, and with the assistance of the Monitor, the Company remains in control of its business and operations and can take steps to complete its financial restructuring and strategic initiatives such as a sale of the business.
- The Chapter 15 process in the U.S. provides for recognition by the U.S. Bankruptcy Court of the CCAA proceedings as the "foreign main proceeding" for the restructuring of the Company's business.

7. How long will the sale to Najafi Companies take to complete?

- Subject to Court approval and satisfying other customary conditions, Cinram expects to complete the sales of the North American assets and operations to Najafi Companies during the third quarter of 2012. The European transaction is scheduled to be completed by December 15, 2012.

8. How long will the CCAA proceeding take to complete?

- At this time, it is not possible to determine how long the CCAA and Chapter 15 proceedings will take to complete. Once the sale transactions have been completed, the proceedings will continue for a period of months in order to deal with the Company's remaining assets and operations that are not being sold as part of the sale transactions and other legal affairs of the Company.

9. What is the Monitor?

- The Monitor is an officer of the Court whose responsibilities include assisting the Company with its restructuring and reporting to the Court from time to time on the progress of the proceedings. In this case, FTI Consulting Canada Inc. has been appointed by the Court as Monitor.
- The Company will be giving its full co-operation to the Monitor.

10. Who is now in charge of the Company?

- The Board and executive management team remains in charge of the Company and its operations, subject to the specific requirements of the Initial Order granted in the CCAA Proceedings

11. What does the filing mean for the Company's operations?

- For the most part, it will be business as usual. We anticipate continuing normal production, packaging and distribution operations.

12. Does the Company have sufficient financing to continue operations?

- Yes. As part of the CCAA and Chapter 15 proceedings, the Company's senior secured lenders forming the steering committee under Cinram's senior secured credit facilities have agreed to provide financing (called "debtor-in-possession" or "DIP" financing) to finance the Company's working capital requirements during the course of the CCAA proceedings.

13. Will I be paid for goods and services furnished after the filing date?

- The Company will pay its post-filing expenses on a current basis in the ordinary course.

14. I have unpaid invoices for products/services delivered prior to the CCAA filing. Will these amounts be paid?

- Because of the CCAA proceedings, we are unable to make payment of amounts relating to goods/services provided prior to the filing date subject to Court approval. You may have the opportunity to file a claim in respect of any outstanding amounts later in the proceedings. You will be notified if a claims procedure is approved by the Court.

15. How do I file a claim for amounts outstanding?

- There is no process to file claims against the Company at this time. You will be notified if a claims procedure is proposed by the Company or approved by the Court.

16. Do I continue dealing with my existing contacts?

- Yes, you should continue to deal with your regular contacts.

17. Do I have to continue to provide goods/services to the Company?

- The Initial Order granted in the CCAA proceedings provides that anyone having a written or oral agreement to provide goods or services to the Company is prohibited from terminating such arrangements, provided that the Company pays the normal prices or charges for such goods or services furnished on or after the Filing Date.

18. Are we obligated to continue to supply services to Cinram under an existing contract?

- Yes, you must continue to fulfill your obligations to the Cinram under an existing contract.
- A party to a contract with a Company under CCAA and Chapter 15 protection gains no special rights to terminate a contract for services or withhold services. Because it is a serious matter, we would encourage any party who believes it can take unilateral action to seek legal advice before taking any steps by which they could incur liability.

19. I understand that I can recover goods that I delivered in the last 30 days. Is that correct?

- No. The rights to which you refer do not apply under the CCAA.

20. How will I be kept informed of developments during the proceedings?

- We will provide periodic updates on the progress of the restructuring and any key developments. In addition, court materials, including Monitor's reports, will be made publicly available on the Monitors at <http://cfcanada.fticonsulting.com/cinram>

21. I am also a vendor to Cinram's UK, France and Germany-based subsidiaries? Whom should I contact about amounts owed to me by those subsidiaries?

- With the one exception of Cinram Optical Discs S.A.S, none of Cinram's European subsidiaries commenced any insolvency proceedings.

- In May 2012, Cinram Optical Discs S.A.S. filed for administration in France. This French proceeding does not affect any of Cinram's other French subsidiaries or our operations in Germany or the UK. Questions regarding payment of claims against Cinram Optical Discs S.A.S should be addressed to:

Michel Resseguier
Managing Director
Cinram France
michelresseguier@cinram.com
+33 6 75 03 95 35

- For all other Cinram European subsidiaries, you may continue to communicate with that particular subsidiary.

22. What do I do if I have other questions?

- For every-day business questions, you should continue to speak to your normal contact person.
- For questions relating to the CCAA proceedings, you can call our hot-line at 416 649-8096 or 1-855-718-5255 or by email to **cinram@fticonsulting.com**

23. As a vendor, supplier or creditor, to whom can I escalate if I need more information?

- Vendors and suppliers should feel free to call FTI, the court-ordered Monitor under the parent Company's CCAA case, at 416 649-8096 or 1-855-718-5255, or by email at cinram@fticonsulting.com or write to:

Pamela Luthra
FTI Consulting
TD Waterhouse Tower
Suite 2010
79 Wellington St.
Toronto, Ontario M5K 1G8
Canada

Fax: (416)649-8101

- Please be patient with the responsiveness / follow up to your questions as the volume of calls and questions could be heavy.
- All Court documents can be found on the Monitor's website at <http://cfcanada.fticonsulting.com/cinram>. It will provide links to information and documents with instructions on how to file a proof of claim.
- Vendors' and creditors' legal counsel can write to:

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