

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

**THIRTEENTH REPORT
OF FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR OF THE
APPLICANTS
May 23, 2014**

**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"**

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

May 23, 2014

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

May 23, 2014

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 C International Limited Partnership, formerly 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 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”).

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. As reported in the Seventh Report of the Monitor, on February 4, 2013, the Share Sale Transaction closed and the Monitor delivered the Monitor’s Share Sale Transaction Certificate on February 5, 2013.
10. On October 19, 2012, the Court granted an Order (the “Administrative Reserve/Distribution/Transition Order”) authorizing the Monitor to, *inter alia*, make distributions from time to time without further Order of the Court to the First Lien Administrative Agent on behalf of the First Lien Lenders from, among other things, any available cash on hand at any of the CCAA Parties, and set up

certain reserve accounts in connection with certain costs and expenses of the CCAA Parties, including costs and expenses associated with the administration of the CCAA Parties' proceedings and costs and expenses related to the CCAA Parties' excluded assets (the "**Administrative and Transitional Costs Reserves**").

11. 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

12. The purpose of this Thirteenth Report is to inform and/or provide this Honourable Court with an update on the following:
 - a) status of the CCAA Parties' CCAA Proceedings;
 - b) the CCAA Parties' financial performance since November 23, 2013 and a comparison of the actual to forecast results;
 - c) cashflow forecast to December 5, 2014 (the "**Cash Flow Forecast**");
 - d) the CCAA Parties' request for an Order, *inter alia*, extending the Stay Period to December 5, 2014; and

- e) the Monitor's conclusions and recommendations.

TERMS OF REFERENCE

13. 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, former employees of the Applicants now working for the Purchaser.
14. Unless otherwise stated, all monetary amounts contained in this report are expressed in United States dollars.

STATUS OF THE CCAA PROCEEDINGS

15. The Monitor reported on the status of the CCAA Proceedings in its Tenth Report dated October 25, 2013 (a copy of which is attached as **Appendix "A"**) and Eleventh Report dated December 2, 2013 (a copy of which is attached as **Appendix "B"**).

Wireless

16. As reported in the Tenth Report, on April 10, 2013, this Court approved the sale of certain equipment by Cinram Wireless LLC ("**Wireless**") to Motorola Mobility

LLC (“**Mobilicity**”), representing a sale of substantially all of the assets of Wireless (the “**Wireless Sale Transaction**”).

17. Following the sale of its assets, Wireless vacated the leased Wireless facility and completed the wind down of its business in June 2013.
18. All health and employee benefit plans for Wireless and other former CCAA Parties’ employees, other than the Cinram 401k Thrift Plan (the “**401k Plan**”), were terminated effective June 30, 2013.
19. As of June 30, 2013, the 401k Plan was closed to further contributions and the Monitor, with the assistance of former management of Cinram, worked with the trustee of the 401k Plan to identify participants and arrange for distribution of the plan assets. Final distributions of the 401k Plan were completed on December 30, 2013.
20. As reported in the Eighth Report of the Monitor dated March 27, 2013, in accordance with the Transition Services Agreement, the Purchaser has continued to provide services to Wireless, including IT support. The Transition Services Agreement was amended on January 30, 2013, *inter alia*, to extend the period during which the Purchaser would provide the Wireless Services until August 31, 2014.

Distributions to the First Lien Lenders

21. Since the date of the Eleventh Report, on April 22, 2014, the Monitor distributed \$9.5 million to the First Lien Administrative Agent on behalf of the First Lien Lenders in accordance with the Administrative Reserve/Distribution/Transition Order. To date the Monitor has distributed a total of \$94.8 million to the First Lien Lenders in accordance with the Administrative Reserve/Distribution/Transition Order.
22. The Monitor plans to make future distributions to the First Lien Administrative Agent on behalf of the First Lien Lenders as and when additional funds become available.

Excluded Assets

23. The Monitor, in consultation with the financial advisor to the First Lien Lenders, has been overseeing the marketing and sale process of the Excluded Asset real estate properties, including properties located in Olyphant, Pennsylvania, Louisville, Kentucky, and Madrid, Spain.
24. Listing agents were engaged in October 2012 and have been actively marketing the properties since then.

25. On April 2, 2014, this Court made an order (the “**Olyphant Sale Approval and Vesting Order**”), *inter alia*, approving the sale of the real estate property located in Olyphant, Pennsylvania by CMFG LLC, formerly Cinram Manufacturing LLC, to Cinram Property Group, LLC, a subsidiary of the Purchaser under the Asset Sale Transaction and the Share Sale Transaction (the “**Olyphant Sale Transaction**”).
26. The Olyphant Sale Transaction closed on April 22, 2014.
27. On May 9, 2014, Cinram Iberia SL (a wholly-owned subsidiary of CII and which is not an applicant in these proceedings) sold the real estate property located in Madrid, Spain. The proceeds of sale remain in the bank account of Cinram Iberia SL and the Monitor is in discussions with counsel with respect to the most cost-efficient means of transferring those funds to CII.
28. To date, a number of parties have expressed interest in the real property located in Louisville, Kentucky, and engaged in discussions with respect thereto; however, no sale of the property has been agreed.
29. In consultation with the advisor to the First Lien Lenders the Monitor has extended its agreement with CB Richard Ellis Louisville (“**CBRE**”) (the broker marketing the Louisville property) until October 31, 2014.

30. To date the Louisville property has only been offered for sale and marketed to potential purchasers. CBRE has advised the Monitor that the property may be more readily saleable to an investor if it can be wholly or partially leased. After consultation with the advisor to the First Lien Lenders the Monitor has instructed CBRE to offer the Louisville property for lease.
31. The CCAA Parties' Excluded Asset real estate properties were insured under an umbrella insurance policy that expired on June 30, 2013. The Monitor, in consultation with the First Lien Lenders, obtained replacement stand-alone coverage which expires on June 30, 2014 for the Louisville and Madrid properties. The Monitor is currently seeking to place replacement stand-alone property and liability coverage for the Louisville property.

Cinram Hungary Kft.

32. In its Tenth Report the Monitor advised this Honourable Court that the Hungarian Court had appointed a Liquidator over the assets of Cinram Hungary Kft. At the time of this appointment the Monitor was advised that the liquidation process would be completed in approximately four months. The Monitor has recently been advised by Hungarian Counsel that the Liquidation may not be completed until the last quarter of 2014.

Status of the Receivership of CII Bank Account

33. By Order dated October 19, 2012, FTI was appointed as Receiver without security of the bank account of CII located in Canada used in relation to a business carried on by CII in order to allow former employees of CII access to payments under the *Wage Earner Protection Program Act* (Canada) (“**WEPPA**”).
34. The Receiver has continued to provide support and information to representatives from Human Resources and Services Development Canada (“**HRSDC**”) with respect to the WEPPA as needed, including delivering to HRSDC Trustee Information Forms (“**TIFs**”) on behalf of the former employees who have provided claims information to the Receiver.
35. To date, of the 190 former employees of CII that received notices from the Receiver advising them of the WEPPA process, approximately 175 have submitted a Proof of Claim (“**POC**”) to the Receiver.
36. Of those employees who submitted a POC to the Receiver, approximately 160 have received their payment from HRSDC under the WEPPA regulations.
37. The Receiver continues to communicate and work with HRSDC to determine the status of any outstanding POCs and to assist any remaining eligible former employees of CII with respect to proceeding further under the WEPPA.

38. Once all POCs have been filed, or it is determined with reasonable certainty that no further POCs will be filed, the Receiver intends to seek its discharge and terminate the Receivership proceedings.

RECEIPTS AND DISBURSEMENTS TO MAY 16, 2014

39. Appendix "B" to the Eleventh Report of the Monitor included a cash flow forecast for the CCAA Parties for the period beginning November 23, 2013 and ending on June 6, 2014 (the "November 2013 Cash Flow Forecast"). The table below presents the actual versus forecast results of the CCAA Parties' November 2013 Cash Flow Forecast for the period ending May 16, 2014. Unless otherwise stated, all dollar amounts presented in this section of this Thirteenth Report are expressed in United States dollars.

	Forecast \$000's	Actual \$000's	Variance \$000's
Cash Flow from Operations			
Receipts	-	7.9	7.9
Operating Disbursements	(0.2)	(0.6)	(0.4)
Operating Cash Flows	(0.2)	7.3	7.5
Restructuring / Non-recurring	(0.9)	(0.9)	-
Distributions	-	(9.5)	(9.5)
Non-Operating Cash Flow	(0.9)	(10.4)	(9.5)
Projected Net Cash Flow	(1.1)	(3.1)	(2.0)
Beginning Cash Balance	5.8	5.8	-
Ending Cash Balance	4.7	2.7	(2.0)

40. Actual Operating Cash Flows for the period ending May 16, 2014 exceeded the November 2013 Cash Flow Forecast by \$7.5 million due to:
- i. A positive variance in Operating Receipts of \$7.9 million related to the receipt of proceeds relating to the sale of property in Olyphant, Pennsylvania, certain tax refunds, and the return of certain deposits associated with the wind-down operations at Wireless not contemplated in the November 2013 Cash Flow Forecast;
 - ii. This variance was partially offset by a negative variance in Operating Disbursements of \$0.4 million primarily due to certain property tax disbursements that were not contemplated in the period covered in the November 2013 Cash Flow Forecast.
41. Non-Operating Cash Flows were \$9.5 million lower-than-forecast due primarily to the funding of distributions to the First Lien Lenders from cash flows which were not contemplated in the November 2013 Cash Flow Forecast. Other Restructuring/Non-recurring disbursements consist primarily of professional fees and real estate agent sales commissions.
42. For the period ending May 16, 2014, and as a result of the variances described above, the ending cash balance was \$2.0 million less than forecast.

CASH FLOW FORECAST

43. The Monitor has updated the Cash Flow Forecast. A copy of the Cash Flow Forecast is attached as **Appendix "C"** to this Thirteenth Report.
44. It is anticipated that the CCAA Parties' forecast liquidity requirements during the Cash Flow Forecast period will continue to be met by the CCAA Parties and from funds available in the Administrative and Transitional Costs Reserves.

REQUEST FOR AN EXTENSION OF THE STAY OF PROCEEDINGS

45. Pursuant to the Initial Order, the Stay Period was granted until, and including, July 25, 2012, or such later date as the Court may order. Pursuant to Orders dated July 12, 2012, September 13, 2012, October 19, 2012, January 21, 2013, June 26, 2013, and December 5, 2013, the Stay Period was extended to June 6, 2014.
46. Additional time is required for the CCAA Parties to pursue their restructuring efforts, including the sale of the assets not sold pursuant to the Asset Sale Transaction and completion of certain tax returns of some of the Applicants. The continuation of the stay of proceedings to December 5, 2014 is necessary to provide the stability needed during that time.

47. It is the Monitor's view based on the CCAA Parties' Cash Flow Forecast that the CCAA Parties will have sufficient available cash resources during the requested Stay Period.
48. Based on the information presently available, the Monitor believes that creditors will not be materially prejudiced by an extension of the Stay Period to December 5, 2014.
49. The Monitor is not aware of any non-compliance by the CCAA Parties with requirements under the CCAA or pursuant to any Order issued by this Court in the CCAA Proceedings. The Monitor also believes that the CCAA Parties have acted, and are continuing to act, in good faith and with due diligence and that circumstances exist that make an extension of the Stay Period appropriate.
50. The Monitor is advised by the CCAA Parties that the First Lien Lenders support the requested extension of the Stay Period.

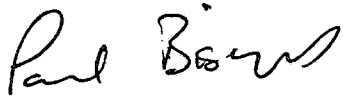
RECOMMENDATIONS AND CONCLUSIONS

51. For the reasons outlined above, the Monitor respectfully recommends that the Stay of Proceedings be extended until December 5, 2014.

All of which is respectfully submitted this 23rd day of May, 2014.

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

Per

A handwritten signature in black ink that reads "Paul Bishop". The signature is written in a cursive, flowing style.

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

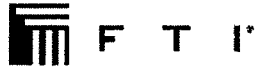
Cinram Wireless LLC

CRSMI LLC, formerly Cinram Retail Services, LLC

One K Studios, LLC

APPENDIX "A"

Tenth Report of the Monitor



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

**TENTH REPORT
OF FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR OF THE
APPLICANTS
October 25, 2013**

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"

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

October 25, 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 C International Limited Partnership, formerly 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 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”).

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. As reported in the Seventh Report of the Monitor, on February 4, 2013, the Share Purchase Transaction closed and the Monitor delivered the Monitor’s Share Sale Transaction Certificate on February 5, 2013.
10. Pursuant to the Initial Order, the Stay Period was granted until, and including, July 25, 2012, or such later date as the Court may order. Pursuant to Orders dated July 12, 2012, September 13, 2012, October 19, 2012, January 21, 2013, and June 26, 2013, the Stay Period was extended to December 6, 2013.

11. 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

12. The purpose of this Tenth Report is to inform and/or provide this Honourable Court with an update on the following:
 - a) status of the CCAA Parties' CCAA proceedings; and
 - b) planned distributions to the First Lien Administrative Agent on behalf of the First Lien Lenders.

TERMS OF REFERENCE

13. 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, former employees of the Applicants now working for Cinram Group Inc. the entity carrying on the business transferred in the Asset Sale Transaction.
14. Unless otherwise stated, all monetary amounts contained in this report are expressed in United States dollars.

STATUS OF THE CCAA PROCEEDINGS***Wireless***

15. On April 10, 2013, this Honourable Court made an order (the “**Equipment Sale Approval and Vesting Order**”), *inter alia*, approving the sale of the Equipment (as defined in the Equipment Sale Approval and Vesting Order) by Cinram Wireless LLC (“**Wireless**”) to Motorola Mobility LLC, representing a sale of substantially all of the assets of Wireless (the “**Wireless Sale Transaction**”).
16. On April 22, 2013, CRW, in its capacity as foreign representative for the U.S. Debtors, obtained an order under chapter 15 of the Bankruptcy Code from the U.S. Court, *inter alia*, recognizing the Equipment Sale Approval and Vesting Order.
17. Following the sale of its assets, Wireless vacated the leased Wireless facility and completed the wind down of its business in June 2013.
18. All health and employee benefit plans for Wireless and other former CCAA Parties’ employees, other than the Cinram 401k Thrift Plan (the “**401k Plan**”), were terminated effective June 30, 2013.

19. As of June 30, 2013, the 401K Plan was closed to further contributions and the Monitor, with the assistance of former management of Cinram, is working with the trustee of the 401k Plan to identify participants and arrange for distribution of the plan assets. Final distributions are expected before the end of 2013, at which time the 401k Plan will be terminated.

Distributions to the Pre-Petition First Lien Lenders

20. Pursuant to the Order dated October 19, 2012 (a copy of which is attached as **Appendix "A"**), the Monitor is authorized to make distributions from time to time without further Order of the Court to the First Lien Administrative Agent on behalf of the First Lien Lenders from, among other things, any available cash on hand at any of the CCAA Parties.
21. As of the date of this report, distributions to the First Lien Lenders have totaled approximately \$81 million.
22. Funds now available for distribution to the First Lien Lenders total \$6.7 million. The Monitor intends to distribute \$4.52 million to the First Lien Administrative Agent on behalf of the First Lien Lenders in the week commencing October 28, 2013. The Monitor will continue to hold the remaining approximately \$2.2 million in order to deal with any known and potential claims against the CCAA Parties.

23. \$750,000 of the \$4.52 million that the Monitor intends to distribute to the First Lien Administrative Agent on behalf of the First Lien Lenders is currently held as collateral support for the D&O Charge. The D&O Charge will remain in the amount of \$1.5 million; however, cash in the amount of \$750,000 being held as collateral support for the charge will be released and included in the funds to be distributed to the First Lien Lenders.

Cinram Hungary Kft.

24. Cinram Hungary Kft. ("**Hungary**") is a wholly owned subsidiary of CII and was founded as part of a tax management arrangement. Hungary was managed by Capita Hungary International ("**Capita**") and as such had no operations and only one employee. Hungary's principal asset consists of cash in the amount of approximately \$1.08 million.
25. Hungary is a guarantor of the Applicants' indebtedness under the Credit Agreements in the approximate amount of \$250 million (the "**Guaranty**"). In addition to its liability as a guarantor under the Credit Agreements, Hungary is liable in the approximate amount of \$420,000 in respect of taxes owing to the tax authorities of the grand Duchy of Luxembourg ("**Tax Authorities**"). The Monitor is advised that Hungary's liability in respect of the Guaranty ranks in priority to its liability to the Tax Authorities.

26. With the agreement of the Pre-Petition First Lien Agent, the Monitor, assisted by Hungary's auditors ("KPMG") and Capita, attempted to reach a voluntary agreement with the Tax Authorities such that the Tax Authorities would receive less than the full liability in return for a full release of such liability, thereby avoiding the costs and delay associated with a formal liquidation. The Monitor was unable to reach such agreement with the Tax Authorities and accordingly on February 27, 2013, with the agreement of the Monitor, a liquidator was appointed over the assets of Hungary.
27. The Hungarian Court issued a liquidation order on September 4, 2013. The liquidator expects the liquidation to be completed within approximately 4 months, at which time substantially all of the \$1.08 million will be distributed directly to the Agent for the Pre-Petition First Lien Lenders who filed a proof of claim in the Hungarian proceedings with respect to their claim under the Guaranty.

Excluded Real Estate Assets

28. The Monitor, in consultation with the financial advisor to the Pre-Petition First Lien Lenders, is overseeing the marketing and sale process of the Excluded Asset real estate properties located in Olyphant, Pennsylvania; Louisville, Kentucky; and Madrid, Spain.

29. Listing agents have been engaged and are actively marketing the properties. The listing agreements expired on August 30, 2013 and were extended at that time for an additional six months.
30. To date, a number of parties have expressed interest in the real properties and engaged in negotiations with respect thereto; however, no sale of any of the properties has been agreed.
31. The tenant of the property in Madrid, Spain has given notice that it will be vacating the premises as of November 4, 2013. This property is also listed for sale.

Insurance for the CCAA Applicants

32. The CCAA Applicants' Excluded Asset real estate properties were insured under an umbrella insurance policy that expired on June 30, 2013. The Monitor, in consultation with the Pre-Petition First Lien Lenders, obtained replacement stand-alone coverage which expires on June 30, 2014 for the Louisville and Madrid properties. The Olyphant property is currently occupied by Cinram Group Inc. and under the terms of the Transition Services Agreement is insured by the occupant.

33. The trustees, directors and former officers of the Fund and its subsidiaries were insured against possible liabilities under a Directors' and Officers' ("D&O") insurance policy that expired on July 1, 2013. The trustees of the Fund and directors remaining at its subsidiaries in North America resigned on June 30, 2013. In consultation with the Pre-Petition First Lien Lenders, the Monitor obtained D&O insurance coverage expiring June 30, 2014 with respect to Cinram's Spanish subsidiary and tail insurance for a one year period commencing July 1, 2013 with respect to the remainder of the Cinram Group.

All of which is respectfully submitted this 25th day of October, 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

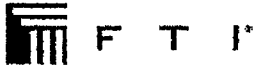
Cinram Wireless LLC

CRSMI LLC, formerly Cinram Retail Services, LLC

One K Studios, LLC

APPENDIX “B”

Eleventh Report of the Monitor



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

**ELEVENTH REPORT
OF FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR OF THE
APPLICANTS
DECEMBER 2, 2013**

Court File No. CV12-9767-00CL

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"

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

December 2, 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 C International Limited Partnership, formerly 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 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").

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. As reported in the Seventh Report of the Monitor, on February 4, 2013, the Share Purchase Transaction closed and the Monitor delivered the Monitor's Share Sale Transaction Certificate on February 5, 2013.
10. 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

11. The purpose of this Eleventh Report is to inform and/or provide this Honourable Court with an update on the following:

- a) status of the CCAA Parties' CCAA Proceedings;
- b) the CCAA Parties' financial performance since June 14, 2013 and a comparison of the actual to forecast results;
- c) cashflow forecast to June 6, 2014 (the "Cash Flow Forecast");
- d) the CCAA Parties' request for an Order, *inter alia*:
 - (i) extending the Stay Period to June 6, 2014;
 - (ii) approving the Monitor's activities and the Monitor's and its counsel's fees and disbursements; and
 - (iii) approving the fees of FTI in its capacity as receiver of the bank account of CII (in such capacity, the "Receiver"); and
- e) the Monitor's conclusions and recommendations.

TERMS OF REFERENCE

12. 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, former employees of the Applicants now working for the Purchaser.
13. Unless otherwise stated, all monetary amounts contained in this report are expressed in United States dollars.

STATUS OF THE CCAA PROCEEDINGS

14. The Monitor reported on the status of the CCAA Proceedings in its Tenth Report dated October 25, 2013 (a copy of which is attached as **Appendix "A"**).
15. Since the date of the Tenth Report, on October 30, 2013, the Monitor distributed \$4.52 million to the First Lien Administrative Agent on behalf of the First Lien Lenders.
16. The Monitor, in consultation with the Financial Advisor, has continued to seek purchasers for the CCAA Parties' remaining real estate assets.

RECEIPTS AND DISBURSEMENTS TO NOVEMBER 22, 2013

17. Appendix "A" to the Ninth Report of the Monitor included a cash flow forecast for the CCAA Parties for the period beginning June 21, 2013 and ending on December 6, 2013 (the "June 2013 Cash Flow Forecast"). The table below presents the actual versus forecast results of the CCAA Parties' June 2013 Cash Flow Forecast for the period ending November 22, 2013. Unless otherwise stated, all dollar amounts presented in this section of this Eleventh Report are expressed in United States dollars.

	Forecast \$000's	Actual \$000's	Variance \$000's
Cash Flow from Operations			
Receipts	1.4	1.6	0.2
Disbursements	(1.7)	(1.1)	0.6
Operating Cash Flows	(0.3)	0.5	0.8
Restructuring / Non-recurring	(1.5)	(0.8)	0.7
Distributions	-	(4.5)	(4.5)
Non-Operating Cash Flow	(1.5)	(5.3)	(3.8)
Projected Net Cash Flow	(1.8)	(4.7)	(3.0)
Beginning Cash Balance	10.5	10.5	-
Ending Cash Balance	8.8	5.8	(3.0)

18. Actual Operating Cash Flows for the period ending November 22, 2013 exceeded the June 2013 Cash Flow Forecast by \$0.8 million due to:

- i. A positive variance in Operating Receipts of \$0.2 million related to the return of certain deposits associated with the wind-down of operations at Cinram Wireless not contemplated in the June 2013 Cash Flow Forecast; and
 - ii. Lower-than-forecast Operating Disbursements associated with the wind-down of the Cinram Wireless operations.
19. Non-Operating Cash Flows were \$3.8 million lower-than-forecast due primarily to the funding of distributions from cash flows which were not contemplated in the June 2013 Cash Flow Forecast. Other Restructuring/Non-recurring disbursements consist primarily of professional fees, and certain one-time costs associated with the wind down of the Cinram Wireless business.
20. For the period ending November 22, 2013, and as a result of the variances described above, the ending balance in cash was \$3.0 million less-than-forecast.

CASH FLOW FORECAST

21. The Monitor has updated the Cash Flow Forecast. A copy of the Cash Flow Forecast is attached as **Appendix "B"** to this Eleventh Report.
22. It is anticipated that the CCAA Parties' forecast liquidity requirements during the Cash Flow Forecast period will continue to be met by the CCAA Parties and from funds available in the Administrative and Transitional Costs Reserves.

REQUEST FOR AN EXTENSION OF THE STAY OF PROCEEDINGS

23. Pursuant to the Initial Order, the Stay Period was granted until, and including, July 25, 2012, or such later date as the Court may order. Pursuant to Orders dated July 12, 2012, September 13, 2012, October 19, 2012, January 21, 2013, and June 26, 2013, the Stay Period was extended to December 6, 2013.
24. Additional time is required for the CCAA Parties to pursue their restructuring efforts, including the sale of the assets not sold pursuant to the Asset Sale Transaction. The continuation of the stay of proceedings to June 6, 2014 is necessary to provide the stability needed during that time.
25. It is the Monitor's view based on the CCAA Parties' Cash Flow Forecast that the CCAA Parties will have sufficient available cash resources during the requested Stay Period.
26. Based on the information presently available, the Monitor believes that creditors will not be materially prejudiced by an extension of the Stay Period to June 6, 2014.
27. The Monitor is not aware of any non-compliance by the CCAA Parties with requirements under the CCAA or pursuant to any Order issued by this Court in the CCAA Proceedings. The Monitor also believes that the CCAA Parties have

acted, and are continuing to act, in good faith and with due diligence and that circumstances exist that make an extension of the Stay Period appropriate.

28. The Monitor is advised by the CCAA Parties that the First Lien Lenders support the requested extension of the Stay Period.

MONITOR'S ACTIVITIES

29. Since its appointment, the Monitor has been involved with numerous aspects of the CCAA Proceedings with a view to fulfilling its statutory and court-ordered duties and obligations, as well as assisting the CCAA Parties, the Foreign Representative and their stakeholders in addressing restructuring issues. The Monitor's activities described in the Monitor's First, Second, Third and Fourth Reports were approved by Order dated October 19, 2012. The more significant matters the Monitor has been involved with and assisted since then include, but are not limited to, the following:

- a) assisting with the completion of the sale of certain assets of the CCAA Parties;
- b) assisting with the completion of the Share Sale Transaction;
- c) assisting the CCAA parties in the wind down of the Wireless LLC business and operations;

- d) dealing with real estate brokers engaged to seek purchasers for the Olyphant, Louisville and Spain properties;
- e) responding to enquiries of creditors and other interested parties;
- f) assisting with the review of contracts to be assigned or disclaimed;
- g) responding to numerous enquiries from suppliers, creditors and contract counterparties;
- h) assisting the CCAA Parties in the reconciliation of contract cure amounts;
- i) assisting the CCAA Parties in cashflow management and reporting thereon;
- j) assisting the CCAA Parties in dealing with Critical Suppliers, monitoring and approving payments to such parties and reporting thereon;
- k) assisting the Foreign Representative;
- l) assisting the U.S. CCAA Parties in dealings and negotiations with employee benefit providers;
- m) assisting the U.S. CCAA Parties in terminating their various employee benefit plans;

- n) Working with counsel to the CCAA Parties, counsel to the First Lien Lenders and their financial advisors to realize on the assets of Cinram Hungary;
- o) conducting a review of the security held by the First Lien Lenders; and
- p) working with counsel to the CCAA Parties and counsel to the First Lien Lenders, their financial advisors and various other interested parties, their counsel and advisors.

PROFESSIONAL FEES

30. The Monitor and its counsel have maintained detailed records of their professional costs and time during the course of the CCAA Proceedings (as detailed in the Affidavit of Paul Bishop sworn November 29, 2013 and the Affidavit of David Byers sworn November 28, 2013 (collectively, the "Fee Affidavits"). Copies of the Fee Affidavits are attached to this report as Appendices "C" and "D").

STATUS OF THE RECEIVERSHIP OF CII BANK ACCOUNT & APPROVAL OF RECEIVER'S FEES

31. By Order dated October 19, 2012, FTI was appointed as Receiver without security of the bank account of CII located in Canada used in relation to a business

carried on by CII in order to allow former employees of CII access to payments under the *Wage Earner Protection Program Act* (Canada) ("WEPPA").

32. The Receiver has continued to provide support and information to representatives from Human Resources and Services Development Canada ("HRSDC") with respect to the WEPPA as needed including delivering to HRSDC Trustee Information Forms ("TIFs") on behalf of the former employees who have provided claims information to the Receiver.
33. To date, of the 190 former employees of CII that received notices from the Receiver advising them of the WEPPA process, approximately 175 have submitted Proof of Claims ("POC's") to the Receiver.
34. Of those employees who submitted POC's to the Receiver, approximately 160 have received their payment from HRSDC under the WEPPA regulations.
35. The WEPPA process remains ongoing and the Receiver continues to communicate with, and assist the remaining eligible former employees of C International Inc. and HRSDC when necessary, with respect to proceeding further under the WEPPA.

36. The Receiver maintained detailed records of their professional costs and time during the course of the receivership proceedings as detailed in the Affidavit of Paul Bishop sworn November 29, 2013 (attached to this report as **Appendix "E"**).

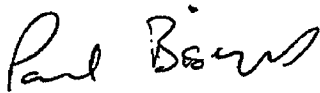
RECOMMENDATIONS AND CONCLUSIONS

37. For the reasons outlined above, the Monitor respectfully recommends that the Stay of Proceedings be extended until June 6, 2014.

All of which is respectfully submitted this 2nd day of December, 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

APPENDIX "C"

Cash Flow Forecast

CCAA Applicants

CCAA Cash Flow Forecast

(US\$ in millions)

Period Beginning

May 17, 2014

Period Ending

December 5, 2014

Cash Flow from Operations

Receipts	-
Disbursements	(0.8)
Operating Cash Flows	(0.8)
Restructuring / Non-recurring	(0.4)
Funding from Proceeds of Asset Sales	-
Distributions	-
Non-Operating Cash Flow	(0.4)
Projected Net Cash Flow	(1.2)
Beginning Cash Balance	2.7
Ending Cash Balance	1.5

Notes:

[1] The purpose of this cash flow forecast is to determine the liquidity requirements of the CCAA Parties during the forecast period.

[2] Operating Disbursements include estimated carrying costs of the Excluded Asset real properties consisting primarily of property taxes, utilities, insurance and brokerage fees.

[3] Restructuring /Non-recurring disbursements include professional fees associated with the CCAA Parties' restructuring.

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"

Court File No. CV12-9767-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**THIRTEENTH REPORT OF FTI CONSULTING
CANADA INC., IN ITS CAPACITY AS MONITOR**

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