

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

Applicants

UNOFFICIAL TRANSCRIPTION OF THE ENDORSEMENT OF MORAWETZ, J.

DATED JULY 12, 2012

July 12, 2012

R. J. Chadwick, M. J. Wagner and C. Descours
for the Applicants

S. Golick
for Warner

Mr. David Byers
for FTI Consulting

J. Dacks
for Twentieth Century

S. Weisz
for Administrative and DIP Agent

The endorsement relates to two motions.

- 1) Approval and Vesting Order
- 2) Stay Extension

Approval and Vesting Order

The Applicants filed a comprehensive factum. The Strategic Review Process is summarized at paragraphs 10-23. The Strategic Review Process summary reviews the timeline since September 2011 when Cinram engaged Moelis to review alternatives up to and including events that

culminated with the execution of the Asset Purchase Agreement on June 22, 2012. It also describes further events relating to the Sale Transaction and the very strong level of support provided by the Initial consenting Lenders.

In his submissions, Mr. Chadwick provided update information to the effect that 100% of the 1st lien holders support the transaction and 98% of the 2nd lien holders support the transaction.

Further information relating to the Strategic Review Process and the Sale Transaction are more fully set out in the affidavit of Mark Hootnick.

The legal basis for the approval of the Sale Transaction is set out at paragraphs 32-41 of the factum.

Having considered the facts and having reviewed the agreement, I have concluded that the proposed transaction is fair and reasonable in the circumstances and it is approved. In arriving at this conclusion, I have also taken into account the comments of the Monitor as set out in the First Report and in particular 50-61 which reference the Recommendation and Conclusions of the Monitor – which recommends approval of the transaction.

The Motion to approve the transaction is granted and the Approval and Vesting Order has been signed in form presented. In doing so, I do note that issues relating to Rejection Notices and similar issues outlined at section 9.2(d) of the Sale Agreement will be addressed at future hearings and that the Applicants intend to have ongoing business discussions and dialogues with their customers, which issues will include matters relating to s. 11.3 of the CCAA – which are not addressed in this endorsement.

The Confidential Supplement was also referenced. The Supplement contains, in my view, confidential information relating to the Sale Transaction, including the allocation of the Asset Purchase Price and certain schedules contain sensitive commercial information which, if disclosed, could be harmful to stakeholders. Having considered the Sierra Club principles, I have concluded that the Supplement should be sealed.

Stay Extension

The Applicants request an extension of the Stay Period to September 14, 2012. The factual basis for the request is set out in John Bell's affidavit and in the Monitor's Report. It is also summarized in the factum at 28-29 with the legal basis covered at 50-54. I accept these submissions. I have concluded that the CCAA Parties have acted and continue to act in good faith and with due diligence in carrying out the terms of the Initial Order. In my view the request for extension is reasonable in the circumstances and it is granted. The Stay Period is therefore extended to September 14, 2012.

Morawetz, J.