

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

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

February 5, 2013

INTRODUCTION

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

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

2. The Fund, collectively with its direct and indirect subsidiaries, shall be referred to herein as "**Cinram**" or the "**Cinram Group**". The proceedings to be commenced by the Applicants under the CCAA will be referred to herein as the "**CCAA Proceedings**".
3. Cinram Group was one of the world's largest producers of pre-recorded multimedia products and related logistics services. Cinram Group was unable to find an out-of-court solution to its financial difficulties and sought protection from its creditors under the CCAA.
4. The Applicants' stated principal objectives of the CCAA Proceedings were: (i) to ensure the ongoing operations of the Cinram Group; (ii) to ensure the Applicants have the necessary availability of working capital funds to maximize the ongoing business of the Cinram Group for the benefit of its stakeholders; and (iii) to complete the sale and transfer of substantially all of Cinram's core business to Cinram Group, Inc., formerly known as Cinram Acquisition, Inc. (the "**Purchaser**") or one or more of its nominees.
5. Further background information regarding the CCAA Parties and these proceedings is provided in, *inter alia*, the affidavit of John Bell sworn June 23,

2012 (the “**Bell Affidavit**”) and FTI’s pre-filing report dated June 23, 2012, copies of which have been posted on the Monitor’s website for the CCAA Proceedings at <http://cfcanada.fticonsulting.com/cinram>.

6. On July 12, 2012, this Court made an order (the “**Approval and Vesting Order**”), *inter alia*: (i) approving the sale of substantially all of the property and assets used in connection with the business carried on by Cinram in North America contemplated by an asset purchase agreement between CII and the Purchaser dated June 22, 2012 (the “**Asset Purchase Agreement**”); (ii) approving the sale of the shares of Cooperatie Cinram Netherlands UA (“**Cinram Netherlands**”) pursuant to the binding purchase offer dated June 22, 2012 (the “**Share Purchase Offer**”) provided by the Purchaser to CII and 1362806 Ontario Limited (together with CII, the “**Share Sellers**”), on the terms of the form of share purchase agreement appended to the Share Purchase Offer (the “**Share Purchase Agreement**”); (iii) authorizing CII to enter into the Asset Purchase Agreement and the Share Sellers to enter into the Share Purchase Offer; (iv) authorizing CII, CIHV Inc., formerly Cinram Inc., CRSMI LLC, formerly Cinram Retail Services LLC, One K Studios, LLC, CDIST LLC, formerly Cinram Distribution LLC and CMFG LLC, formerly Cinram Manufacturing LLC (collectively, the “**Asset Sellers**”) to complete the transactions contemplated by the Asset Purchase Agreement (the “**Asset Sale Transaction**”); and (v) authorizing the Share Sellers to complete the transactions contemplated by the Share Purchase Offer (the

“Share Sale Transaction”, together with the Asset Sale Transaction, the “Sale Transactions”).

7. On July 25, 2012, the United States Bankruptcy Court (District of Delaware) (the “U.S. Court”) approved and entered the Final Recognition Order under Chapter 15 of the Bankruptcy Code, granting recognition of the CCAA Proceedings as the “foreign main proceedings” of the CCAA Parties and recognizing the Initial Order on a final basis. The U.S. Court also granted an Order, *inter alia*, recognizing the Approval and Vesting Order and authorizing the assignment and assumption of certain executory contracts and unexpired leases.
8. As reported in the Third Report of the Monitor, on August 31, 2012, the Asset Sale Transaction closed and the Monitor delivered its certificate.
9. Capitalized terms not otherwise defined herein have the meaning given to them in the Bell Affidavit, the Asset Purchase Agreement, the Initial Order or previous reports of the Monitor.

PURPOSE OF THIS REPORT

10. The purpose of this Seventh Report is to inform this Honourable Court on the status of the Share Sale Transaction.

TERMS OF REFERENCE

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

STATUS OF THE SHARE SALE TRANSACTION

13. As described in the Monitor's Fifth Report, under the terms of the Share Purchase Offer, the Share Sellers (each of which is a CCAA Party) had the right to accept the offer on satisfaction of the conditions thereto, subject to the right of the Purchaser to extend the closing of the Share Sale Transaction up to December 17, 2012.
14. As described in the Monitor's Sixth Report, the CCAA Parties worked diligently towards an expected closing of the Share Sale Transaction on December 17, 2012. On December 13, 2012, the Purchaser advised that it considered that the Share Sellers had not satisfied all the conditions precedent to the Share Sale Transaction and were not in a position to fulfill their obligations under the Share Purchase Agreement. The Purchaser further advised that it would be ready to proceed

with the Closing at such time as the Share Sellers satisfied all outstanding conditions precedent and were in a position to fulfill their obligations under the Share Purchase Agreement.

15. Since the date of the Monitor's Sixth Report, the parties continued towards negotiating the terms of the Share Purchase Agreement and on January 27, 2013 the parties finalized and entered into the Share Purchase Agreement.
16. The final transfer of funds was completed on February 4, 2013, the Share Purchase Transaction is closed and the Monitor delivered the Monitor's Share Sale Transaction Certificate on February 5, 2013 pursuant to the terms of the Approval and Vesting Order.
17. The Monitor confirms that, as contemplated by paragraph 12 of the order of the Honourable Mr. Justice Morawetz dated October 19, 2012 and subject to the payment of any accrued but unpaid professional fees related to the Share Sale Transaction and depositing additional amounts in the Administrative Reserve Account, if required, the Monitor intends to distribute the additional sale proceeds from the Share Sale Transaction to the Pre-Petition First Lien Agent on behalf of the Pre-Petition First Lien Lenders during the week commencing February 4, 2013 or shortly thereafter.

All of which is respectfully submitted this 5th day of February, 2013.

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

Per



Paul Bishop
Senior Managing Director

Schedule "A"

Additional Applicants

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

CRW International ULC, formerly Cinram International ULC

1362806 Ontario Limited

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

CIHV Inc., formerly Cinram, Inc.

IHC Corporation

CMFG LLC, formerly Cinram Manufacturing LLC

CDIST LLC, formerly Cinram Distribution LLC

Cinram Wireless LLC

CRSMI LLC, formerly Cinram Retail Services, LLC

One K Studios, LLC

