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

Applicants

APPLICATION RECORD
(Returnable June 25, 2012)

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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

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Applicants

NOTICE OF APPLICATION
(Returnable June 25, 2012)

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicants. The claim made by the Applicants appears on the following pages.

THIS APPLICATION will come on for a hearing on June 25, 2012, at 8:00 a.m. or as soon after that time as the matter may be heard at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with the documents in the application, you or an Ontario lawyer acting for you must prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicants' lawyers or, where the Applicants do not have lawyers, serve it on the Applicants, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you and your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicants' lawyers or, where the Applicants do not have lawyers, serve it on the Applicants, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than two (2) days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LEGAL AID OFFICE.

Date: June 25, 2012

Issued by _____

A. Anissimova
Registrar

Address of Court Office:
330 University Avenue, 10th Floor
Toronto, Ontario
M5G 1E6

TO: THE ATTACHED SERVICE LIST

APPLICATION

1. The Applicants make an Application for an initial order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") substantially in the form attached at Tab 4 of the within Application Record, *inter alia*:

   (a) abridging the time for and validating the service of this Notice of Application and the Application Record and dispensing with further service thereof;

   (b) declaring that the Applicants are parties to which the CCAA applies;

   (c) appointing FTI Consulting Canada Inc. ("**FTI**" or the "**Monitor**") as officer of this Honourable Court to monitor the assets, businesses and affairs of the Applicants and Cinram International Limited Partnership ("**Cinram LP**", together with the Applicants, the "**CCAA Parties**");

   (d) staying all proceedings taken or that might be taken in respect of the CCAA Parties, their trustees, directors and officers, as applicable, and any of their direct or indirect subsidiaries that are also party to an agreement with a CCAA Party (the "**Subsidiary Counterparties**") in respect of such agreements or in respect of obligations of the CCAA Parties, and the Monitor;

   (e) authorizing the Applicants to file with this Court a plan of compromise or arrangement;

   (f) authorizing the CCAA Parties to pay certain expenses incurred prior to, on or after the date of the Initial Order, subject to the provisions of the Initial Order;

   (g) approving the CCAA Parties' key employee retention program (the "**KERP**") and authorizing the CCAA Parties to perform their obligations thereunder;

   (h) approving the engagement of Moelis & Company LLC (the "**Investment Banker**") and authorizing Cinram International Inc. ("**CII**") to perform its obligations under the engagement letter dated September 23, 2011, between CII and the Investment Banker;

(i) authorizing the Applicants to obtain and borrow up to US$15 million under a credit facility (the "**DIP Financing**") from the lenders (the "**DIP Lenders**") forming the steering committee under the CCAA Parties' first lien credit facilities (the "**Steering Committee**"), with such DIP Financing to be on the terms and subject to the debtor-in-possession credit agreement dated as of June 22, 2012 (the "**DIP Credit Agreement**");

(j) authorizing the Applicants to pay the early consent consideration payable under the support agreement dated June 22, 2012, among certain of the Applicants and the lenders forming the Steering Committee (the "**Support Agreement**") to those lenders who execute the Support Agreement prior to July 10, 2012 and become entitled to such early consent consideration pursuant to the Support Agreement (the "**Early Consenting Lenders**");

(k) granting the following charges over the assets and property of the CCAA Parties, other than Cinram International Income Fund, CII Trust, Cinram International General Partner Inc. and Cinram LP (collectively, the "**Fund Entities**"), with relative priorities as set out below:

(i) a charge in favour of the Monitor, counsel to the Monitor, Canadian and U.S. counsel to the CCAA Parties, the Investment Banker, Canadian and U.S. counsel to the DIP Agent (as defined in the proposed Initial Order) and the DIP Lenders and the administrative agent and the lenders under the Credit Agreements (as defined below) and the financial advisor of the DIP Lenders and the lenders under the Credit Agreements to a maximum amount of $3.5 million;

(ii) a charge in favour of the DIP Lenders in respect of the DIP Financing under the DIP Credit Agreement;

(iii) a charge in favour of the trustees, directors and officers of the Applicants to a maximum amount of $13 million;

(iv) a charge in favour of certain key employees of the CCAA Parties in respect of whom the KERP applies to a maximum amount of $3 million;

(v) a charge in favour of the Early Consenting Lenders in respect of the consent consideration payable pursuant to the Support Agreement;

(l) authorizing Cinram International ULC 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 and to apply for foreign recognition of these proceedings and seek such additional relief required in connection with the prosecution of any sale transaction, 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* ("**Chapter 15**");

(m) sealing certain confidential exhibits to the Affidavit of John Bell sworn June 23, 2012 (the "**Bell Affidavit**") and schedules to the DIP Credit Agreement provided to the Court by way of a confidential supplement (the "**Confidential Supplement**"); and

(n) such further and other relief as this Honourable Court deems just.

2. The grounds for the Application are:

(a) the Applicants are insolvent;

(b) the Applicants are companies to which the CCAA applies;

(c) each of the CCAA Parties, with the exception of the Fund Entities, is either a borrower or guarantor under the following credit facilities:

(i) the Amended and Restated Credit Agreement dated as of April 11, 2011, among CII, Cinram, Inc. and Cinram (U.S.) Holding's Inc., as borrowers, the guarantors party thereto, the lenders from time to time party thereto, and JPMorgan Chase Bank N.A., as administrative agent (the "**First Lien Credit Agreement**"); and

(ii) the Second Lien Credit Agreement dated as of April 11, 2011, among Cinram (U.S.) Holding's Inc., as borrower, Cinram International ULC and the other guarantors party thereto, the lenders from time to time party thereto and JPMorgan Chase Bank N.A., as administrative agent (the "**Second Lien Credit Agreement**", together with the First Lien Credit Agreement, the "**Credit Agreements**");

(d) the CCAA Parties are unable to comply with certain financial and other covenants under the Credit Agreements;

(e) a series of waivers has been extended from December 2011 to June 30, 2012 in connection with the CCAA Parties' defaults under the Credit Agreements, and upon expiry of such waivers the lenders under the Credit Agreements will have the ability to demand immediate repayment of the amounts outstanding under the Credit Agreements;

(f) were the lenders to accelerate the amounts owing under the Credit Agreements, the borrowers and guarantors under the Credit Agreements would be unable to meet their debt obligations;

(g) in September, 2011, CII engaged the Investment Banker to assist the CCAA Parties in conducting a comprehensive and thorough review of the CCAA Parties' strategic alternatives with the goal of maximizing value for the CCAA Parties' stakeholders;

(h) the CCAA Parties' comprehensive strategic review process culminated with the execution of a purchase agreement among CII and Cinram Acquisition, Inc. (the "**Purchaser**") on June 22, 2012, for the sale of substantially all of the property and assets used in connection with the business carried on by Cinram International Income Fund and its direct and indirect subsidiaries in North America (the "**Asset Sale Transaction**"), and the execution of a binding purchase offer by the Purchaser on June 22, 2012 for the purchase of all of the outstanding shares of Cooperatie Cinram Netherlands UA, and indirectly, each of its direct and indirect European subsidiaries (with the exception of Cinram Iberia SL) (the "**Share Sale Transaction**", together with the Asset Sale Transaction, the "**Sale Transaction**");

(i) pursuant to the Support Agreement, the Sale Transaction has the support of lenders forming the Steering Committee, such lenders representing approximately 40% of the loans under the First Lien Credit Agreement;

(j) the CCAA Parties anticipate further support of the Sale Transaction from additional lenders under the Credit Agreements following the public announcement of the Sale Transaction;

(k) lenders who execute the Support Agreement prior to July 10, 2012 are entitled to receive early consent consideration payable in cash from the net sale proceeds of the Sale Transaction upon distribution of such proceeds in the CCAA proceedings;

(l) the Applicants secured the DIP Financing from the DIP Lenders pursuant to the DIP Credit Agreement in order to provide the CCAA Parties with sufficient liquidity to implement their restructuring initiatives and to continue operations as they pursue the completion of their restructuring, including the Sale Transaction;

(m) the CCAA Parties developed a key employee retention program (the "**KERP**") intended to provide an incentive for eligible employees, including eligible officers, to remain with the CCAA Parties despite their financial difficulties and to assist with the CCAA Parties' restructuring process;

(n) the KERP summary and the schedules to the DIP Credit Agreement contained in the Confidential Supplement contain sensitive personal and compensation information of the employees of the CCAA Parties and sensitive competitive information of the CCAA Parties or confidential information;

(o) the CCAA Parties urgently require a stay of proceedings as they pursue their restructuring and completion of the Sale Transaction to protect their assets, property and business, including a stay in respect of the Subsidiary Counterparties due to the integrated nature of the business;

(p) the protection sought by the Applicants will provide the CCAA Parties with an orderly and effective forum for addressing the various matters arising in connection with the restructuring and Sale Transaction;

(q) Ontario, Canada is the CCAA Parties' home jurisdiction and the nerve centre of the CCAA Parties' management, business and operations;

(r) the CCAA Parties require a recognition order under Chapter 15 to ensure that the CCAA Parties are protected from creditor actions in the United States and to assist with the global implementation of the Sale Transaction to be completed pursuant to these CCAA proceedings;

(s) the circumstances that exist make the Order sought by the Applicants appropriate;

(t) such other grounds as set out in the Bell Affidavit;

(u) the provisions of the CCAA and this Honourable Court's equitable and statutory jurisdiction thereunder;

(v) Rules 2.03, 3.02, 14.05(2) and 16 of the Ontario *Rules of Civil Procedure*, R.R.0 1990, Rec. 194, as amended;

(w) Rule 137(2) of the Ontario *Courts of Justice Act*, RSO 1990, c C.43; and

(x) such further and other grounds as counsel may advise and this Honourable Court may permit.

3. The following documentary evidence will be used at the hearing of the application:

(a) the Bell Affidavit and the exhibits attached thereto;

(b) the Pre-Filing Report of FTI dated June 23, 2012 and the appendices attached thereto;

(c) the consent of FTI to act as Monitor dated June 23, 2012; and

(d) such further and other materials as counsel may advise and this Honourable Court may permit.

Date: June 25, 2012

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Lawyers for the Applicants

SCHEDULE "A"

Additional Applicants

Cinram International General Partner Inc.

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ONTARIO
SUPERIOR COURT OF JUSTICE-
COMMERCIAL LIST

Proceeding commenced at Toronto

NOTICE OF APPLICATION
(Returnable June 25, 2012)

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Applicants

AFFIDAVIT OF JOHN BELL
(sworn June 23, 2012)

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Applicants

AFFIDAVIT OF JOHN BELL
(sworn June 23, 2012)

I, John Bell, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY**:

I. INTRODUCTION

1. I am the Chief Financial Officer of Cinram International Inc. ("**CII**"). I am also a director and/or an officer of certain of the subsidiaries that are owned either directly or indirectly by CII. As such, I have personal knowledge of the matters to which I depose in this Affidavit. Where I do not possess personal knowledge, I have stated the source of my information and in all such cases believe it to be true.

2. This Affidavit is sworn in support of a motion for an Initial Order protecting CII, Cinram International Income Fund ("**Cinram Fund**"), CII Trust and the companies listed in Schedule "A" hereto (collectively, the "**Applicants**") from their creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). While Cinram International Limited Partnership ("**Cinram LP**", together with the Applicants,

the "**CCAA Parties**") is not an Applicant in these proceedings, the Applicants seek to have a stay of proceedings and other relief under the CCAA extended to Cinram LP as it forms a part of the income trust structure with Cinram Fund, the ultimate parent of the Cinram Group (defined below), the remaining entities of which are all Applicants in these proceedings.

3. Cinram Fund, collectively with its direct and indirect subsidiaries, shall be referred to herein as "**Cinram**" or the "**Cinram Group**". A copy of the Cinram corporate chart is attached hereto as Exhibit "A".

4. Cinram Fund, CII, Cinram International General Partner Inc. ("**Cinram GP**"), CII Trust, Cinram International ULC ("**Cinram ULC**") and 1362806 Ontario Limited ("**1362806**") are the Canadian entities in the Cinram Group that are Applicants in these proceedings (collectively, the "**Canadian Applicants**"). Cinram (U.S.) Holding's Inc. ("**CUSH**"), Cinram, Inc., IHC Corporation ("**IHC**"), Cinram Manufacturing LLC ("**Cinram Manufacturing**"), Cinram Distribution LLC ("**Cinram Distribution**"), Cinram Wireless LLC ("**Cinram Wireless**"), Cinram Retail Services, LLC ("**Cinram Retail**") and One K Studios, LLC ("**One K**") are the U.S. entities in the Cinram Group that are Applicants in these proceedings (collectively, the "**U.S. Applicants**"). All of the CCAA Parties, with the exception of Cinram Fund, Cinram GP, CII Trust and Cinram LP (collectively, the "**Fund Entities**"), are Borrowers and/or Guarantors under the Credit Agreements (defined below). There are also several European entities that form part of the Cinram Group, certain of which are Guarantors under the Credit Agreements. Cinram's European entities are not part of these proceedings.

5. All dollar amounts expressed herein, unless otherwise noted, are in United States currency.

6. The principal objectives of these proceedings are: (i) to ensure the ongoing operations of the Cinram Group; (ii) to ensure the CCAA Parties 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 business as a going concern (the "**Proposed Transaction**") to Cinram Acquisition, Inc. (the "**Proposed Purchaser**") or one or more of its nominees.

7. In connection with the Proposed Transaction, (a) CII has entered into an Asset Purchase Agreement dated June 22, 2012, with the Proposed Purchaser (the "**Asset Purchase Agreement**") pursuant to which CII and certain other asset sellers listed therein (together with CII, the "**Asset Sellers**") will sell, and the Proposed Purchaser will purchase, substantially all of the assets used in connection with the Cinram Business in North America (other than certain excluded assets) (the "**Purchased Assets**"); and (b) the Proposed Purchaser has provided to CII and 1362806 (together, the "**Share Sellers**") a binding purchase offer dated June 22, 2012 (the "**Purchase Offer**", together with the Asset Purchase Agreement, the "**Purchase Agreement**") pursuant to which the Proposed Purchaser will purchase the Cinram Business (defined below) in Europe through the acquisition of all of the outstanding shares of Cooperatie Cinram Netherlands UA (the "**Purchased Shares**"), subject to the terms and conditions therein.

8. The Proposed Transaction allows Cinram to return to a market leader in the industry. Cinram will be well positioned to increase its market share in the industry based on its status as being the leading service provider and with an improved and normalized capital structure.

9. The Proposed Transaction has the support of the lenders who are members of the steering committee with respect to Cinram's first lien credit facilities (the "**Steering Committee**") and who have been subject to confidentiality agreements, representing approximately 40% of the loans under the First Lien Credit Agreement (as defined below). Cinram anticipates further support of the Proposed Transaction from additional lenders under its credit agreements following the public announcement of the Proposed Transaction.

10. In connection with the Proposed Transaction, the Applicants intend to bring a motion in conjunction with the within application to be heard on a date to be set by this Court to, *inter alia*, approve the Proposed Transaction pursuant to the Purchase Agreement and, upon the closing of the transactions contemplated by the Asset Purchase Agreement and Purchase Offer, vest the right, title and interest in and to the Purchased Assets and the Purchased Shares in the Proposed Purchaser, or one or more of its nominees, free and clear of liens and encumbrances, other than permitted encumbrances (the "**Sale Approval Motion**"). Further details with respect to the Proposed Transaction are discussed below and will be set out in the affidavit filed in support of the Sale Approval Motion.

11. Over the past several years, Cinram has continued to evaluate its strategic alternatives and to rationalize its operating footprint in order to attempt to balance its ongoing operations and financial challenges with its existing debt levels. Despite cost-reduction and recapitalization initiatives and the implementation of a variety of restructuring alternatives, the Cinram Group has been experiencing a number of challenges that have led to its seeking the protections provided by the CCAA. These challenges include, among other things:

(a) significant declines in liquidity resulting from declining customer volumes, reductions in pricing and decreasing EBITDA;

(b) the loss of a major customer contract;

(c) approximately $244.8 million of first and second lien term debt outstanding as at March 31, 2012, with associated quarterly interest expense of approximately $7.6 million for the first quarter of 2012;

(d) $19 million outstanding under revolving credit facilities as at March 31, 2012, with associated quarterly interest expense of approximately $1.4 million for the first quarter of 2012; and

(e) approximately $12 million of letter of credit exposure relating to the first lien credit facility.

12. In April 2011, Cinram completed a recapitalization transaction involving the amendment and extension of its senior secured credit facilities and the exchange of a portion of its first lien debt into mandatorily exchangeable second lien debt. However, continuing declines in revenue and EBITDA left Cinram in a position where it could not meet certain financial and other covenants under its amended senior secured credit facilities. As a result, in 2011 and 2012, Cinram and its senior lenders entered into a series of amendments and waivers, the latest of which expires as of June 30, 2012.

13. As part of its restructuring efforts and pursuant to the August 2011 Amendment (defined below) to its credit facilities, in September 2011, Cinram engaged Moelis & Company LLC ("**Moelis**"), an investment bank, to assist Cinram in a review of strategic alternatives with

the goal of maximizing value for Cinram's stakeholders, including a potential investment in the Cinram Group, a sale transaction of all or substantially all of Cinram's assets, property, business and undertaking (collectively, the "**Property**"), or a stand-alone transaction with Cinram's lenders. The strategic review process is further described in Section II(F)(iii) below. Throughout this strategic review process, Cinram has been working with its senior secured lenders and their advisors to assess and evaluate its restructuring options. This review of strategic alternatives has culminated in the Proposed Transaction.

14. Having regard to the financial circumstances of the Cinram Group, the CCAA Parties have determined that it is necessary to seek protection under the CCAA in order to preserve enterprise value and continue as a going concern while seeking to implement the Proposed Transaction and pursue a restructuring or other alternatives relating to their remaining assets and property. The CCAA Parties also intend to pursue certain limited in-process operational restructuring initiatives while under CCAA protection. Any such operational restructuring initiatives will be undertaken for the purpose of further improving the Cinram Group's financial position and facilitating the Proposed Transaction.

15. The Applicants are proposing that the U.S. Applicants be included in these proceedings and it is not intended that any insolvency proceedings will be commenced with respect to Cinram's European entities, except for Cinram Optical Discs S.A.S. ("**Cinram Optical Discs**"), which has commenced insolvency proceedings in France.

16. It is currently contemplated that these CCAA proceedings will be the primary court-supervised restructuring of the CCAA Parties. The Cinram Group's integrated business, headquartered in Canada, is reliant on the shared management and operational services provided

by CII. Accordingly, it is in the best interests of the stakeholders to deal with the Cinram Group on a consolidated basis through a single, centralized restructuring process. The Applicants are seeking authorization for Cinram ULC to apply as foreign representative for recognition of these proposed CCAA proceedings as "Foreign Main Proceedings" under Chapter 15 of the United States Bankruptcy Code ("**Chapter 15**") as soon as practicable.

II. BACKGROUND

17. The CCAA Parties are part of a consolidated business in Canada, the United States and Europe that is headquartered in Canada and operationally and functionally integrated in many significant respects. Cinram 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, Cinram (i) manufactures DVDs, Blu-ray discs and CDs, and provides distribution services for motion picture studios, music labels, video game publishers, computer software companies, telecommunication companies and retailers around the world; (ii) provides various digital media services through One K; and (iii) provides retail inventory control and forecasting services through Cinram Retail (collectively, the "**Cinram Business**").

18. As at December 31, 2011, the Cinram Group employed approximately 8,300 people worldwide, including contract and agency workers.

19. The Cinram Group's administrative functions and decision making functions are centralized in Canada. All senior level customer contracts for Cinram's major international customers are handled by CII, all strategic decision making is led by CII and all corporate functions, such as financial planning, internal audit, financial reporting, and dealings with

Cinram's lenders, are managed in Canada. Additionally, North American cash management, information technology, accounting, accounts receivable, accounts payable, insurance procurement, marketing, treasury, real estate and tax services are provided predominantly by CII.

20. As described in greater detail below, the Cinram Group is financed primarily through a term loan and revolving credit facilities under the Amended and Restated Credit Agreement dated as of April 11, 2011, among CII, Cinram, Inc. and CUSH, as borrowers (the "**First Lien Borrowers**"), the guarantors party thereto, the lenders from time to time party thereto, and JPMorgan Chase Bank N.A., as administrative agent (as 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**") which amended and restated the credit agreement dated May 5, 2006 (as amended as of March 22, 2007 and as of March 30, 2009, the "**Original Credit Agreement**") (as further discussed below). As at March 31, 2012, there was approximately $233 million outstanding under the term loan facility; $19 million outstanding under the revolving credit facilities; and approximately $12 million of letter of credit exposure under First Lien Credit Agreement.

21. CUSH, as borrower (collectively with the First Lien Borrowers, the "**Borrowers**" and each a "**Borrower**") also entered into a mandatorily exchangeable Second Lien Credit Agreement dated as of April 11, 2011, among Cinram ULC and the other guarantors party thereto (collectively with the guarantors under the First Lien Credit Agreement, the "**Guarantors**", and each a "**Guarantor**"), the lenders from time to time party thereto (collectively with the lenders party to the First Lien Credit Agreement, the "**Lenders**") and JPMorgan Chase Bank N.A., as administrative agent (together with the administrative agent

under the First Lien Credit Agreement, the "**Administrative Agent**") (as 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 "**Second Lien Credit Agreement**"), pursuant to which the principal amounts outstanding and a portion of the accrued interest were exchanged into units of Cinram Fund in January 2012. Approximately $12 million of accrued interest remains outstanding under the Second Lien Credit Agreement as of March 31, 2012.

22. Each of the First Lien Credit Agreement and the Second Lien Credit Agreement (together, the "**Credit Agreements**") has a maturity date of December 31, 2013. The senior secured credit facilities are direct or guarantee obligations of certain North American and European companies within the Cinram Group, including the CCAA Parties (with the exception of the Fund Entities), and are secured by substantially all of the assets of the Applicants and certain of their European subsidiaries.

23. As a result of the financial challenges currently facing the Cinram Group, Cinram is in unable to comply with certain financial and other covenants under the Credit Agreements and Cinram's adjusted EBITDA is not sufficient to satisfy its obligations under the Credit Agreements.

(A) History of the Cinram Group

24. CII was formed as Cinram Ltd./Cinram Ltée by letters patent dated July 28, 1969, pursuant to the *Canada Business Corporations Act*. From its inception Cinram grew in part through a number of strategic acquisitions. On May 5, 2006, CII converted from a corporate

structure to an income trust structure through a plan of arrangement that was approved by shareholders on April 28, 2006.

25. In April 2007, Cinram acquired substantially all of the assets of Ditan Corporation ("**Ditan**"), a leading video games distributor in the United States. Ditan specialized in direct-to-store and third-party logistics. During 2011, Ditan was merged into Cinram Distribution where its operations are conducted under the name Cinram Games™.

26. In September 2007, Cinram acquired the North American and European assets of Vision Worldwide Management, LLC ("**Vision**"), a leading provider of outsourced Vendor Managed Inventory services to the home entertainment industry. Vision offers a web based supply chain management system that provides visibility, insight and analytical tools to various levels of the supply chain. The Vision™ solution is used in both North America and Europe. In 2011, Vision changed its name to Cinram Retail Services, LLC.

27. In June 2008, Cinram acquired (i) substantially all of the UK assets and (ii) 100% of the shares of Spanish and French subsidiaries of ODS Business Services, a European replicator and distributor of DVDs. These acquisitions expanded Cinram's distribution capacity in Spain, France and the United Kingdom to service its DVD replication and distribution agreement with Universal Pictures.

28. In September 2008, Cinram completed the acquisition of substantially all of the assets of the warehouse management, distribution, processing, and value-added service operations of Jack of All Games, Inc. through Ditan. Following the merger of Ditan into Cinram Distribution described above, these assets and operations, which involve the distribution of

products of third party software, hardware and accessories to retail outlets in North America, formed part of Cinram Distribution's games distribution business.

29. On January 31, 2011, Cinram acquired Los Angeles-based digital media company One K as part of a broad initiative to advance Cinram further into digital platforms. One K specializes in building enhanced consumer experiences for movies, TV shows, music, books and games. One K has been a key service provider to many of the world's top media and technology companies. One K provides creative and technical services to the companies to help them release their content in different venues, including digital downloads, mobile and tablet applications, advanced Blu-ray discs, stereoscopic 3D and social media.

(B) The Cinram Business

(i) Overview

30. Cinram manufactures DVDs, Blu-ray discs and CDs, and provides distribution services for motion picture studios, music labels, video game publishers, computer software companies, telecommunication companies and retailers in North America and Europe. Cinram is an industry leader with respect to production, distribution, service and customer satisfaction.

31. Cinram has long established itself as a leading replicator and distributor of CDs and DVDs with a growing footprint in the emerging market for Blu-ray. Cinram has a diversified operational footprint across North America and Europe that enables the Cinram Group to meet the replication and logistics demands of its customers. Cinram's facilities are strategically positioned to optimize Cinram's distribution capabilities across key media markets in North America and Europe.

32. Cinram is engaged in an industry that is highly price-competitive, with a high degree of customer concentration. Cinram's production levels and, in turn, revenue and cash flows, are largely affected by the schedule according to which its major customers release their products and the public demand for such 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.

33. Cinram manufactures products on orders from its customers, generally pursuant to multi-year contracts. Cinram does not bear the risk of unsold products as customers cannot return any previously purchased inventory, with the exception of defective products. Cinram does not have title to the products it distributes. Cinram's major contracts are, to a large extent, exclusive for particular territories, and many of Cinram's manufacturing agreements contain periodic market price tests that may require Cinram to lower its selling prices or amend other contract terms. The products Cinram manufactures generally experience price declines on an annual basis, with declines historically being steeper in the early stages of the products' life cycles.

34. Cinram has recently taken steps to streamline its physical infrastructure and operations to actively manage its cost structure to reflect changing industry dynamics. By streamlining its physical footprint, Cinram'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. Cinram meanwhile maintains significant production capacity and operational flexibility to meet potential increased demand.

35. While many of Cinram's facilities were acquired as part of strategic acquisitions, a number of key sites were specifically developed by Cinram. Sites such as the Nashville distribution center and the Huntsville plant were selected due to their proximity to major traffic arteries and the ability to reach a significant portion of the U.S. market within a short trucking distance. Other sites, such as the Texas wireless distribution and repair center, were established to take advantage of favourable local tax incentive programs and proximity to key customers.

(ii) Business Segments

36. Cinram operates through three business segments: Pre-recorded Multimedia Products, Video Game and Other.

(a) Pre-recorded Multimedia Products

37. Cinram's Pre-recorded Multimedia Products segment consists of the replication, packaging and distribution of DVDs, Blu-ray discs and CDs, including new releases and catalogue titles, for the entertainment divisions of motion picture studios and music labels.

38. Replication customers provide Cinram with a master in digital format, label design, and in some cases, graphics and promotional materials. Cinram assumes responsibility for all manufacturing and packaging operations, and delivers/distributes finished product directly to retailers or distributors on behalf of its customers.

39. Revenue from the Pre-recorded Multimedia Products segment was $693.4 million in 2011, compared to $1,002.2 million in 2010, as Cinram experienced declines in standard DVD and CD unit sales and related distribution revenue during 2011. The Pre-recorded Multimedia

Products segment accounted for 86% of Cinram's 2011 consolidated revenue, down from 90% in 2010.

(i) DVDs

40. Cinram's major customers in North America and Europe are major motion picture studios. Cinram enters into agreements in the ordinary course of business with major film studio customers, which deal generally with pricing, delivery, order size, confidentiality and copyright protection.

41. The DVD market in North America and Europe includes a number of significant players with whom Cinram competes. In addition, a number of large multimedia conglomerates with music and video content subsidiaries manufacture DVDs and other multimedia in-house through captive subsidiaries. Such captive subsidiaries also provide significant competition for Cinram.

42. At the end of 2011, Cinram had the capacity to manufacture approximately 1.9 billion DVDs per year, which allowed Cinram to service most of its customers' seasonal peaks in demand and to minimize offload. According to FutureSource Consulting, an industry expert, Cinram was one of the top three DVD manufacturers in each of North America and Europe in 2011.

43. In 2011, sales of standard DVDs continued to be the dominant source and the main driver of revenue for Cinram. DVD revenue (including revenue from related distribution services) accounted for 67% of Cinram's consolidated revenue in 2011, compared with 75% in 2010 and 77% in 2009. Cinram replicated 575 million DVDs in 2011, a decrease of 38% from

933 million in 2010, and, as a result, DVD revenue decreased to $532.6 million in 2011 from $835.4 million in 2010 and $1,111.8 million in 2009. The decrease in DVD replication, and by consequence revenue, was primarily the result of the loss a major customer contract (further discussed below), which terminated on July 31, 2010.

(ii) Blu-ray

44. Blu-ray is the format of choice for high-capacity pre-recorded media. Blu-ray discs can hold up to 25 gigabytes of data or high-definition video on a single layer disc and up to 50 gigabytes on a dual-layer disc. Blu-ray disc production requires capital investment as existing DVD equipment cannot be retrofitted to manufacture these discs. FutureSource estimates that unit sales of Blu-ray discs will continue to increase globally at a compound annual growth rate of approximately 21% per annum for the four years commencing January 2012 while unit sales of standard DVD discs will decline by approximately 25% per annum for the foreseeable future, consistent with past experience with the introduction of new pre-recorded media formats. Cinram has continued to increase its manufacturing capacity for Blu-ray in both North America and Europe.

45. Blu-ray replication revenue increased to $40.5 million in 2011, compared to $36.1 million in 2010 and $22.5 million in 2009, as consumers continue to migrate towards Blu-ray discs. While Blu-ray unit shipments increased by 36%, this was partially offset by declining average selling prices for this format.

(iii) CDs

46. Cinram's principal customers in the CD segment are major music labels and publishers in North America and Europe. Cinram enters into agreements in the ordinary course of business with major music customers, which deal generally with pricing, delivery, order size, confidentiality and copyright protection.

47. Cinram is one of the three largest global CD manufacturers. CD revenue (including revenue from related distribution services) accounted for 15% of Cinram's consolidated revenue in 2011, up from 12% in 2010 and 11% in 2009.

48. Even though CD revenue has increased as a percentage of Cinram's consolidated revenue, actual CD production and revenue have declined. In 2011, Cinram's North American and European CD production declined by 5% and 6%, respectively. CD revenue decreased to $120.3 million in 2011, compared to $130.7 million in 2010 and $161.4 million in 2009. The 8% decline in revenue was consistent with industry declines for pre-recorded physical music media and slightly ahead of expectations given the resurgence of physical CD sales primarily driven by attractive consumer pricing for this format at the retail level.

(iv) Distribution

49. Distribution and fulfillment services continue to be a major factor in Cinram's ability to attract customers. Cinram provides complete manufacturing to retail distribution solutions that allow Cinram's studio and music customers to focus their efforts on their core competencies in creating content. Cinram's capital investments in distribution services over the past few years have allowed Cinram to provide its customers with increased frequency of

shipments, more customized order sizes and the ability to handle more stock-keeping units. However, given the loss of the business from a major customer during 2010, revenue from distribution services, primarily associated with DVDs, decreased to $210.1 million in 2011, compared to $259.0 million in 2010.

(b) Video Game

50. The Video Game segment distributes packaged software for console games and computers, and related peripherals in the gaming marketplace. In addition, Cinram Games™ manages on behalf of its clients third party logistics, virtual warehousing services, direct channel sales, merchandising, transportation management and retail product lifecycle management services. The peak processing period is from mid-August through early January, with November as the focal point of activity. The customer base comprises video game publishers, content providers, studios, major retail chains and distributors and includes many of the industry's leaders.

51. Revenue from the Video Game segment was $44.9 million in 2011, compared to $59.0 million in 2010 as a result of reduced consumer spending combined with the loss of certain video game customers.

(c) Other

52. Revenue from the Other business segment, which includes revenue from logistics services provided through Cinram Wireless, vendor managed inventory revenues associated with Cinram Retail, and revenues from newly acquired One K, increased to $62.6 million in 2011 from $47.7 million in 2010. The increase was primarily related to 11 months of revenue from

One K during 2011 as the acquisition was completed on January 31, 2011. Revenue from the Other business segment also includes activities such as authoring and other pre-production services, and the sale of components and stampers. Revenue from the Other business segment represented 8% of consolidated revenue in 2011, up from 5% in 2010.

(iii) Customers

53. Cinram's customers include motion picture studios, music labels, video game publishers, computer software companies, telecommunication companies and retailers around the world. Cinram has multi-year agreements with many of its customers for the provision of replication, distribution, and other services. Many of these customer services agreements contain provisions limiting Cinram's ability to assign the agreement or undergo a change of control event.

54. Due to Cinram's high customer concentration, Cinram depends on its customers' ability to capture and maintain their market share of consumer home entertainment spending. In 2011, Cinram's three largest customers in the Pre-recorded Multimedia Products segment accounted for approximately 38%, 23% and 12% of consolidated revenue respectively, a total of 73% of Cinram's total Pre-Recorded Multimedia Product revenue. In 2010, Cinram's three largest customers in the Pre-recorded Multimedia Products segment accounted for 31%, 24% and 16% of consolidated revenue respectively, or 71% of Cinram's total Pre-Recorded Multimedia Product revenue.

55. On June 22, 2012, based on the potential CCAA filing of Cinram, one of Cinram's customers provided a termination notice with respect to its replication and distribution services agreements with Cinram, but has advised Cinram that it fully intends to continue to

operate and use Cinram on the same basis and terms of its contractual arrangements with Cinram.

(iv) Offices and Facilities

56. Cinram operates facilities in North America and Europe that span nearly 9.0 million square feet. Cinram currently has the capacity to manufacture approximately 108 million Blu-ray discs, 1.9 billion DVDs and about 459 million CDs per year to service seasonal peaks in demand.

57. Cinram operates out of 33 facilities in Canada, the United States and Europe, 11 of which are owned and 22 of which are leased. Of the 33 facilities, 9 are used primarily for the provision of replication services, 9 are used primarily to provide distribution services, one is used as both a replication and distribution center, five are warehouse facilities, one is a printing facility, and the remainder are used as offices. A list of facilities owned and leased by Cinram and their primary use is attached hereto as Exhibit "B".

(v) Employees

58. As of December 31, 2011, Cinram employed approximately 8,300 people worldwide including contract and agency workers.

(a) Employees by Region

(i) Canada

59. CII employs approximately 621 individuals, including approximately 128 salaried employees and 493 hourly employees, comprised of employees who provide senior management,

accounting, financial reporting, information technology and other corporate services and employees who are employed in Cinram's Canadian-based distribution business or replication business.

60. CII supplements its workforce with temporary employees from third-party temporary staffing agencies. For the month ending March 31, 2012, CII used approximately 124 temporary agency employees. The number of agency employees used by CII almost triples during Cinram's busy season in the fourth quarter.

(ii) United States

61. Cinram's U.S. entities employ approximately 2,447 individuals, including approximately 302 salaried employees and 2,145 hourly employees. These employees all provide management or labour services related to the replication, packaging, distribution, sales, and customer service aspects of the U.S. based Cinram Business. In addition, the U.S. entities regularly employ approximately 76 independent contractors who are mostly engaged in computer programming activities carried out in the ordinary course of One K's business, and approximately 1,422 temporary contract workers performing services such as disc replication, product packaging, information technology, security and janitorial work.

(b) Collective Agreements

62. Cinram does not have any active unions or collective agreements in place in North America.

(c) Pension Plans

(i) Canada

63. Cinram does not maintain any pension plans for Canadian employees. CII offers a group RRSP plan which allows employees to contribute a portion of their payroll on a pre-tax basis to the plan. CII does not match employee contributions.

(ii) United States

64. Cinram's U.S. entities maintain an employee savings plan for all eligible employees (the "**Employee Savings Plan**"). The Employee Savings Plan is tax-qualified within the meaning of, and administered in accordance with, the requirements of section 401(k) and other applicable sections of the United States Internal Revenue Code. Approximately 681 employees currently participate in the Employee Savings Plan, with a total of approximately $206,583 withheld each month from employees' paychecks for employee contributions.

65. For employees of One K only, the Employee Savings Plan also includes an employer matching component, pursuant to which One K matches approximately 30% of each employee's 401(k) contributions, up to an amount equal to 6% of that employee's salary (the "**Employer 401(k) Contributions**"). One K pays an aggregate of approximately $5,000 per month in Employer 401(k) Contributions.

66. In addition, certain Cinram employees in the United States participate in the Cinram Music Union Pension Plan ("**Music Union Plan**"). CUSH assumed sponsorship of the Music Union Plan in connection with Cinram's acquisition of the entities now known as IHC and Cinram Manufacturing from AOL Time Warner Inc. in July, 2003.

67. Pension benefits under the Music Union Plan are based on formulas that reflect the employee's years of service multiplied by a specified dollar amount negotiated in collective bargaining. At December 31, 2011, Cinram had a net $1.9 million unfunded defined benefit pension obligation in the United States representing the expected contributions to its defined benefit pension plan.

(d) Other Employee Benefit Plans

(i) Canada

68. CII provides medical and dental benefits and insurance coverage through Manulife Financial ("**Manulife**") to the Canadian employees. CII incurs medical and dental costs associated with employees that participate in the Manulife health care benefit plans, a 50% portion of the Life Insurance premium expense associated with Life Insurance plans offered by Manulife, and a 50% portion of the Accidental Death and Dismemberment ("**AD&D**") premium expense associated with the AD&D policies offered by Manulife.

(ii) United States

69. In addition to the Employee Savings Plan and Music Union Plan described above, benefits enjoyed by Cinram's U.S. based employees include:

a. medical insurance provided through a plan administered by Blue Cross and Blue Shield of Alabama ("**BCBS**"), covering approximately 4,558 U.S. based employees and their dependents;

b. dental insurance provided through BCBS (for Huntsville, Alabama based employees only) or Metropolitan Life Insurance Company for reasonable and customary charges up to an individual maximum benefit of $2,000 per year, covering approximately 4,421 employees and their dependents;

c. vision insurance provided through UnitedHealthcare Vision, covering approximately 4,578 employees and their dependents;

d. prescription drug coverage provided through Medco Health Solutions, Inc.;

e. an Employee Assistance Program provided by Liberty Mutual Insurance Company that offers short-term professional counselling to U.S. based employees and their family members who are experiencing problems that may affect their general well-being and job performance;

f. optional pre-tax contribution of employee compensation to healthcare flexible spending accounts;

g. term life insurance equal to two times annual base pay; and

h. optional long term disability insurance and supplemental life insurance availability.

(e) Key Employee Retention Program

70. Cinram has put in place a key employee retention program for certain eligible employees and eligible officers, which is described in detail in Section III(G) below.

(C) Corporate Structure and Financial Position of the Cinram Group

71. As described above, in May 2006, CII converted from a corporate structure to an income trust structure through a plan of arrangement that was approved by shareholders on April 28, 2006. As a result of the recapitalization, shareholders exchanged their shares of CII for units of Cinram Fund (or in the case of electing shareholders, into units of the Cinram LP) on a one-for-one basis. Cinram Fund, the other Fund Entities and CII are Canadian entities and Cinram Fund is the direct or indirect parent and sole shareholder of all of the subsidiaries in Cinram's corporate structure.

72. Cinram's financial reporting is done on a consolidated basis. The following financial statements are being provided to this Honourable Court in support of this Affidavit:

(a) Cinram's audited consolidated financial statements as at December 31, 2011, attached hereto as Exhibit "C"; and

(b) Cinram's unaudited consolidated financial statements as at March 31, 2012, attached hereto as Exhibit "D".

73. Based on Cinram's audited consolidated financial statements dated December 31, 2011, the Cinram Group's assets had a book value of approximately $452.7 million. Of this asset value, approximately $274.8 million consists of current assets while the remaining $177.9 million is non-current assets. The current assets include cash totalling approximately $70.1 million, accounts receivable of approximately $167.5 million and inventory of approximately $24.2 million.

74. As at 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.

75. The Cinram Group's principal source of long-term debt is the senior secured credit facilities provided by the Lenders under the First Lien Credit Agreement and the Second Lien Credit Agreement. The senior secured credit facilities are guaranteed by certain companies within the Cinram Group, including all of the CCAA Parties (with the exception of the Fund Entities), and are secured by substantially all of the assets of the Borrowers and Guarantors (with the exception of the Cinram Holdings GmbH and Cinram GmbH whose guarantees are limited as a result of German corporate law, as further discussed below). As at March 31, 2012, members

of the Cinram Group were 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 principal amount of approximately $12 million under the Second Lien Credit Agreement as follows:

a) with respect to the First Lien Credit Agreement:

(i) C II was indebted as Borrower in the aggregate principal amount of approximately $92 million under the term loan facility;

(ii) Cinram, Inc. was indebted as Borrower in the aggregate principal amount of approximately $141 million under the term loan facility;

(iii)CUSH was indebted as Borrower in the aggregate principal amount of approximately $19 million under the revolving credit facilities;

(iv)there was approximately $1.3 million of letter of credit exposure relating to Cinram, Inc.;

(v) there was approximately $1.2 million of letter of credit exposure relating to Cinram Distribution; and

(vi)there was approximately $9.5 million of letter of credit exposure relating to Cinram's U.S. operating entities in connection with certain employee obligations; and

b) with respect to the Second Lien Credit Agreement:

(i) CUSH was indebted as Borrower in the aggregate principal amount of approximately $12 million.

76. There are three main facilities under the First Lien Credit Agreement: (1) a term loan facility provided by certain lenders; and (2) two revolving credit facilities provided by certain lenders (which are not necessarily the same lenders that provided the term loan facility). The revolving credit facilities have an aggregate commitment of $35 million. There is one $14 million revolving credit facility which is utilized as at March 31, 2012 in connection with outstanding letters of credit in the amounts noted above, with the remaining $2 million drawn down by CUSH. The second revolving credit facility of $21 million is a first-out revolving credit facility that has a priority above all other security and loans, and can only be utilized after the $14 million revolving credit facility is fully drawn. As at March 31, 2012, approximately $17 million of the first-out revolving credit facility has been utilized.

77. Certain of the Applicants also have letter of credit exposure not relating to the Credit Agreements that are secured by cash collateral, in particular as at March 31, 2012:

a) there was approximately $200,000 of letter of credit exposure relating to One K with respect to which Community Bank is the issuer; and

b) there was approximately $575,000 of letter of credit exposure relating to Cinram Manufacturing with respect to which PNC is the issuer.

78. As further described in this Affidavit (including in the discussion on the cash management system and payment for shared services), the Cinram Group also has intercompany amounts owing among many of the Cinram entities. Principal assets and liabilities on an entity basis, excluding intercompany investments, intercompany receivables and intercompany payables, are described below with respect to the CCAA Parties. These assets and liabilities are

based on unaudited balance sheets as at March 31, 2012, copies of which with respect to the CCAA Parties are attached hereto as Exhibit "E".

(i) Canadian Applicants or CCAA Party

79. Cinram Fund, as the ultimate parent of the Cinram Group, is an Applicant in these proceedings. All of the Canadian entities that are CCAA Parties in these proceedings, other than the Fund Entities, are Borrowers and/or Guarantors under the Credit Agreements.

(i) Cinram Fund

80. Cinram Fund is an unincorporated, open-ended limited purpose trust, established under the laws of the Province of Ontario by Declaration of Trust dated March 21, 2006, as amended and restated on May 5, 2006. Cinram Fund has 439.0 million units outstanding. Its units are listed on the TSX under the symbol CRW.UN. On June 15, 2012, the TSX announced that it had determined to delist the units of Cinram Fund at the close of market on July 16, 2012 for failure to meet the continued listing requirements of the TSX.

81. Cinram Fund, together with Cinram GP, CII Trust, Cinram LP and Cinram ULC, comprises the entities within the income fund structure. All of the entities within the income fund structure are Applicants, or in the case of Cinram LP, a CCAA Party, in these proceedings.

82. Cinram Fund's assets consist primarily of intercompany receivables and intercompany investments.

83. As at March 31, 2012, Cinram Fund's primary liabilities were certain intercompany payables.

(ii) Cinram GP

84. Cinram GP is an Ontario company and a wholly-owned subsidiary of Cinram Fund. It is a holding company that does not carry on business operations.

85. Cinram GP directly owns 0.01% of the units of Cinram LP and has no materials assets or liabilities.

(iii) CII Trust

86. CII Trust is an unincorporated, open-ended limited purpose trust, established under the laws of the Province of Ontario by Declaration of Trust dated March 21, 2006, and forms part of Cinram's income fund structure.

87. CII Trust directly owns 99.4% of the units of Cinram LP, which ownership interest constitutes its principal asset.

88. CII Trust's intercompany payables constitute its principal liabilities.

(iv) Cinram LP

89. Cinram LP is limited partnership formed under the laws of Manitoba pursuant to a partnership agreement between Cinram GP and CII Trust, as amended and restated on May 5, 2006. Cinram LP is not an Applicant in these proceedings and the Applicants are requesting to have the protections under the Initial Order extended to Cinram LP as a CCAA Party.

90. Cinram LP directly owns Cinram ULC, which ownership interest constitutes its principal asset, and has no material liabilities.

(v) Cinram ULC

91. Cinram ULC is a Nova Scotia unlimited liability company. It is a holding company that does not carry on business operations.

92. Cinram ULC directly owns CII, which ownership interest constitutes its principal asset.

93. Cinram ULC is a Guarantor under the Credit Agreements, which guarantee obligations constitute its principal liabilities.

(vi) CII

94. CII, a corporation organized under the *Canada Business Corporations Act*, RSC 1985, c C-44 ("**CBCA**"), is a wholly-owned subsidiary of Cinram ULC. It provides replication and distribution services to several major customers in Canada from its owned replication facility and its leased distribution facilities located in Toronto. CII also provides many shared services to the Cinram Group and operates and monitors the cash management system used by Cinram's North American entities.

95. The registered and principal office of CII, and head office of the Cinram Group, is located at 2255 Markham Road, Toronto, Ontario.

96. CII directly owns CUSH, 1362806, two other non-operating European entities and a 99.95% interest in Cooperatie Cinram Netherlands UA ("**Cinram Netherlands**"), a Netherlands company which is the holding company for the European structure. In addition to its intercompany receivables and intercompany investments, as at March 31, 2012, CII's assets

consisted primarily of approximately $15,700,366 of accounts receivable, $6,407,646 of plant, property and equipment, $2,726,242 of cash and cash equivalents, $1,880,375 of inventory and $886,057 of prepaid expenses.

97. CII is a Borrower and Guarantor under the Credit Agreements. In addition to its obligations under the Credit Agreements and its intercompany payables, as at March 31, 2012, CII's other liabilities consisted primarily of approximately $10,648,156 of accrued liabilities, $8,876,914 of income taxes payable, $3,894,926 of current employee benefits, $2,620,475 of accounts payable and $1,738,994 of current provisions.

(vii) 1362806

98. 1362806 is an Ontario company and a wholly-owned subsidiary of CII. It is a holding company that does not carry on business operations.

99. 1362806 holds a 0.05% interest in Cinram Netherlands. 1362806's intercompany investments constitute its principal assets.

100. 1362806 is a Guarantor under the Credit Agreements, which guarantee obligations constitute its principal liabilities.

(ii) U.S. Applicants

101. All of the U.S. entities that are Applicants in these proceedings are Borrowers and/or Guarantors under the Credit Agreements.

(i) CUSH

102. CUSH is a corporation organized under the laws of the State of Delaware and a wholly-owned subsidiary of CII. CUSH is a holding company that does not carry on business operations.

103. CUSH directly owns all of the U.S. entities, which ownership interests and intercompany receivables constitute its principal assets.

104. CUSH is a Borrower and Guarantor under the Credit Agreements. CUSH's liabilities consist primarily of its obligations under the Credit Agreements and intercompany payables.

(ii) Cinram, Inc.

105. Cinram, Inc. is a corporation organized under the laws of the State of Delaware and is a wholly-owned subsidiary of CUSH. It is an operating company providing, *inter alia*, DVD and Blu-ray replication and distribution services to several major customers in the U.S. out of its owned replication and distribution facility and leased warehouse facilities in Huntsville, Alabama.

106. In addition to its intercompany receivables, as at March 31, 2012, Cinram, Inc.'s assets consisted primarily of approximately $41,273,065 of plant, property and equipment, $21,474,400 of accounts receivable, $5,815,449 of cash and cash equivalents, and $6,641,430 of inventory.

107. Cinram, Inc. is a Borrower and Guarantor under the Credit Agreements. In addition to its obligations under the Credit Agreements and its intercompany payables, as at March 31, 2012, Cinram, Inc.'s liabilities consisted primarily of approximately $18,480,466 of accrued liabilities, $4,971,030 of accounts payable, $4,483,201 of current employee benefits, $4,027,346 of current provisions and $6,119,877 of financing leases.

(iii) IHC

108. IHC, formerly Ivy Hill Corporation, is a corporation organized under the laws of the State of Delaware and is a wholly-owned subsidiary of CUSH. In April 2009, substantially all of the assets of Ivy Hill Corporation were sold to Multi Packaging Solutions, Inc. ("**MPS**"). IHC continues to own a printing facility in Louisville, Kentucky but has no active business operations.

109. In addition to its intercompany receivables, as at March 31, 2012, IHC's assets consisted primarily of approximately $2,593,313 of investment property and $267,276 of prepaid expenses.

110. IHC is a Guarantor under the Credit Agreements. In addition to its guarantee obligations and its intercompany payables, as at March 31, 2012, IHC's liabilities consisted primarily of approximately $1,424,387 of current employee benefits and $2,937,256 of current provisions.

(iv) Cinram Manufacturing

111. Cinram Manufacturing is a limited liability company existing under the laws of the State of Delaware and is a wholly-owned subsidiary of CUSH. It is an operating company

providing replication services in the U.S. from its owned replication facility in Olyphant, Pennsylvania.

112. In addition to its intercompany receivables, as at March 31, 2012, Cinram Manufacturing's assets consisted primarily of approximately $37,292,286 of plant, property and equipment, $9,997,515 of accounts receivable, $2,881,009 of inventory, $1,429,196 of prepaid expenses and $991,221 of cash and cash equivalents.

113. Cinram Manufacturing is a Guarantor under the Credit Agreements. In addition to its guarantee obligations and its intercompany payables, as at March 31, 2012, Cinram Manufacturing's liabilities consisted primarily of approximately $5,250,856 of accrued liabilities, $4,369,702 of current employee benefits, $2,095,272 of accounts payable and $1,722,210 of current provisions.

(v) Cinram Distribution

114. Cinram Distribution is a limited liability company existing under the laws of the State of Delaware and is a wholly-owned subsidiary of CUSH. It is an operating company providing distribution services in the U.S. from its leased distribution facilities in Aurora, Illinois (terminating July 31, 2012) and Laverne, Tennessee. Cinram Distribution also has leased office facilities in Auburn, Washington, Carmel, Indiana, San Ramon, California, Greenwood, Indiana and Batavia, Illinois.

115. In addition to its intercompany receivables, as at March 31, 2012, Cinram Distribution's assets consisted primarily of approximately $6,845,221 of accounts receivable and $2,695,536 of cash and cash equivalents.

116. Cinram Distribution is a Guarantor under the Credit Agreements. In addition to its guarantee obligations and its intercompany payables, as at March 31, 2012, Cinram Distribution's liabilities consisted primarily of approximately $2,953,308 of current employee benefits, $1,974,662 of accounts payable and $1,380,778 of accrued liabilities.

(vi) Cinram Wireless

117. Cinram Wireless is a limited liability company existing under the laws of the State of Delaware and is a wholly-owned subsidiary of CUSH. It provides repair, programming, packaging and related logistics services for mobile devices in the United States solely for Motorola from its leased facility in Fort Worth, Texas.

118. In addition to its intercompany receivables, as at March 31, 2012, Cinram Wireless' assets consisted primarily of approximately $10,671,024 of accounts receivable, $6,709,233 of cash and cash equivalents and $1,889,608 of plant, property and equipment.

119. Cinram Wireless is a Guarantor under the Credit Agreements. In addition to its guarantee obligations and its intercompany payables, as at March 31, 2012, Cinram Wireless' total liabilities consisted primarily of approximately $1,610,632 of current employee benefits and $1,158,930 of accrued liabilities.

(vii) Cinram Retail

120. Cinram Retail, formerly Vision Information Logistics LLC, is a limited liability company existing under the laws of the State of Delaware and is a wholly-owned subsidiary of CUSH. It offers its logistics services and merchandising solutions to studios and retailers in the United States from its leased office facilities in Troy, Michigan.

121. In addition to its intercompany receivables, as at March 31, 2012, Cinram Retail's assets consisted primarily of approximately $733,750 of investment property, which investment property was sold in May 2012 for net proceeds of approximately $750,000.

122. Cinram Retail is a Guarantor under the Credit Agreements. Cinram Retail's guarantee obligations and intercompany payables constitute its primary liabilities.

(viii) One K

123. One K is a limited liability company existing under the laws of the State of California and is a wholly-owned subsidiary of CUSH. It is a digital media firm with leased office facilities in Burbank, California and a sub-office in Olyphant, Pennsylvania providing creative and technical services and specializing in building enhanced consumer experiences for movies, TV shows, music, books and games.

124. As at March 31, 2012, One K's assets consisted primarily of approximately $1,856,942 of accounts receivables, $2,145,408 of work in process, $1,141,809 of intangible assets and $836,859 of plant, property and equipment.

125. One K is a Guarantor under the Credit Agreements. In addition to its guarantee obligations and its intercompany payables, as at March 31, 2012, One K's liabilities consisted primarily of approximately $498,514 of current employee benefits and $482,064 of accounts payable.

(iii) European Entities

126. The European entities shown on the Cinram corporate chart are not Applicants in these proceedings. Certain of the European entities are Guarantors under the Credit Agreements, namely:

a) Cinram Netherlands, a holding company organized under the laws of the Netherlands of which 99.95% is held by CII and 0.05% by 1362806 that does not carry on any business operations;

b) Cinram Europe B.V., a holding company organized under the laws of the Netherlands that is a wholly-owned subsidiary of Cinram Netherlands which carries on certain administrative functions for Cinram's European structure;

c) Cinram Operations UK Limited, a company organized under the laws of the United Kingdom providing replication services from a leased facility in Ipswich, England;

d) Cinram Holdings GmbH, a holding company organized under the laws of Germany that does not carry on business operations;

e) Cinram GmbH, a company organized under the laws of Germany providing replication, distribution and printing services from its owned and leased facilities in Alsdorf, Germany; and

f) Cinram International (Hungary) Kft, a company organized under the laws of Hungary that is a wholly-owned subsidiary of CII that does not carry on business operations and that is in the process of a voluntary corporate dissolution under the control of an administrator in Budapest, Hungary.

127. While Cinram Holdings GmbH and Cinram GmbH are both Guarantors under the Credit Agreement, the guarantees provided by them are limited as a result of German corporate law, which is embodied in the German limitation language in the Credit Agreements.

128. The remaining European entities that form part of the Cinram Group are not Borrowers or Guarantors under the Credit Agreements.

129. The European entities mainly operate in the United Kingdom through Cinram Operations UK Limited and Cinram Logistics UK Limited; in Germany through Cinram GmbH; and in France through Cinram Optical Discs and Cinram Logistics France SA. At the top of the Cinram Group's European structure are holding companies in the Netherlands.

130. European operations in the UK, Germany and France collectively employ approximately 1,900 permanent employees, certain of which are party to collective agreements and many of which are entitled to receive pension and/or other retirement benefits from the relevant European entity.

131. On May 29, 2012, one of the French operating entities, Cinram Optical Discs, that provides replication services through a facility in Louviers, France owned by SCI Cinram France, commenced insolvency proceedings in France. Cinram Optical Discs' DVD manufacturing operation has been impacted by a steady decline in volumes in recent years. It is

not intended that any insolvency proceedings will be commenced with respect to any of Cinram's other European entities.

(D) Credit Agreements

132. The Original Credit Agreement provided a term loan and revolving credit facilities with a maturity date of May 5, 2011. Each of the borrowers and guarantors under the Original Credit Agreement guaranteed the obligations of each other thereunder. As security for the repayment of the amounts owed under the Original Credit Agreement, each of the borrowers and guarantors granted security over all or substantially all of its respective assets.

(i) Refinancing and Recapitalization

133. On April 11, 2011, Cinram completed a refinancing and recapitalization transaction (the "**Refinancing and Recapitalization**").

134. The key elements of the changes to Cinram's capital structure included: (1) an amendment and extension of the Original Credit Agreement to December 31, 2013 pursuant to the First Lien Credit Agreement; (2) an increase to the interest rate on the term loan (the "**Term Loan**") under the First Lien Credit Agreement; (3) a reduction in the amount of the existing Term Loan by $120 million; and (4) a reduction of commitments under the revolving facility from $100 million to $35 million.

135. The reduction of the Term Loan as at April 11, 2011 was effected through (1) a cash pay-down at closing of the Refinancing and Recapitalization in the principal amount of $30 million and (2) an exchange of outstanding first-lien term debt in the amount of $90 million for

$90 million second-lien secured debt (the "**Second Lien Debt**") mandatorily exchangeable into equity of Cinram Fund on December 31, 2011 pursuant to the Second Lien Credit Agreement.

136. Lenders also received cash and units in Cinram Fund as consideration for the Refinancing and Recapitalization.

(ii) Mandatory Exchange of Second Lien Debt

137. The Second Lien Debt was not repaid prior to the December 31, 2011 exchange date. As a result, pursuant to the terms of the Second Lien Credit Agreement, on January 3, 2012, Cinram Fund completed the issuance of 373,172,682 Cinram Fund units in exchange for the $90 million original principal amount of the Second Lien Debt and $308,000 of accrued interest which certain of the holders of the Second Lien Debt elected to exchange. Following the exchange, approximately $11.6 million of accrued interest owing to those holders who elected to retain their portion of accrued interest paid in kind remained outstanding under the Second Lien Credit Agreement with a maturity date of December 31, 2013.

(iii) Amendments to the Credit Agreements

(a) <u>August 2011 Amendment</u>

138. In August 2011, Cinram sought amendments to the Credit Agreements following disappointing results for the first half of 2011 due primarily to a decline in customer order volumes.

139. On August 12, 2011, Cinram completed amendments to the First Lien Credit Agreement and the Second Lien Credit Agreement (the "**August 2011 Amendment**"). Key

changes resulting from the amendments included: (1) changes to certain financial covenants under the Credit Agreements; (2) interest rate increases on both the Term Loan and the Second Lien Debt; (3) the addition of certain restrictions on permitted expenditures for certain items; and (4) the addition of a requirement for lender approval of a multi-year financial plan by no later than March 15, 2012 (the "**Business Plan**"). Also, as described below, pursuant to the August 2011 Amendment, Cinram engaged Moelis as investment banker to assist Cinram in a review of Cinram's strategic alternatives.

(b) Waivers to Credit Agreements

140. Continued decline in customer volumes for the fourth quarter of 2011 resulted in Cinram seeking waivers to certain covenants in the Credit Agreements, including covenants pertaining to the leverage ratio and interest coverage ratio. A series of waivers was extended from December 2011 to June 30, 2012, relating to certain financial covenants and, commencing in March 2012, relating to timing for lender approval of the Business Plan and certain other financial reporting requirements. Upon expiry of the waivers, the Lenders will have the ability to demand immediate repayment of the amounts outstanding under the Credit Agreements.

(E) The Need for Relief

(i) Economic Challenges

141. As described above, Cinram operates in an industry where there is a high degree of customer concentration and where production levels and cash flows in any period are materially affected by the timing and commercial success of customer product releases.

Although Cinram has secured exclusive multi-year contracts with key customers, these come up for renewal at different times and typically do not include volume commitments.

142. The economic downturn in Cinram's primary markets of North America and Europe has impacted consumers' discretionary spending and adversely affected the industry. For example, according to industry information:

(a) U.S. 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;

(b) the physical CD replication industry is currently relatively 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

(c) video game consoles, with a typical life cycle of four to six years, have been experiencing price reductions and falling sales in software and hardware.

143. Following the economic downturn and reduced discretionary spending experienced industry-wide described above, over the past four years, Cinram has experienced significant declines in revenue and EBITDA, resulting in part due to customer losses, reductions in pricing and declining customer order volumes.

144. Annual revenue for fiscal years 2008, 2009, 2010 and 2011 was approximately $1,714 million, $1,453 million, $1,109 million and $801 million respectively. The 28% decline in revenue in 2011 was driven primarily by lower revenue in Cinram's core Pre-recorded Multimedia Products segment, and to a lesser extent, lower video game revenues. This decline in revenue was partially offset by a company-wide reduction in labour and overhead costs through facility rationalization and headcount reduction.

145. Cinram'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. Cinram's net loss from continuing operations was $87.6 million in 2011, compared to net earnings of $15.7 million in 2010.

146. A contributing factor to declining revenues was the loss of a major customer, representing approximately 32% of Cinram's 2009 total consolidated revenues, that exercised its option to terminate its service agreements with Cinram, which had a direct impact on its global operations, including North America, Mexico (now closed), UK, France, Germany and Spain.

147. Another contributing factor is significant pricing pressures exerted by Cinram's major customers. Cinram is engaged in an industry that is highly price competitive where some competitors have greater financial and other resources than Cinram or are lower-cost, offshore replicators. In addition, as a result of defined contractual commitments, absent renegotiation, the average replication prices for DVDs and Blu-ray discs are expected to continue to decline in coming years. In many instances, renegotiation of terms of Cinram's agreements with its customers has resulted in lower pricing and margins. Cinram expects that future price declines will be less than recent price declines due to the maturation of the cost structure of the format.

Price negotiations with customers typically occur on an annual basis as a result of market tests or contract renewals.

148. Declining revenues and EBITDA have made it increasingly difficult for Cinram to service its significant debt obligations and comply with its financial covenants under the Credit Agreements.

(ii) Challenges under the Credit Agreements

149. During 2011, Cinram's primary uses of funds included scheduled debt and interest payments, and transaction costs associated with the Refinancing and Recapitalization.

150. As previously discussed above, although the Refinancing and Recapitalization reduced Cinram's first lien debt by $120 million and resulted in an extension of the maturity date to December 2013, continuing declines in revenue and EBITDA left Cinram in a position where it could not meet certain financial covenants under its Credit Agreements. Upon expiry of the waivers to the Credit Agreements, Cinram would be in default of certain covenants under the Credit Agreements and the Lenders would be entitled to accelerate and enforce on the debt. None of the Borrowers or the Guarantors would be able to pay the full amount owing under the Credit Agreements should it be become immediately due and payable.

(F) <u>Restructuring Efforts to Date</u>

(i) Consolidation/Cost Reduction

151. As set out in Cinram Fund's 2009 Annual Report, Cinram's strategic agenda included the reduction of debt, costs and capital expenditures and a focus on core operations.

Since 2009, Cinram has taken several steps in an effort to strengthen its operational and financial position. Cinram has worked to reduce its debt levels by retiring $280 million of debt in 2009 and 2010 and by reducing its debt by an additional $133 million through the mandatory debt repayments and the Recapitalization and Refinancing in 2011. By December 31, 2011, Cinram had reduced its debt balance to approximately $235 million.

152. Cinram has also focused on reducing its cost structure by improving direct costs and fixed overhead efficiencies. Cinram has also reduced its net capital expenditures from $42 million in 2009 to $15 million in 2010. In 2011, Cinram limited its cash capital expenditures, net of capital lease financing, to $10 million, primarily allocated to additional Blu-ray capacity.

153. Furthermore, Cinram has increasingly focused on its core business of producing standard DVDs and Blu-ray discs, and on providing related distribution services, with the intention of disposing of non-core assets, including facility rationalization where appropriate. In April 2009, Cinram sold substantially all of the assets of Ivy Hill Corporation to MPS. In January 2010, Cinram completed the sale of its owned distribution centre in Simi Valley, California. In June, 2010 Cinram sold its 50% share of a Mexican joint venture, Cinram LatinoAmericana, S.A de C.V.

154. As a result of recent terminations of certain customer contracts and decreased sales volumes under continuing contracts, Cinram has pursued further efforts to consolidate its business to reduce costs and excess capacity.

155. In 2011, Cinram completed the closure of the Indianapolis distribution site, consolidating it with its Nashville facility. Cinram is currently in the process of transitioning its distribution facility in Aurora, Illinois, which provided primarily CD related distribution services

for a particular customer, to its Nashville facility. This transition process is expected to be completed on or around June 30, 2012.

156. While Cinram has made significant consolidation efforts to improve efficiency and reduce costs in response to its declining revenues, and has focussed its efforts on an increased presence in the growing Blu-ray market, Cinram has as of yet been unable to offset revenue declines with sufficient fixed cost reductions.

(ii) Recapitalization Efforts

157. As set out above, Cinram completed the Refinancing and Recapitalization to, among other things, reduce its debt and extend the maturity date of its credit facilities, in an effort to provide Cinram with increased liquidity and a more sustainable capital structure. However, due to continued decline in revenues, additional restructuring efforts are required.

158. In this regard, pursuant to the terms of the First Lien Credit Agreement, Cinram has the option to pay in kind principal and interest amounts due under the agreement in certain circumstances. On March 28, 2012, Cinram exercised this option in order preserve cash and improve liquidity levels.

(iii) Strategic Review Process

159. Pursuant to the August 2011 Amendment, in September, 2011, Cinram engaged Moelis as investment banker to assist Cinram 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 Cinram's lenders.

160. 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 parties, including 54 financial investors and 5 strategic investors. Approximately 26 parties executed confidentiality agreements. Those that 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. Cinram, its advisors and Moelis engaged in discussions with such interested parties in order to determine the optimal structure of transaction and value that could be obtained for the benefit of Cinram's stakeholders.

161. During February 2012, Cinram prepared materials further detailing the Cinram Business and management presented to each of the individual bidders, or a diligence session was provided in lieu of a management presentation. Cinram management also provided updated financial projections and answered bidders' additional due diligence questions.

162. On February 28, 2012, Moelis provided to each potential bidder a Process Letter requesting a detailed proposal (a "**Detailed Proposal**") from each bidder by March 12, 2012. The Detailed Proposal required bidders to outline proposed transaction terms, due diligence and other conditions, and a timetable for the proposed transaction. A more limited number of second round bids were received on or about March 12, 2012 and were reviewed by Moelis, Cinram management and its advisors.

163. Moelis and Cinram 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: (a) value/form of consideration; (b) transaction structure; (c) assumed/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.

164. In April, Moelis received an inbound inquiry from a new party expressing interest in Cinram, who also executed a confidentiality agreement and was provided with access to the Cinram data room. This was followed shortly with a formal indication of interest.

165. Cinram management, Moelis and Cinram's legal and financial advisors continued discussions and conducted meetings with interested parties, while also continuing discussions with Cinram's lenders in connection with pursuing a possible stand-alone transaction.

166. After reviewing and considering all of the submissions in the strategic review process, Cinram after discussion and consultation with Moelis, Cinram's other advisors and the Lenders' advisors, determined that the offer submitted in respect of the Proposed Purchaser was the best offer submitted in the circumstances taking into account such factors as (i) purchase price; (ii) conditions for closing; (iii) required financing; (iv) structuring of the transaction; (v) the timeframe within which the transaction could be closed; and (vi) certainty of close.

167. Accordingly, Cinram, with the assistance of Moelis, entered into negotiations with the Proposed Purchaser in respect of the execution of definitive agreements for the sale of the Purchased Assets and Purchased Shares.

168. The strategic review process culminated with the execution of the Asset Purchase Agreement by CII and the Proposed Purchaser on June 22, 2012 and with the execution of the Purchase Offer by the Proposed Purchaser on June 22, 2012. It is currently contemplated that Moelis will continue assisting Cinram with the completion of the Proposed Transaction through these CCAA proceedings.

169. Throughout the strategic review process, Cinram kept key stakeholders, including the Lenders and major customers, apprised of its progress. In addition to discussions in connection with a potential stand-alone transaction, the Lenders engaged in extensive discussions with Cinram and its advisors from the commencement of the process with respect to a possible sale or investment transaction and participated in discussions with potential bidders as part of the process. Cinram and its advisors also partook in discussions with Cinram's major customers and provided updates as to the developments in the process. Such parties have been supportive of Cinram's efforts in pursuing a successful restructuring of its business, including through the Proposed Transaction.

(iv) Proposed Transaction

170. 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.

171. As discussed above, the Proposed Transaction contemplates the Proposed Purchaser, or one or more of its nominees, acquiring the Purchased Assets pursuant to the Asset Purchase Agreement (the "**Asset Sale Transaction**") and the Purchased Shares pursuant to the Purchase Offer (the "**Share Sale Transaction**") for an aggregate purchase price of $82,500,000, subject to certain adjustments in accordance with the terms of the Purchase Agreement and Purchase Offer. The Asset Sale Transaction is subject to customary conditions, including receipt of approval under the *Investment Canada Act* and other requisite approvals. Completion of the Share Sale Transaction is also subject to customary conditions, the closing of the Asset Sale Transaction and completion of workers' council consultation processes in France, which processes, I am advised by legal counsel, do not require approval by the applicable workers' councils. The aim is to close the Asset Sale Transaction and the Share Sale Transaction simultaneously in August 2012; however, the closing of the Share Sale Transaction may be extended if necessary to complete certain regulatory consultation matters and subject to the Purchaser's right to extend the closing to December 17, 2012.

172. In connection with the Proposed Transaction, CII has agreed not to pursue an Acquisition Proposal (as defined in the Asset Purchase Agreement), subject to the terms and conditions of the Asset Purchase Agreement, which include the ability to consider an Acquisition Proposal that is reasonably expected to lead to a Superior Proposal (as defined in the Asset Purchase Agreement). If CII terminates the Asset Purchase Agreement for the purpose of entering into a binding written agreement with respect to a Superior Proposal, CII must pay to

the Proposed Purchaser a fee in the amount of $2,250,000, and in certain additional circumstances. The Share Sellers have also agreed not solicit any other transactions with respect to any shares of Cinram's European entities.

173. Further details with respect to the Proposed Transaction will be set out in the affidavit filed in support of the Sale Approval Motion.

(v) Support Agreement

174. As discussed above, on June 22, 2012, Cinram Fund, the Borrowers under the Credit Agreements and lenders forming the Steering Committee (the "**Initial Consenting Lenders**") entered into a Support Agreement pursuant to which the Initial Consenting Lenders agreed to support the Proposed Transaction to be pursued through these CCAA proceedings (the "**Support Agreement**"). A copy of the Support Agreement is attached as Exhibit "F" hereto.

175. The Proposed Transaction has the support of lenders representing approximately 40% of the loans under the First Lien Credit Agreement. Cinram anticipates further support of the Proposed Transaction from additional lenders following the public announcement of the Proposed Transaction.

176. Pursuant to the Support Agreement, lenders under the First Lien Credit Agreement who execute the Support Agreement or a Consent Agreement (as defined in the Support Agreement) prior to July 10, 2012 (the "**Consent Date**") are entitled to receive consent consideration (the "**Early Consent Consideration**") equal to 4% of the principal amount of loans under the First Lien Credit Agreement (excluding any letter of credit exposure or amounts outstanding under the first-out revolving credit facility) held by such Consenting Lender as of the

Consent Date, payable in cash from the net sale proceeds under the Purchase Agreement received on closing of the Proposed Transaction upon distribution of such proceeds in the CCAA proceedings. The Applicants request a Court-ordered charge over the assets and property of the CCAA Parties that are Borrowers and Guarantors (the "**Charged Property**") as security for the Early Consent Consideration (the "**Consent Consideration Charge**"), subject to the prior payment in full of all obligations under the first-out revolving credit facility.

177. The Support Agreement terminates automatically if, among other reasons, the Purchase Agreement 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.

III. CCAA PROCEEDINGS

178. CII, Cinram Fund, CII Trust and the companies listed in Schedule "A" are Applicants within the CCAA proceedings. For reasons discussed in this Affidavit, it is appropriate for this Honourable Court to exercise its jurisdiction to grant the Initial Order in respect of CII, Cinram Fund, CII Trust and the companies listed in Schedule "A" and to extend the protections under the Initial Order to Cinram LP.

(A) The Applicants are Insolvent for the Purposes of the CCAA

179. Despite its comprehensive efforts to consolidate operations and to restructure or recapitalize the Cinram Business, Cinram remains unable to satisfy certain covenants under the Credit Agreements and has been unable to repay or refinance the amounts owing under the

Credit Agreements or find an out-of-court transaction for the sale of the Cinram Business with proceeds that equal or exceed the amounts owing under the Credit Agreements.

180. Reduced revenues and EBITDA and increased borrowing costs have significantly impaired Cinram's ability to service its debt obligations. Although the Cinram Business is generating positive EBITDA, it will not generate sufficient funds to enable Cinram to comply with its obligations under the Credit Agreements. There is no reasonable expectation that Cinram will be able to service its debt load in the short to medium term given forecasted net revenues and EBITDA for the remainder of fiscal 2012 and for fiscal 2013 and 2014. In light of the financial circumstances of the Cinram Group, it is not possible to obtain additional financing that could be utilized to repay the amounts owing under the Credit Agreements.

181. Additionally, the decline in revenues and EBITDA generated by the Cinram Business has caused the value of the Cinram Business to decline. As a result, the aggregate value of Cinram's Property, taken at fair value, is not sufficient to allow for payment of all of the Applicants' obligations due and accruing due.

182. Cinram has been unable to find an out-of-court solution to its financial difficulties, and there is no reasonable expectation that the Cinram Group's financial condition will improve absent these restructuring proceedings. Without a successful restructuring, indications suggest that the Cinram Group's liquidity and ability to service its cash payment obligations will deteriorate further with a corresponding erosion of the value of the Cinram Business.

183. Were the Lenders to accelerate the amounts owing under the Credit Agreements, the Borrowers and the other Applicants that are Guarantors under the Credit Agreements would

be unable to meet their debt obligations. Cinram Fund would be the ultimate parent of an insolvent business. The Applicants are therefore insolvent.

(B) Stay of Proceedings under the CCAA

184. The Applicants are concerned that in light of the Applicants' financial circumstances, there could be a fast and significant erosion of value to the detriment of all stakeholders. In particular, the Applicants are concerned about the following risks:

a) the Lenders demanding payment in full for money owing under the Credit Agreements;

b) potential termination of contracts by key suppliers; and

c) potential termination of contracts by customers.

185. Because of the integration of the Cinram Business, the above risks also apply to the Applicants' subsidiaries, including Cinram LP. It would be detrimental to the CCAA Parties' ability to restructure and implement the Proposed Transaction if proceedings were commenced or rights and remedies were exercised against Cinram LP, a part of the Cinram Group, or if proceedings were commenced or rights and remedies were exercised against the CCAA Parties' subsidiaries that are also party to contracts with one or more of the CCAA Parties (whether as surety or guarantor or otherwise) (the "**Subsidiary Counterparties**") by any of the third parties to such agreements. This would also lead to an erosion of value of the Cinram Business, to the detriment of all Cinram stakeholders. Accordingly, the Initial Order in the form submitted by the Applicants contains provisions enjoining the exercise of rights and remedies against the CCAA

Parties and the Subsidiary Counterparties with respect to claims relating to any agreement involving the CCAA Parties or the obligations of the CCAA Parties.

186. Having regard to the circumstances, and in an effort to preserve the value of the Cinram Business, the commencement of the within CCAA proceedings and the granting of a stay of proceedings relating to the CCAA Parties and the Subsidiary Counterparties in order to permit the CCAA Parties to restructure their affairs and implement the Proposed Transaction are in the best interests of the CCAA Parties and their stakeholders.

187. Furthermore, in the circumstances, without a stay of proceedings to enable the CCAA Parties to restructure and obtain debtor-in-possession financing ("**DIP Financing**"), the CCAA Parties would not be able to service their debt load or meet their debts as they become due.

(C) The Monitor

188. FTI Consulting Canada Inc. ("**FTI**") has been retained to, among other things, act as Monitor in potential CCAA proceedings. FTI has been engaged as Cinram's financial advisor since February 2010, initially in North America and its affiliate subsequently in Europe, to, among other things, assist with liquidity management and reporting (including assisting with the preparation of cash flow forecasts), the development and implementation of the Business Plan and the identification of cost reduction and other liquidity enhancement opportunities. The professionals of FTI who have carriage of this matter, and who will have carriage of this matter for FTI as the Monitor, have acquired considerable knowledge of the Cinram Group and the Cinram Business since the commencement of their engagement as financial advisor. FTI is therefore in a position to immediately assist the CCAA Parties with any restructuring process.

189. FTI has consented to act as the Monitor of the CCAA Parties in the within proceedings (the "**Monitor**"), subject to Court approval.

190. In connection with FTI's appointment as the Monitor, it is contemplated that a Court-ordered charge over the Charged Property would be granted in favour of the Monitor, its legal counsel, the CCAA Parties' Canadian and U.S. legal counsel, the Canadian and U.S. counsel to the DIP Agent (defined below), the DIP Lenders (defined below), the Administrative Agent and the Lenders under the Credit Agreements, and the financial advisor to the DIP Lenders and the Lenders under the Credit Agreements, in respect of their fees and disbursements incurred at their standard rates and charges, and in favour of Moelis in respect of the fees and expenses to be paid to Moelis pursuant to the engagement letter between Moelis and CII dated September 23, 2011 (the "**Administration Charge**"), which Administration Charge is to be in an aggregate amount of CAD$3.5 million.

(D) Chapter 15 Proceedings

191. It is contemplated that these CCAA proceedings will be the primary Court-supervised restructuring of the CCAA Parties. Although Cinram has operations in the United States and certain of the Applicants are incorporated under the laws of the United States, Canada is the nerve centre of the Cinram Group.

192. The CCAA Parties require a recognition order under Chapter 15 to ensure that the CCAA Parties are protected from creditor actions in the United States (including under the Credit Agreements pursuant to which the U.S. Applicants are either Borrowers or Guarantors) and to assist with the global implementation of the Proposed Transaction to be completed pursuant to these CCAA proceedings. The Applicants are thus seeking authorization in the

proposed Initial Order for (i) Cinram ULC to seek recognition of these proceedings as "Foreign Main Proceedings" and seek such additional relief required in connection with the prosecution of any sale transaction, including the Proposed Transaction; and (ii) the Monitor, as a Court-appointed officer, to assist the CCAA Parties with any matters relating to any of the CCAA Parties' subsidiaries and any foreign proceedings commenced in relation thereto. The Monitor will remain actively involved in assisting Cinram ULC as the foreign representative in the Chapter 15 proceedings and will assist in keeping this Honourable Court informed of developments in the Chapter 15 proceedings.

193. The Applicants intend that the relief requested in the Chapter 15 proceedings will include, among other things:

a) recognition of these CCAA proceedings as "Foreign Main Proceedings";

b) establishment of Cinram ULC as foreign representative; and

c) enforcement of the Initial Order in the United States, including enforcement of the stay of proceedings (including in respect of enforcement and termination rights of any party against any of the CCAA Parties and the Subsidiary Counterparties), the critical supplier provisions and the DIP Financing related provisions.

194. As mentioned previously, Cinram's European entities are not Applicants in these proceedings and it is not intended that any insolvency proceedings will be commenced with respect to Cinram's European entities except for Cinram Optical Discs, which has commenced insolvency proceedings in France.

195. As previously noted, the CCAA Parties are part of the integrated Cinram Group headquartered in Canada with operations in Canada, the United States, and Europe. The Cinram Group and the proposed Monitor believe that the centre of main interest ("**COMI**") of the CCAA Parties is in Canada based on the following factors:

(a) the Cinram Group is managed on a consolidated basis out of the corporate headquarters in Toronto, Ontario, where corporate-level decision-making and corporate administrative functions are centralized;

(b) key contracts, including among others, major customer service agreements, are negotiated at the corporate level and created in Canada;

(c) the Chief Executive Officer and Chief Financial Officer of CII, the main operating entity in the Cinram Group, who are also directors, trustees and/or officers of other entities in the Cinram Group, are based in Canada;

(d) meetings of the board of trustees and board of directors typically take place in Canada;

(e) pricing decisions for entities in the Cinram Group are ultimately made by the Chief Executive Officer and Chief Financial Officer in Toronto, Ontario;

(f) cash management functions for Cinram's North American entities, including the administration of Cinram's accounts receivable and accounts payable, are managed from Cinram's head office in Toronto, Ontario;

(g) although certain bookkeeping, invoicing and accounting functions are performed locally, corporate accounting, treasury, financial reporting, financial planning, tax planning and compliance, insurance procurement services and internal audit are managed at a consolidated level in Toronto, Ontario;

(h) information technology, marketing, and real estate services are provided by CII at the head office in Toronto, Ontario;

(i) with the exception of routine maintenance expenditures, all capital expenditure decisions affecting the Cinram Group are managed in Toronto, Ontario;

(j) new business development initiatives are centralized and managed from Toronto, Ontario; and

(k) research and development functions for the Cinram Group is a corporate-level activity centralized at Toronto, Ontario, including the Cinram Group's corporate-level research and development budget and strategy.

196. It is most expedient and efficient that the restructuring of Cinram and the treatment of Cinram's debt obligations be implemented through one restructuring proceeding that is overseen and directed by this Honourable Court in Canada, which is Cinram's home jurisdiction and the centre of the CCAA Parties' management, business and operations.

(E) Funding of the Cinram Group

(i) Cash Flow Forecast

197. A copy of cash-flow forecast prepared by the Applicants with the assistance of the proposed Monitor is attached hereto as Exhibit "G" (the "**Cash Flow Forecast**").

198. As set out in the Cash Flow Forecast, the Applicants will require additional funding from the commencement of these CCAA proceedings. The principal uses of cash during the next 13-week period will consist of the costs associated with ongoing payments made in the ordinary course in respect of employee compensation, rent, procurement, raw materials and supplies, utility services, and other supplier obligations, and professional fees and disbursements in connection with these CCAA proceedings.

(ii) DIP Financing

199. As indicated in the Cash Flow Forecast, the Applicants do not have sufficient funds available to meet their immediate cash requirements as a result of their current liquidity challenges. The Applicants require access to DIP Financing in the amount of $15 million to: (a) maintain sufficient minimum operating liquidity; (b) allow for payment of financial obligations during the proposed proceedings, including obligations to employees and trade creditors, as well as to allow the CCAA Parties to properly retain the proposed Monitor and legal counsel to advise in relation to restructuring options and their investment banker to assist with the ongoing strategic review and sale transaction process; (c) ensure they can implement their restructuring initiatives, including the Proposed Transaction, and continue operations; and (d) provide

assurance to Cinram's suppliers and customers that the CCAA Parties have sufficient available liquidity to maintain their business operations and satisfy its supplier and customer obligations.

200. The Applicants have been offered DIP Financing from the lenders forming the Steering Committee (the "**DIP Lenders**") on commercially reasonable terms. As a result, the Applicants did not canvas the market for other potential lenders. Because this offer for DIP Financing did not require any alteration of Cinram's accounts and included similar terms to facilities under the First Lien Credit Agreement, the Applicants are of the opinion that there was no commercial advantage to pursuing other arrangements for DIP Financing. In addition, the DIP Lenders are already familiar with Cinram's business and financial profile as well as its restructuring options as a result of their involvement in discussions with Cinram's advisors throughout Cinram's strategic review process. Any other offer from other lenders would have required a great deal of time and expense to pursue, could have required a new cash management system and would have had to deal with the security granted in connection with the Credit Agreements.

201. Conditions precedent to the availability of the DIP Financing include: (i) the entry of the Initial Order and the Interim Recognition Order (as defined in the DIP Credit Agreement (as defined below)), each in form and substance satisfactory to the DIP Agent and the Majority Lenders (as defined in the DIP Credit Agreement); and (ii) the payment of fees required to be paid to the Administrative Agent and the DIP Lenders pursuant to the DIP Fee Letter (as defined below).

202. Subject to certain terms and conditions, including the granting of the requested Initial Order providing for a Court-ordered super-priority charge, Cinram has negotiated a

debtor-in-possession credit agreement (the "**DIP Credit Agreement**") with the DIP Lenders through JPMorgan Chase Bank, N.A. as administrative agent (the "**DIP Agent**") whereby the DIP Lenders agree to provide the DIP Financing in the form of a term loan in the amount of $15 million.

203. A copy of the DIP Credit Agreement is attached as Exhibit "H" hereto. The DIP Credit Agreement includes certain schedules which contain sensitive competitive and confidential information. These schedules will be provided to the Court under seal and a sealing order will be sought with respect to such information. I believe sealing these schedules to the DIP Credit Agreement is appropriate in the circumstances.

204. In connection with the DIP Financing, CII has also entered into a fee letter (the "**DIP Fee Letter**") with the DIP Agent, pursuant to which the DIP Lenders are entitled to receive a fee in connection with providing the DIP Financing, and the DIP Agent is entitled to receive an agent fee upon the Draw Date (as defined in the DIP Credit Agreement). A copy of the DIP Fee Letter is attached hereto as Exhibit "I".

205. The DIP Financing is proposed to be secured by a Court-ordered priority security interest, lien and charge (the "**DIP Lenders' Charge**") on all the Charged Property that will secure all post-filing advances. The DIP Lenders' Charge is to have the super priority described in Section III(I) of this Affidavit. The DIP Lenders' Charge will not secure any obligation that exists before the Initial Order is made. The Applicants considered the best interests of all their stakeholders in securing the DIP Financing.

206. CUSH is the borrower under the DIP Financing (the "**DIP Borrower**") and the other CCAA Parties (with the exception of the Fund Entities) are guarantors under the DIP

Credit Agreement (together with the DIP Borrower, the "**DIP Obligors**"). The DIP Borrower will use the DIP Financing to fund, among other things, their working capital requirements. The DIP Credit Agreement will permit the DIP Borrowers to transfer funds drawn on the DIP Financing to DIP Obligors that are guarantors to satisfy the working capital and other liquidity requirements during these proceedings. Absent the ability to make intercompany transfer of funds, the Applicants would not be able to finance their operations or pursue their restructuring initiatives.

207. The Applicants propose that the Monitor will provide oversight and assistance and will report to the Court in respect of the CCAA Parties' actual results relative to the Cash Flow Forecast during these proceedings. Existing account procedures will provide the Monitor with the ability to track the flow of funds for the various Cinram entities.

208. Because the proposed DIP Financing is being provided by the lenders forming the Steering Committee, who are senior secured creditors of the Applicants, the Applicants are of the view that there will be no material prejudice to any of their existing creditors.

209. For all of the above reasons, the Applicants are seeking approval of the proposed DIP Financing to accommodate the anticipated liquidity requirements during these CCAA proceedings.

(iii) Cash Management System

210. As a result of the integration of the business and operations of the Cinram Group, and in order to increase operational and financial efficiencies, Cinram employs a centralized cash management system (the "**Cash Management System**") to deal with cash management,

collections, disbursements and intercompany payments. The Applicants seek the authority to continue to use the existing Cash Management System and to maintain the funding and banking arrangements already in place.

211. Cinram's Cash Management System for North America is primarily managed and monitored from CII's head office in Toronto, Ontario. The Cinram Group maintains bank accounts in Canada, the U.S. and Europe. Bank accounts maintained by Cinram's European entities are monitored by CII but are subject to the control of the management of the local entity.

212. With a few exceptions, the accounts of the Canadian Applicants and Cinram LP are maintained with HSBC Bank of Canada ("**HSBC**") and JPMorgan Chase Bank ("**JPMorgan**"), and the U.S. accounts of the U.S. Applicants are maintained with JPMorgan. On or around May 25, 2012, each of the U.S. Applicants opened a new Canadian-based bank account with JPMorgan. Exhibit "J" presents a schematic diagram of the principal funds flows between the CCAA Parties' bank accounts.

213. The primary Canadian banking and treasury functions managed through the head office at CII include co-ordinating North American cash management, depositing Canadian customer payments; processing and paying vendor and other payables; funding Canadian payroll; initiating and receiving intercompany payments to/from U.S. and European subsidiaries; and processing and paying interest and principal payments with respect to the portion of the first lien debt allocated to CII.

214. CII has four active bank accounts at HSBC, namely: (1) a general Canadian dollar account primarily used for depositing Canadian dollar denominated customer payments and making Canadian dollar denominated vendor payments; (2) a general U.S. dollar account

primarily used for depositing U.S. dollar denominated customer payments and making U.S. dollar denominated vendor payments; (3) a general Euro account used primarily for sending and receiving intercompany transfers from Cinram's European subsidiaries (other than the UK-based entities) and to process Euro-denominated payments to vendors; and (4) a general GBP account used primarily for sending and receiving intercompany transfers from Cinram's UK-based subsidiaries and to process GBP-denominated payments to vendors. CII also has one account with TD Canada Trust used with respect to customer payments made by credit card, and one U.S. dollar account with JPMorgan used to process certain U.S. dollar denominated payments with respect to vendor and other payables.

215. With respect to the U.S. Applicants, the principal operating concentration account is with Cinram Manufacturing. Transfers are made when required between the Cinram Manufacturing operating concentration account and the CUSH concentration account to facilitate payments and advances to CII. Until the filing date, drawdowns and repayments on the secured revolving credit facilities were made by CUSH and funded into its concentration account.

216. Cinram Manufacturing maintains a separate payroll disbursements account. CUSH maintains a separate benefits disbursement accounts. These payroll and benefits disbursement accounts are operated as zero-balance accounts that draw on the main Cinram Manufacturing operating concentration account. Cinram Manufacturing also maintains a pre-funded benefits disbursement account that holds funds for workers' compensation benefits under a former workers' compensation insurance program.

217. Each of Cinram Distribution, Cinram Wireless, Cinram, Inc., One K and Cinram Retail maintains a depository account for customer collections and other receipts and a zero-

balance disbursement account from which payments are made and, when required to cover a payment, draws on the applicable depository account.

218. Transfers are made between the accounts to make intercompany reimbursements, settle (or partially settle) intercompany balances and to meet the fluctuating liquidity requirements. Intercompany accounts are reconciled monthly. The proposed Initial Order includes the authorization to complete intercompany transfers among the CCAA Parties (other than between a CCAA Party that is not a Fund Entity and a Fund Entity).

219. The current Cash Management System includes the necessary accounting controls to enable the CCAA Parties, as well as its creditors and this Honourable Court, to trace funds through the system and ensure that all transactions are adequately ascertainable. As such, it is hereby requested that this Honourable Court grants a continuation of the current system.

(F) Payments during the CCAA Proceedings

220. During the course of these CCAA proceedings, the Applicants intend to make payments for goods and services supplied post-filing in the ordinary course as set out in the Cash Flow Forecast described above and as permitted by the Initial Order.

221. It is also contemplated by the Cash Flow Forecast that employee wage and KERP (as defined below) obligations relating to active employment will be paid in the ordinary course, whether such obligations are incurred pre- or post-filing.

(i) Payments for Shared Services

222. There is a significant degree of administrative and operational integration among the Applicants. The Applicants share several management and operational services (the "**Shared Services**") which are primarily provided through CII's head office in Toronto. The principal Shared Services include: (i) management services provided by CII; (ii) certain information technology, accounting, accounts payable, accounts receivable, financial planning, internal audit, marketing, treasury, real estate and tax services provided by CII; and (iii) certain finance, accounting, legal, human resources, payroll, billing, freight management, procurement and engineering services shared among the Applicants.

223. Additional operational integration exists through the performance by certain of the Applicants, namely CII, Cinram Manufacturing and Cinram, Inc., of replication and other manufacturing services for each other as production volumes and plant capacities warrant. The Applicants also share other ancillary and as-needed services, including creation of master discs and refurbishment of production equipment parts.

224. The costs of the Shared Services are shared among the entities receiving them generally according to the relative revenues of the entities sharing a particular service or function. For example, where one of Cinram, Inc, Cinram Manufacturing or CII performs replication for another of these companies, it charges the receiving company a transfer price of approximately 95% of the price charged by the receiving company to its external customer. Other ancillary services are exchanged approximately at cost.

225. As a result of the operational integration of the businesses, there is a significant volume of financial transactions between and among the Applicants, including, among others,

charges by the Cinram entities providing Shared Services to other Cinram entities of intercompany accounts due from the recipients of those services, and charges by the Cinram entities that manufacture and furnish products to another Cinram entity of intercompany accounts due from the receiving entity.

(ii) Critical Suppliers

226. Cinram relies on efficient and expedited supply of products and services from its suppliers and service providers in order to ensure that its operations continue in an efficient manner so that it can satisfy customer requirements. The CCAA Parties have worked with FTI, the proposed Monitor, to identify suppliers and service providers that they have determined to be critical to the continued operation of the Cinram Business. The CCAA Parties and FTI considered various factors in determining these critical suppliers and service providers, including: (i) the importance of the supplier/provider to Cinram's operations; (ii) the nature of the goods or services supplied and whether there are alternative supply sources; (iii) the ability of the supplier/provider to either remain in business or continue normal operations if not paid; (iv) the ability and likelihood that the supplier/provider may delay or otherwise restrict supplying goods or services in the event of Cinram's non-payment; (v) the volume of the goods or services supplied; (vi) the potential for disruption of Cinram's operations if the supplier delays or fails to expedite supply of goods or services pursuant to their existing contracts; (vii) the ability of the supplier to maintain a possessory lien on the property; and (viii) the amount that Cinram currently owes to each supplier/provider.

227. It is my understanding that a stay of proceedings may require suppliers to continue to supply goods and services but will not allow the CCAA Parties to require suppliers to

extend credit. Furthermore, it is my understanding that, without approval from the Court, amounts owing to suppliers in respect of pre-filing debt cannot be paid. For the reasons discussed below, the CCAA Parties are seeking Court approval to allow (but not require) them to pay certain pre-filing amounts to critical suppliers and service providers, but only with Monitor approval.

228. Cinram relies on its extensive network of suppliers and service providers to ensure Cinram's ability to provide replication and distribution services to its customers in a timely and flexible manner. Cinram operates in a highly competitive environment where the timely provision of its products and services is essential in order for Cinram to remain a successful player in the industry and to ensure the continuance of the Cinram Business.

229. The provision of utilities is also necessary for the functioning of Cinram's operations. Any interruption of the supply of power to Cinram's operations would cause significant production problems.

230. Cinram intends to continue to rely on those suppliers and service providers with which it has contracts or arrangements that were entered into prior to the date of the filing. The CCAA Parties require flexibility to ensure adequate and timely supply of required products and to attempt to obtain and negotiate credit terms with its suppliers and service providers. In order to accomplish this, the CCAA Parties require the ability to pay certain pre-filing amounts and post-filing payables to those suppliers they consider essential to the Cinram Business, as approved by the Monitor. Due to Cinram's current financial circumstances, further tightening of credit terms would be detrimental to Cinram's ability to continue its operations. The CCAA Parties must ensure continued good relations with suppliers and service providers and be able to

offer them a variety of options related to the terms upon which they will continue to supply to Cinram during these proceedings.

231. In addition, there are several suppliers who may have the ability to exercise possessory liens or use otherwise lawful means to require the CCAA Parties to pay the amounts outstanding to them. Any such action may disrupt Cinram's operations and negatively impact any potential restructuring. The CCAA Parties require the flexibility to pay these suppliers or, if applicable, to stay any exercise of such a possessory lien in order to ensure continued uninterrupted operations.

232. As set out in further detail in the Proposed Monitor's Pre-Filing Report, the Cash Flow Forecast currently contemplates the ability to make pre-filing payments to critical suppliers when such payments are approved by the Monitor, the DIP Agent and the Administrative Agent, in accordance with a consultation and approval process agreed to among the Monitor, the DIP Agent, the Administrative Agent and the CCAA Parties.

(iii) Customer Programs

233. The CCAA Parties have several customer programs in place pursuant to existing contracts or arrangements with certain of their customers, including: (1) retroactive price adjustments resulting from a difference between certain raw material costs estimated at the time of order and actual costs incurred by the CCAA Parties; (2) certain relocation payments in connection with certain of the closures and consolidation efforts by Cinram previously discussed; (3) discounts for early payments; (4) warranty claims and reimbursements for or replacements of defective products, and (5) credits relating to pricing adjustments and refundable premiums, among others.

234. In order to maintain customer relationships as part of the CCAA Parties' going concern business, the CCAA Parties are seeking approval of the Court to continue providing certain existing customer programs in compliance with the contracts and arrangements in place with customers and to pay certain amounts owing or allow the customer application of credits in accordance with certain customer programs.

235. As set out in further detail in the Proposed Monitor's Pre-Filing Report, the Cash Flow Forecast currently contemplates customer application of pre-filing credits and the ability to make pre-filing payments relating to customer programs when such payments are approved by the Monitor, the DIP Agent and the Administrative Agent, in accordance with a consultation and approval process agreed to among the Monitor, the DIP Agent, the Administrative Agent and the CCAA Parties.

(G) Key Employee Retention Program

236. The retention of key employees has been and continues to be of vital importance to the Cinram Group during its restructuring efforts, including preserving the value of the Cinram Business in the context of a going concern sale. Cinram developed a key employee retention program (the "**KERP**") with the principal purpose of providing an incentive for eligible employees, including eligible officers, to remain with the Cinram Group despite the financial difficulties that the Cinram Group is currently facing. The KERP has been reviewed and approved by the Board of Trustees of Cinram Fund.

237. The KERP includes retention payments to eligible employees, including eligible officers, as well as payments to certain eligible officers in connection with a sale transaction or capital transaction, each as described below.

238. Agreements with respect to the KERP Retention Payments (as defined below) were entered into on October 17, 2011 and agreements with respect to KERP Transaction Payments were entered into on January 17, 2012 (as defined below) when Cinram recognized certain risks to the retention of its key employees and officers. As a result, the Eligible Employees and Eligible Officers have to this point relied on the KERP and are focussed on working to complete a transaction to maximize the value of the Cinram Business.

(i) KERP Payments

239. Cinram has identified certain existing employees employed at Canadian and U.S. Cinram entities that are critical to the preservation of Cinram's enterprise value, including certain officers (the "**Eligible Employees**").

240. Under the KERP, each Eligible Employee is eligible to receive a certain maximum amount (each a "**KERP Retention Payment**"). The KERP Retention Payments are payable to the Eligible Employees on two milestone dates as follows, provided that in each case the Eligible Employee remains employed by Cinram at the date of the KERP Retention Payment: (i) 25% of each Eligible Employee's KERP Retention Payment on June 30, 2012, less any required statutory deductions; and (ii) 75% of each Eligible Employee's KERP Retention Payment on December 31, 2012, less any required statutory deductions.

241. If an Eligible Employee resigns or is terminated with cause prior to the date of a KERP Retention Payment, such Eligible Employee will not be eligible for any KERP Retention Payments due under the KERP. If an Eligible Employee is terminated without cause at any time prior to December 31, 2012, such Eligible Employee will remain eligible for KERP Retention

Payments due under the KERP. All other terms of the Eligible Employees' employment terms remain unchanged.

242. In addition to the KERP Retention Payments described above, Cinram's CEO and the CFO (each an "**Eligible Officer**") shall be eligible to receive a payment upon the completion of a capital transaction and/or a sale transaction (a "**KERP Transaction Payment**", together with the KERP Retention Payments, the "**KERP Payments**") up to a certain maximum amount as incentive to remain with CII and to oversee such transactions, all with a view to maximizing value for the Cinram Group and its stakeholders.

243. In order to qualify for a KERP Transaction Payment, the Eligible Officer must be employed by CII, or its successor, if applicable, as of the 60th day following the closing of any sale transaction or capital transaction, unless the Eligible Officer has been terminated without cause or has become employed by the purchaser as a senior officer on the completion of a sale transaction.

244. If the employment of an Eligible Officer is terminated without cause and a sale transaction or capital transaction is completed within 6 months of such termination, the Eligible Officer shall be entitled to receive the KERP Transaction Payment. If the employment of an Eligible Officer is terminated with cause, the Eligible Officer shall not be entitled to any KERP Transaction Payment for any subsequently occurring sale transaction or capital transaction. All terms and conditions of the existing employment arrangements of the Eligible Officers with CII remain in full force and effect.

245. The Eligible Employees and the Eligible Officers are essential for a successful restructuring of the Cinram Group and the preservation of Cinram's value during the

restructuring process and are likely to seek alternative employment absent the KERP. It would be detrimental to the restructuring process if Cinram were required to find replacements for Eligible Employees and/or Eligible Officers during this critical period. It is Cinram's belief that the KERP, including the KERP Payments payable thereunder, not only provides appropriate incentives for the Eligible Employees and the Eligible Officers to remain in their current positions, but also ensures that they are properly compensated for their assistance in Cinram's restructuring process.

(ii) Aurora Facility Retention Payments

246. In connection with the transition of Cinram Distribution's Aurora facility to its Nashville facility described above, Cinram entered into retention agreements (the "**Aurora Retention Agreements**") with five key employees (the "**Aurora Employees**") critical for the orderly closure of the Aurora facility and transition of its distribution business to the Nashville facility. Pursuant to the Aurora Retention Agreements, each Aurora Employee is eligible to obtain a specified retention payment (collectively, the "**Aurora KERP Payments**") provided that such employee remains employed through the transition period and up through the closure of the Aurora facility, and does not resign or become terminated prior thereto. It is Cinram's belief that the Aurora KERP Payments not only provide appropriate incentives for the Aurora Employees to remain in their current positions, but also ensure that they are properly compensated for their assistance in the transition of Cinram Distribution's business from the Aurora facility to the Nashville facility.

(iii) KERP Charge

247. The maximum aggregate amount of KERP Payments and Aurora KERP Payments is approximately CAD$3 million. The Applicants request a Court-ordered charge in the amount of CAD$3 million over the Charged Property as security for the KERP Payments and the Aurora KERP Payments (the "**KERP Charge**").

248. A detailed summary of the individual KERP Payments and Aurora KERP Payments (attached hereto as Exhibit "K") will be provided to the Court under seal and a sealing order will be sought with respect to such information. Cinram does not wish to make the salaries of its employees publically known. I believe sealing this information is appropriate in the circumstances.

(H) Trustee, Director and Officer Protections

249. The directors (and in the case of Cinram Fund and CII Trust, the trustees, referred to herein collectively with the directors as the "**Directors/Trustees**") of the Applicants have been actively involved in the attempts to address the Applicants' current financial circumstances and difficulties, including through the exploration of alternatives, communicating with the principal secured lenders, and the commencement of the within CCAA proceedings. The Directors/Trustees have been mindful of their duties with respect to the supervision and guidance of the Applicants in advance of these CCAA proceedings.

250. It is my understanding that in certain circumstances directors and officers can be held personally liable for certain of a company's obligations to the federal and provincial governments, including in connection with payroll remittances, harmonized sales taxes, goods

and services taxes, workers compensation remittances, etc. Furthermore, I understand it may be possible for directors and officers of a corporation to be held personally liable for certain wage-related obligations to employees.

251. Cinram maintains a Trustee, Director and Officer Insurance Policy (the "**Primary D&O Policy**") with Chartis Insurance Company of Canada ("**Chartis**") for the Directors/Trustees and officers of the Cinram Group which expires on July 1, 2012. The current Primary D&O Policy provides $25 million in coverage.

252. Cinram also maintains additional insurance coverage that follows the Primary D&O Policy (the "**Excess D&O Policy**") with Lloyd's of London which similarly expires on July 1, 2012. The Excess D&O Policy provides $25 million in coverage in excess of coverage provided by the Primary D&O Policy.

253. In addition, Cinram maintains an insurance policy with Chubb Insurance to provide coverage in certain circumstances where indemnification and insurance are unavailable (the "**Side D&O Policy**", collectively with the Primary D&O Policy and the Excess D&O Policy, the "**D&O Policies**") which expires on July 1, 2012 and provides up to $10 million in coverage in excess of coverage provided by the Primary D&O Policy and the Excess D&O Policy. Cinram is in the process of finalizing a one year extension of the D&O Policy.

254. The D&O Policies contain several exclusions and limitations to the coverage provided by such policies, and there is a potential for there to be insufficient coverage in respect of the potential directors' liabilities for which the Directors/Trustees and/or officers may be found to be responsible.

255. The Directors/Trustees and officers of the Applicants have expressed their desire for certainty with respect to potential personal liability if they continue in their current capacities. In order to complete a successful restructuring, including the Proposed Transaction, the Applicants require the active and committed involvement of their Directors/Trustees and senior officers.

256. I am advised by Cinram's insurers, Chartis, Lloyd's of London and Chubb Insurance, that if Cinram was to file for CCAA protection, and if the insurers agreed to renew the D&O Policies, there would be a significant increase in the premium for that insurance.

257. The Applicants request a Court-ordered charge in the amount of CAD$13 million over the Charged Property to indemnify the Directors/Trustees and senior officers of the Applicants in respect of liabilities they may incur in such capacities from and after the commencement of these proceedings (the "**Directors' Charge**").

(I) Priorities of Charges

258. It is contemplated that the priorities of the various charges set out herein will be as follows:

a) First – the Administration Charge (to a maximum of CAD$3.5 million);

b) Second – the DIP Lenders' Charge;

c) Third – the Directors' Charge (to a maximum of CAD$13 million);

d) Fourth – the KERP Charge (to a maximum of CAD$3 million); and

e) Fifth – the Consent Consideration Charge.

259. The Initial Order sought by the Applicants provides for the Administration Charge, the DIP Lenders' Charge, the Directors' Charge, the KERP Charge and the Consent Consideration Charge (collectively, the "**Charges**") on the Charged Property, ranking 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, other than any validly perfected security interest in favour of the Administrative Agent or the Lenders under the Credit Agreements, and with respect to the Consent Consideration Charge, subject to the prior payment in full of all obligations under the first-out revolving credit facility. Counsel to the Administrative Agent and the secured Lenders that are affected by the Charges have been given notice of these CCAA Proceedings. The Initial Order provides that no Charge created by the Initial 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.

260. The Applicants believe the amount of the Charges is fair and reasonable in the circumstances.

IV. CONCLUSION

261. The Applicants are currently in a challenging financial position. The Cinram Group has experienced significant declines in revenue, which has left Cinram in a position where it cannot meet certain financial and other covenants under its Credit Agreements. In spite of the many cost-reduction and recapitalization initiatives and the exploration of strategic alternatives

pursued over the last few years, the CCAA Parties are no longer able to meet their financial obligations and require the protections afforded by the CCAA.

262. The within CCAA proceedings are necessary to preserve the value of the Cinram Business with minimal disruption and to ensure the necessary availability of working capital funds necessary to continue operations of the Cinram Business while Cinram pursues the completion of the Proposed Transaction for the benefit of all stakeholders.

263. The Proposed Transaction will allow Cinram to return to a market leader in the industry. Upon the completion of the Proposed Transaction, Cinram will be well positioned to increase its market share in the industry based on its status as the leading service provider and with an improved and normalized capital structure.

SWORN before me at the City of Toronto, on June 23, 2012.

A Commissioner for taking affidavits

ROBERT J. CHADWICK.

John Bell

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

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

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ONTARIO
SUPERIOR COURT OF JUSTICE-COMMERCIAL LIST

Proceeding commenced at Toronto

AFFIDAVIT OF JOHN BELL
(sworn June 23, 2012)

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Barristers & Solicitors
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Tel: (416) 979-2211
Fax: (416) 979-1234

Lawyers for the Applicants

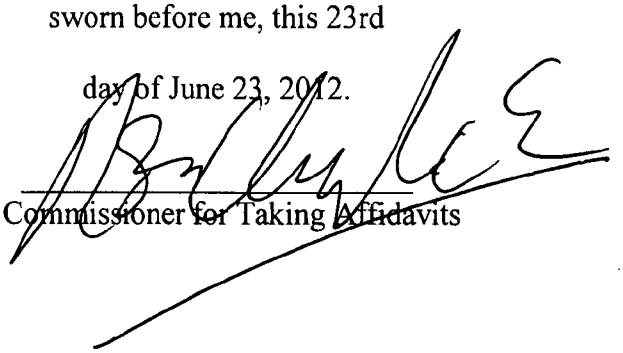
A

This is Exhibit "A" referred to in the

affidavit of John Bell

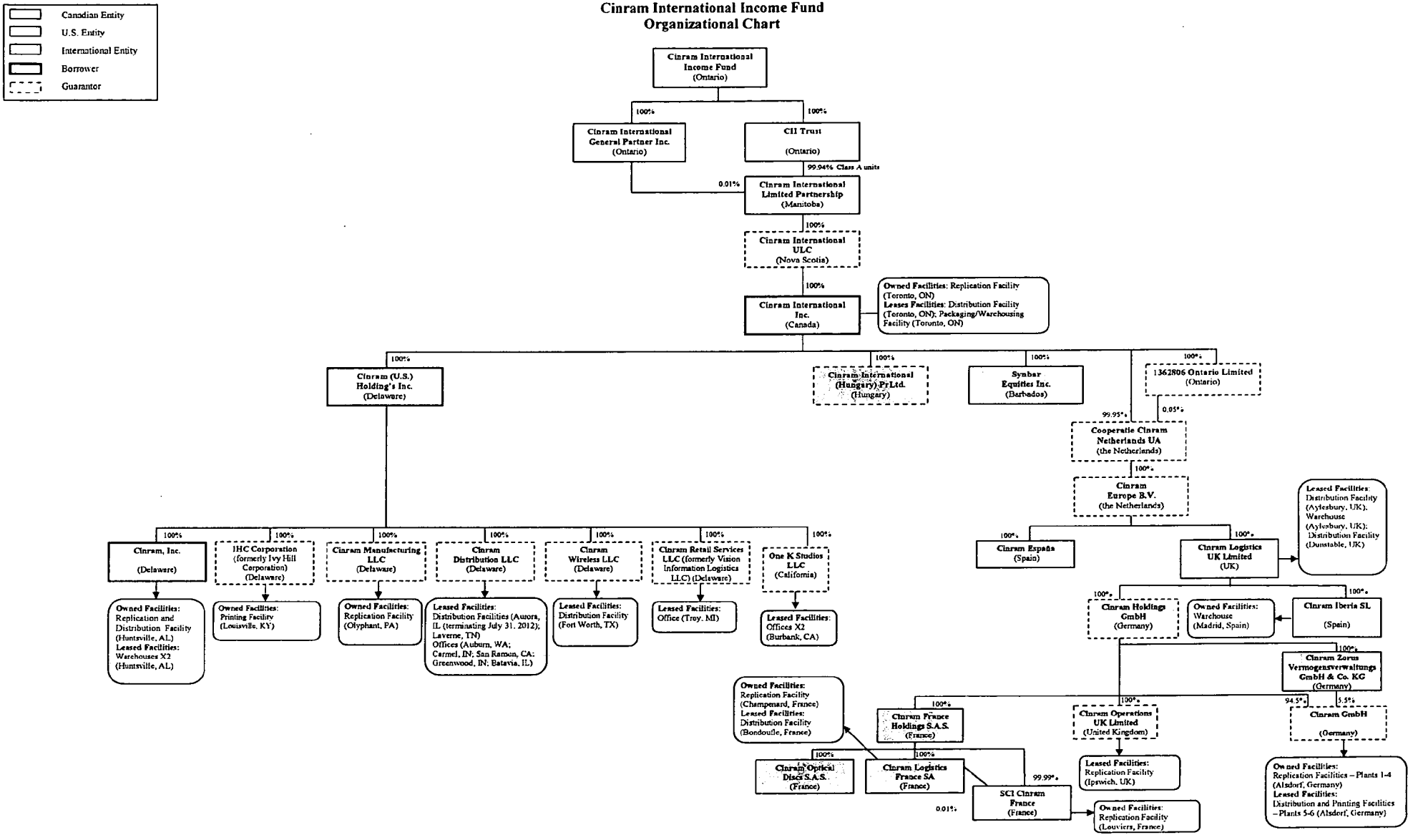
sworn before me, this 23rd

day of June 23, 2012.



A Commissioner for Taking Affidavits

Cinram International Income Fund
Organizational Chart



V4#9731

B

This is Exhibit "B" referred to in the

affidavit of John Bell

sworn before me, this 23rd

day of June 23, 2012.

A Commissioner for Taking Affidavits

Cinram Facilities

Location	Cinram Entity	Function	Leased/Owned
2255 Markham Road, Toronto, Ontario	Cinram International Inc.	Replication	Owned
400 Nugget Ave, Toronto, Ontario	Cinram International Inc.	Distribution	Leased
5590 Finch Ave, Toronto, Ontario	Cinram International Inc.	Packaging/ Warehousing	Leased
4905 Moores Mill Road, Huntsville, AL	Cinram, Inc.	Replication and Distribution	Owned
1000 James Record Road, Huntsville, AL	Cinram, Inc.	Warehouse	Leased
300 Diamond Drive, Huntsville, AL	Cinram, Inc.	Warehouse	Leased
1400 E Lackawanna Ave, Olyphant, PA	Cinram Manufacturing LLC	Replication	Owned
3500 West Valley Highway North, Unit B103, Auburn, WA	Cinram Distribution LLC	Office	Leased
948 Meridian Drive, Aurora, IL	Cinram Distribution LLC	Distribution	Leased *Lease terminates July 31, 2012
437 Sanford Road, Laverne, TN	Cinram Distribution LLC	Distribution and Packaging	Leased
701 Congressional Blvd., Carmel, IN	Cinram Distribution LLC	Office	Leased
2682 Bishop Drive, Suite 216, San Ramon, CA	Cinram Distribution LLC	Office	Leased
39 South Park Blvd, Greenwood, IN	Cinram Distribution LLC	Office	Leased
140 First St., Batavia, IL	Cinram Distribution LLC	Office	Leased

Location	Cinram Entity	Function	Leased/Owned
5300 Westport Parkway, Fort Worth, TX	Cinram Wireless LLC	Distribution	Leased
3400 W Olive, Unit 300, Burbank, CA	One K Studios LLC	Office	Leased
3400 W Olive, Unit 370, Burbank, CA	One K Studios LLC	Office	Leased
340 East Big Beaver, Unit 220, Troy, MI	Cinram Retail Services LLC	Office	Leased
4325 Shepherdsville Road, Louisville, KY	IHC Corporation	Printing	Owned
Rabans Lane Main Site, Aylesbury, UK	Cinram Logistics UK Limited	Distribution	Leased
Unit 1 Rabans Lane, Aylesbury, UK	Cinram Logistics UK Limited	Warehouse	Leased
Dunstable Site - Dunstable, UK	Cinram Logistics UK Limited	Distribution	Leased
2 Central Avenue, Ipswich, UK	Cinram Operations UK Limited	Replication	Leased
Plants 1- 4, Alsdorf, Germany	Cinram GmbH	Replication	Owned
Plants 5-6, Alsdorf, Germany	Cinram GmbH	Distribution Printing	Leased
4, Rue Desir Prevost, ZA La Mariniere, Bondoufle, France	Cinram Logistics France SA	Distribution	Leased
Route de Beauchêne W1-W4, Champenard, France	Cinram Logistics France SA	Replication	Owned

Location	Cinram Entity	Function	Leased/Owned
26 Avenue Winston Churchill, Louviers, France	SCI Cinram France	Replication	Owned
Poligono Industrial el Raso Subida Monte Valdeoliva, Madrid, Spain	Cinram Iberia SL	Warehouse	Owned

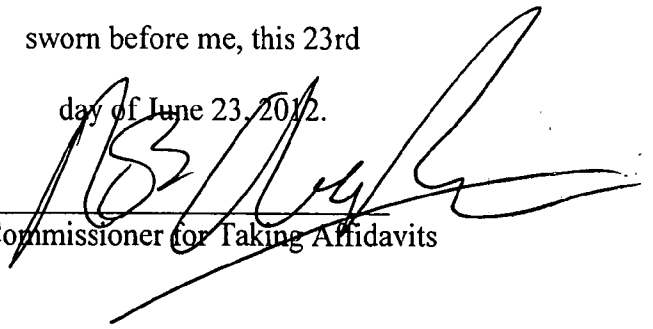
C

This is Exhibit "C" referred to in the

affidavit of John Bell

sworn before me, this 23rd

day of June 23, 2012.



A Commissioner for Taking Affidavits

Consolidated Financial Statements
(Expressed in U.S. dollars)

CINRAM INTERNATIONAL INCOME FUND

Years ended December 31, 2011 and 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by management and approved by the Trustees of Cinram International Income Fund (the "Fund"). Management is responsible for the information and representations contained in these consolidated financial statements.

We maintain appropriate processes to ensure that we produce relevant and reliable financial information. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The significant accounting policies, which management believes are appropriate for the Fund, are described in note 3 to the consolidated financial statements.

The Trustees are responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. The Trustees appoint an Audit Committee of three non-management Trustees to review the consolidated financial statements, as well as the adequacy of its internal controls, audit process and financial reporting with management and with the external auditors. The Audit Committee reports to the Trustees prior to the approval of the audited consolidated financial statements for publication.

KPMG LLP, our independent auditors appointed by trust unitholders at the last annual meeting, have audited the consolidated financial statements. Their report is presented below.

/s/ Steven G. Brown
Chief Executive Officer

/s/ John H. Bell
Chief Financial Officer

Toronto, Canada

March 29, 2012

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Cinram International Income Fund (the "Fund")

We have audited the accompanying consolidated financial statements of Cinram International Income Fund, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of income (loss), comprehensive income (loss), changes in equity (deficiency) and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Cinram International Income Fund as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2(a) in the consolidated financial statements which describes certain events and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Cinram International Income Fund's ability to continue as a going concern.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

March 29, 2012
Toronto, Canada

CINRAM INTERNATIONAL INCOME FUND

Consolidated Statements of Financial Position
(Expressed in thousands of U.S. dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash and cash equivalents	$ 70,097	$ 164,399	$ 122,072
Trade and other receivables	167,523	177,760	272,784
Inventories (note 7)	24,156	24,109	31,985
Current income tax assets	–	706	5,005
Prepaid and other assets	10,036	10,910	15,085
Assets held for sale (note 24 and note 30(b))	2,956	–	6,047
Total current assets	274,768	377,884	452,978
Property, plant and equipment (note 8)	154,645	165,675	230,350
Investment properties (note 9)	5,121	8,446	7,205
Goodwill (note 10)	–	40,634	40,634
Intangible assets (note 10)	1,971	11,349	16,481
Other non-current assets	16,215	25,701	21,571
Deferred tax assets (note 13)	–	–	5,097
Total assets	$ 452,720	$ 629,689	$ 774,316
Liabilities and Unitholders' Deficiency			
Current liabilities:			
Bank indebtedness (note 14)	$ 19,170	$ –	$ –
Trade and other payables	148,829	149,559	254,024
Provisions (note 11)	14,094	17,468	6,278
Employee benefits (note 12)	34,765	39,498	54,553
Current tax liability	13,433	13,749	20,277
Current portion of long-term debt (note 14)	232,456	365,927	28,624
Mandatorily exchangeable secured debt (note 14 and note 30(a))	22,422	–	–
Current derivative financial instruments (note 15)	3,383	11,087	–
Current portion of obligations under financing leases (note 25)	7,577	1,141	1,728
Total current liabilities	496,129	598,429	365,484
Long-term debt (note 14)	–	–	363,396
Obligations under financing leases (note 25)	4,854	1,086	2,337
Other non-current liabilities	1,099	7,254	11,220
Non-current derivative financial instruments (note 15)	–	–	25,225
Non-current provisions (note 11)	3,952	5,787	4,716
Employee benefits (note 12)	20,899	20,864	23,089
Deferred tax liabilities (note 13)	914	1,229	5,728
Total liabilities	527,847	634,649	801,195
Unitholders' deficiency (note 16)	(75,127)	(4,960)	(26,879)
Total liabilities and unitholders' deficiency	$ 452,720	$ 629,689	$ 774,316

Going concern (note 2(a))
Lease commitments (note 25)
Contingent liabilities (note 26)
Related party transactions (note 27)
Subsequent events (notes 2(a), 16(b) and 30)

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board of Trustees:

/s/ Steven G. Brown
Trustee

/s/ Randall Benson
Trustee

CINRAM INTERNATIONAL INCOME FUND

Consolidated Statements of Income (Loss)
(Expressed in thousands of U.S. dollars, except per unit information)

	For the years ended December 31,	
	2011	2010
Revenue	$ 800,845	$ 1,108,938
Cost of goods sold	676,043	888,147
Gross profit	124,802	220,791
Selling, general and administrative expenses	124,604	137,674
Impairment of non-financial assets (note 18)	67,305	22,931
Other charges, net (note 19)	9,696	15,029
Results from operating activities	(76,803)	45,157
Net finance costs (note 20)	11,191	32,917
Earnings (loss) before income tax recovery	(87,994)	12,240
Income tax recovery (note 13)	(405)	(3,500)
Earnings (loss) from continuing operations	(87,589)	15,740
Earnings (loss) from discontinued operations, net of income taxes (note 24(b))	(949)	429
Net earnings (loss)	$ (88,538)	$ 16,169
Earnings (loss) from continuing operations per unit (note 21):		
Basic	$ (1.45)	$ 0.29
Diluted	(1.45)	0.28
Earnings (loss) per unit (note 21):		
Basic	(1.46)	0.30
Diluted	(1.46)	0.29

The accompanying notes are an integral part of these consolidated financial statements.

CINRAM INTERNATIONAL INCOME FUND

Consolidated Statements of Comprehensive Income (Loss)
(Expressed in thousands of U.S. dollars)

Years ended December 31, 2011 and 2010

	For the years ended December 31, 2011	2010
Net earnings (loss)	$ (88,538)	$ 16,169
Other comprehensive income (loss), net of income taxes:		
Unrealized defined benefit actuarial loss	(2,616)	(345)
Unrealized gain (loss) on translating financial statements of foreign operations	9,919	(14,478)
Unrealized gain (loss) on hedges of net investment in foreign operations	(1,371)	5,897
Release of other comprehensive income due to de-designation of hedge	5,012	14,636
Other comprehensive income	10,944	5,710
Total comprehensive income (loss), net of income taxes	$ (77,594)	$ 21,879

The accompanying notes are an integral part of these consolidated financial statements.

CINRAM INTERNATIONAL INCOME FUND

Consolidated Statements of Changes in Equity (Deficiency)
(Expressed in thousands of U.S. dollars, except units)

Years ended December 31, 2011 and 2010

	Fund capital		Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total unitholders' deficiency
	Number of units	Amount			
	(in thousands of units)				
Balances at January 1, 2010	55,227	$ 173,688	$ (180,919)	$ (19,648)	$ (26,879)
Net earnings	–	–	16,169	–	16,169
Other comprehensive income (note 17)	–	–	(345)	6,056	5,711
Total comprehensive income	–	–	15,824	6,056	21,880
Deferred units exchanged for fund units	18	39	–	–	39
Balances at December 31, 2010	55,245	$ 173,727	$ (165,095)	$ (13,592)	$ (4,960)
Balances at January 1, 2011	55,245	$ 173,727	$ (165,095)	$ (13,592)	$ (4,960)
Loss for the year	–	–	(88,538)	–	(88,538)
Other comprehensive income (note 17)	–	–	(2,616)	13,560	10,944
Total comprehensive income (loss)	–	–	(91,154)	13,560	(77,594)
Deferred units exchanged for fund units	429	76	–	–	76
Issuance of fund units (note 14)	9,896	7,351	–	–	7,351
Balances at December 31, 2011 (note 30(a))	65,570	$ 181,154	$ (256,249)	$ (32)	$ (75,127)

The accompanying notes are an integral part of these consolidated financial statements.

CINRAM INTERNATIONAL INCOME FUND

Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)

	For the years ended December 31, 2011	2010
Cash flows from operating activities:		
Net earnings (loss)	$ (88,538)	$ 16,169
Items not involving cash:		
Amortization expense	27,427	48,810
Impairment of non-financial assets (note 18)	67,305	22,931
Unrealized foreign exchange loss on intercompany loans and release of cumulative translation adjustment (note 20)	4,918	118
Mark-to-market adjustment of derivative liabilities (note 15)	(10,744)	(14,138)
Release of accumulated other comprehensive income due to de-designation of hedge (note 15)	5,012	14,636
Gain on disposal of property, plant and equipment (note 19)	–	(7,460)
Lender consent fees and transaction costs (notes 14 and 16)	33,984	–
Change in fair value of equity forward embedded derivative (note 15(c))	(79,486)	–
Issuance of fund units (notes 14 and 16)	7,351	–
Interest expense	49,340	32,808
Income tax recovery (note 13)	(405)	(3,500)
Other	503	901
Change in provisions	(5,326)	(4,612)
Change in employee benefits	(3,805)	(9,373)
Income taxes received	76	2,199
Change in non-cash operating working capital (note 22)	12,655	15,555
Net cash provided by operating activities	20,267	115,044
Cash flows from financing activities:		
Lender consent fees and transaction costs (notes 14 and 16)	(40,110)	(6,134)
Repayment of long-term debt	(43,108)	(28,624)
Increase in bank indebtedness	19,000	–
Interest paid	(31,621)	(31,815)
Decrease in obligations under financing leases	(2,985)	(1,857)
Net cash used in financing activities	(98,824)	(68,430)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(9,717)	(14,701)
Proceeds on disposition of property, plant and equipment	–	13,671
Acquisition (note 23)	(2,963)	–
Decrease in other non-current liabilities	(7,732)	(655)
Decrease in other non-current assets	13,550	1,838
Net cash provided by (used in) investing activities	(6,862)	153
Cash used in discontinued operating activities (note 24(b))	(658)	(1,833)
Foreign currency translation loss on cash held in foreign currencies	(8,225)	(2,607)
Increase (decrease) in cash and cash equivalents	(94,302)	42,327
Cash and cash equivalents, beginning of year	164,399	122,072
Cash and cash equivalents, end of year	$ 70,097	$ 164,399

The accompanying notes are an integral part of these consolidated financial statements.

CINRAM INTERNATIONAL INCOME FUND

Notes to Consolidated Financial Statements
(In thousands of U.S. dollars, except units and per unit information)

Years ended December 31, 2011 and 2010

1. Reporting entity:

Cinram International Income Fund ("Cinram" or the "Fund") is an unincorporated, open-ended, limited purpose trust, established under the laws of the Province of Ontario, Canada by Declaration of Trust dated March 21, 2006, as amended and restated on May 5, 2006. The registered office of the Fund is located at 2255 Markham Road, Toronto, Ontario, Canada.

The Fund was established to acquire, invest in, hold, transfer, dispose of and otherwise deal with securities and/or assets of the Cinram International Income Trust, Cinram International General Partner Inc., and other corporations, partnerships, or other persons engaged, directly or indirectly, in the business of the manufacture, packaging, distribution, sale and provision of Pre-Recorded Multimedia Products and related logistics services, as well as activities related or ancillary thereto, and such other investments as the Trustees may determine, and the borrowing of funds for that purpose.

The Fund is primarily involved in the manufacture, replication, packaging and distribution of DVDs, Blu-ray© discs and CDs, and the distribution of video games and telephonic handheld devices. The Fund's group of companies also incorporates One K Studios, LLC ("1K"), a digital media firm based in Los Angeles.

The consolidated financial statements of the Fund, as at and for the year ended December 31, 2011, comprise Cinram and its subsidiaries (together referred to as the "Fund" and individually as "Fund entities").

These consolidated financial statements were authorized for issue by the Board of Trustees of the Fund on March 29, 2012.

2. Basis of preparation:

(a) Going concern:

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS").

The going concern basis of presentation assumes that the Fund will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at December 31, 2011, the Fund would have been in breach of certain financial covenants in its year end financial reporting to its lenders, under its August 2011 Credit Facility (note 14) however, subsequent to December 31, 2011, the Fund received waivers for a limited period from its lenders under the August 2011 Credit Facility for certain financial covenants. The amounts outstanding under the August 2011 Credit Facility have been classified as a current liability at December 31, 2011. The waivers which were received subsequent to December 31, 2011 were as follows:

(i) on January 31, 2012, the Fund received a waiver for certain financial covenants from its lenders for the period up to March 15, 2012;

2. Basis of preparation (continued):

(ii) on March 15, 2012, the lenders further agreed to extend the waiver for certain financial covenants up to March 28, 2012. In addition, on March 15, 2012, the lenders agreed to extend the date by which the lenders are required to approve the business plan and financial statement projections (the "Business Plan") submitted to the lenders on February 15, 2012, from March 15, 2012 to March 28, 2012; and

(iii) on March 28, 2012, the lenders further agreed to extend the waiver for certain financial covenants up to April 30, 2012; however, the lenders may terminate this waiver on or after April 13, 2012. The March 28, 2012 waiver also extends the date by which the lenders are required to approve the Business Plan and waives certain other financial reporting requirements indefinitely, subject to the lenders' right to terminate the waiver on or after April 13, 2012.

Without further waivers or amendments, and subject to the lenders not terminating the waivers pertaining to: (1) the financial covenants, (2) the Business Plan, and (3) certain other financial reporting requirements on or after April 13, 2012, the lenders can terminate the March 28, 2012 waiver pertaining to the financial covenants on or after April 30, 2012, and the amounts under the August 2011 Credit Facility are repayable on demand.

Should the lenders demand repayment of the amounts outstanding on or prior to April 30, 2012, in the absence of alternative sources of funding, the Fund would not be able to repay the amounts outstanding under the August 2011 Credit Facility. At December 31, 2011, the Fund has a unitholders' deficiency of $75,127 and a working capital deficiency of $221,361. For the year ended December 31, 2011, the Fund incurred a loss of $88,538. The circumstances described above have resulted in a material uncertainty over the Fund's ability to repay the amounts outstanding under the August 2011 Credit Facility and meet its other obligations as they become due. This material uncertainty may cast significant doubt about the ability of the Fund to continue as a going concern.

The Fund is currently in discussions with its lenders and is undergoing a strategic review with its advisors, including a possible sale of certain or all of the Fund's operations or a restructuring of the operations. If this strategic review does not provide alternatives for repayment of the August 2011 Credit Facility and allow the Fund to meet its other obligations as they become due, a demand by the lenders for settlement of amounts due under the August 2011 Credit Facility will likely have a material adverse effect on the Fund's financial position. No agreements with the Fund's lenders or potential purchasers or investors have been reached yet and there can be no assurance that such agreements will be reached.

2. Basis of preparation (continued):

The ability of the Fund to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of the actions taken or planned, some of which are described above. Management believes the actions taken or planned will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these consolidated financial statements. There is no certainty that these and other strategies will be sufficient to permit the Fund to continue as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis of presentation were not appropriate. If the going concern basis of presentation was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported net loss for the year and the statement of financial position classifications used.

(b) Statement of compliance:

These consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). These are the Fund's first annual consolidated financial statements prepared in accordance with IFRS. The Fund has elected January 1, 2010 as the date of transition to IFRS (the "Transition Date"). IFRS 1, First-time Adoption of IFRS ("IFRS 1"), has been applied, and the Fund's accounting policies are in accordance with IFRS. These accounting policies are disclosed in note 3 of these consolidated financial statements.

An explanation of how the transition to IFRS has affected the consolidated financial statements is included in note 5.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 29, 2012.

Seasonality:

The Fund's business follows a seasonal pattern, whereby Pre-Recorded Multimedia Products sales (note 6) are traditionally higher in the third and fourth quarters than in other quarterly periods due to consumer holiday buying patterns. As a result, a disproportionate share of total revenue is typically generated in the third and fourth quarters.

2. Basis of preparation (continued):

(c) Basis of measurement:

The consolidated financial statements have been prepared on a historical cost basis, except for the following material items to be considered in the consolidated statements of financial position:

- Derivative financial instruments including embedded derivatives are measured at fair value (note 15).
- In relation to employee benefits, the defined benefit liability is recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.
- Certain items of property, plant and equipment where the deemed cost exemption of IFRS 1 had been elected are measured at a deemed cost as at January 1, 2010, as further discussed in note 5.
- The value of an indemnity to which the Fund has provided to a purchaser of a previously owned subsidiary, in connection with a multi-employer pension plan, is measured at fair value.
- Liabilities for cash-settled share-based payment arrangements are measured at fair value.
- The liability associated with the warrants (note 16) is measured at fair value.

(d) Functional and presentation currency:

These consolidated financial statements are prepared in U.S. dollar, which is the Fund's presentation currency. All financial information presented in U.S. dollars has been rounded to the nearest thousand. The Fund's functional currency is Canadian dollars.

The Fund has chosen to present its consolidated financial statements in U.S. dollars due to the majority of its business activities being transacted in this currency, and the exposure of the Fund's reported results to exchange rate fluctuations is reduced due to the relative size of its U.S. dollar cash flows.

2. Basis of preparation (continued):

(e) Basis of consolidation:

(i) Business combinations:

For acquisitions on or after January 1, 2010, the acquisition is accounted for using the acquisition method. The Fund measures goodwill as the fair value of consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date in accordance with IFRS. When the excess is negative, a bargain purchase gain is recognized immediately in earnings or loss.

For acquisitions made prior to January 1, 2010, as part of its transition to IFRS, the Fund elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under previous Canadian generally accepted accounting principles ("GAAP").

(ii) Subsidiaries:

Subsidiaries are entities controlled by the Fund. The results of subsidiaries acquired are consolidated from the date of acquisition, being the day that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Fund.

(iii) Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(f) Comparative figures:

Certain 2010 figures have been reclassified to conform with the financial statement presentation adopted in 2011.

3. Significant accounting policies:

The accounting policies set out below have been applied on a consistent basis to these consolidated financial statements for both the years ended December 31, 2011 and 2010, as well as in preparing the opening IFRS consolidated statement of financial position at January 1, 2010 for the purposes of the transition to IFRS.

(a) Foreign currency:

(i) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of the Fund's entities using weighted average exchange rates for the year. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined, or using spot exchange rates at the transition date, January 1, 2010, whichever is later. Foreign currency differences arising on translation are recognized in earnings or loss, except for the differences arising on the translation of a financial liability designated as a hedge of the net investment in a foreign operation, which is recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction or using spot exchange rates at the transition date, January 1, 2010, whichever is later.

(ii) Foreign operations:

The assets and liabilities of foreign operations having a functional currency different from the presentation currency of the Fund are translated into U.S. dollars at the rate of exchange in effect at the balance sheet date; revenue and expenses, as well as cash flow items of such consolidated entities, are translated at weighted average exchange rates for the year.

3. Significant accounting policies (continued):

Any resulting exchange gain or loss is charged or credited to the foreign currency translation adjustment account included as a separate component of accumulated other comprehensive income.

When a foreign operation is disposed of, the relevant amount in a foreign currency translation adjustment account is transferred to earnings or loss as part of the gain or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of foreign operation, the relevant proportion is reclassified to earnings or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation, and are recognized in other comprehensive income, and are presented within equity in the foreign currency translation adjustment account.

(iii) Hedge of net investment in foreign operation:

The Fund applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the parent entity's functional currency (Canadian dollar), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation adjustment account. To the extent that the hedge is ineffective, such differences are recognized in earnings or loss. When the hedged part of a net investment is disposed of, the relevant amount in the foreign currency translation adjustment account is transferred to earnings or loss as part of the earnings or loss on disposal.

(b) Revenue recognition:

Revenue comprises product sales and service revenue earned from fulfillment and logistics services and is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates, including customer contract advances amortization.

Revenue from product sales is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and the amount of revenue can be measured reliably.

3. Significant accounting policies (continued):

Transfers of risks and rewards occur upon shipment since title to the product is transferred to the customers. The Fund's customers cannot return any previously purchased inventory, with the exception of defective product, which occurs very rarely, nor do customers have a right of refusal on purchases made.

Volume rebates and early payment discounts are recorded as a reduction of revenue at the time of shipment to the extent they are expected to be incurred. Contractual payments to acquire sales contracts are amortized against revenue over the term of the contract.

Service revenue is recognized in earnings or loss as services are performed.

The Fund offers certain products and services as part of multiple deliverable arrangements. The Fund divides multiple deliverable arrangements into separate units of accounting. Components of multiple deliverable arrangements are separately accounted for provided the delivered elements have stand-alone value to the customer and the fair value of the undelivered elements can be objectively and reliably determined. Consideration for these units is then measured and allocated amongst the separate units based upon their relative fair values, and then the Fund's relevant revenue recognition policies are applied to them.

(c) Inventories:

Inventories are measured at the lower of cost and net realizable value, with cost determined based on a first-in, first-out basis. Inventories include the cost of materials purchased, the cost of conversion, as well as other costs required to bring the inventories to their present location and condition. Inventory costs, including the allocation of fixed production overhead, are based on normal production capacity of the manufacturing facilities.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Work in process and finished goods inventory produced without customer orders are written down to net realizable value.

(d) Accounts payable and other liabilities:

Trade payables and other non-derivative financial liabilities are generally measured at amortized cost using the effective interest method.

Derivatives with negative fair values that are not part of an effective hedging relationship as set out in International Accounting Standard ("IAS") 39, Financial Instruments - Recognition and Measurement ("IAS 39"), are classified as held-for-trading financial liabilities and reported at fair value through earnings or loss.

3. Significant accounting policies (continued):

(e) Property, plant and equipment:

Property, plant and equipment are recorded at cost less any amortization or impairment and are amortized over their estimated useful lives.

Cost represents acquisition or construction costs, which are directly attributable to the acquisition of the assets, including preparation, installation and testing charges incurred with respect to property, plant and equipment, bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Each material component of a composite asset with different useful lives or different patterns of amortization is accounted for separately for the purpose of amortization and for accounting of subsequent expenditures. Gains or losses arising from the disposition of property, plant and equipment are reflected in earnings or loss for the year.

(i) Reclassification to investment property:

When the use of a property changes from owner-occupied to investment property, the property is reclassified at its carrying value and no gains or losses are recorded.

(ii) Subsequent costs:

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Fund and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Major renewals and improvements are capitalized, while maintenance and repairs are charged to operations as incurred.

(iii) Amortization:

Amortization is calculated over the depreciable amount, which is the cost of an asset less its estimated residual value.

CINRAM INTERNATIONAL INCOME FUND

Notes to Consolidated Financial Statements (continued)
(In thousands of U.S. dollars, except units and per unit information)

Years ended December 31, 2011 and 2010

3. Significant accounting policies (continued):

Property, plant and equipment are amortized on a straight-line basis over the expected useful life of each respective asset, commencing when the asset is available for use. The expected lives, amortization methods and residual values of each asset are evaluated at each financial year end, or more frequently if required, and are adjusted if appropriate. Amortization expense for property, plant and equipment is recorded in cost of goods sold. Land is not depreciated. Estimated useful lives for the principal asset categories are as follows:

Buildings	5 - 35 years
Machinery and equipment	4 - 7 years
Computer equipment	3 - 5 years
Furniture	5 years
Leasehold improvements	Over shorter of estimated useful life and lease term

(f) Leased assets:

Leases are classified as finance leases when the lease arrangement transfers substantially all risks and rewards of ownership of the leased asset to the lessee. All other leases are classified as operating leases.

A finance lease is treated as an acquisition of an asset, and the corresponding financial liability is accounted for by the Fund. Upon initial recognition, the leased asset is recognized on the balance sheet at the lower of its fair value or the present value of the minimum lease payments calculated at the interest rate implicit in the lease plus deposits. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The assets held under finance leases are amortized on a straight-line basis over the shorter of the lease term or the useful life of the asset, except in instances where there is reasonable certainty that the Fund will obtain ownership of the asset at the end of the lease term, in which case, the asset is amortized over the useful life of the asset. The expected life, amortization method and residual value of each asset are evaluated at each financial year end, or more frequently, if required. Amortization expense for leased assets is recorded in cost of goods sold. The corresponding financial liability is reported at amortized cost and the finance charge is allocated at a constant periodic rate of interest on the remaining balance of the liability.

Operating leases are not recognized on the Fund's consolidated statements of financial position. The payments related to operating leases are recorded as expenses on a straight-line basis over the lease term.

3. Significant accounting policies (continued):

(g) Goodwill and intangible assets:

(i) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the tangible and intangible assets acquired, less liabilities assumed, based on their fair values. When the Fund enters into a business combination, the acquisition method of accounting is used. Goodwill is assigned as of the date of the business combination to cash-generating units ("CGUs") that are expected to benefit from the business combination. Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment, as described in note 3(h).

(ii) Intangible assets:

Intangible assets acquired in a business combination are initially recorded at their fair values and are tested for impairment, as described in note 3(h). Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures relating to internally generated goodwill and intangible assets, are recognized in earnings or loss as incurred.

Amortization is calculated on the cost of the asset less its estimated residual value and is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Customer supply agreements	3 - 6 years
Other intangible assets	2 - 5 years

Amortization expense is recorded in cost of goods sold. The amortization method, useful lives and residual values are reviewed at each financial year end, or more frequently if required, and are adjusted as appropriate.

(h) Impairment:

(i) Non-financial assets:

The carrying amounts of the Fund's non-financial assets, consisting of property, plant and equipment and intangible assets, are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Absent any triggering factors during the year, the Fund conducts its impairment assessment in the fourth quarter to correspond with its planning cycle.

3. Significant accounting policies (continued):

For goodwill, the recoverable amount is estimated annually in the fourth quarter of the year.

Assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

The impairment test consists of comparing the carrying amount of the asset or the CGU to its recoverable amount, which is the greater of its fair value less costs to sell and value in use.

The Fund's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset is allocated.

If the recoverable amount is less than the carrying amount of the asset or the CGU, an impairment loss is recognized for the difference. This is recognized in impairment of non-financial assets. Impairment losses recognized in respect of CGUs are allocated first to reduce the goodwill related to the CGU and then to all other assets in the CGU on a pro rata basis. However, assets are not written down below the lower of nil and the recoverable amount of the asset.

If there has been a change in the estimates used to determine the recoverable amount, to the extent that the recoverable amount is greater than the carrying amount, previously recognized impairment charges are reversed. Previous impairment charges cannot be reversed above the lower of the recoverable amount or the carrying amount that would have been determined, net of amortization, at the time of the reversal had the previous impairment never been recorded. An impairment loss in respect of goodwill is not reversed.

(ii) Financial assets (including receivables):

A financial asset not carried at fair value through earnings or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the assets, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognized in earnings or loss and reflected in the allowance for doubtful accounts against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through earnings or loss.

3. Significant accounting policies (continued):

(i) Employee benefits:

(i) Defined contribution plans:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in earnings or loss in the periods during which services are rendered by employees and when they are due. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Defined benefit plans:

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Fund accrues its obligations under employee defined benefit plans and the related costs, net of plan assets, separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. Plan obligations are discounted to determine their present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is based on a high quality corporate bond rate or a government bond rate that matches the currency and maturity of the defined benefit obligation. The cost of pensions earned by employees is determined annually by independent qualified actuaries using the projected unit credit method prorated on service based on management's best estimates of expected plan investment performance, salary escalation, compensation levels at time of retirement, and retirement ages of employees. Changes in these assumptions could impact future pension expense. For the purpose of calculating the expected return on plan assets, assets are valued at fair value. Actuarial gains or losses are immediately recognized in the provision for post-employment obligations with a corresponding debit or credit to equity in the consolidated statements of comprehensive income. Pension assets are recorded as other assets while pension liabilities are recorded as accrued pension benefits within employee benefits.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in earnings or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in earnings or loss.

Expenses related to interest cost and expected return on plan assets are recognized as personnel costs in cost of goods sold and selling, general and administrative expenses along with the related payroll costs for the respective employees.

3. Significant accounting policies (continued):

(iii) Other long-term employee benefits:

The obligations related to other long-term benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods, and also are based on actuarial valuations. Actuarial gains and losses related to these obligations are immediately recognized in earnings or loss, in the period they arise.

(iv) Termination benefits:

Termination benefits are recognized as an expense when the Fund is committed demonstrably without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage redundancy. Termination benefits for voluntary redundancies are recognized as an expense and if the Fund has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably.

(v) Short-term benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or other incentive plans if the Fund has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

(j) Share-based payment transactions:

The Fund recognizes unit-based compensation in accordance with IFRS 2, Share-based Payment ("IFRS 2"). The Fund has classified its unit-based payments to be cash-settled as defined by IFRS 2. Under IFRS, when issuing new unit-based payments, the Fund is required to recognize a charge to earnings and loss along with a corresponding liability at fair value as at the grant date. Until the liability is settled, the Fund is required to remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with changes in fair value recognized in earnings or loss for the period. The Fund records changes in fair value, subsequent to the grant date of the unit-based payments, to net finance costs. The Fund utilizes the Black-Scholes model to determine the fair value of its unit-based compensation both at inception, and on an ongoing basis until settlement.

3. Significant accounting policies (continued):

(k) Investment property:

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less any amortization or impairment loss and is amortized over their estimated useful lives. Cost represents acquisition or construction costs. The amount to be amortized is the cost less the expected residual value. Major renewals and improvements are capitalized, while maintenance and repairs are charged to operations as incurred. Gains or losses arising from the disposition of investment property are reflected in earnings or loss. Each material component of a composite asset with different useful lives or different patterns of amortization is accounted for separately for the purpose of amortization and for accounting of subsequent expenditures.

When the use of the property changes such that it is reclassified as property, plant and equipment, its carrying value at the date of reclassification becomes its cost for subsequent accounting.

(l) Provisions:

Provisions are recorded at the reporting date when a present legal or constructive obligation results from past events; when it is probable that an outflow of economic benefits will be required to settle the obligation; and when a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the reporting date. If a reliable estimate cannot be made of the amount of the obligation, no provision is recorded but details of the obligation are disclosed.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Discounting uses pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability in the local currency. Accretion of discounts is recognized in net finance costs in the consolidated statements of income (loss).

(i) Restructuring:

A provision for restructuring is recognized when the Fund has a constructive obligation at the reporting date, which results from a detailed and formal restructuring plan approved by the Fund, and the restructuring either has commenced or has been announced to those affected by it. Restructuring costs include only the direct expenditures arising from the restructuring, which are those that are both necessarily entailed by the restructuring, and not associated with the ongoing activities of the Fund.

3. Significant accounting policies (continued):

(ii) Restoration or decommissioning:

A provision for restoration or decommissioning costs is recognized when there is a legal or constructive obligation associated with the retirement of tangible long-lived assets that result from their acquisition, lease, construction, development or normal operation. The Fund records the present value of the estimated fair value of a liability for a restoration or decommissioning obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The fair value of the obligation is the amount at which that liability could be settled in a current transaction between willing parties; that is, other than in a forced liquidation transaction. The fair value is estimated using a discount rate that takes into account market conditions and the risks specific to the liability. The Fund records these restoration and decommissioning costs as property, plant and equipment, and subsequently allocates the restoration and decommissioning costs to expense using a systematic and rational method over the asset's useful life. The Fund records the accretion of the liability as a charge to net finance costs. Periodic adjustments to the amount of the obligation are added to or deducted from the related asset.

The adjustment to leasehold improvements in respect of restoration and decommissioning obligations is amortized into income on a straight-line basis over the remaining life of the leases.

(m) Income taxes:

The total income tax expense for the period is the sum of current tax and deferred tax. Tax expense is recognized in the consolidated statements of income (loss), except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Current tax is determined based on the amount of income taxes payable (recoverable) in respect of the taxable income (loss) for the year, measured using tax rates that have been enacted or substantively enacted by the end of the reporting period in countries where the Fund's subsidiaries operate.

Deferred tax is determined using the liability method, which account for differences between the tax base of an asset or liability and its carrying amount in the consolidated statements of financial position. Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted at the end of the reporting year and are expected to apply when the related deferred income tax asset is realized or the liability is settled. A deferred tax asset is recognized only to the extent that it is probable that the future taxable earnings will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Significant accounting policies (continued):

(n) Earnings (loss) per unit:

Basic earnings (loss) per unit is calculated by dividing net earnings (loss) attributable to unitholders by the weighted average number of units outstanding during the year.

Diluted earnings (loss) per unit is calculated by adjusting the weighted average number of units outstanding for the effects of all dilutive potential units, including deferred units, which are convertible for units of the Fund, and units purchased under share purchase loans. To the extent that the Fund incurs losses, all potential units are considered to be anti-dilutive and no adjustment is made.

(o) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term, highly liquid investments with original maturities of three months or less.

(p) Financial and derivative instruments:

(i) Recognition:

The Fund initially recognizes its financial assets and financial liabilities on the trade date at which the Fund becomes a party to the contractual provision of the instrument at fair value.

(ii) Classification and measurement:

(a) Non-derivative financial instruments:

All financial instruments have been classified into one of the following categories: financial assets at fair value through earnings or loss, loans and receivables or other financial liabilities. The classification depends on the purpose and is determined at initial recognition. The Fund has classified its cash and cash equivalents as financial assets at fair value through earnings or loss, accounts receivable as loans and receivables and all of its financial liabilities as other financial liabilities.

All financial instruments are recorded on the consolidated statements of financial position and are measured at fair value at the end of each year, with the exception of loans and receivables and other financial liabilities which are both measured at amortized cost.

The Fund records all transaction costs and loan fees for financial assets and liabilities, other than held-for-trading, as a component of the related asset or liability and amortizes the costs using the effective interest method to interest expense over the life of the related asset or liability.

3. Significant accounting policies (continued):

(b) Derivative financial instruments:

Derivative financial instruments are utilized to reduce interest rate risk on the Fund's debt. The Fund does not enter into financial instruments for trading or speculative purposes.

All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value with changes in fair value recorded in the consolidated statements of income (loss) unless they are effective cash flow hedging instruments. The Fund assesses whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the Fund first becomes a party to the contract. When hedge accounting is applied, on initial designation of the hedge, the Fund formally documents the relationship between derivative instruments and the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions, together with the methods that will be used to assess the effectiveness of the hedging relationship. At the instrument's inception, the Fund also formally assesses whether the derivatives are highly effective at reducing or modifying interest rate or foreign exchange risk related to the future anticipated interest and other cash outflows associated with the hedged item. Effectiveness requires a high correlation of changes in fair values or cash flows between the hedged item and the hedging item. On a quarterly basis, the Fund confirms that the derivative instruments continue to be highly effective at reducing or modifying interest rate or foreign exchange risk associated with the hedged items.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in earnings or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

(i) Cash flow hedges:

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect earnings or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income. The amount recognized in other comprehensive income is removed and included in earnings or loss in the same period as the hedged cash flows affect earnings or loss under the same line item in the consolidated statements of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in earnings or loss.

For those instruments that do not meet the above criteria, changes in their fair values are recorded in the consolidated statements of income (loss).

3. Significant accounting policies (continued):

The Fund's policy is to formally designate each derivative financial instrument as a hedge of a specifically identified debt instrument.

(ii) Interest rate swaps:

The Fund initially entered into an interest rate swap to hedge interest rate risk. The fair value of the Fund's interest rate swaps are determined using an estimated credit-adjusted mark-to-market valuation which takes into consideration the Fund and the counterparty credit risk. The changes in fair value of cash flow hedging derivatives are recorded in other comprehensive income, to the extent effective, until the hedged asset or liability is recognized in the consolidated statements of income (loss). Any hedge ineffectiveness is recognized in earnings or loss immediately.

The Fund also assesses the interest rate swaps accounted for as hedges for ineffectiveness on a quarterly basis. The measurement of ineffectiveness is recorded directly in earnings or loss.

The interest rate swap agreement was used as part of the Fund's program to manage the fixed and floating interest rate mix of the Fund's total debt portfolio and related overall cost of borrowing. The interest rate swap agreement involves the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based, and is recorded as an adjustment of interest expense. The related amount payable to or receivable from the counterparties is included as an adjustment to accrued interest.

In the event of early extinguishment of the debt obligation, any realized or unrealized gain or loss from the swap would be recognized in the consolidated statements of income (loss) at the time of extinguishment. For those instruments that did not meet the effectiveness criteria, variations in their fair values were marked to market on a current basis, with the resulting gains or losses recorded in or charged against earnings or loss. As of January 1, 2010, the hedge associated with the interest rate swap was no longer effective and, accordingly, any changes in the fair value of the underlying derivative instruments are recognized in earnings and loss.

3. Significant accounting policies (continued):

(iii) Net investment hedges:

The Fund has also designated its U.S. dollar-denominated long-term debt in Canada as a hedge of the foreign currency risk related to the principal amount of its net investment in U.S. subsidiaries. Gains or losses on translating the investment in the U.S. subsidiaries are recorded to other comprehensive income and, as a result, gains or losses on translating the third party debt in Canada from U.S. to Canadian dollars are recorded in the consolidated statements of other comprehensive income to the extent the debt is considered an effective hedge. Since January 1, 2010, with the exception of the fourth quarter of 2011, the hedge was effective and both the U.S. debt and the investment in the U.S. subsidiaries are remeasured at spot rates at each period end through other comprehensive income.

(c) Determination of fair values:

A number of the Fund's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes in accordance with IAS 39. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(q) New standards and interpretations not yet adopted:

IFRS 7, Financial Instrument: Disclosures:

In October 2010, the IASB amended IFRS 7, Financial Instruments: Disclosures. This amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with an entity's continuing involvement in derecognized financial assets. The amendment is effective for the Fund's interim and annual consolidated financial statements commencing January 1, 2012. The Fund is assessing the impact of this amended standard on its consolidated financial statements.

IFRS 9, Financial Instruments:

In October 2010, the IASB issued IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9, which replaces IAS 39, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Fund's interim and annual consolidated financial statements commencing January 1, 2015. The Fund is assessing the impact of this new standard on its consolidated financial statements.

3. Significant accounting policies (continued):

IFRS 12, Disclosure of Interests in Other Entities:

In May 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"). IFRS 12 establishes new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for the Fund's interim and annual consolidated financial statements commencing January 1, 2013. The Fund is assessing the impact of this new standard on its consolidated financial statements.

IFRS 13, Fair Value Measurement:

In May 2011, the IASB issued IFRS 13, Fair Value Measurement ("IFRS 13"). IFRS 13 replaces the fair value guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures which enable users to assess the methods and inputs used to develop fair value measurements. This new standard is effective for the Fund's interim and annual consolidated financial statements commencing January 1, 2013. The Fund is assessing the impact of this new standard on its consolidated financial statements.

IAS 1, Presentation of Financial Statements:

In June 2011, the IASB amended IAS 1, Presentation of Financial Statements. This amendment requires an entity to separately present the items of other comprehensive income as items that may or may not be reclassified to profit and loss. This amended standard is effective for the Fund's interim and annual consolidated financial statements commencing January 1, 2013. The Fund is assessing the impact of this amended standard on its consolidated financial statements.

IAS 12, Deferred Tax: Recovery of Underlying Assets:

In December 2010, the IASB amended IAS 12, Deferred Tax: Recovery of Underlying Assets ("IAS 12"). IAS 12 will now include a rebuttal presumption which determines that the deferred tax on the depreciable component of an investment property measured using the fair value model from IAS 40 should be based on its carrying amount being recovered through a sale. The standard has also been amended to include the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should be measured on the sale basis. This amendment is effective for the Fund's interim and annual consolidated financial statements commencing January 1, 2012. The Fund is assessing the impact of this amended standard on its consolidated financial statements.

3. Significant accounting policies (continued):

IAS 19, Employee Benefits:

In June 2011, the IASB amended IAS 19, Employee Benefits. This amendment eliminated the use of the "corridor" approach and mandates all remeasurement impacts be recognized in other comprehensive income. It also enhances the disclosure requirements, providing better information about the characteristics of defined benefit plans and the risk that entities are exposed to through participation in those plans. This amendment clarifies when the Fund should recognize a liability and an expense for termination benefits. This amended standard is effective for the Fund's interim and annual consolidated financial statements commencing January 1, 2013. The Fund is assessing the impact of this amended standard on its consolidated financial statements.

4. Critical accounting estimates and judgments:

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Provisions, including restructuring costs and royalty accruals (note 11);
- Contingent liabilities and guarantees;
- Revenue recognition, including the identification of separate units of accounting under multiple deliverable arrangements and provisions for volume rebates;
- Leases, including classification of lease of assets; and
- Income taxes, including the recognition of deferred tax assets.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Income taxes, including utilization of tax losses;
- Trade and other receivables, including the allowance for doubtful accounts;
- Inventories, including inventory valuation;
- Employee benefits, including assets and obligations related to pension plans (note 12);
- Long-term debt, including estimation of credit spreads for determination of the fair value of derivative instruments (note 14);

4. **Critical accounting estimates and judgments (continued):**

- Property, plant and equipment and investment property, including the useful lives of all depreciable assets and their recoverability (notes 8 and 9); and
- Goodwill and intangible assets, including future cash flows and discount rates with respect to the valuation of goodwill estimates (note 10).

For business combinations, the key area of estimation and judgment is the allocation of the purchase price.

5. **Explanation of transition to IFRS:**

As stated in note 2(b), these are the Fund's first consolidated financial statements prepared in accordance with IFRS. The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative information presented in these consolidated financial statements for the year ended December 31, 2010, and in preparation of an opening IFRS consolidated statement of financial position at January 1, 2010.

(a) Elected exemptions from full retrospective application:

In preparing these consolidated financial statements in accordance with IFRS 1, the Fund has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below:

(i) Business combinations:

The Fund has applied the business combinations exemption in IFRS 1 to not apply IFRS 3, Business Combinations, retrospectively to past business combinations. Accordingly, the Fund has not restated business combinations that took place prior to the transition date. As a condition under IFRS 1 of applying this exemption, goodwill related to business combinations that occurred prior to January 1, 2010 was tested for impairment on transition even though no impairment indicators were identified.

(ii) Fair value or revaluation as deemed cost:

The Fund has elected to measure certain items of property, plant and equipment at fair value as at January 1, 2010 and use those amounts as deemed cost as at January 1, 2010.

(iii) Employee benefits:

The Fund has elected to recognize all cumulative actuarial gains and losses as at January 1, 2010 in opening deficit for the Fund's employee benefit plans. In addition, the Fund has elected to prospectively adhere to the disclosure requirements of IAS 19, which addresses material information associated with its defined benefit plans, from January 1, 2010.

5. Explanation of transition to IFRS (continued):

(iv) Cumulative translation differences:

The Fund has elected to set the previously accumulated cumulative translation account, which was included in accumulated other comprehensive income, to zero at January 1, 2010 and absorbed into deficit. This exemption has been applied to all subsidiaries.

(v) Decommissioning liabilities included in the cost of property, plant and equipment:

The Fund has elected to apply the IFRS Interpretations Committee ("IFRIC") 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities exemption in IFRS 1. IFRIC 1 requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates, and then the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. This exemption allows for non-compliance with IFRS 1, but the Fund is required to:

(a) measure the liability as at January 1, 2010 in accordance with IAS 37, Provisions;

(b) to the extent that the liability is within the scope of IFRIC 1, estimate the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rate(s) that would have applied for that liability over the intervening period; and

(c) calculate the accumulated amortization on that amount, as at the date of transition to IFRS, on the basis of the current estimate of the useful life of the asset, using the amortization policy adopted by the entity in accordance with IFRS.

(vi) Borrowing costs:

The Fund has elected to capitalize interest, where applicable, after January 1, 2010.

(vii) Leases:

The Fund has elected to be exempted from the requirements of IFRIC 4, Determining Whether an Arrangement Contains a Lease, and will account for such requirements from the transition date of January 1, 2010.

(b) Mandatory exemptions to retrospective application:

In preparing these consolidated financial statements in accordance with IFRS 1, the Fund has applied certain mandatory exceptions from full retrospective application of IFRS. The mandatory exceptions applied from full retrospective application of IFRS are described below:

5. Explanation of transition to IFRS (continued):

(i) Hedge accounting:

Only hedging relationships that satisfied the hedge accounting criteria as of the transition date are reflected as hedges in the Fund's results under IFRS. Any derivatives not meeting IAS 39 criteria for hedge accounting were recorded as non-hedging derivative financial instruments.

(ii) Estimates:

Hindsight was not used to create or revise estimates and, accordingly, the estimates previously made by the Fund under Canadian GAAP are consistent with their application under IFRS.

(c) Reconciliations:

In preparing its opening IFRS consolidated financial statements of financial position, the Fund has adjusted amounts reported previously in consolidated financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Fund's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The following is a reconciliation of the Fund's financial position and unitholders' equity (deficiency) at December 31, 2010:

	Canadian GAAP, December 31, 2010	References	IFRS adjustments	IFRS, December 31, 2010
Assets				
Current assets:				
Cash and cash equivalents	$ 164,399		$ –	$ 164,399
Trade and other receivables	178,066	(ix)	(306)	177,760
Inventories	24,109		–	24,109
Current income tax assets	706		–	706
Prepaid and other assets	11,841	(v)	(931)	10,910
Total current assets	379,121		(1,237)	377,884
Property, plant and equipment	181,849	(ii) (iv) (x)	(16,174)	165,675
Investment properties	–	(ii) (iv)	8,446	8,446
Goodwill	40,634		–	40,634
Intangible assets	11,511	(x)	(162)	11,349
Other non-current assets	25,701		–	25,701
Total non-current assets	259,695		(7,890)	251,805
Total assets	$ 638,816		$ (9,127)	$ 629,689

CINRAM INTERNATIONAL INCOME FUND

Notes to Consolidated Financial Statements (continued)
(In thousands of U.S. dollars, except units and per unit information)

Years ended December 31, 2011 and 2010

5. Explanation of transition to IFRS (continued):

	Canadian GAAP, December 31, 2010	References	IFRS adjustments	IFRS, December 31, 2010
Liabilities and Unitholders' Equity (Deficiency)				
Current liabilities:				
Trade and other payables	$ 60,585	(xii)	$ 88,974	$ 149,559
Accrued liabilities	150,952	(viii) (xii)	(150,952)	–
Provisions	–	(xii) (xiii)	17,468	17,468
Employee benefits	–	(v) (xii)	39,498	39,498
Current tax liability	13,749		–	13,749
Current portion of long-term debt	131,525	(xiv)	234,402	365,927
Derivative financial instruments	11,087		–	11,087
Current portion of obligations under financing leases	1,141		–	1,141
Total current liabilities	369,039		229,390	598,429
Long-term debt	234,402	(xiv)	(234,402)	–
Obligations under financing leases	1,086		–	1,086
Other non-current liabilities	36,921	(vii) (viii) (xii)	(29,667)	7,254
Provisions - non-current	–	(xii)	5,787	5,787
Employee benefits	–	(v) (vi) (xii)	20,864	20,864
Deferred tax liabilities	1,229		–	1,229
Total liabilities	642,677		(8,028)	634,649
Unitholders' deficiency:				
Fund units	176,042	(vii)	(2,315)	173,727
Exchangeable limited partnership units	88	(vii)	(88)	–
Employee unit purchase loans	(2,452)	(vii)	2,452	–
Contributed surplus	1,130	(vii)	(1,130)	–
Deficit	(281,347)		116,597	(164,750)
Accumulated other comprehensive income (loss)	102,678	(iii) (iv) (v) (vii) (viii) (ix) (x)	(116,615)	(13,937)
Total unitholders' deficiency	(3,861)		(1,099)	(4,960)
Total liabilities and unitholders' deficiency	$ 638,816		$ (9,127)	$ 629,689

5. Explanation of transition to IFRS (continued):

The following is a reconciliation of comprehensive income for the year ended December 31, 2010:

December 31, 2010	Canadian GAAP	References	IFRS adjustments	IFRS
Revenue	$ 1,108,790	(ix)	$ 148	$ 1,108,938
Cost of goods sold	892,393	(i) (ii) (iv) (v) (vi) (viii) (x)	(4,246)	888,147
Gross profit	216,397		4,394	220,791
Selling, general and administrative expenses (income)	137,728	(v) (vii)	(54)	137,674
Amortization of intangible assets	15,146	(i) (x)	(15,146)	–
Impairment of non-financial assets	–	(x)	22,931	22,931
Other charges (income)	17,544	(xiii)	(2,515)	15,029
Earnings (loss) before the undernoted	45,979		(822)	45,157
Interest on long-term debt	32,618	(i)	(32,618)	–
Net finance costs (income)	(306)	(i) (iii) (vii)	33,223	32,917
Foreign exchange loss (gain)	(956)	(i)	956	–
Investment income	(317)	(i)	317	–
Earnings (loss) from continuing operations before income taxes	14,940		(2,700)	12,240
Income taxes	(3,500)		–	(3,500)
Earnings from continuing operations	18,440		(2,700)	15,740
Earnings (loss) from discontinued operations	(5,134)		5,563	429
Net earnings	$ 13,306		$ 2,863	$ 16,169

CINRAM INTERNATIONAL INCOME FUND

Notes to Consolidated Financial Statements (continued)
(In thousands of U.S. dollars, except units and per unit information)

Years ended December 31, 2011 and 2010

5. Explanation of transition to IFRS (continued):

December 31, 2010	Canadian GAAP	References	IFRS adjustments	IFRS
Net earnings	$ 13,306		$ 2,863	$ 16,169
Other comprehensive income, net of income taxes of nil:				
Defined benefit plan actuarial losses	–	(v)	(345)	(345)
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	(17,369)	(iii)	2,891	(14,478)
Unrealized gain on hedges of net investment in self-sustaining operations	5,897		–	5,897
Partial release of cumulative translation adjustment	3,759	(iii)	(3,759)	–
Release of other comprehensive income due to de-designation of hedge	14,636		–	14,636
Other comprehensive income (loss)	6,923		(1,213)	5,710
Total comprehensive income, net of income taxes	$ 20,229		$ 1,650	$ 21,879

The following is a reconciliation of the Fund's financial position and unitholders' equity (deficiency) at the Transition Date:

	Canadian GAAP, December 31, 2009	References	IFRS adjustments	IFRS, January 1, 2010
Assets				
Current assets:				
Cash and cash equivalents	$ 122,072		$ –	$ 122,072
Trade and other receivables	273,243	(ix)	(459)	272,784
Inventories	31,985		–	31,985
Current tax assets	5,005		–	5,005
Prepaid assets	15,915	(v)	(830)	15,085
Assets held for sale	6,047		–	6,047
Future income taxes	6,007	(xi)	(6,007)	–
Total current assets	460,274		(7,296)	452,978
Property, plant and equipment	234,684	(ii) (iv) (x)	(4,334)	230,350
Investment properties	–	(ii)	7,205	7,205
Goodwill	40,634		–	40,634
Intangible assets	27,537	(x)	(11,056)	16,481
Other assets	21,571		–	21,571
Deferred tax assets	–	(xi)	5,097	5,097
Total non-current assets	324,426		(3,088)	321,338
Total assets	$ 784,700		$ (10,384)	$ 774,316

5. Explanation of transition to IFRS (continued):

	Canadian GAAP, December 31, 2009	References	IFRS adjustments	IFRS, January 1, 2010
Liabilities and Unitholders' Deficiency				
Current liabilities:				
Trade and other payables, including derivatives	$ 90,282	(xii)	$ 163,742	$ 254,024
Accrued liabilities	226,856	(viii) (xii)	(226,856)	–
Provisions	–	(xii)	6,278	6,278
Employee benefits	–	(v) (xii)	54,553	54,553
Income taxes payable	20,277		–	20,277
Current portion of long-term debt	28,624		–	28,624
Current portion of obligations under financing lease	1,728		–	1,728
Total current liabilities	367,767		(2,283)	365,484
Long-term debt	363,396		–	363,396
Obligations under financing leases	2,337		–	2,337
Other non-current liabilities	43,637	(vii) (viii) (xii)	(32,417)	11,220
Provisions - non-current	–	(xii)	4,716	4,716
Derivative financial instruments	25,225		–	25,225
Employee benefits	–	(v) (vi) (xii)	23,089	23,089
Deferred tax liabilities	6,638	(xi)	(910)	5,728
Total liabilities	809,000		(7,805)	801,195
Unitholders' deficiency:				
Fund units	176,002	(vii)	(2,314)	173,688
Exchangeable limited partnership units	88	(vii)	(88)	–
Employee unit purchase loans	(2,315)	(vii)	2,315	–
Contributed surplus	823	(vii)	(823)	–
Retained earnings (deficit)	(294,653)		113,734	(180,919)
Accumulated other comprehensive income	95,755	(iii)	(115,403)	(19,648)
	(24,300)		(2,579)	(26,879)
Total liabilities and unitholders' deficiency	$ 784,700		$ (10,384)	$ 774,316

5. Explanation of transition to IFRS (continued):

Reconciling items:

(i) Consistent with the Fund's policy to classify its consolidated statement of income by function, the Fund has reclassified certain items to or from cost of goods sold for the year ended December 31, 2010, that were separately classified under Canadian GAAP, including amortization of intangible assets of $5,132, which has been reclassified to cost of goods sold, and an expense of $277, for accretion charges relating to decommissioning liabilities which have been reclassified to net financing costs from cost of goods sold.

Similarly, the Fund has reclassified certain items to net finance costs for the year December 31, 2010, that were separately classified under Canadian GAAP, including interest on long-term debt of $32,618, certain foreign exchange gains of $956, certain investment income of $317, and gains in relation to certain discontinued operations of $1,256.

(ii) Under Canadian GAAP, investment property was included in property, plant and equipment and measured on a cost basis (December 31, 2010 - $7,305; January 1, 2010 - $6,234). Under IFRS, investment property is presented separately. Consistent with the Fund's accounting election under IFRS 1, investment properties are measured on a cost basis.

IFRS requires that amortization be recorded on the individual components of each investment property. This resulted in an increase to investment property of $971 at January 1, 2010. For the year ended December 31, 2010, the expense recorded to cost of goods sold for amortization of investment properties was decreased by $69, with the offsetting change to the net book value of investment properties.

(iii) In accordance with IFRS 1, the Fund has elected to deem all foreign currency translation differences recorded to the cumulative translation adjustment account that arose prior to the Transition Date to IFRS in respect of all foreign entities to be zero at the date of transition. The cumulative translation adjustment and accumulated other comprehensive income decreased by $115,403 as at January 1, 2010.

Translation adjustments that predate the IFRS transition will, therefore, not be included when calculating gains or losses arising from the future disposal of consolidated subsidiaries or equity affiliates existing as of the IFRS transition date.

In the year ended December 31, 2010, under Canadian GAAP, the Fund recorded $17,369 in unrealized losses on translating financial statements of self-sustaining foreign operations in accumulated other comprehensive income (loss). This amount was increased reflecting an incremental gain of $2,891 for the year ended December 31, 2010 under IFRS. This increase was due primarily to changes in balances on the consolidated statements of financial position under IFRS relative to Canadian GAAP due to IFRS adjustments, resulting in different translation amounts.

5. Explanation of transition to IFRS (continued):

During the year ended December 31, 2010, under Canadian GAAP, the Fund recorded $3,759, in accumulated other comprehensive loss for partial releases (charges) of cumulative translation adjustment as a result of partial reductions in the net investment in foreign self-sustaining operations. Under Canadian GAAP, partial reductions in the net investment in self-sustaining operations result in the release of a proportionate amount of the cumulative translation adjustment balance. Under IFRS, these amounts were reversed, as the disposal of only an entire investment in a self-sustaining operation results in releasing cumulative translation adjustment balances.

For the disposal of the net investment in certain foreign self-sustaining operations, cumulative translation adjustment releases were recorded, which resulted in an increase in net finance costs and accumulated other comprehensive income in the amount of $1,187 for the year ended December 31, 2010, under IFRS. The Fund also recorded a decrease to cumulative translation adjustments, reflected in accumulated other comprehensive income, of $4,307, offset by reversing a loss from the disposition of certain discontinued operations in the same amount. These effects arose due to the Fund resetting its cumulative translation adjustment to nil as of January 1, 2010 under IFRS, which also decreased accumulated other comprehensive income.

(iv) In accordance with IFRS 1, the Fund elected to initially measure certain of its land and buildings included in property, plant and equipment at fair value as deemed cost, which resulted in an increase in value of $40,470 at January 1, 2010. Amortization expense was recorded on this increase in value under IFRS. In addition, IFRS requires that amortization be recorded on the individual components of each asset. The net result for the year ended December 31, 2010 was an increase to amortization of $23, with the offsetting change to property, plant and equipment, investment property and accumulated other comprehensive income. Also, the cumulative translation effect to property, plant and equipment as a result of the election, for the year ended December 31, 2010, was a decrease of $961, offset by a corresponding reduction to accumulated other comprehensive income (loss). The Fund also recorded a decrease of $115 to property, plant and equipment and an increase to investment property of $101 and a decrease to accumulated other comprehensive income of $12 in 2010 transactions as a result of the election.

(v) Under IFRS 1, the Fund has elected to recognize all of its unamortized actuarial losses on defined benefit pension plans to deficit.

The impact on the consolidated statement of financial position at December 31, 2010 is to reduce prepaid assets by $931, increase current employee benefits by $446, and increase non-current employee benefits by $289. Also, the cumulative translation effect to non-current employee benefits, for the year ended December 31, 2010, was a decrease of $21, offset by a corresponding increase to accumulated other comprehensive income (loss). The Fund also recorded a decrease in cost of goods sold for $345 for the year ended December 31, 2010 offset by a corresponding decrease to both other comprehensive income and accumulated other comprehensive income (loss), respectively. The Fund also recorded a decrease in selling, general and administrative expenses of $64 for the year ended December 31, 2010.

5. Explanation of transition to IFRS (continued):

The impact on the consolidated statement of financial position at January 1, 2010 is to reduce prepaid assets by $830, increase current employee benefits by $612, and increase non-current employee benefits by $289.

(vi) Under IFRS, the actuarial valuation of early retirement plans are classified as termination benefits rather than long-term benefits. This resulted in an increase to non-current employee benefits of $1,728 at January 1, 2010, offset by an increase in deficit. Also, the cumulative translation effect to non-current employee benefits, for the year ended December 31, 2010, was a decrease of $124, offset by a corresponding increase to accumulated other comprehensive income (loss). The Fund also recorded a decrease of pension expense in cost of goods sold for $611 for the year ended December 31, 2010, offset by a corresponding decrease in non-current employee benefits.

(vii) Under IFRS, certain share-based payments in connection with the deferred unit plan that were classified as unitholders' equity under Canadian GAAP must be reclassified as a liability. The reclassification has resulted in an increase in other non-current liabilities of $900 as at December 31, 2010 (January 1, 2010 - $1,019).

At January 1, 2010, the exchangeable limited partnership units were reclassified to other non-current liabilities in the amount of $76. Under IFRS, the exchangeable limited partnership units were marked-to-market, and resulted in a net increase to other long-term liabilities of $39 as at December 31, 2010.

The Fund's Employee Unit Purchase Loans are accounted for similar to the grant of a unit-purchase option under IFRS. Therefore, the Fund does not recognize the Units held by the respective employees, nor are the loans recognized as outstanding. The Units purchased by the employees using the proceeds of these loans are recognized as Treasury shares, which are deducted from equity. This results in a reduction of fund units and an increase to Employee Unit Purchase Loans of $2,315. The interest earned on the loans is also reversed, resulting in a reduction of contributed surplus and an additional increase to Employee Unit Purchase Loans of $24 at December 31, 2010.

The fair value of the option element of the Employee Unit Purchase Loans is recorded using an option pricing model and recorded as other non-current liabilities. For the year ended December 31, 2010, there was an increase to liabilities of $300 at December 31, 2010 (January 1, 2010 - $261).

Under IFRS, the fair value of the share appreciation rights and notional units, calculated using an option pricing model, are recorded on the consolidated statements of financial position. These balances are marked to market each period and other non-current liabilities have been increased by $357 at December 31, 2010 (January 1, 2010 - $696).

5. Explanation of transition to IFRS (continued):

The net increases to other non-current liabilities as a result of the above were $1,596 as at December 31, 2010 (January 1, 2010 - $2,052). These increases were offset by the following at December 31, 2010 and January 1, 2010, respectively:

- contributed surplus decreased $1,106 and $823 in relation to the transition under IFRS for the deferred unit plan;
- net finance costs decreased ($842) and nil with majority of this decrease attributable to the transition under IFRS for the deferred unit plan;
- opening deficit increases of $1,141 and $1,141;
- fund units decreased $88 and $88;
- unitholders' equity increased ($112) and nil;
- accumulated other comprehensive income decreased $205 and nil; and
- selling, general and administrative expenses increased $10 and nil.

(viii) Under IFRS, the gain on sale-leaseback transactions entered into by the Fund is recognized at the time of the initial transactions. Under Canadian GAAP, a portion of the gain was deferred and was being amortized over the term of the lease. The effect of this is to reduce other long-term liabilities by $8,681, reduce accrued liabilities by $2,895 and reduce deficit by $11,576 at January 1, 2010. For the year ended December 31, 2010, cost of goods sold was increased by $2,909, representing the amortization recorded under Canadian GAAP. The offsetting increase was recorded to other non-current liabilities in the amount of $2,943, offset by a reduction of $34 for foreign exchange related effects reflected as a decrease in accumulated other comprehensive income.

Also, the cumulative translation effect of the IFRS adjustments to the other long-term liability amount of $8,681 discussed above, which was fully reduced upon transition to IFRS on January 1, 2010, was an increase to accumulated other comprehensive income in the amount of $184.

(ix) IFRS requires that discounts owing to customers for paying trade balances early are to be accrued at the time of sale if they are expected to be utilized. Under Canadian GAAP, these trade discounts were only recorded once the customer earned them by paying early. This resulted in a decrease to trade and other receivables of $459 at January 1, 2010. The effect of this change is to increase revenue and trade and other receivables for the year ended December 31, 2010 by $153, with a cumulative translation increase of $8 to accumulated other comprehensive income (loss) with an offsetting reduction to revenue for the year ended December 30, 2010.

5. Explanation of transition to IFRS (continued):

(x) IFRS requires that an impairment test be performed at the time of transition to IFRS. An additional impairment charge was calculated as a result of using a different methodology required under IFRS, which resulted in a reduction in the carrying values of property, plant and equipment and intangible assets at the transition date. These reductions in carrying value resulted in a decrease to property, plant and equipment of $38,570 and a decrease to intangible assets of $11,056 at January 1, 2010 (note 18(a)). As at December 31, 2010, cumulative foreign exchange adjustments resulted in an increase to property, plant and equipment of $2,253 and to intangible assets of $783, respectively. These amounts corresponded with increases to accumulated other comprehensive income due to foreign exchange translation differences. The decrease in carrying values resulted in a reversal of accumulated amortization of property, plant and equipment and intangible assets of $10,985 and $10,111, respectively, as at December 31, 2010. These adjustments caused accumulated other comprehensive income to increase by $97 and decrease by $4, in relation to the foreign exchange translation differences due to the adjustments to property, plant and equipment and intangible assets, respectively.

During the year ended December 31, 2010, the impact on amortization expense was to reduce cost of goods sold by $11,008, and to reduce amortization on intangible assets by $10,014.

As at December 31, 2010, the Fund conducted its annual impairment testing under IFRS. Additional impairment charges of $15,715, to its European CGU (note 18), and $7,216, to its North American CGU (note 18), totalling $22,931 were recorded. These impairment charges were calculated as a result of using a different methodology required under IFRS, which resulted in a reduction of property, plant and equipment of $22,931 as at December 31, 2010.

(xi) As deferred tax assets are not being recognized for unused tax losses and temporary deductible differences in most jurisdictions, there is no net tax effect to opening deficit under IFRS of applying each of the various changes. As at January 1, 2010, the effect was a decrease to current deferred tax assets of $6,007, an increase to non-current deferred tax assets of $5,097, and a decrease to non-current deferred tax liabilities of $910. There was no impact at December 31, 2010.

(xii) Under Canadian GAAP, accrued liabilities were presented separately on the balance sheet, and under IFRS are included with trade and other payables. As a result, at December 31, 2010, $88,975 and at January 1, 2010, $163,742 has been reclassified from accrued liabilities to trade and other payables. Under IFRS, accounts payable have been renamed trade and other payables.

5. Explanation of transition to IFRS (continued):

IFRS requires that provisions be separately presented on the consolidated statements of financial position. As a result, at December 31, 2010, accrued liabilities were reduced and current provisions were increased by $19,983, and other non-current liabilities were reduced and non-current provisions were increased by $5,787. At January 1, 2010, accrued liabilities were reduced and current provisions were increased by $6,278, and other non-current liabilities were reduced and non-current provisions were increased by $4,716.

IFRS requires that employee benefits be separately presented on the consolidated statements of financial position. As a result, at December 31, 2010, accrued liabilities were reduced and current employee benefits were increased by $39,052, and other non-current liabilities were reduced and non-current employee benefits were increased by $19,602. At January 1, 2010, accrued liabilities were reduced and current employee benefits were increased by $53,941, and other non-current liabilities were reduced and non-current employee benefits were increased by $21,072.

(xiii) Under IFRS, restructuring costs are only recorded when a plan is communicated to those affected. Under Canadian GAAP, restructuring costs are recorded when a plan is established and not necessarily communicated to those affected. The Fund recorded a decrease of $2,515 in both current provisions and other charges for the year ended December 31, 2010 as a result of a reversal of certain 2010 restructuring accruals recorded under Canadian GAAP. The amount was recorded in 2011 under IFRS once communicated to those affected.

(xiv) As at December 31, 2010, under Canadian GAAP, $234,402 of the Fund's long-term debt was classified as non-current, whereas under IFRS, all of the Fund's long-term debt is classified as current. Under Canadian GAAP, the reclassification of $234,402 of the long-term debt to non-current was based upon the Fund obtaining unanimous lender consent on a refinancing and recapitalization transaction subsequent to year end. The refinancing and recapitalization transaction includes repayment terms which resulted in $234,402 of debt being due one year beyond December 31, 2010 (note 14). However, under IFRS, an entity classifies its financial liabilities as current when they are due to be settled within 12 months of the reporting period, even if an agreement to refinance payments on a long-term basis is completed after the reporting period.

6. Operating segments:

The Chief Executive Officer ("CEO"), the chief operating decision maker, manages the operations of the Fund by business segments. The Fund's reportable business segments are Pre-Recorded Multimedia Products, Video Games and Other.

6. Operating segments (continued):

The Fund's presentation of reportable segments is based on how management has organized the business in making operating and capital allocation decisions and assessing performance. For each of these reportable business segments, the Fund's CEO reviews internal management financial information on at least a monthly basis. The following summary describes the operations in each of the Fund's reportable segments:

- The Pre-Recorded Multimedia Products segment manufactures and distributes DVDs, Blu-ray discs and CDs;
- The Video Games segment includes results from the packaging, distribution and logistic services provided to games publishers and associated retailers; and
- The Other segment includes the wireless division and vendor-managed inventory services provided by Cinram Retail Services, formerly known as Vision Information Services, and 1K (note 23).

The accounting policies of the segments are the same as those described in the significant accounting policies. The Fund evaluates segment performance based on earnings (loss) from continuing operations before other charges (income), net finance costs (income), income taxes, amortization, and impairment charges ("EBITA").

(a) Industry segments:

December 31, 2011	Pre-Recorded Multimedia Products	Video Games	Other	Total
Revenue from external customers	$ 693,409	$ 44,874	$ 62,562	$ 800,845
EBITA	9,798	1,681	16,146	27,625
Amortization of property, plant and equipment	20,300	937	3,040	24,277
Amortization of intangible assets	–	2,549	601	3,150
Capital expenditures	9,184	–	533	9,717

December 31, 2010	Pre-Recorded Multimedia Products	Video Games	Other	Total
Revenue from external customers	$ 1,002,223	$ 59,049	$ 47,666	$ 1,108,938
EBITA	113,439	8,992	9,496	131,927
Amortization of property, plant and equipment	38,222	2,481	2,975	43,678
Amortization of intangible assets	–	4,369	763	5,132
Capital expenditures	12,832	100	1,769	14,701

6. Operating segments (continued):

December 31, 2011	Pre-Recorded Multimedia Products	Video Games	Other	Total
Goodwill	$ –	$ –	$ –	$ –
Total assets	394,769	16,070	41,881	452,720

December 31, 2010	Pre-Recorded Multimedia Products	Video Games	Other	Total
Goodwill	$ –	$ 40,634	$ –	$ 40,634
Total assets	509,968	68,537	51,184	629,689

Reconciliation of EBITA to earnings (loss) from continuing operations:

	2011	2010
EBITA	$ 27,625	$ 131,927
Other charges, net (note 19)	9,696	15,029
Deduct (add):		
Impairment of non-financial assets (note 18)	67,305	22,931
Amortization of property, plant and equipment	24,277	43,678
Amortization of intangible assets	3,150	5,132
Net finance costs (note 20)	11,191	32,917
Income tax recovery	(405)	(3,500)
Earnings (loss) from continuing operations	$ (87,589)	$ 15,740

(b) Geographic segments:

The Pre-Recorded Multimedia Products, Video Games and Other segments are managed on a worldwide basis, but operate in North America and Europe.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

December 31, 2011	North America	Europe	Total
Revenue from external customers	$ 447,631	$ 353,214	$ 800,845

6. Operating segments (continued):

December 31, 2010	North America	Europe	Total
Revenue from external customers	$ 645,755	$ 463,183	$ 1,108,938

December 31, 2011	North America	Europe	Total
Property, plant and equipment, investment property, assets held for sale and intangible assets	$ 99,903	$ 64,790	$ 164,693
Other non-current assets	7,050	9,165	16,215

December 31, 2010	North America	Europe	Total
Property, plant and equipment, investment property, goodwill and intangible assets	$ 170,619	$ 55,485	$ 226,104
Other non-current assets	10,478	15,223	25,701

(c) Major customers:

For the year ended December 31, 2011, the Fund had three customers in the Pre-Recorded Multimedia Products segment that accounted for approximately 38%, 23% and 12%, respectively, of consolidated revenue. For the year ended December 31, 2010, the Fund had three customers in the Pre-Recorded Multimedia Products segment that accounted for approximately 31%, 24% and 16%, respectively, of consolidated revenue.

7. Inventories:

	December 31, 2011	December 31, 2010	January 1, 2010
Raw materials	$ 17,331	$ 17,008	$ 17,714
Work in process	5,999	6,399	14,154
Finished goods	826	702	117
	$ 24,156	$ 24,109	$ 31,985

7. Inventories (continued):

Inventory costs included in cost of goods sold for the year ended December 31, 2011 were $451,566 (2010 - $560,778).

During the year ended December 31, 2011, the Fund recorded inventory write-downs in cost of goods sold of $6,279 (2010 - $6,732), and reversals of previously written-down amounts of $1,566 (2010 - $4,407). Work in process and finished goods produced without customer orders are written down to a net realizable value of nil and subsequently written up when a valid customer order is received.

8. Property, plant and equipment:

	Land	Buildings	Machinery and equipment	Other tangible assets	Total
Year ended December 31, 2011:					
Opening net amount	$ 20,051	$ 94,176	$ 45,354	$ 6,094	$ 165,675
Exchange difference	(254)	(987)	(490)	(24)	(1,755)
Additions	–	1,711	31,015	1,487	34,213
Disposals	–	–	(416)	(59)	(475)
Amortization charge	–	(6,646)	(14,813)	(2,528)	(23,987)
Impairment loss	–	(1,015)	(15,264)	(2,747)	(19,026)
Other	–	–	442	(442)	–
Closing amount at December 31, 2011	$ 19,797	$ 87,239	$ 45,828	$ 1,781	$ 154,645
As at December 31 2011:					
Cost	$ 19,797	$ 100,392	$ 790,619	$ 104,571	$ 1,015,379
Accumulated amortization and impairment	–	(13,153)	(744,791)	(102,790)	(860,734)
Net amount	$ 19,797	$ 87,239	$ 45,828	$ 1,781	$ 154,645

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Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2011 and 2010

8. Property, plant and equipment (continued):

	Land	Buildings	Machinery and equipment	Other tangible assets	Assets held for sale	Total
As at January 1, 2010:						
Cost	$ 24,750	$ 104,800	$ 1,006,737	$ 129,303	$ (11,825)	$ 1,253,765
Accumulated amortization and impairment	–	–	(908,770)	(120,423)	5,778	(1,023,415)
Net amount	$ 24,750	$ 104,800	$ 97,967	$ 8,880	$ (6,047)	$ 230,350
Year ended December 31, 2010:						
Opening net amount	$ 24,750	$ 104,800	$ 97,967	$ 8,880	$ (6,047)	$ 230,350
Exchange difference	(352)	(3,558)	(1,625)	24	–	(5,511)
Additions	–	257	5,928	1,343	–	7,528
Disposals	(4,347)	(1,666)	(181)	(116)	6,047	(263)
Amortization charge	–	(5,657)	(34,155)	(3,686)	–	(43,498)
Impairment loss	–	–	(22,580)	(351)	–	(22,931)
Closing amount at December 31, 2010	$ 20,051	$ 94,176	$ 45,354	$ 6,094	$ –	$ 165,675
As at December 31 2010:						
Cost	$ 20,051	$ 99,954	$ 788,125	$ 107,668	$ –	$ 1,015,798
Accumulated amortization and impairment	–	(5,778)	(742,771)	(101,574)	–	(850,123)
Net amount	$ 20,051	$ 94,176	$ 45,354	$ 6,094	$ –	$ 165,675

An impairment loss of $18,065 (2010 - $22,931) relating to property, plant and equipment in the Pre-Recorded Multimedia Products segment was recorded in 2011 and an impairment loss of $961 (2010 - $0) relating to property, plant and equipment in the Video Games segment was recorded in 2011.

Amortization of property, plant and equipment for the year ended December 31, 2011 amounted to $23,987 (2010 - $43,498) and is recognized in cost of sales in the consolidated statements of income (loss).

Leased assets:

As at December 31, 2011, included in the above are assets under finance lease with a cost of $9,524 (December 31, 2010 - $15,439; January 1, 2010 - $16,558) and a net book value of $5,209 (December 31, 2010 - $6,598; January 1, 2010 - $8,292).

8. Property, plant and equipment (continued):

The net carrying amount for assets under finance leases are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Land	$ 161	$ 166	$ 178
Building	4,926	5,686	6,286
Machinery and equipment	122	459	1,161
Other tangible assets	–	287	667
Total	$ 5,209	$ 6,598	$ 8,292

9. Investment properties:

	Land	Buildings	Total
Year ended December 31, 2011:			
Opening net amount at January 1, 2011	$ 4,201	$ 4,245	$ 8,446
Exchange differences	(73)	(6)	(79)
Reclass to assets held for sale	(2,956)	–	(2,956)
Amortization charge	–	(290)	(290)
Closing net amount at December 31, 2011	$ 1,172	$ 3,949	$ 5,121
As at December 31, 2011:			
Cost	$ 1,172	$ 5,641	$ 6,813
Accumulated amortization and impairment	–	(1,692)	(1,692)
Net amount	$ 1,172	$ 3,949	$ 5,121

9. Investment properties (continued):

	Land	Buildings	Total
Year ended December 31, 2010:			
Opening net amount at January 1, 2010	$ 3,597	$ 3,608	$ 7,205
Exchange differences	104	(59)	45
Additions	500	876	1,376
Amortization charge	–	(180)	(180)
Closing net amount at December 31, 2010	$ 4,201	$ 4,245	$ 8,446
As at December 31, 2010:			
Cost	$ 4,201	$ 5,647	$ 9,848
Accumulated amortization and impairment	–	(1,402)	(1,402)
Net amount	$ 4,201	$ 4,245	$ 8,446
As at January 1, 2010:			
Cost	$ 3,597	$ 4,844	$ 8,441
Accumulated amortization and impairment	–	(1,236)	(1,236)
Net amount	$ 3,597	$ 3,608	$ 7,205

Rental income earned from investment property for the year ended December 31, 2011 was $878 (2010 - $996), while direct operating expenses were nominal. There were no capital commitments for future capital expenditure on investment properties as at December 31, 2011.

The estimated fair value of the Fund's investment property at December 31, 2011 is $12,531 (December 31, 2010 - $14,869; January 1, 2010 - $16,378). The Fund's investment property consists of vacant land, facilities which it leases and a residential dwelling. The valuation method used for land is to utilize an estimated market rate per acre, for operating facilities to utilize recent appraisals, and to utilize an estimation of residential values for the residential dwelling based on comparable transactions. Fair values have not been determined by independent valuators and are supported by market evidence as assessed by the Fund.

Included in the estimated value of the Fund's investment property is a facility which is subject to an operating lease, to which the Fund is the lessor, and the lessee has the option to purchase the property for $5,000 up to May 31, 2013. The Fund has assessed the fair value of this property to be $5,392 as at December 31, 2011 (December 31, 2010 - $5,392).

Amortization of investment properties for the year ended December 31, 2011 amounted to $290 (2010 - $180) and is recognized in cost of sales in the consolidated statements of income (loss).

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10. Goodwill and intangible assets:

	Customer supply agreements	Other intangible assets	Total intangible assets (a)	Goodwill (b)
Year ended December 31, 2011:				
Opening, January 1, 2011	$ 11,349	$ –	$ 11,349	$ 40,634
Additions	1,417	–	1,417	–
Amortization charge	(3,150)	–	(3,150)	–
Impairment	(7,645)	–	(7,645)	(40,634)
Closing, December 31, 2011	$ 1,971	$ –	$ 1,971	$ –
As at December 31, 2011:				
Cost	$ 417,517	$ 400	$ 417,917	$ 40,634
Accumulated amortization and impairment	(415,546)	(400)	(415,946)	(40,634)
Net amount	$ 1,971	$ –	$ 1,971	$ –
As at January 1, 2010:				
Cost	$ 416,100	$ 400	$ 416,500	$ 40,634
Accumulated amortization and impairment	(399,722)	(297)	(400,019)	–
Net amount	$ 16,378	$ 103	$ 16,481	$ 40,634

	Customer supply agreements	Other intangible assets	Total intangible assets (a)	Goodwill (b)
Year ended December 31, 2010:				
Opening, January 1, 2010	$ 16,378	$ 103	$ 16,481	$ 40,634
Amortization charge	(5,029)	(103)	(5,132)	–
Closing, December 31, 2010	$ 11,349	$ –	$ 11,349	$ 40,634
As at December 31, 2010:				
Cost	$ 416,100	$ 400	$ 416,500	$ 40,634
Accumulated amortization and impairment	(404,751)	(400)	(405,151)	–
Net amount	$ 11,349	$ –	$ 11,349	$ 40,634

10. Goodwill and intangible assets (continued):

(a) Intangible assets:

Customer supply agreements were also acquired as part of the acquisition of Ditan Corporation ("Ditan"), Vision and 1K. Customer supply agreements are being amortized on a straight-line basis over a period of five to six years. The intangible assets relating to Ditan customer supply agreements were fully impaired as of December 31, 2011. The aggregate net book value of intangible assets relating to Vision and 1K customer supply agreements was $1,971 as at December 31, 2011 (December 31, 2010 - $11,349, January 1, 2010 - $16,481).

As part of the acquisition of Vision, the Fund acquired the rights to the internally developed technology/software owned by Vision which was classified as intangible assets. This asset was being amortized on a straight-line basis over three years.

For the year ended December 31, 2011, an impairment loss of $7,645 (2010 - nil) relating to customer supply agreements in the Pre-Recorded Multimedia Products segment was recorded (note 18).

For the year ended December 31, 2011, amortization of intangible assets amounted to $3,150 (2010 - $5,132) and is recognized in cost of sales in the consolidated statements of income (loss).

(b) Goodwill:

Goodwill of $40,634 relates to the 2007 acquisition of the assets of Ditan in the U.S. and was fully impaired in 2011 (note 18).

11. Provisions:

Details of provisions are as follows:

	Restoration and decommissioning costs	Restructuring (note 19(a))	Other	Total
As at January 1, 2011	$ 5,071	$ 13,578	$ 4,606	$ 23,255
Provisions made	5	9,696	6,283	15,984
Provisions used	(255)	(19,885)	(730)	(20,870)
Accretion recovery	(287)	–	–	(287)
Foreign exchange	(45)	–	–	(45)
Provisions adjusted (c)	–	–	9	9
As at December 31, 2011	$ 4,489	$ 3,389	$ 10,168	$ 18,046

11. Provisions (continued):

	Restoration and decommissioning costs	Restructuring (note 19(a))	Other	Total
As at January 1, 2010	$ 4,716	$ 3,247	$ 3,031	$ 10,994
Provisions made	247	22,489	2,682	25,418
Provisions used	(60)	(12,158)	–	(12,218)
Accretion charges during 2010	278	–	–	278
Foreign exchange	(110)	–	–	(110)
Provisions adjusted (c)	–	–	(1,107)	(1,107)
As at December 31, 2010	$ 5,071	$ 13,578	$ 4,606	$ 23,255

(a) Restoration and decommissioning costs:

Upon the Fund determining that a new arrangement involves a restoration and decommissioning cost, at inception, the Fund records a deferred asset along with an offsetting provision for the estimated present value of the costs of retiring leasehold improvements at the maturity of the facility leases. The deferred asset is recorded in property, plant and equipment.

For the year ended December 31, 2011, the Fund recorded an accretion recovery of $287 (2010 - charge of $278).

Restoration and decommissioning costs refer to the present value of the anticipated cost to restore a leased property to its original state prior to vacating the premises, as required under a lease agreement. The accretion is charged to net finance costs (note 20).

The undiscounted amount of the provision at December 31, 2011 is $4,600 (December 31, 2010 - $5,247, January 1, 2010 - $4,716), and is expected to be paid out in one to seven years.

(b) Facility restructuring charges:

At December 31, 2011, the Fund had $2,826 recorded in current provision balances (December 31, 2010 - $12,862), and $563 (December 31, 2010 - $716) in non-current provision balances, respectively, associated with facility restructuring charges. It is anticipated that substantially all of the accrued facility restructuring liabilities will be paid in 2012.

(c) Other provisions:

Other provisions include provisions for litigation matters, royalties, contractual obligations and withdrawal liabilities. The adjustment to a provision for $949 (2010 - $884) pertains to a pension withdrawal liability associated with a discontinued operation, offset by a reversal of $940 for a payable wherein the outflow resources is no longer probable. For the year ended December 31, 2010, the adjustment to a provision for $1,107 relates substantially to a pension withdrawal liability associated with a discontinued operation (note 24(b)).

12. Personnel expenses and employee benefits:

(a) Personnel expenses:

	2011	2010
Wages and salaries	$ 351,749	$ 420,484
Contributions to defined contribution plans	1,331	1,076
Termination benefits	6,807	14,760
Expenses related to defined benefit plans	1,180	1,250
Cash-settled share-based payment transactions	170	337
	$ 361,237	$ 437,907

(b) Defined benefit pension plans:

A reconciliation of the funded status of the defined benefit plans to the amounts recorded in the consolidated statements of financial position is as follows:

	U.S.		Germany		Total	
	2011	2010	2011	2010	2011	2010
Fair value of plan assets	$ 3,619	$ 3,550	$ -	$ -	$ 3,619	$ 3,550
Present value of obligations	(5,541)	(4,229)	(18,381)	(17,890)	(23,922)	(22,119)
Total employee benefit liability	$ (1,922)	$ (679)	$ (18,381)	$ (17,890)	$ (20,303)	$ (18,569)

	U.S.		Germany		Total	
	2011	2010	2011	2010	2011	2010
Current employee benefits	$ (1,922)	$ (679)	$ (1,081)	$ (1,150)	$ (3,003)	$ (1,829)
Non-current employee benefits	–	–	(17,300)	(16,740)	(17,300)	(16,740)

(c) Description of the defined benefit plans:

U.S.:

Certain union employees of the Fund participate in the Cinram Music Union Pension Plan ("Music Union Plan"). Pension benefits under the Music Union Plan are based on formulas that reflect the employee's years of service multiplied by a specified dollar amount negotiated in collective bargaining.

12. Personnel expenses and employee benefits (continued):

Germany:

The Fund's defined benefit pension plan covers certain existing and former employees who have signed specific agreements related to pension benefits, including members of senior and middle management. The pension contributions are based on German tax law requirements and, therefore, the plan remains unfunded.

(d) Plan assets funding the defined benefit plans:

Plan assets pertain solely to the U.S. plan, as the German plan remains unfunded.

Plan assets comprise:

Asset category	2011	2010
Cash and cash equivalents	$ 120	$ 180
Debt securities	1,564	1,277
Equity securities	1,935	2,093
	$ 3,619	$ 3,550

(e) Movement in the present value of the defined benefit obligations for the defined benefit plans:

	U.S.		Germany		Total	
	2011	2010	2011	2010	2011	2010
Benefit obligations, beginning of year	$ 4,229	$ 3,774	$ 17,890	$ 18,782	$ 22,119	$ 22,556
Current service cost	–	–	232	261	232	261
Interest cost	234	226	900	868	1,134	1,094
Actual benefits paid	(51)	(51)	(1,164)	(1,125)	(1,215)	(1,176)
Actuarial loss	1,129	280	1,013	66	2,142	346
Amendments	–	–	50	138	50	138
Unrecognized past service costs	–	–	(140)	–	(140)	–
Impact of foreign exchange	–	–	(400)	(1,100)	(400)	(1,100)
Benefit obligations, end of year	$ 5,541	$ 4,229	$ 18,381	$ 17,890	$ 23,922	$ 22,119

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12. Personnel expenses and employee benefits (continued):

(f) Movement in the value of plan assets for the defined benefit plans:

	U.S.		Germany		Total	
	2011	2010	2011	2010	2011	2010
Fair value of plan assets, beginning of year	$ 3,550	$ 3,143	$ –	$ –	$ 3,550	$ 3,143
Actual return on plan assets	(2)	302	–	–	(2)	302
Employer contributions	121	156	–	–	121	156
Actual benefits paid	(50)	(51)	–	–	(50)	(51)
Fair value of plan assets, end of year	$ 3,619	$ 3,550	$ –	$ –	$ 3,619	$ 3,550

(g) Expense recognized in profit or loss for the defined benefit plans is as follows:

Elements of defined benefit costs recognized in the year:

	U.S.		Germany		Total	
	2011	2010	2011	2010	2011	2010
Components of net periodic benefit cost:						
Current service cost	$ –	$ –	$ 232	$ 261	$ 232	$ 261
Interest cost	234	226	900	868	1,134	1,094
Expected return on plan assets	(286)	(255)	–	–	(286)	(255)
Amortization of past service costs	–	–	47	205	47	205
Defined benefit costs recognized in earnings	$ (52)	$ (29)	$ 1,179	$ 1,334	$ 1,127	$ 1,305

12. Personnel expenses and employee benefits (continued):

The expense is recognised in the following line items in the consolidated statements of comprehensive income:

	U.S.		Germany		Total	
	2011	2010	2011	2010	2011	2010
Cost of goods sold	$ –	$ –	$ 213	$ 295	$ 213	$ 295
Selling, general and administrative expenses	(52)	(29)	966	1,039	914	1,010
	$ (52)	$ (29)	$ 1,179	$ 1,334	$ 1,127	$ 1,305

(h) Actuarial gains and (losses) recognized in other comprehensive income for the defined benefit plans:

	U.S.		Germany		Total	
	2011	2010	2011	2010	2011	2010
Amount accumulated in retained earnings (deficit) at January 1	$ (279)	$ –	$ (66)	$ –	$ (345)	$ –
Recognised during the year	(1,679)	(279)	(937)	(66)	(2,616)	(345)
Amount accumulated in retained earnings (deficit) at December 31	$ (1,958)	$ (279)	$ (1,003)	$ (66)	$ (2,961)	$ (345)

(i) Actuarial assumptions used for the defined benefit plans:

The following are the principal actuarial assumptions at the reporting date:

	U.S.		Germany	
	2011	2010	2011	2010
Discount rate at December 31				
Expected return on plan assets at January 1	8.00%	8.00%	–	–
Future salary increases	–	–	3.00%	3.00%
Discount rate (income statement expense)	5.57%	6.04%	4.90%	5.00%
Discount rate (benefit obligation)	4.37%	5.57%	4.40%	4.90%
Future pension increases	–	–	2.00%	2.00%

For the assets of the Music Union Plan, the weighted average historical return on equity and debt securities is 8%. The Fund has adopted a balanced growth objective, which balances risk and return. Under this investment strategy, the Fund's long-term allocation for equity and debt securities is 65% and 35%, respectively.

12. Personnel expenses and employee benefits (continued):

Pension fund assets consist of fixed income and equity mutual funds, valued at market value. Long-term historical returns for indexed equity and debt securities are used as the basis to determine the overall expected long-term rate of return on assets assumption for the mutual fund investments held in the Music Union Plan.

(j) Historical information on the defined benefit plans:

	2011	2010
Present value of the defined benefit obligation	$ (23,922)	$ (22,119)
Fair value of plan assets	3,619	3,550
Deficit in the plans	$ (20,303)	$ (18,569)
Experience adjustments:		
(Gain)/loss arising on plan liabilities	$ 931	$ 123
(Gain)/loss arising on plan assets	288	(46)

The Fund expects $1,117 in contributions to be paid to its defined benefit plans in 2012.

(k) Defined contribution plans:

Certain employees participate in several defined pre-tax contribution plans through the Fund's facilities in the United Kingdom. The Fund's contributions are based on a percentage of the employee's elected contributions. For the year ended December 31, 2011, the Fund's expense amounted to $1,331 (2010 - $1,076).

(l) Other employee benefit plans:

(i) German early retirement plan:

In its German operations, the Fund has an early retirement agreement with its employee works council as part of a labour contract, whereby eligible employees are able to receive certain benefits during a period of reduced work prior to attaining standard retirement age and German state pension benefits. A liability of approximately $3,597 has been recorded in non-current employee benefits as at December 31, 2011 (2010 - $4,101)

The Fund's early retirement pension expense amounted to $557 for the year ended December 31, 2011 (2010 - $915).

The most recent actuarial valuation was completed as at December 31, 2011.

12. Personnel expenses and employee benefits (continued):

(ii) German Jubilee plan:

In its German operations, the Fund also has an agreement with its employee works council as part of a labour contract, whereby employees receive years of service awards upon reaching their 10 and 25 year service anniversaries. Employment and income taxes associated with this award are paid by the Fund and a total liability of approximately $352 has been recorded in current employee benefits as at December 31, 2011 (2010 - $394).

The Fund's Jubilee pension expense amounted to $25 for the year ended December 31, 2011 (2010 - $25).

The most recent actuarial valuation was completed as at December 31, 2011.

(iii) France retirement benefit plan

In its France operations, the Fund has a retirement benefit plan, whereby eligible employees are able to receive a certain lump sum benefit if they attain the statutory retirement age while still employed by the Fund. A liability of approximately $971 has been recorded as at December 31, 2011 (2010 - $1,319).

The Fund's retirement benefit expense amounted to $13 or the year ended December 31, 2011 (2010 - $22).

(m) Multi-employer plans:

Responsibility for certain multi-employer plans were transferred as part of the sale of the assets and liabilities of Ivy Hill, a discontinued operation (note 24(b)(i)).

Graphic Communication Industry Union ("GCIU") Pension:

The GCIU Retirement Fund was a multi-employer plan covering direct labour employees in certain printing facilities of a previously owned subsidiary of the Fund. In 2008, the Fund incurred a withdrawal liability of $1,400 due to the closure of the Ivy Hill Vernon facility. A balance of $1,075 is recorded in current provisions at December 31, 2011 (2010 - $1,336).

The Fund's GCIU pension expense, included in loss from discontinued operations, amounted to nil for the year ended December 31, 2011 (2011 - nil).

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13. Income taxes:

The major components of the tax recovery are as follows:

	2011	2010
Current tax on profits	$ 839	$ 909
Current tax on adjustments in respect of prior years	(32)	(5,241)
	807	(4,332)
Deferred tax recovery relating to origination and reversal of temporary differences	(1,212)	(3,259)
Deferred tax expense arising from the writedown of deferred tax assets	–	4,091
	(1,212)	832
Income tax from continuing operations	(405)	(3,500)
Income tax from discontinued operations	–	–
Total tax recovery	$ (405)	$ (3,500)

Income tax recovery varies from the amounts that would be computed by applying the statutory income tax rate to earnings (loss) from continuing operations before income taxes as follows:

	2011		2010	
Basic rate applied to pre-tax earnings (loss)	$ (25,126)	28.3 %	$ 4,077	31.0 %
Increase (decrease) in taxes resulting from:				
Changes in unrecognized deferred tax assets	25,985	(29.2)%	(9,420)	(71.6)%
Tax rate in other jurisdictions	(2,842)	3.2 %	3,153	24.0 %
Change in Canadian tax rate	(277)	0.3 %	36	0.3 %
Other items	2,341	(2.6)%	(1,346)	(10.3)%
Permanent differences due to non-deductible expenses or tax exempt income	(486)	(0.5) %	–	–
Total tax recovery	$ (405)	(0.5) %	$ (3,500)	(26.6)%

The tax rate in Canada has decreased from 31% in 2010 to 28.3% in 2011.

13. Income taxes (continued):

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income of the appropriate character during the years in which the temporary differences are deductible and loss carryforwards are available. Management considers the scheduled reversals of deferred income tax liabilities, the character of the income tax assets and the tax planning strategies in place in making this assessment. To the extent that management believes that the realization of deferred income tax assets does not meet the more likely than not realization criterion, a deferred tax asset is not recognized in respect of these items.

Deferred tax assets and liabilities which have been recognized are presented below:

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax assets:			
Non-capital loss carryforwards	$ 14,998	$ 33,031	$ 30,404
Property, plant and equipment	7,922	3,408	5,097
Goodwill and intangible assets	–	3,698	–
	22,920	40,137	35,501
Deferred tax liabilities:			
Property, plant and equipment	(8,851)	(14,611)	(13,654)
Accruals not deductible in the current period	(846)	–	–
Goodwill and intangible assets	–	(3,698)	–
Deferred gain on debt repurchase	(9,637)	(12,473)	(12,641)
Other	(4,500)	(10,584)	(9,837)
	(23,834)	(41,366)	(36,132)
Net deferred tax liabilities	$ (914)	$ (1,229)	$ (631)
Reconciliation of deferred income taxes:			
Deferred income tax assets	$ –	$ –	$ 5,097
Deferred income tax liabilities	(914)	(1,229)	(5,728)
Net deferred tax liabilities	$ (914)	$ (1,229)	$ (631)

13. Income taxes (continued):

The movement in the deferred tax balances is as follows:

	Balance, January 1, 2010	Recognized in profit or loss	Recognized in other comprehensive income	Foreign currency translation	Balance, December 31, 2010
Non-capital income tax loss carryforwards	$ 30,404	$ 2,627	$ –	$ –	$ 33,031
Property, plant, and equipment	(8,557)	(2,646)	–	–	(11,203)
Deferred gain on debt repurchase	(12,641)	168	–	–	(12,473)
Other	(9,837)	(981)	–	234	(10,584)
	$ (631)	$ (832)	$ –	$ 234	$ (1,229)

	Balance, January 1, 2011	Recognized in profit or loss	Recognized in other comprehensive income	Foreign currency translation	Balance, December 31, 2011
Non-capital income tax loss carryforwards	$ 33,031	$ (18,033)	$ –	$ –	$ 14,998
Accruals not deductible in the current period	–	(846)	–	–	(846)
Property, plant, and equipment	(11,203)	10,274	–	–	(929)
Deferred gain on debt repurchase	(12,473)	2,836	–	–	(9,637)
Other	(10,584)	6,981	(1,018)	121	(4,500)
	$ (1,229)	$ 1,212	$ (1,018)	$ 121	$ (914)

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2011	December 31, 2010
Deductible temporary differences	$ 480,083	$ 514,110
Capital loss carryforwards	88,190	79,408
Non-capital loss carryforwards	271,584	161,516
	$ 839,857	$ 755,034

The Fund believes that it has adequately provided for income taxes based on all of the information that is currently available. The calculation of income taxes in many cases, however, requires significant judgment in interpreting tax rules and regulations. The Fund's tax filings are subject to audits which could materially change the amount of current and deferred income tax assets and liabilities, and could, in certain circumstances, result in the assessment of interest and penalties.

13. Income taxes (continued):

At December 31, 2011, the Fund has non-capital loss carryforwards of $304,608 (December 31, 2010 - $248,905). A deferred tax asset of $271,584 has not been recorded in respect of these losses as it is not more likely than not that the Fund will be able to utilize these losses in the future.

The non-capital losses expiring in the years ending December 31 are as follows:

2013	$ 1,659
2014	2,213
2015	20,615
2016	–
2017	1,249
2018 and thereafter	278,872
	$ 304,608

The Fund has net capital loss carryforwards in Canada of approximately $82,905 and $5,285 in the United Kingdom. A deferred tax asset has not been recorded in respect of these losses as it is not more likely than not that the Fund will be able to utilize these losses in the future.

14. Long-term debt and mandatorily exchangeable secured debt:

The balance of long-term debt and mandatorily exchangeable secured debt comprises the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Term loan (a)	$ 235,006	$ 366,739	$ 395,364
Less: unamortized transaction costs (c)	(2,550)	(812)	(3,344)
Term loan, net	232,456	365,927	392,020
Mandatorily exchangeable secured debt before adjustment	101,908	–	–
Less: equity forward embedded derivative (note 15(c))	(79,486)	–	–
Mandatorily exchangeable secured debt (b)	22,422	–	–
	254,878	365,927	392,020
Less: current portion (including mandatorily exchangeable secured debt, net, of $22,422 (December 31, 2010 - nil, January 1, 2010 - nil)	(254,878)	(365,927)	(28,624)
Long-term debt	$ –	$ –	$ 363,396

14. Long-term debt and mandatorily exchangeable secured debt (continued):

The weighted average interest rate on the long-term and mandatorily exchangeable secured debt of the Fund for the year ended December 31, 2011 was 13.3%, inclusive of net payments made under the interest rate swap (note 15(a)). For the year ended December 31, 2010, the weighted average interest rate on long-term debt was 7.7%, inclusive of net payments made under the interest rate swap (note 15(a)). These weighted average calculations exclude adjustments to long-term debt due to the embedded derivative liability related to the term loan (note 15 (b)).

(a) The following are the key terms of the term loan (the "Term Loan"):

(i) A principal amount of $235,006 as at December 31, 2011 which includes cumulative interest paid in kind of $3,610. The Fund continues to record the Term Loan at the principal amount, plus cumulative interest paid in kind which has not been repaid, less an adjustment of $3,040 initially recorded to estimate the embedded derivative financial instrument liability related to the interest rate floor for the Term Loan (note 15(b)), adjusted each period for the cumulative accretion charges on this initial adjustment which are $804 as at December 31, 2011.

(ii) The term of the Term Loan is through to December 31, 2013.

(iii) Interest is LIBOR plus 1,100 basis points, of which 300 basis points can be paid in kind. LIBOR is established to have a floor of no less than 1.25% and constitutes an embedded derivative liability (note 15(b)). The interest to be paid in kind is added to the principal amount of the Term Loan each period.

(iv) Interest to be paid quarterly.

(v) Additional interest to accrue if, as a result of certain minimum liquidity provisions, the Fund defers principal amortization or excess cash flow sweep payments or pays interest-in-kind with respect to all or a portion of the outstanding loans.

(vi) Amortization of the term loan to be 1.25% of the closing date principal amount per quarter, beginning in the second quarter of 2011. The amortization will increase to 2.5% per quarter in the third quarter of 2012 and beyond, subject to certain minimum liquidity provisions.

The Term Loan has been classified as a current liability as at December 31, 2011 as discussed in note 2(a).

(b) The following are the key terms of the mandatorily exchangeable secured debt (the "Exchangeable Debt"):

(i) The Exchangeable Debt is secured debt that was substantially repaid through the issuance of equity, as it substantially became mandatorily exchangeable into units of the Fund on December 31, 2011 (note 30).

14. Long-term debt and mandatorily exchangeable secured debt (continued):

(ii) The Exchangeable Debt includes accrued interest paid in kind of $11,908 at December 31, 2011.

(iii) The security for the Exchangeable Debt is a second lien on all collateral of the Fund's credit facility.

(iv) The interest rate was 17% per annum, compounded on a quarterly basis accruing until December 31, 2011.

(v) If the principal portion of the Exchangeable Debt was to become mandatorily exchangeable into units of the Fund on December 31, 2011, the price at which the Exchangeable Debt would be exchanged for units of the Fund was the lesser of: (a) $0.242 per unit, and (b) the lowest price per unit at which additional equity is raised on or before December 31, 2011. The Exchangeable Debt was exchanged for units of the Fund at a price of $0.242 per unit on January 3, 2012 (note 30), and 373,172,682 units of the Fund were issued to holders of the Exchangeable Debt for the principal amount of $90,000 plus $308 in accrued interest (see vi).

(vi) Accrued interest was to be paid in cash: (a) with respect to all or any portion of the principal repaid prior to December 31, 2011 or (b) at December 31, 2011, each lender had the option to exchange its rateable share of capitalized and accrued interest to units of the Fund at the same price as the principal or to retain a continuing second lien debt claim (at 17% paid-in-kind interest per annum) until December 31, 2013, at which time, the remaining balance shall be paid in cash. Of the $11,908 in total accrued interest as at December 31, 2011, lenders representing $11,600 chose to retain a continuing second lien debt claim, and lenders representing $308 elected to convert their position into units of the Fund at a conversion rate of $0.242 (note 30).

(c) Unamortized transaction costs relate to amendments to the Fund's credit facility which were finalized on August 12, 2011. The unamortized transaction cost balance of $2,550 comprises $3,653 in transaction costs, less $1,103 in amortization recorded through net finance charges for the year ended December 31, 2011, respectively, which are recorded as interest on long-term debt in net finance costs (note 20).

Revolving facilities:

The Fund has revolving facilities (the "Revolving Facilities") and the key terms are as follows:

(i) A total available amount of $35,000 in two advances.

(ii) The revolving credit advance of $14,000, of which $12,695 (December 31, 2010 - $14,100, January 1, 2010 - $14,450) is utilized as of December 31, 2011; is for outstanding letters of credit that may be redrawn for direct borrowing; or for a replacement letter of credit to the extent any outstanding letters of credit are cancelled. The interest rate on this advance is similar to that of the Term Loan.

14. Long-term debt and mandatorily exchangeable secured debt (continued):

(iii) The first-out revolving credit advance for $21,000 can only be utilized after the $14,000 advance is fully drawn. The interest rate on this advance is LIBOR plus 975 basis points on Eurocurrency loans. LIBOR is established to have a floor of no less than 1.25%. Similarly, the Fund can choose to be subject to U.S. or Canada base rates at similar interest rates.

(iv) The first-out revolving credit advance has a priority above all other security and loans, thereby resulting in a lower interest rate than the existing revolving credit advance.

(v) Interest is payable on both advances on a quarterly basis.

(vi) A commitment fee of 200 basis points per annum on the undrawn portion of the Revolving Facilities.

The Revolving Facilities balance is $19,000 at December 31, 2011 (December 31, 2010 - nil; January 1, 2010 - nil) and has been classified as bank indebtedness in current liabilities.

August 2011 Credit Facility Amendments:

On August 12, 2011, lenders unanimously approved amendments to the Fund's credit facility (the "August 2011 Credit Facility"). The Fund has accounted for the August 2011 Credit Facility as a modification, as the terms of the August 2011 Credit Facility were substantially similar to the terms included in the Refinancing and Recapitalization (as described further below), and as a result, transaction costs and lender consent fees were deferred and will be amortized over the term of the August 2011 Credit Facility rather than expensed immediately to earnings and loss. The term of the August 2011 Credit Facility is through to December 31, 2013. In addition, the Fund undertook to provide enhanced and more frequent reporting of financial results and to submit financial projections for 2012 and 2013 no later than February 15, 2012 for majority lender approval of the Term Loan, which if not approved within 30 days from this date would be an event of default. On March 15, 2012, the lenders agreed to extend the waiver for certain financial covenants up to March 28, 2012 and the lenders agreed to extend the date by which the lenders are required to approve the business plan and financial statement projections submitted to the lenders on February 15, 2012, from March 15, 2012 to March 28, 2012. On March 28, 2012, the lenders further agreed to extend the waiver for certain financial covenants up to April 30, 2012; however, the lenders may terminate this waiver on or after April 13, 2012. The March 28, 2012 waiver also extends the date by which the lenders are required to approve the Business Plan and waives certain other financial reporting requirements indefinitely, subject to the lenders' right to terminate the waiver on or after April 13, 2012 (note 2(a)).

14. Long-term debt and mandatorily exchangeable secured debt (continued):

The key highlights of the amendments relate to revisions to interest rates and covenant tests, permissible levels of liquidity and investment, and lender consent fees and transaction costs, as follows:

(d) Revisions to interest rates and covenant tests were as follows:

(i) The interest rate on the Term Loan was revised from LIBOR plus 900 basis points, of which 100 basis points could be paid in kind, to LIBOR plus 1,100 basis points, of which 300 basis points can be paid in kind. LIBOR continued to have a floor of 1.25%;

(ii) The interest rate on the Exchangeable Debt increased from 15% to 17% paid in kind;

(iii) The interest rate on the existing revolving credit advance increased and continues to be similar to the Term Loan, and the interest rate on the first-out revolving credit advance was revised from LIBOR plus 625 basis points to LIBOR plus 975 basis points on Eurocurrency loans. LIBOR continued to have a floor of 1.25%;

(iv) The commitment fee on the undrawn portion of the Revolving Facilities increased from 125 basis points to 200 basis points per annum;

(v) The leverage ratio was revised, and based upon the previous 12 months, cannot exceed the following on a monthly basis:

- 7.25 to 1.00 for the period up to December 31, 2011;
- 6.25 to 1.00 for the period from January 1, 2012 to March 31, 2012;
- 5.00 to 1.00 for the period from April 1, 2012 to June 30, 2012;
- 4.00 to 1.00 for the period from July 1, 2012 to September 30, 2012;
- 3.25 to 1.00 for the period from October 1, 2012 to December 31, 2012; and
- 2.75 to 1.00 for the period from January 1, 2013 onward.

(vi) The interest coverage ratio was revised, and based upon the previous 12 months, cannot be less than the following:

- 1.25 to 1.00 during the period up to December 31, 2011;
- 1.50 to 1.00 during the period from January 1, 2012 to March 31, 2012;
- 2.25 to 1.00 during the period from April 1, 2012 to June 30, 2012;
- 2.50 to 1.00 during the period from July 1, 2012 to September 30, 2012;
- 2.75 to 1.00 during the period from October 1, 2012 to December 31, 2012; and
- 3.00 to 1.00 during the period from January 1, 2013 onward.

14. Long-term debt and mandatorily exchangeable secured debt (continued):

(e) Revisions to permissible levels of liquidity and investment:

(i) The available liquidity, which represents cash and cash equivalents plus the undrawn portion of the Revolving Facilities, cannot be less than the following:

- $35,000 at any time during the period from August 12, 2011 to September 30, 2011;
- $30,000 at any time during the period from October 1, 2011 to December 31, 2011;
- $40,000 at any time during the period from January 1, 2012 to December 31, 2012; and
- $50,000 from January 1, 2013 onward.

(ii) Reductions were made to the permitted level of capital expenditures, acquisitions, customer advances and joint venture projects.

(f) Revisions to lender consent fees and transaction costs:

In connection with the August 2011 Credit Facility, during the third quarter of 2011, the Fund incurred additional lender consent fees, payable to all approving lenders, of 1% of all advances as at August 12, 2011, under the August 2011 Credit Facility, totalling $3,653, which comprises $2,722 paid in cash in relation to the Term Loan and Revolving Facilities, and $931 in interest paid in kind which was added to the outstanding principal amount of the Exchangeable Debt. For the year ended December 31, 2011, the Fund also incurred $1,353 in costs to advisors and respective legal counsel acting on behalf of the Fund and lenders in connection with the August 2011 Credit Facility, which were recorded to net finance costs.

Refinancing and recapitalization:

On April 11, 2011, the Fund completed a refinancing and recapitalization transaction ("Refinancing and Recapitalization").

The Refinancing and Recapitalization comprised a new amended credit facility (the "Amended Credit Facility") comprising the Term Loan, Exchangeable Debt, and warrants ("Warrants") (note 16). In connection with the Refinancing and Recapitalization, the lenders received a consent fee equal to their pro rata share (based on the full amount outstanding under the previous credit facility) of: (i) $10,937 in lender consent fees (note 20), and (ii) 9.896 million units of the Fund, resulting in an increase to both net finance costs and Fund units of $7,351 (note 20). In addition, transaction costs of $22,222 (note 20) relating to the Refinancing and Recapitalization are included in net finance costs for the year ended December 31, 2011 (note 20).

14. Long-term debt and mandatorily exchangeable secured debt (continued):

The Fund has accounted for the Refinancing and Recapitalization as an exchange transaction, in which the previous financing liabilities were extinguished, and the new financing liabilities were recognized. In addition to the lender consent fee, transaction costs, and charges associated with the issuance of Fund units, the Fund recognized a charge of $416 for the issuance of Warrants in connection with the Refinancing and Recapitalization, and amortization charges for previously capitalized transaction costs of $164. For the year ended December 31, 2011, the Fund recorded a charge of $40,250 in connection with the Refinancing and Recapitalization.

The following is a summary of the changes from the previous credit facility to the Amended Credit Facility that comprise revisions to the Term Loan, Revolving Facilities, as well as Exchangeable Debt.

(a) Revisions to the Term Loan:

(i) Interest increased from LIBOR plus 200 basis points to LIBOR plus 900 basis points, of which 100 basis points could be paid in kind. LIBOR was established to have a floor of no less than 1.25% whereas no such floor existed previously. The interest to be paid in kind is added to the principal amount of the term loan each period.

(ii) Principal repayments of the Term Loan were 1% of the principal balance per annum under the previous credit facility, and were revised to be 1.25% of the closing date principal amount, as at April 11, 2011, per quarter, beginning in the second quarter of 2011. The amortization was also set to increase to 2.5% per quarter in the third quarter of 2012 and beyond, subject to certain minimum liquidity provisions.

(b) Revisions to the Revolving Facilities:

(i) The Revolving Facilities decreased from $100,000 to $35,000, allocated to two advances, an existing revolving credit advance of $14,000 with an interest rate increasing from LIBOR plus 200 basis points to an interest rate similar to that of the Term Loan, and a first-out revolving credit advance for $21,000 with an interest rate increasing from LIBOR plus 200 basis points to LIBOR plus 625 basis points. LIBOR was established to have a floor of no less than 1.25% for both advances.

(ii) A commitment fee of 125 basis points per annum on the undrawn portion of the Revolving Facilities was established.

(c) Newly issued Exchangeable Debt:

The Exchangeable Debt arose as a result of the Refinancing and Recapitalization, whereby there was an exchange of outstanding first-lien long-term debt in the amount of $90,000 for $90,000 of newly issued Exchangeable Debt.

15. Derivative financial instruments:

(a) Interest rate swap:

The Fund previously entered into a five-year, $400,000 swap agreement fixing the interest rate on the term loan at 5.55% plus 200 basis points, resulting in a rate of 7.55%. This hedge provided protection against interest rate volatility, and expired in August 2011. On December 15, 2009, the Fund ceased hedge accounting. For the year ended December 31, 2011, $5,012 (2010 - $14,636) has been recognized in net finance costs (note 20). The credit adjusted fair value of the interest rate swap liability as at December 31, 2011 was nil due to expiration prior to the end of the period (December 31, 2010 - $11,087, January 1, 2010 - $25,225).

(b) Embedded derivative:

In connection with the Amended Credit Facility and August 2011 Credit Facility, the interest rate on the Term Loan includes a LIBOR floor of 1.25%, which has been determined to be an embedded derivative. As at April 11, 2011 (the "inception date"), the Fund recorded a decrease to long-term debt and a corresponding increase to derivative financial instrument liabilities of $3,040. This amount represented the estimated fair value of the embedded derivative at the inception date. The fair value of the embedded derivative as at December 31, 2011 totals $3,383, and $343 has been recorded as a gain to net finance costs (note 20) as a change in the fair value of the derivative financial instrument liabilities during the year ended December 31, 2011. As a result of recording the embedded derivative liability with a corresponding decrease to long-term debt on the inception date, the Term Loan balance will be accreted to its face amount over the term to maturity. During the year ended December 31, 2011, the Fund recorded $804 of accretion charges which are recorded as interest on long-term debt in net finance costs (note 20).

(c) Equity forward embedded derivative:

As the Exchangeable Debt is mandatorily exchangeable into units of the Fund on December 31, 2011, as described in note 14, it contains an equity forward embedded derivative. As at December 31, 2011, the Fund measured the fair value of the equity forward embedded derivative asset at $79,486, which has been recorded against the Exchangeable Debt as at December 31, 2011, with the change in fair value gain recorded in net finance cost (note 20).

The fair value has been determined based on the difference between the conversion price of $0.242 and the trading price of the Fund's units of $0.029 at December 31, 2011.

16. Unitholders' deficiency:

(a) Warrants:

In connection with the Refinancing and Recapitalization (note 14), the Fund issued Warrants during the second quarter of the year ended December 31, 2011, as follows:

(i) The holder has the option to purchase 13 million units of the Fund.

(ii) The initial strike price is $1.10 per unit; however, this was to be recalculated and set at the lowest of: (a) $1.10; (b) the lowest per unit price at which the Fund issues new units on or before December 31, 2011, to which there were no Fund issues; and (c) the per unit price resulting from any exchange of the Exchangeable Debt, which was $0.242 per unit. As a result, the strike price is $0.242.

(iii) The vesting of the Warrants is scheduled as follows:

(a) 50% upon closing of the Refinancing and Recapitalization;

(b) 10% one year after closing;

(c) 15% two years after closing; and

(d) 25% three years after closing.

(iv) The Warrants expire on the seventh anniversary date from the date of vesting.

A charge of $416 for the fair value and related revaluation of Warrants is included in net finance costs (note 20) for the year ended December 31, 2011.

The Fund utilized the Black-Scholes model to value the Warrants liability as at December 31, 2011 which resulted in a fair value of $175. A separate valuation was conducted for each of the four different tranches of Warrants, based on the four differing vesting periods. The input parameters used in the Black-Scholes model are as follows:

(i) Dividend yield: Assumed to be nil.

(ii) Risk-free interest rates: The Bank of Canada benchmark rates were utilized and matched to the term of expiry for the warrants. The rate ranged from 1.4% to 1.9%.

(iii) Strike price: The strike price of $0.242 was utilized.

(iv) Share price: The closing unit price of the Fund as at December 31, 2011 of $0.03.

(v) Expiry of the Warrants: As per the terms of the four tranches of Warrants.

16. Unitholders' deficiency (continued):

(vi) Expected volatility: Historical volatility of the Fund's unit price using closing daily prices was utilized. The number of years of historical data was matched to the future number of years until expiry of the tranche of Warrants. The volatility ranged from 107.1% to 124.6%.

No Warrants were exercised during the year ended December 31, 2011, and all 13 million Warrants issued remain outstanding as at December 31, 2011.

(b) Employee Unit Purchase loans:

During the year ended December 31, 2009, the Fund entered into two separate agreements to advance up to Cdn. $3,250 to named officers for the purpose of buying units of the Fund on the open market. During the year ended December 31, 2009, Cdn. $2,419 (U.S. $2,240) was advanced for the purchase of 1,268,400 units. Interest is calculated at the rate prescribed for purposes of the Income Tax Act (Canada), which for 2011 and 2010 was 1%. The balances outstanding are secured by the units purchased or any proceeds realized upon sale of the units. As at December 31, 2011, the market value of the units held as collateral was Cdn. $38. The loans were originally repayable in four equal annual instalments commencing in the second quarter of 2011 or earlier under certain specified conditions; however, during the fourth quarter of 2010, the repayment of the loans was extended to commence in the second quarter of 2012. On February 28, 2012, the named officers surrendered all units of the Fund pledged to treasury for cancellation in connection with these loans, and amounts held in escrow of Cdn. $2,123 were released to the tax authorities to offset personal tax liabilities. The events will result in an expenditure of Cdn. $2,123 to earnings in the first quarter of 2012.

17. Accumulated other comprehensive loss:

	2011	2010
Foreign currency translation account:		
Balance, beginning of year	$ (8,580)	$ –
Change in foreign currency translation account	8,548	(8,580)
Balance, end of year	$ (32)	$ (8,580)
Unrealized net loss of cash flow hedges:		
Balance, beginning of year	$ (5,012)	$ (19,648)
Release of other comprehensive income due to de-designated hedge	5,012	14,636
Balance, end of year	$ –	$ (5,012)
Accumulated other comprehensive loss	$ (32)	$ (13,592)

Other comprehensive loss is presented, net of income tax expense of $1,018 for the year ended December 31, 2011 (2010 - nil).

18. Impairment of non-financial assets:

The Fund recorded total impairment charges during the year ended December 31, 2011 of $67,305 (2010 - $22,931). In addition, the Fund recorded an impairment charge of $49,626 on transition to IFRS as at January 1, 2010. Details of the impairment charges are as follows:

(a) Impairment of the European CGU at January 1, 2010:

As at January 1, 2010, as part of the transition to IFRS, the Fund tested all of its CGUs for impairment and recognized an impairment loss of $49,626 in its European CGU. This consisted of an impairment of $38,570 with respect to property, plant and equipment, and $11,056 with respect to intangible assets. These impairments were due to the CGU's carrying amount exceeding its recoverable amount. The recoverable amount for the European CGU was determined using fair value less costs to sell.

The European CGU comprises the following:

- Cinram UK (the Fund's UK manufacturing, replication and distribution operations of Pre-Recorded Multimedia Products);
- Cinram France (the Fund's French manufacturing, replication and distribution operations of Pre-Recorded Multimedia Products);
- Cinram GmbH (the Fund's German manufacturing, replication and distribution operations of Pre-Recorded Multimedia Products); and
- Cinram Spain and other operations (the Fund's Spanish distribution operations of Pre-Recorded Multimedia Products).

The Fund utilized the following methodologies and key assumptions in formulating fair value less costs to sell for the European CGU as at January 1, 2010:

- The methodology utilized to determine fair value was determined based on a five-year discounted cash flow model, plus terminal value.
- The key assumptions of the analysis were as follows:
  - (i) A five-year forecast term from 2010 through to 2014;
  - (ii) A five-year revenue compound annual growth rate ("CAGR") of -14%;
  - (iii) A discount rate of 14%;
  - (iv) A terminal growth rate of -14%;
  - (v) Cost to sell was assumed to be 3% of fair value at the end of the forecast term; and
  - (vi) Fair value of certain assets was determined using third party valuation appraisals and/or other observable market indicators.

18. Impairment of non-financial assets (continued):

This impairment was recognized in the opening balance sheet of the Fund, upon its transition to IFRS from Canadian GAAP. The impairment was recognized in the following asset classes:

- Machinery and equipment of $29,615 comprise the following:
  - (i) DVD equipment of $17,844;
  - (ii) Distribution equipment of $7,240; and
  - (iii) Other equipment of $4,531.
- Other tangible assets of $8,955 comprise the following:
  - (i) Computer hardware of $2,445;
  - (ii) Computer software of $2,196;
  - (iii) Furniture of $2,972; and
  - (iv) Other assets of $1,342.
- Intangible assets of $11,056 comprise the following:
  - (i) $10,793 in relation to customer supply contracts pursuant to the Fund's operations in Germany; and
  - (ii) $263 in relation to customer supply contracts pursuant to the Fund's operations in Vision Europe.

The impairment of property, plant and equipment at January 1, 2010 of the European CGU related to the following segments:

Reportable business segments:	
Pre-Recorded Multimedia Products	$ 38,211
Other	359
	$ 38,570

The impairment of intangible assets at January 1, 2010 of the European CGU related to the following segments:

Reportable business segments:	
Pre-Recorded Multimedia Products	$ 10,793
Other	263
	$ 11,056

18. Impairment of non-financial assets (continued):

(b) Impairment of CGUs as at December 31, 2010:

As at December 31, 2010, as part of its annual impairment testing, the Fund tested all of its CGUs for impairment and recognized an impairment loss of $22,931. Of the total impairment loss, $15,715 pertains to the Fund's European CGU and $7,216 relates to the North American CGU.

(i) Impairment of the European CGU at December 31, 2010:

The European CGU impairment loss of $15,715 pertained exclusively to property, plant and equipment and was due to the CGU's carrying amount exceeding its recoverable amount. The recoverable amount for the European CGU was determined using fair value less costs to sell.

The Fund utilized the following methodologies and key assumptions in formulating fair value less costs to sell for the European CGU as at December 31, 2010:

- The methodology utilized to determine fair value was based on a four-year discounted cash flow model, plus terminal value.
- The key assumptions of the analysis were as follows:

  (a) A four-year forecast term from 2011 through to 2014;
  (b) A four-year revenue CAGR of -10%;
  (c) A discount rate of 13%;
  (d) A terminal growth rate of -10%;
  (e) Cost to sell was assumed to be 3% of fair value at the end of the forecast term; and
  (f) Fair value of certain assets was determined using third party valuation appraisals and/or other observable market indicators.

This impairment was recognized as at December 31, 2010. The impairment was recognized in the following asset classes:

- Machinery and equipment of $15,364 comprise the following:

  (a) DVD equipment of $15,237; and
  (b) Distribution equipment of $127.

- Other tangible assets of $351 comprise the following:

  (a) computer hardware of $236;
  (b) computer software of $63; and
  (c) furniture of $52.

18. Impairment of non-financial assets (continued):

The impairment of property, plant and equipment at December 31, 2010 of the European CGU related to the following segments:

Reportable business segments:	
Pre-Recorded Multimedia Products	$ 15,437
Other	278
	$ 15,715

(ii) Impairment of the North American CGU at December 31, 2010:

During the year ended December 31, 2010, the Fund reassessed its CGUs and consolidated certain North American operations which were separately considered as CGUs for impairment testing at January 1, 2010. The previous CGUs that were combined were as follows:

- Cinram International Inc. (the Fund's Canadian manufacturing, replication and distribution operations of Pre-Recorded Multimedia Products);
- Cinram Inc. (the Fund's Huntsville, Alabama operations pertaining to manufacturing and replication of Pre-Recorded Multimedia Products); and
- Cinram Manufacturing and Cinram Distribution (all other U.S. operations involved in the manufacturing, replication and distribution of Pre-Recorded Multimedia Products).

This reassessment of the CGUs, which led to a North American CGU as at December 31, 2010, occurred due to material changes to the business structure of the Fund in 2010, primarily as a result of the loss of a significant customer. Such changes led to the inability to identify separate and distinct cash flow streams due to consolidation and business process re-engineering of North American sales, operational and administrative functions.

As at December 31, 2010, as part of its annual impairment testing, the Fund tested all of its CGUs for impairment and recognized an impairment loss of $7,216 in its North American CGU. This impairment pertained exclusively to property, plant and equipment. This impairment was due to the CGU's carrying amount exceeding its recoverable amount. The recoverable amount for the North American CGU was determined using fair value less costs to sell.

The Fund utilized the following methodologies and key assumptions in formulating fair value less costs to sell for the North American CGU as at December 31, 2010:

- The methodology utilized to determine fair value was based on a four-year discounted cash flow model, plus terminal value.

18. Impairment of non-financial assets (continued):

- The key assumptions of the analysis were as follows:
  (a) A four-year forecast term from 2011 through to 2014;
  (b) A four-year revenue CAGR of -10%;
  (c) A discount rate of 12%;
  (d) A terminal growth rate of -11%;
  (e) Cost to sell was assumed to be 3% of fair value at the end of the forecast term; and
  (f) Fair value of certain assets was determined using third party valuation appraisals and/or other observable market indicators.

This impairment was recognized as at December 31, 2010. The impairment was recognized in machinery and equipment; specifically, DVD equipment of $7,216.

The impairment of property, plant and equipment at December 31, 2010 of the North American CGU related to the following segments:

Reportable business segments:	
Pre-Recorded Multimedia Products	$ 7,216

(c) Impairment of the North American CGU, European CGU and Video Games CGU, in 2011:

For the year ended December 31, 2011, the Fund recognized a total impairment loss of $67,305. This consists of $14,913 of impairment in the North American CGU, $48,709 of impairment in the Video Games CGU and $3,683 of impairment in the European CGU.

(i) Impairment of the North American CGU at June 30 2011:

As at June 30, 2011, the Fund determined that the carrying value of certain property, plant and equipment was impaired as a result of certain events which occurred during the three months ended June 30, 2011, including consolidated EBITA and net earnings being materially less than amounts budgeted. The Fund assessed all CGUs for indicators of impairment as at and for the six months ended June 30, 2011 through a review of actual EBITA and cash flows as compared to budgeted amounts, and concluded that the North American and European CGUs were the only CGUs that had impaired assets as at June 30, 2011. The Fund utilized similar methodologies and assumptions as at June 30, 2011 which it utilized as at December 31, 2010, as disclosed in note 18(b) to determine the amount of impairment for both the North American and European CGUs, except that the cash flow forecasts were updated based on current estimates.

As at June 30, 2011, the Fund recognized an impairment loss of $13,832 related to its North American CGU. This impairment pertained exclusively to property, plant and equipment. This impairment was due to the CGU's carrying amount exceeding its estimated recoverable amount.

18. Impairment of non-financial assets (continued):

The impairment was recognized in:

(a) machinery and equipment, substantially, DVD equipment, in the amount of $11,423;
(b) furniture of $1,078;
(c) leasehold improvements of $1,036; and
(d) other assets of $305.

The impairment of property, plant and equipment at June 30, 2011 of the North American CGU related to the Pre-Recorded Multimedia Products segment.

(ii) Impairment of the European CGU at June 30, 2011:

As at June 30, 2011, the Fund recognized an impairment loss of $3,479 related to its European CGU. This impairment pertained exclusively to property, plant and equipment. This impairment was due to the CGU's carrying amount exceeding its estimated recoverable amount.

The impairment was recognized in:

(a) machinery and equipment, substantially, DVD equipment, in the amount of $3,411; and
(b) other assets of $68.

The impairment of property, plant and equipment at June 30, 2011 of the European CGU related to the Pre-Recorded Multimedia Products segment.

(iii) Impairment of the Video Games CGU at December 31, 2011:

As at December 31, 2011, the Fund recognized an impairment loss of $49,994, of which $48,709 related to the Video Games CGU. This impairment pertained to property, plant and equipment, supply contract and goodwill. This impairment was due to the CGU's carrying amount exceeding its recoverable amount. The recoverable amount for the Video Games CGU was determined using fair value less costs to sell.

The Fund utilized the following methodologies and key assumptions in formulating fair value less costs to sell for the Video Games CGU as at December 31, 2011:

- The methodology utilized to determine fair value was based on a five-year discounted cash flow model, plus terminal value.
- The key assumptions of the analysis were as follows:
  (a) A five-year forecast term from 2012 through to 2016;
  (b) A five-year revenue CAGR of -12%;
  (c) A discount rate of 16%;
  (d) A terminal growth rate of 0%; and
  (e) Cost to sell was assumed to be 3% of fair value at the end of the forecast term.

18. Impairment of non-financial assets (continued):

This impairment was recognized as at December 31, 2011. The impairment was recognized in property, plant and equipment of $430, supply contract of $7,645 and goodwill of $40,634, for a total of $48,709.

(iv) Impairment of the North American CGU at December 31, 2011:

As at December 31, 2011, the Fund recognized an impairment loss of $1,081 related to the North American CGU. This impairment pertained exclusively to property, plant and equipment. This impairment was due to the CGU's carrying amount exceeding its estimated recoverable amount.

The Fund utilized the following methodologies and key assumptions in formulating fair value less costs to sell for the North American CGU as at December 31, 2011:

- The methodology utilized to determine fair value was based on a five-year discounted cash flow model, plus terminal value.
- The key assumptions of the analysis were as follows:
  (a) A five-year forecast term from 2012 through to 2016;
  (b) A five-year revenue CAGR of -12%;
  (c) A discount rate of 11%;
  (d) A terminal growth rate of -24%;
  (e) Cost to sell was assumed to be 3% of fair value at the end of the forecast term; and
  (f) Fair value of certain assets was determined using third party valuation appraisals and/or other observable market indicators.

The impairment was recognized in the following asset classes:

- Building of $1,015;
- Machinery and equipment of $56; and
- Other tangible assets of $10.

The impairment of property, plant and equipment at December 31, 2011 of the North American CGU related to the following segments:

Reportable business segments:	
Pre-Recorded Multimedia Products	$ 1,081

18. Impairment of non-financial assets (continued):

(v) Impairment of the European CGU at December 31, 2011:

As at December 31, 2011, as part of its annual impairment testing, the Fund recognized an impairment loss of $204 related to its European CGU. This impairment pertained exclusively to property, plant and equipment and was due to the CGU's carrying amount exceeding its recoverable amount. The recoverable amount for the European CGU was determined using fair value less costs to sell.

The Fund utilized the following methodologies and key assumptions in formulating fair value less costs to sell for the European CGU as at December 31, 2011:

- The methodology utilized to determine fair value was based on a five-year discounted cash flow model, plus terminal value.
- The key assumptions of the analysis were as follows:

  (a) A five-year forecast term from 2012 through to 2016;
  (b) A five-year revenue CAGR of -10%;
  (c) A discount rate of 12%;
  (d) A terminal growth rate of -30%;
  (e) Cost to sell was assumed to be 3% of fair value at the end of the forecast term; and
  (f) Fair value of certain assets was determined using third party valuation appraisals and/or other observable market indicators.

The impairment was recognized in the following asset classes:

- Machinery and equipment of $204

The impairment of property, plant and equipment at December 31, 2011 of the European CGU related to the following segments:

Reportable business segments:	
Pre-Recorded Multimedia Products	$ 204

19. Other charges, net:

	2011	2010
Facility restructuring ((a) and note 11(b))	$ 9,696	$ 22,489
Gain on sale of property, plant and equipment (b)	–	(7,460)
Other (c)	–	–
	$ 9,696	$ 15,029

(a) Facility restructuring costs:

A continuity schedule of the provision for facility restructuring costs for the year ended December 31, 2011 is as follows:

	Severance costs	Facility exit costs	Other costs	Total costs
January 1, 2010	$ 2,437	$ 431	$ 379	$ 3,247
Add current period charges	14,760	6,006	1,723	22,489
Deduct payments	(9,149)	(1,275)	(1,734)	(12,158)
December 31, 2010	8,048	5,162	368	13,578
Add current period charges	6,807	2,096	793	9,696
Deduct payments	(12,604)	(6,128)	(1,153)	(19,885)
December 31, 2011	$ 2,251	$ 1,130	$ 8	$ 3,389

During the year ended December 31, 2011, the Fund continued the rationalization of several facilities primarily as a result of declining revenues. For North American operations, a net restructuring charge of $2,403 was recorded, primarily relating to $2,483 of severance and facility exit costs, offset by $80 of recoveries. For European operations, a net restructuring charge of $7,293 was recorded, comprising $7,339 of severance and facility exit costs, offset by $46 of other recoveries.

In 2010, the Fund continued with the rationalization of several of its facilities, primarily as a result of the termination of the WHV service contract effective July 31, 2010, and net costs of $22,489 related to severance, facility exit and other costs were recorded as other charges. For North American operations, a restructuring charge of $12,141 was recorded, which comprised $5,739, $6,006 and $396 for severance, facility exit and other costs, respectively. For European operations, a restructuring charge was recorded of $10,348, which comprised $9,021 and $1,327 for severance, and other costs, respectively.

(b) Gain on sale of property, plant and equipment:

In January 2010, the Fund completed the sale of its owned distribution centre in Simi Valley, California for cash proceeds of $14,000 less transaction costs, resulting in a gain of $7,460, which was recorded to other charges, net.

19. Other charges, net (continued):

(c) Other:

During the year ended December 31, 2011, the Fund reversed a provision of $5,574 pertaining to an exposure for potential contractual obligations due to a reassessment that it is no longer probable that funds will be required to settle these exposures. Also, the Fund recognized a charge of $6,092 in relation to additional custom duties that may be payable in respect of prior periods and a recovery of $518 related to certain other items.

20. Net finance costs (income):

	2011	2010
Interest on long-term debt	$ 37,079	$ 32,618
Interest on mandatorily exchangeable debt	11,908	–
Release of accumulated other comprehensive income due to de-designation of hedge	5,012	14,636
Release of cumulative translation adjustment	(648)	118
Change in fair value of interest rate swap and embedded derivative (note 15(a) and (b))	(10,744)	(14,138)
Lender consent fees (note 14)	10,937	–
Investment banker fees (note 20(c))	825	–
Transaction costs (note 20(a))	22,222	–
Unrealized foreign exchange translation loss (gain) (note 20(b))	5,566	(360)
Investment income	(1,970)	(1,160)
Issuance of Fund Units (note 14)	7,351	–
Change in fair value of equity forward embedded derivative (note 15 (c))	(79,486)	–
Revaluation of Warrants (note 16 (a))	416	–
Other	2,723	1,203
Net finance costs	$ 11,191	$ 32,917

(a) Transaction costs for the year ended December 31, 2011 relate to the Refinancing and Recapitalization (note 14) and comprise $14,051 in advisory fees, and consultants' fees and $8,171 in legal fees, paid primarily to counsel representing both the lenders and the Fund.

(b) Unrealized foreign exchange translation loss (gain) is a non-cash item that primarily relates to intercompany loans within the Fund. For the year ended December 31, 2011, the loss of $5,566 is primarily a result of the changes in the U.S. dollar value relative to foreign currencies, whereas for the year ended December 31, 2010, the gain of $360 is primarily a result of the depreciation of the U.S. dollar relative to foreign currencies.

(c) In September 2011, as required under the Fund's credit agreement, the Fund retained an investment banker as its financial advisor to undertake a comprehensive and thorough review of strategic alternatives for the Fund.

21. Earnings (loss) per unit:

Basic and diluted earnings (loss) per unit:

The reconciliation of the numerator and denominator for the calculation of basic and diluted earnings (loss) per unit is as follows:

	2011	2010
Numerator:		
Earnings (loss) from continuing operations	$ (87,589)	$ 15,740
Earnings (loss) from discontinued operations	(949)	429
Earnings (loss)	$ (88,538)	$ 16,169
Denominator (in thousands):		
Weighted average units outstanding - basic	60,469	53,971
Effect of dilutive securities	–	1,786
Weighted average number of units outstanding - diluted	60,469	55,757
Earnings (loss) per unit from continuing operations:		
Basic	$ (1.45)	$ 0.29
Diluted	(1.45)	0.28
Earnings (loss) per unit from discontinued operations:		
Basic	$ (0.01)	$ 0.01
Diluted	(0.01)	0.01
Earnings (loss) per unit:		
Basic	$ (1.46)	$ 0.30
Diluted	(1.46)	0.29

Basic and diluted earnings (loss) per unit have been calculated using the weighted average and maximum dilutive number of units outstanding during the year.

	2011	2010
Anti-dilutive units (in thousands)[(i)]	293,065	1,786

[(i)]For the year ended December 31, 2011, the anti-dilutive units arise primarily due to the conversion of the Exchangeable Debt (note 14) and Warrants (note 16(a)).

22. Change in non-cash working capital:

	2011	2010
Decrease in trade and other receivables	$ 12,399	$ 96,029
Decrease (increase) in inventories	(602)	7,832
Decrease in prepaid expenses	794	4,043
Increase (decrease) in trade and other payables	64	(92,349)
	$ 12,655	$ 15,555

23. Acquisition of One K Studios, LLC:

On January 31, 2011, the Fund acquired the full ownership interests of 1K. 1K specializes in building enhanced consumer experiences for movies, TV shows, music, books and games. 1K provides creative and technical services to these companies to help them release their content in different venues, including digital downloads, mobile and tablet applications, advanced Blu-ray discs, stereoscopic 3D and social media.

These services will be integrated with Cinram's existing media production and logistics business, creating an end-to-end supply chain with competitive advantages for its customers. The new expertise will play an important role in Cinram's effort to identify and evaluate additional opportunities to add to the Fund's client offering.

For the year ended December 31, 2011, 1K contributed revenue of $8,236 and a loss of $741.

If the acquisition had occurred on January 1, 2011, for the year ended December 31, 2011, management estimates, on a consolidated basis for the Fund, that the Fund's consolidated revenue would have been $801,476 and consolidated loss for the year would have been $88,462. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2011.

The Fund entered into an arrangement, whereby it paid $2,963 in cash, representing the purchase price of $3,000 less an initial working capital adjustment of $37 for full ownership interests in 1K. The Fund finalized the actual working capital position of 1K as at the acquisition date of January 31, 2011 during the three months ended September 30, 2011.

The identifiable assets acquired and liabilities assumed were as follows:

Current assets	$ 2,057
Customer relationships	1,418
Non-current assets	843
Current liabilities	(922)
Non-current liabilities	(433)
	$ 2,963

23. Acquisition of One K Studios, LLC (continued):

The fair value of customer relationships, which is an intangible asset, is being amortized over six years.

The trade and other receivables comprise gross contractual amounts due of $901, of which $6 was expected to be uncollectable at the acquisition date.

The Fund incurred $54 relating to external legal fees, which have been included in selling, general and administrative expenses in the Fund's consolidated statements of comprehensive income (loss) in the year ended December 31, 2011.

24. Assets held for sale and discontinued operations:

(a) Assets held for sale:

	December 31, 2011	December 31, 2010	January 1, 2010
Carrying value of assets held for sale previously classified as:			
Land under investment property (i)	$ 2,956	$ –	$ –
Land and building under property, plant and equipment (ii)	–	–	6,047
	$ 2,956	$ –	$ 6,047

(i) Certain land in Canada previously classified as investment property was reclassified as held-for-sale, as the criteria for this reclassification were met in the fourth quarter of 2011. The land was sold in January 2012, resulting in a gain of $267 (note 30(b)).

(ii) In the fourth quarter of 2009, the Fund finalized an agreement to dispose of a distribution facility located in Simi Valley, California, United States. At January 1, 2010, the criteria had been met for these assets to be classified as held-for-sale and, accordingly, these assets were reclassified on the consolidated balance sheet. The sale closed in January 2010, resulting in a gain of $7,460.

(b) Discontinued operations:

(i) Ivy Hill:

On April 9, 2009, the Fund completed the sale of substantially all of the assets and liabilities of Ivy Hill, to Multi Packaging Solutions, Inc. ("MPS") for net cash proceeds of $14,001, subject to working capital adjustments pursuant to the Asset Purchase Agreement. Ivy Hill's results, which comprised all of the North American printing business, were excluded from the Fund's continuing operations subsequent to the completion of the transaction.

24. Assets held for sale and discontinued operations (continued):

In conjunction with the sale, the Fund has a continuing obligation to fund a withdrawal liability relating to the multi-employer pension plans. This net withdrawal liability obligation is partially offset by preferred shares of MPS which Cinram received as part of the proceeds of sale. These preferred shares have been placed in escrow to fund the withdrawal liability. The Fund obtains an annual valuation of the withdrawal liability, and records accretion charges, in compliance with the valuation, to the estimated settlement date.

In 2011, a mark-to-market loss adjustment of ($949) (2010 - $1,256) was recorded in relation to the withdrawal liability. As at December 31, 2011, the estimated withdrawal liability obligation, net of the preferred shares is $1,898 (December 31, 2010 - $884) and is recorded in current provisions. This obligation will settle in a future period based on the value of the obligation in the second quarter of 2013.

In conjunction with the sale, the Fund has a continuing obligation to fund additional multi-employer pension plan liabilities. As at December 31, 2011, these liabilities were recorded in both current provisions and trade and other payables in the amounts of $1,075 (2010 - $1,336) and $149 (2010 - $44), respectively.

The results of the Ivy Hill discontinued operations are as follows:

	2011	2010
Revenue	$ –	$ –
Mark-to-market gain (loss) on the net withdrawal liability	$ (949)	$ 1,256
Earnings (loss) from discontinued operations, net of income taxes	$ (949)	$ 1,256

The cash flow from the Ivy Hill discontinued operations for the year ended December 31 is as follows:

	2011	2010
Add: loss (earnings) from discontinued operations	$ 949	$ (1,256)
Change in non-cash working capital	(1,607)	(577)
Total cash used in discontinued operations	$ (658)	$ (1,833)

24. Assets held for sale and discontinued operations (continued):

(ii) Mexico:

On June 30, 2010, the Fund completed the sale of its share of the Mexican joint venture, Cinram LantinoAmericana, S.A. de C.V., to the joint venture partner for total proceeds of $300. Accordingly, the Fund's proportionate share of the results of operations of the joint venture were segregated and presented separately as discontinued operations in the consolidated financial statements for the year ended December 31, 2010 and prior periods were reclassified on this basis.

Prior to the classification as a discontinued operation, these results were reported within the Pre-Recorded Multimedia Products segment.

The results of the discontinued operations are as follows:

	2011	2010
Revenue	$ –	$ 6,219
Loss from discontinued operations	$ –	$ (233)
Loss on sale of discontinued operations	–	(594)
Total loss from discontinued operations, net of income taxes	$ –	$ (827)

There are no material amounts remaining on the consolidated statements of financial position relating to the Mexico discontinued operations at both December 31, 2011 and December 31, 2010.

25. Lease commitments:

Future minimum rental commitments for all non-cancellable operating and capital leases as at December 31, 2011 are as follows:

	Capital	Operating	Total
2012	$ 8,211	$ 19,142	$ 27,353
2013	4,953	12,089	17,042
2014	54	6,367	6,421
2015	–	5,821	5,821
2016	–	5,790	5,790
2017 and thereafter		9,085	9,085
	13,218	$ 58,294	$ 71,512
Less: interest	787		
Less: current portion	7,577		
Non-current portion	$ 4,854		

Operating lease expense for the year ended December 31, 2011 amounted to $20,440 (2010 - $48,312).

The Fund has operating leases for several offices, factories and warehouses. The operating leases have terms between five and ten years, and substantially all of these leases have an option to renew at the end of term.

Obligations under finance leases and commitments:

As at December 31, 2011, the Fund has $12,431 in obligations under finance leases, primarily pertaining to Blu-ray machinery and equipment. The terms of the finance leases on Blu-ray machinery and equipment include a payment schedule over 24 months, with down payments ranging from 20% to 35%, and an annual interest rate of 6.9%.

26. Contingent liabilities:

In the normal course of operations, the Fund becomes involved in various legal actions and other claims mostly related to labour issues, potential royalty obligations and contractual disputes. While the final outcome with respect to actions outstanding or pending as at December 31, 2011 cannot be predicted with certainty, it is management's opinion that their resolution will not have a material adverse effect on the Fund's financial position, results of operations or cash flows.

26. Contingent liabilities (continued):

Royalty charges are incurred as a result of the use of third party replication technologies. The royalty charge is recorded as cost of goods sold at the time of shipment. The royalty rates are specified on a per unit basis and based on contractual terms and conditions or management's best estimates in situations where formal license agreements are not in place. These estimates are reviewed periodically and, as adjustments become necessary, they are made in the period in which they become known. A significant change in the royalty rates used could have a material impact on cost of goods sold, the provision for royalties and net earnings (loss).

In the normal course of business, the Fund has entered into agreements that contain features that meet the definition of a financial guarantee contract under IFRS. These include business sale and business combination agreements, sales of products and services, purchases and development of property, plant and equipment, and other indemnifications.

The Fund is unable to make a reasonable estimate of the maximum potential amount it would be required to pay counterparties which has not enabled it to establish if a present obligation exists. Also, the amount also depends on the outcome of future events and conditions, which cannot be predicted and, therefore, the outcomes for payout are not probable and reliable estimates cannot be ascertained. On the basis of the above, no provisional amounts have been accrued in the consolidated statements of financial position relating to these types of financial guarantee contracts at January 1, 2010, December 31, 2010 and December 31, 2011. Historically, the Fund has not made any significant payments under these financial guarantee contracts.

27. Key management personnel and other related party transactions:

(a) Key management personnel transactions:

Key management personnel ("KMP") consists of the Board of Trustees, President and CEO, Executive Vice-President and Chief Financial Officer, Senior Vice-President and General Counsel, Executive Vice-President Manufacturing North America, Executive Vice-President Distribution North America, Executive Vice-President Key Accounts, and the Executive Vice-President and Managing Director Europe, of the Fund.

Key management personnel compensation is comprised of:

	2011	2010
Short-term employee benefits	$ 3,531	$ 4,291
Termination benefits	228	–
Share-based payments	170	337
	$ 3,929	$ 4,628

27. Key management personnel and other related party transactions (continued):

(b) Other related party transactions:

The Fund entered into the following other related party transactions:

In 2011, a total of $758 (2010 - $613) was paid to a law firm in which the Senior Vice President and General Counsel of the Fund was a former partner. The Senior Vice President and General Counsel of the Fund remained a partner in this law firm until January 31, 2008 and is currently of counsel to the firm. The Fund has been advised that the Senior Vice President and General Counsel received no credit or compensation with respect to the amounts paid by the Fund to the firm since the Senior Vice President and General Counsel's commencement date.

In 2010, as a result of the relocation of the CEO pursuant to his employment agreement, during the second quarter of 2010, the Fund agreed to purchase his principal residence for $1,325, representing estimated fair market value at the time of purchase. This transaction was reviewed and approved by the Board of Trustees, without the participation of the CEO.

In 2010 and 2011, amounts were placed in escrow by the Fund of $1,860 and $287, respectively. These amounts in escrow were to offset personal tax liabilities for named officers of the Fund in relation to certain Employee Unit Purchase loans (note 16(b)).

These transactions were recorded at the exchange amount, being the amount agreed to by the related parties.

28. Financial risk management and financial instruments:

(a) Overview:

The Fund is exposed to credit risk, liquidity risk and market risk. The Fund's primary risk management objective is to protect earnings, cash flows and unitholder value. Risk management strategies, as discussed below, are designed and implemented to ensure that the Fund's risks and the related exposures are consistent with its business objectives and risk tolerance.

The Board of Trustees has primary accountability for the establishment and oversight of the Fund's financial risk management framework, and the Trustees delegate senior management with the responsibility for appropriate execution of related strategies. Within the Fund's risk management framework and debt covenant requirements, senior management evaluates a variety of alternatives and financial products to augment the risk management process. The Board of Trustees reviews and approves all material transactions.

28. Financial risk management and financial instruments (continued):

The Fund's risk management and treasury policies are intended to: establish acceptable risk boundaries and observe covenants; analyze and identify the risks and opportunities encountered by the Fund; monitor and manage the risk exposures due to market changes; and maintain adherence to controls. These policies are reviewed periodically and adjusted accordingly based on the Fund's activities and market conditions. Senior management's risk and covenant compliance is monitored by the Fund's Audit Committee which, with the assistance of the internal audit department, oversees the appropriateness and adequacy of the risk management framework as it relates to the risks faced by the Fund.

(b) Credit risk:

Credit risk is a risk of financial loss arising from an unfulfilled contractual obligation due to the Fund by a customer or counterparty to a financial instrument. The carrying amount of financial assets represents the maximum credit exposure.

(i) Cash and cash equivalents:

The Fund held cash and cash equivalents of $70,097 as at December 31, 2011 (December 31, 2010 - $164,399; January 1, 2010 - $122,072), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with a bank and financial institution counterparties, which are rated P-1, based on rating agency Moody's ratings.

(ii) Trade and other receivables:

The Fund's exposure to credit risk is subject to the concentration of its key customers. The Fund's three largest receivable balances due from its customers represent 51% of consolidated accounts receivable at December 31, 2011. At December 31, 2010, the three largest customers represented 53% of consolidated accounts receivable. These customers have been transacting with the Fund for many years without any significant occurrence of losses to the Fund. The Fund believes that the credit risk is limited due to the financial stability of its larger customers and the long-standing relationships the Fund has with these customers.

The maximum exposure to credit risk for trade receivables from the three largest customers is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Customer A	$ 47,650	$ 54,281	$ 69,482
Customer B	19,814	20,201	63,588
Customer C	18,714	19,765	27,178

28. Financial risk management and financial instruments (continued):

The maximum exposure to credit risk for trade receivables by geographic region is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Canada	$ 21,420	$ 13,480	$ 22,312
U.S.	63,579	82,026	97,387
Europe	82,524	82,254	149,422
Other	–	–	3,663

The Fund does not require collateral in respect of trade receivables given the long-term relationship with its customers.

The Fund records an allowance for doubtful accounts related to trade receivable that considered to be non-collectible. The allowance is based on the Fund's knowledge of the financial condition of its customers, the aging of the receivables, current business environment, customer and industry concentrations, and historical experience.

The Fund has established various internal controls, such as credit checks, designed to mitigate credit risk and has also established procedures to suspend services when customers have fully utilized credit limits or have violated established payment terms.

While management believes that the Fund's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Fund's current credit loss experience will continue.

Total trade and other receivables as at December 31, 2011 amounted to $167,523 (December 31, 2010 - $177,760; January 1, 2010 - $272,784), net of an allowance for doubtful accounts totalling $2,170 (December 31, 2010 - $3,270; January 1, 2010 - $4,149), which management believes adequately reflects the Fund's credit risk. Of the reported trade receivable, 7.3% (December 31, 2010 - 12.6%; January 1, 2010 - 11%) is determined to be past due, which is defined as amounts outstanding beyond normal credit terms and conditions for the respective customers.

28. Financial risk management and financial instruments (continued):

The aging of the trade receivable balance as at December 31, 2011 was as follows:

	Trade receivables	Allowance for doubtful accounts
Current	$ 155,155	$ –
Past due 0 - 30 days	10,209	
Past due 30 - 60 days	380	
Past due 60 - 90 days	522	
Past due 90 - 120 days	648	
Past due 120 - 180 days	964	(355)
Past due over 180 days	1,815	(1,815)
	169,693	$ (2,170)
Less allowance for doubtful accounts	2,170	
	$ 167,523	

The aging of the trade receivable balance as at December 31, 2010 was as follows:

	Trade receivables	Allowance for doubtful accounts
Current	$ 155,295	$ –
Past due 0 - 30 days	17,791	–
Past due 30 - 60 days	1,872	–
Past due 60 - 90 days	1,399	–
Past due 90 - 120 days	848	–
Past due 120 - 180 days	562	(7)
Past due over 180 days	3,263	(3,263)
	181,030	$ (3,270)
Less allowance for doubtful accounts	3,270	
	$ 177,760	

28. Financial risk management and financial instruments (continued):

The aging of the trade receivable balance as at January 1, 2010 was as follows:

	Trade receivables	Allowance for doubtful accounts
Current	$ 242,614	$
Past due 0 - 30 days	24,083	
Past due 30 - 60 days	4,087	
Past due 60 - 90 days	2,377	(377)
Past due 90 - 120 days	1,208	(1,208)
Past due 120 - 180 days	–	–
Past due over 180 days	2,564	(2,564)
	276,933	$ (4,149)
Less allowance for doubtful accounts	4,149	
	$ 272,784	

The change in the allowance for doubtful trade receivable during the year ended December 31, 2011 was a decrease of $1,100 (December 31, 2010 - $879; January 1, 2010 - $3,190).

(iii) Derivatives:

The Fund limits its exposure to credit risk related to derivatives by transacting with counterparties that are stable and of high credit quality.

(c) Liquidity risk:

Liquidity risk is the risk that the Fund will be unable to meet its financial obligations as they come due. The Fund manages its liquidity risk by managing its capital structure, as outlined in note 29 below, including forecasting cash flows and closely monitoring covenant levels and compliance. These are complemented with regular reviews of operations, business conditions and seasonality to ensure that adequate future liquidity needs are met with a level of certainty, and within acceptable risk exposure.

The Fund's objective is to ensure that it has sufficient available cash on hand to meet normalized operating expenses. In addition, the Fund maintains revolving lines of credit of $35,000 (December 31, 2010 - $100,000; January 1, 2010 - $100,000) that provide additional flexibility and liquidity during the Fund's seasonal periods. At December 31, 2011, $19,000 has been drawn on these revolving credit facilities, plus letters of credit issued of $12,695 (December 31, 2010 - $14,100; January 1, 2010 - $14,450).

28. Financial risk management and financial instruments (continued):

The following are the contractual maturities of financial liabilities, including interest payments as at December 31, 2011:

	Carrying amount	Contractual cash flows	<1 year	1 - 2 years	2 - 5 years
Non-derivative financial liabilities:					
Trade and other payables, current provisions and current employee benefits	$ 197,688	$ (197,688)	$ (197,688)	$ –	$ –
Obligations under capital leases	12,431	(13,218)	(8,211)	(4,953)	(54)
Long-term debt	232,456	(235,494)	(235,494)	–	–
Exchangeable debt	22,422	(11,600)	(11,600)	–	–
Interest on long-term debt	5,507	(21,536)	(21,536)	–	–
Derivative financial liabilities:					
Derivative instruments and related accrued interest of nil	–	–	–	–	–
	$ 470,504	$ (479,536)	$ (474,529)	$ (4,953)	$ (54)

The following are the contractual maturities of financial liabilities, including interest payments as at December 31, 2010:

	Carrying amount	Contractual cash flows	<1 year	1 - 2 years	2 - 5 years
Non-derivative financial liabilities:					
Trade and other payables, current provisions and current employee benefits	$ 206,525	$ (206,525)	$ (206,525)	$ –	$ –
Obligations under capital leases	2,227	(2,375)	(1,238)	(639)	(498)
Long-term debt	366,739	(366,739)	(366,739)	–	–
Interest on long-term debt	696	(30,497)	(30,497)	–	–
Derivative financial liabilities:					
Derivative instruments and related accrued interest of $3,335 (net)	11,087	(15,812)	(15,812)	–	–
	$ 587,274	$ (621,948)	$ (620,811)	$ (639)	$ (498)

28. Financial risk management and financial instruments (continued):

Other long-term liabilities, as reported on the December 31, 2011 and December 31, 2010 consolidated statements of financial position, mainly consist of pension liabilities and are, therefore, excluded from the tables above.

(d) Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices, such as foreign exchange rates and interest rates, and it will affect the Fund's income or the value of its holdings in financial instruments. The Fund's primary objective when committing to any financial instrument is to manage and control market risk within stipulated constraints. The Fund does not enter into financial instruments for trading or speculative purposes.

(i) Currency risk:

The functional currency of the Fund is the Canadian dollar and the Fund's reporting currency is the U.S. dollar. The Fund's operations in the U.S., the UK, France and Germany expose it to the risk of foreign currency fluctuations. Potential exposure relates to currency risk on sales, purchases and term loans that are denominated in a currency other than the respective functional currency of the Fund's foreign and domestic operations. Currencies in which the Fund's foreign operations mainly transact include the Canadian dollar, U.S. dollar, Euro and British pound.

Since the Fund's operations predominantly transact their sales and purchases in their respective domestic currencies, the exposure is reduced and, therefore, the Fund typically does not hedge accounts receivable and accounts payable that may be denominated in a foreign currency.

(ii) Exposure to currency risk:

The following is the Fund's exposure to foreign currency risk:

	Currency of exposure (in U.S. dollars)		
December 31, 2011	U.S. dollar	Euro	British pound
Cash and cash equivalents	800	2,282	628
Accounts receivable	964	780	5,578
Accounts payable and accrued liabilities	18,109	3,212	82
Long-term debt	95,140	–	–
Gross balance sheet exposure, excluding financial derivatives	115,013	6,274	6,288
Derivative instruments and related accrued interest of nil	–	–	–
Gross exposure	115,013	6,274	6,288

28. Financial risk management and financial instruments (continued):

	Currency of exposure (in U.S. dollars)		
December 31, 2010	U.S. dollar	Euro	British pound
Cash and cash equivalents	14,072	981	392
Accounts receivable	759	310	9,553
Accounts payable and accrued liabilities	12,160	837	339
Long-term debt	129,644	–	–
Gross balance sheet exposure, excluding financial derivatives	156,635	2,128	10,284
Derivative instruments and related accrued interest of $3,335	15,793	–	–
Gross exposure	172,428	2,128	10,284

	Currency of exposure (in U.S. dollars)		
January 1, 2010	U.S. dollar	Euro	British pound
Cash and cash equivalents	3,876	6,492	31,589
Accounts receivable	6,768	309	11,822
Accounts payable and accrued liabilities	30,044	5,041	2,039
Long-term debt	141,051	–	–
Gross balance sheet exposure, excluding financial derivatives	181,739	11,842	45,450
Derivative instruments and related accrued interest of $3,369	31,923	–	–
Gross exposure	213,662	11,842	45,450

(iii) Sensitivity analysis:

A 10% increase in the U.S. currency would increase the net loss for 2011, decrease the net earnings for 2010. Alternatively, a 10% increase in the Euro would increase the net loss for 2011 and increase the net earnings for 2010. A 10% increase in the British pound would decrease the net loss for 2011 and increase the net earnings for 2010.

	2011 Decrease (increase) loss	2010 Increase (decrease) in net earnings
U.S. dollar	$ (17,319)	$ (12,671)
Euro	(17)	51
British pound	681	1,067

28. Financial risk management and financial instruments (continued):

The above analysis assumes that all other variables, i.e., interest rates, remain constant.

An assumed 10% depreciation in the currency of exposure would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iv) Interest rate risk:

The amounts outstanding under the Fund's Credit Facility bear interest at variable rates with fixed interest rate spreads.

Until the expiry date of August 4, 2011, the Fund held a three-month LIBOR (fixed-for-floating) swap of $400,000 notional amount. As at December 31, 2011, long-term debt outstanding totalled $235,494; therefore, leaving the entire balance without a corresponding hedge and exposed to cash flow risk due to fluctuations in interest rates. As at December 31, 2010, long-term debt outstanding totalled $366,739 (2009 - $395,364); therefore, leaving a nil balance (2009 - nil) without a corresponding hedge and exposed to cash flow risk due to fluctuations in interest rates.

(v) Fair values versus carrying amounts:

At December 31, 2011, the fair values of financial assets and liabilities, along with the carrying amounts presented in the consolidated statements of financial position are as follows:

December 31, 2011	Carrying amount	Fair value
Held for trading:		
Cash and cash equivalents	$ 70,097	$ 70,097
Loans and receivables:		
Accounts receivable	167,523	167,523
Derivative instruments, including accrued interest of nil	–	–
Other financial liabilities:		
Capital lease obligations	(12,431)	(6,945)
Accounts payable and accrued liabilities	(197,688)	(197,688)
Term debt	(232,456)	(232,456)
	$ (204,955)	$ (199,469)

28. Financial risk management and financial instruments (continued):

December 31, 2010	Carrying amount	Fair value
Held for trading:		
Cash and cash equivalents	$ 164,399	$ 164,399
Loans and receivables:		
Accounts receivable	177,760	177,760
Derivative instruments, including accrued interest of $3,335	(11,087)	(11,087)
Other financial liabilities:		
Capital lease obligations	(2,227)	(2,172)
Accounts payable and accrued liabilities	(206,525)	(206,525)
Term debt	(366,739)	(366,739)
	$ (244,419)	$ (244,364)

January 1, 2010	Carrying amount	Fair value
Held for trading:		
Cash and cash equivalents	$ 122,072	$ 122,072
Loans and receivables:		
Accounts receivable	272,784	272,784
Derivative instruments, including accrued interest of $3,335	(25,225)	(25,225)
Other financial liabilities:		
Capital lease obligations	(4,065)	(4,248)
Accounts payable and accrued liabilities	(314,855)	(314,855)
Term debt	(395,364)	(395,364)
	$ (344,653)	$ (344,836)

(vi) Basis for determining fair value:

The Fund has determined the fair value of its financial instruments as follows:

(a) Current assets and liabilities:

The carrying amounts in the consolidated statements of financial position of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair values because of the short-term nature of these financial instruments.

28. Financial risk management and financial instruments (continued):

(b) Long-term debt and obligations under capital leases:

The fair values of each of the Fund's debt instruments are based on the period-end trading values.

The fair values of the Fund's obligations under capital leases are based on the amount of future cash flows associated with each instrument discounted using current year weighted average borrowing rates.

(c) Embedded derivative instruments:

The fair value of the Fund's interest rate exchange agreement was based on the value quoted by the counterparty to the agreement and adjusted for respective credit spreads.

The fair value of the Fund's embedded derivative in relation to a LIBOR floor (note 15(b)) is based on usage of the Black-Scholes model, in conjunction with the calculation of aggregate differentials between the LIBOR floor and forward rate curves estimating what LIBOR will be at future interest payment dates. The present values of these differentials are aggregated to determine the fair value of the embedded derivative.

The fair value of the Fund's equity forward embedded derivative is as described in note 15(c).

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

CINRAM INTERNATIONAL INCOME FUND

Notes to Consolidated Financial Statements (continued)
(In thousands of U.S. dollars, except units and per unit information)

Years ended December 31, 2011 and 2010

28. Financial risk management and financial instruments (continued):

The table below presents the level in the fair value hierarchy into which the fair values of financial instruments that are carried at fair value on the consolidated statements of financial position are categorized:

	2011		2010	
	Level 1	Level 2	Level 1	Level 2
	Quoted market price	Valuation technique using observable market inputs	Quoted market price	Valuation technique using observable market inputs
Financial assets:				
Cash and cash equivalents	$ 70,097	$ –	$ 164,399	$ –
Derivatives	–	79,486	–	–
Financial liabilities:				
Derivatives	$ –	$ 3,383	$ –	$ 11,087

There were no financial instruments categorized in Level 3 (valuation technique using non-observable market inputs) as at December 31, 2011 and 2010.

There were no changes in categorization of financial assets and liabilities into the three levels in the fair value hierarchy during the year.

29. Capital risk management:

The Fund's objectives in managing capital are to optimize its weighted average cost of capital, and hence, maximize unitholders' value while balancing the interests of debt and unitholders.

Management's strategy of concentrating on the Fund's core business, while simultaneously diversifying into other businesses in which the Fund can leverage synergies and its core competencies, is considered concurrently with the use of capital. The Fund includes unitholders' deficiency, long-term debt (including any associated hedging activities), other interest-bearing debt, such as the revolving line of credit, and cash and cash equivalents in its capital definition.

Continuous oversight and control of the capital structure is maintained by senior management and the Board of Trustees. Adjustments are made as a result of economic changes, opportunities and financial conditions by means of distributions paid to unitholders, repurchase of units for cancellation pursuant to normal course issuer bids, accelerated repayment of long-term debt, and the issuance of new units and/or debt. The Board of Trustees reviews and approves any material transactions, including proposals on acquisitions or dispositions, as well as capital and operating budgets.

29. Capital risk management (continued):

The Fund uses several metrics to monitor capital, including: leverage, interest coverage and liquidity. All of the metrics are also components used to determine compliance with external debt covenants, which management monitors closely to assess current and future compliance. Leverage is defined under the credit agreement, which is described in note 14 to the consolidated financial statements, as total debt to EBITA, interest coverage is defined as EBITA to cash interest, and liquidity is determined based on cash on hand along with availability under the revolving credit agreement.

The consequences of not meeting the credit agreement's covenants could result in a default of the August 2011 Credit Facility (notes 2(a) and 14).

The Fund made mandatory and voluntary debt repayments of $45,952 and $28,624 during 2011 and 2010, respectively. The Fund did not declare any distributions to unitholders during 2011 and 2010, nor does it plan to make any distributions to its unitholders in the foreseeable future.

The Fund's strategy for capital risk management has not changed during the year ended December 31, 2011. The Fund is not subject to any externally imposed capital requirements, other than as outlined in its credit agreement, which includes covenant compliance.

30. Subsequent events:

(a) Conversion of mandatorily exchangeable secured debt or Exchangeable Debt:

On January 3, 2012, $90,308 of Exchangeable Debt (note 14), comprised of $90,000 of principal and $308 of accrued interest, was converted to 373,172,682 units of the Fund, reflecting a conversion price of $0.242 per unit. The holders of the Exchangeable Debt elected to retain $11,600 of the accrued interest paid in kind as secured debt of the Fund at the same rate of interest, with a term ending on December 31, 2013.

(b) Sale of investment property:

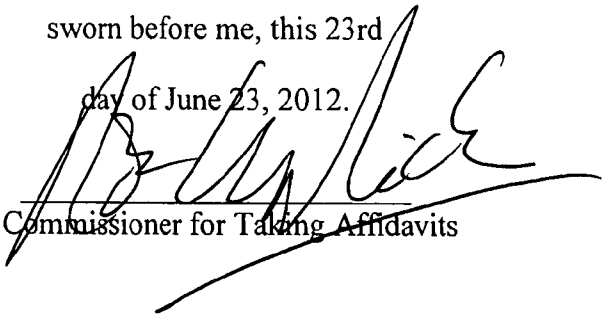
On January 11, 2012, the Fund sold certain vacant land which was classified as investment property (note 24(a)) which had a net book value of $2,956, for net proceeds of $3,223, resulting in a gain of $267.

This is Exhibit "D" referred to in the

affidavit of John Bell

sworn before me, this 23rd

day of June 23, 2012.



A Commissioner for Taking Affidavits

CINRAM

Quarterly Report
First Quarter 2012

Management's Discussion and Analysis of financial condition and results of operations (in U.S. dollars)

May 10, 2012

This management's discussion and analysis (MD&A) for the quarter ended March 31, 2012 should be read in conjunction with Cinram International Income Fund's unaudited condensed consolidated interim financial statements for the quarter ended March 31, 2012 and the consolidated financial statements for the year ended December 31, 2011, and with the notes contained therein. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should also be read in conjunction with our annual MD&A and audited consolidated financial statements for the years ended December 31, 2011 and 2010, and related notes, which are prepared in accordance with IFRS and available on SEDAR at www.sedar.com. Where reference is made to "we," "us," "Cinram" or the "Fund," it refers to Cinram International Income Fund and its subsidiaries. External economic factors remain substantially unchanged, unless otherwise stated.

Forward-looking statements

Certain statements included in this management's discussion and analysis (MD&A) contain words such as "could," "expects," "expectations," "may," "anticipates," "believes," "intends," "estimates" and "plans" (and similar expressions) and constitute "forward-looking statements" within the meaning of applicable securities laws. These statements are based on the Fund's current expectations, estimates, forecasts and projections about the operating environment, economies and markets in which it operates. Such forward-looking statements, and other forward looking statements specifically identified, involve known and unknown risks, uncertainties and other factors that are difficult to predict and may cause the actual results, performance or achievements of the Fund to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These factors include, among others, the following: general economic and business conditions that will, among other things, impact the demand for the Fund's products and services (including risks related to international operations and foreign exchange risks); the Fund's ability to retain major customers and the variability in the popularity of the titles released by those customers; multimedia replication industry conditions and capacity (including, among other things, competitive and pricing pressures, increases in raw material costs, increasingly compressed production cycle and seasonality of the business, the need for capital expenditures for maintenance of Blu-ray and standard DVD capacity, and variability in quarterly earnings); risks associated with the Fund's leverage generally, and its potential impact on the business; risks related to the August 2011 Credit Facility, including the risk that waivers from the lenders under the credit facility of certain financial and non-financial covenant defaults occurring on or prior to May 30, 2012 and certain other defaults may be terminated at any time after May 15, 2012 on three business days notice by lenders holding more than 20% of the amounts outstanding under the Credit Facility, and the risk that the Fund may not be able to obtain any further waivers for similar or other financial covenant defaults occurring after May 30, 2012 and the risk of non-compliance with certain covenants included within its senior credit agreements; risks of dilution to unitholders from issuances of equity interests (including on exchange of debt); the Fund's ability to implement its business strategy; a shortage of product due to labour disruptions; the Fund's ability and availability of resources to invest successfully in new technologies and new opportunities; and other factors. Many of the foregoing factors are described in detail in the Fund's filings with Canadian securities commissions (reference is made in particular, but without limitation, to the section entitled "Risks and Uncertainties" in the 2011 MD&A and to prior quarterly financial reports). For a complete list of risks and uncertainties, please consult the Fund's annual information form filed with Canadian securities commissions, available on www.sedar.com.

The Fund disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. You should read this MD&A and quarterly report with the understanding that the Fund's actual future results may be materially different from what we expect. These cautionary statements expressly qualify all forward-looking statements attributable to the Fund.

Non-IFRS financial measures

EBITA is defined in this report as earnings (loss) before impairment charges, net finance costs (including interest expense, foreign exchange translation gains/losses, investment income, amortization of unamortized transaction costs, investment banker fees and changes in fair value of derivatives and warrants), income taxes, and amortization and is a standard measure that is commonly reported and widely used in the Fund's industry to assist in understanding and comparing operating results. EBITA is not a defined term under IFRS. Accordingly, this measure

should not be considered as a substitute or alternative for net earnings or cash flow from operations, in each case as determined in accordance with IFRS. A reconciliation of EBITA to net loss from continuing operations under IFRS is found in the table below.

EBIT is defined in this report as earnings (loss) before net finance costs (including interest expense, foreign exchange translation gains/losses, investment income, amortization of unamortized transaction costs, investment banker fees, and change in fair value of derivatives and warrants) and income taxes, and is a standard measure that is commonly reported and widely used in the Fund's industry to assist in understanding and comparing operating results. EBIT is not a defined term under IFRS. Accordingly, this measure should not be considered as a substitute or alternative for net earnings or cash flows from operations, in each case as determined in accordance with IFRS. A reconciliation of EBIT to net loss from continuing operations under IFRS is found in the table below.

We use EBIT and EBITA, as defined above, as benchmarks for measuring operating performance and for assessing covenant compliance under our lending arrangements.

Reconciliation of EBITA and EBIT to net loss from continuing operations

	Three months ended March 31	
(unaudited, in thousands of U.S. dollars)	**2012**	2011
EBITA excluding other charges	**$(8,592)**	$(1,040)
Other charges, net	**1,845**	5,441
EBITA	**$(10,437)**	$(6,481)
Amortization of property, plant and equipment	**4,679**	8,052
Amortization of intangible assets	**155**	733
EBIT	**$(15,271)**	$(15,266)
Net finance costs	**10,522**	5,937
Income tax (recovery) expense	**(318)**	1,571
Net loss	**$(25,475)**	$(22,774)

1. ABOUT OUR BUSINESS

Corporate overview and recent developments

Cinram International Inc. (CII), an indirect wholly-owned subsidiary of Cinram International Income Fund, is one of the world's largest providers of pre-recorded multimedia products and related logistics services. With facilities in North America and Europe, we manufacture DVDs, Blu-ray discs and CDs, and we provide distribution services for motion picture studios, music labels, video game publishers, computer software companies, telecommunication companies and retailers around the world.

Cinram operates facilities in both North America and Europe that aggregate nearly 9.0 million square feet. As of March 31, 2012, we employed approximately 7,000 people worldwide including contract and agency workers. We currently have the capacity to manufacture approximately 121 million Blu-ray discs, 1.9 billion DVDs and about 459 million CDs per year to service seasonal peaks in demand, which typically occur around the U.S. Thanksgiving and Christmas holiday shopping seasons. We primarily manufacture on firm orders from our customers, generally pursuant to multi-year contracts. We do not bear the risk of unsold products as customers cannot return any previously purchased inventory, with the exception of defective product (which occurs rarely). We do not have title to the products we distribute. Our major contracts are, to a large extent, exclusive for particular territories, and many of our manufacturing agreements contain periodic market price tests and most-favored-nations clauses that may require us to lower our selling prices. The products we manufacture generally experience price declines on an annual basis, with declines historically being steeper in the early stages of the products' life cycles.

Going concern

This MD&A and the Fund's consolidated financial statements have been prepared on a going concern basis in accordance with IFRS.

The going concern basis of presentation assumes that the Fund will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at March 31, 2012, the Fund would have been in breach of certain financial covenants in its reporting to its lenders under its Amended Credit Facility. However, subsequent to March 31, 2012, the Fund has continued to receive waivers for a limited period from its lenders under the Amended Credit Facility for certain financial and non-financial covenants. The amounts outstanding under the Amended Credit Facility have been classified as a current liability both as at March 31, 2012 and December 31, 2011. The waivers received during the period ended and subsequent to March 31, 2012 were as follows:

1. On January 31, 2012, the Fund received a waiver for certain financial covenants from its lenders for the period up to March 15, 2012;

2. On March 15, 2012, the lenders further agreed to extend the waiver for certain financial covenants up to March 28, 2012. In addition, on March 15, 2012, the lenders agreed to extend the date by which the lenders were required to approve the business plan and financial statement projections (the "Business Plan") submitted to the lenders on February 15, 2012, from March 15, 2012 to March 28, 2012;

3. On March 28, 2012, the lenders further agreed to extend the waiver for certain financial covenants up to April 30, 2012; however, the lenders would have the right to terminate this waiver on or after April 13, 2012. The March 28, 2012 waiver also extended the date by which the lenders were required to approve the Business Plan and waived certain other financial reporting requirements indefinitely, subject to the lenders' right to terminate the waiver on or after April 13, 2012; and

4. On April 30, 2012, the lenders further agreed to extend the waiver for certain financial covenants up to May 30, 2012; however, the lenders may terminate this waiver on or after May 15, 2012. The April 30, 2012 waiver also extends the date by which the lenders are required to approve the Business Plan and waives certain other financial reporting requirements indefinitely, subject to the lenders' right to terminate the waiver on or after May 15, 2012.

Without further waivers or amendments, and subject to the lenders not terminating the waivers pertaining to: (1) the financial covenants, (2) the Business Plan, and (3) certain other financial reporting requirements on or after May 15,

2012, the lenders can terminate the April 30, 2012 waiver pertaining to the financial covenants on or after May 30, 2012, and the amounts under the Amended Credit Facility are repayable on demand.

Should the lenders demand repayment of the amounts outstanding on or prior to May 30, 2012, in the absence of alternative sources of funding, the Fund would not be able to repay the amounts outstanding under the Amended Credit Facility. At March 31, 2012, the Fund has a unitholders' deficiency of $90.6 million and a working capital deficiency of $228.8 million. For the three months ended March 31, 2012, the Fund incurred a loss of $25.5 million. The circumstances described above have resulted in a material uncertainty over the Fund's ability to repay the amounts outstanding under the Amended Credit Facility and meet its other obligations as they become due. This material uncertainty may cast significant doubt about the ability of the Fund to continue as a going concern.

The Fund is currently in discussions with its lenders and is undergoing a strategic review with its advisors, including a possible sale of certain or all of the Fund's operations or a restructuring of the operations. If this strategic review does not provide alternatives for repayment of the Amended Credit Facility and allow the Fund to meet its other obligations as they become due, a demand by the lenders for settlement of amounts due under the Amended Credit Facility will likely have a material adverse effect on the Fund's financial position. No agreements with the Fund's lenders or potential purchasers or investors have been reached yet and there can be no assurance that such agreements will be reached.

The ability of the Fund to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of the actions taken or planned, some of which are described above. Management believes the actions taken or planned will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these consolidated financial statements. There is no certainty that these and other strategies will be sufficient to permit the Fund to continue as a going concern.

This MD&A or the Fund's consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis of presentation was not appropriate. If the going concern basis of presentation was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported net loss and the statement of financial position classifications used.

Operational developments

On May 1, 2012, the Fund received written notice from a customer in our wireless division which has decided not to extend the fulfillment services currently provided by Cinram beyond the current term, which expires June 15, 2013. Cinram has provided distribution and related services to this customer since 2008. Revenues from this business for the year ended December 31, 2011 were reported under the "Other" segment and represented approximately 6% of the total consolidated revenues of Cinram International Inc.

On April 30, 2012, the Fund signed a new agreement with Gaiam Americas, Inc. ("Gaiam") pursuant to which the Fund will continue to provide DVD, Blu-ray and CD replication services, and assembly, retail distribution and transportation services to Gaiam through April 30, 2015. In addition, Gaiam entered into a new agreement with Cinram Retail Services pursuant to which Cinram Retail Services will be providing vendor managed inventory and other services to Gaiam through April 30, 2015.

On August 23, 2011, the Fund signed an agreement with Sony DADC to address matters relating to the destruction of its UK distribution facility by rioters. The agreement provides for distribution services for Sony Pictures' product, and includes pick, pack and ship services and value added services and returns. The services will be provided from Cinram's retail distribution warehouse in Aylesbury, Buckinghamshire.

On May 4, 2011, the Fund executed a multi-year agreement with Relativity Media to serve as their exclusive provider of replication services for DVD and Blu-ray products in North America.

On April 11, 2011, Cinram signed a new multi-year contract with Twentieth Century Fox Home Entertainment ("Fox"). Under the renewed service agreements, Cinram will continue to serve as the primary supplier for replication and distribution services for the studio across North America and Europe.

On March 23, 2011, Cinram's entered into an agreement to be the sole provider to Wm Morrisons Supermarkets PLC ("Morrisons") of storage and distribution services for the music, video and games categories in the United Kingdom. The agreement requires Cinram to make products retail-ready, including stickering and security tagging of products. In addition, Cinram implemented a retail services solution, using its Vision™ software, to help Morrisons manage and control its inventory and balance supply with demand.

On January 31, 2011, Cinram acquired Los Angeles-based digital media company One K Studios LLC (1K). 1K specializes in building enhanced consumer experiences for movies, TV shows, music, books and games. 1K has been a key service provider to many of the world's top media and technology companies, including Apple, Paramount Home Entertainment, HBO, and Warner Bros Home Entertainment. 1K provides creative and technical services to these companies to help them release their content in different venues, including digital downloads, mobile and tablet apps, advanced Blu-ray discs, stereoscopic 3D and social media.

The Fund operates three business segments: Pre-recorded Multimedia Products, Video Game and Other. The Pre-recorded Multimedia Products segment consists of the replication, packaging and distribution of DVDs, Blu-ray discs and CDs, including new releases and catalog titles, for the entertainment divisions of motion picture studios and music labels. The Video Game segment includes revenue from the assembly, packaging and distribution of video games and the Other segment includes revenue from logistic services for our telecommunications customer, revenue from the retail services division (Cinram Retail Services™), revenue from the 2011 acquisition of 1K Studios and other non-core activities. Comparative figures have been reclassified to reflect this segment reporting.

1.1 Recent acquisitions and dispositions

1.1.1 Acquisition of 1K

On January 31, 2011, the Fund acquired Los Angeles-based digital media company One K Studios (1K). The acquisition is part of a broad initiative to advance Cinram, a provider of media delivery services around the world, further into digital platforms. 1K specializes in building enhanced consumer experiences for movies, TV shows, music, books and games. 1K has been a key service provider to many of the world's top media and technology companies including Apple, Paramount Home Entertainment, HBO, and Warner Bros Home Entertainment.

1.2 Capital structure

In May 2006, CII converted from a corporate structure to an income trust structure through a plan of arrangement that was approved by shareholders on April 28, 2006. As a result of the Refinancing and Recapitalization completed on April 11, 2011, 9.896 million units of Cinram International Income Fund were issued to the lenders during 2011. In addition, the Fund issued warrants to acquire 13 million units in April 2011, and the terms of the warrants are disclosed in note 16 of the Fund's 2011 annual consolidated financial statements. As a result of the second lien exchangeable debt not being repaid prior to December 31, 2011, a total of 373.2 million units of the Fund were issued to holders of the exchangeable debt on January 3, 2012 (representing in the aggregate, post-issuance, approximately 85% of the outstanding Fund units). The remaining debt not exchanged into units of the Fund was $11.9 million.

1.3 Our strategy

Cinram's business strategy can be summarized as follows:

- provide innovative products and solutions to our clients, responding to the changes in how entertainment is delivered to the ultimate consumer.
- grow our client base amongst the major and mid-sized entertainment studios by providing global, cost effective services.
- expand our service offerings to our clients and thereby maximize value in the supply chain to our mutual benefit.
- maintain a culture of operational excellence within the business – promoting world class practices and an attitude of continuous improvement.

2. FIRST QUARTER 2012 PERFORMANCE

Key performance metrics

	Three months ended March 31,	
(in thousands of U.S. dollars, except per unit data)	**2012**	2011
Revenue	**$167,581**	$176,702
EBITA excluding other charges	**(8,592)**	(1,040)
EBITA	**(10,437)**	(6,481)
EBIT	**(15,271)**	(15,266)
Net loss from operations	**(25,475)**	(22,774)
Basic and diluted loss per unit from operations	**(0.06)**	(0.42)

Consolidated revenue in the three months ended March 31, 2012 decreased to $167.6 million, compared with $176.7 million in the prior year period, due primarily to lower revenue from the sale of standard DVDs, both in North America and Europe, partially offset by an increase in Blu-ray sales. Gross profit for the first quarter of 2012 was $21.1 million, compared to $17.9 million in the comparable prior year period, as the prior year results included higher amortization charges related to property, plant and equipment. Fixed selling, general and administrative expense was $34.6 million in the current year, compared to $27.8 million in the prior year, primarily resulting from increased professional and consulting fees associated with the refinancing and strategic review of operations. As a result, EBITA excluding other charges was $(8.6) million, compared to $(1.0) million in the prior year, and net loss from operations was $(25.5) million, compared to net loss of $(22.8) million in the prior year.

For the three months ended March 31, 2012, we recorded $1.6 million of restructuring related charges, including severance and related costs associated with plant rationalizations in North America.

Summary of quarterly results
(in thousands of U.S. dollars, except per unit data)

Cinram's annual and quarterly operating results vary from period to period as a result of the timing and value of customer orders, fluctuations in materials and other costs, and the relative mix of value-added products and services. Our business is seasonal, as a large portion of our revenue and earnings are recorded in the fourth quarter, since most large-scale home video release dates are clustered around the U.S. Thanksgiving and Christmas holiday shopping seasons. The timing of the release schedule as well as the success of a few titles can play an important role in December re-order volumes and, in turn, influence our full-year results. For these reasons, we generate a significant amount of our revenue and EBITA during the fourth quarter.

Note that the results below are reported in accordance with IFRS.

	Revenue from continuing operations		
Quarter	**2012**	2011	2010
First	**$167,581**	$176,702	$298,570
Second		147,460	256,207
Third		209,207	254,087
Fourth		267,476	300,074
Year	**$167,581**	$800,845	$1,108,938

Quarter	Net earnings (loss) from continuing operations			Net earnings (loss) from discontinued operations			Net Earnings (loss)		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010
First	**$(25,475)**	(22,774)	$16,054	**$-**	$0.00	$(219)	**$(25,475)**	$(22,774)	$15,835
Second		(97,434)	(6,359)		-	(608)		(97,434)	(6,967)
Third		(10,232)	13,928		-	-		(10,232)	13,928
Fourth		42,851	(7,883)		(949)	1,256		41,902	(6,627)
Year	**$(25,475)**	$(87,589)	$15,740	**$-**	$(949)	$429	**$(25,475)**	$(88,538)	$16,169

Quarter	Basic/Diluted EPS from continuing operations			Basic/Diluted EPS from discontinued operations			Basic/Diluted EPS		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010
First	**$(0.06)**	$(0.42)	$0.29	**$-**	$0.00	$0.00	**$(0.06)**	$(0.42)	$0.29
Second		(1.60)	(0.12)		-	(0.01)		(1.60)	(0.13)
Third		(0.16)	0.26		-	-		(0.16)	0.26
Fourth		0.67	(0.15)		(0.02)	0.03		0.65	(0.12)
Year	**$(0.06)**	$(1.45)	$0.28	**$-**	$(0.02)	$0.02	**$(0.06)**	$(1.46)	$0.30

Over the past several years, the release schedule has become more compressed as the peaks in demand have risen while the seasonal troughs have widened. Our results are also hit-driven, based on the demand for our customers' content. With our high customer concentration, we are dependent on our customers' ability to capture and maintain their market share of consumer spending, especially in pre-recorded multimedia products.

3. SEGMENTED RESULTS

The Fund operates three business segments: Pre-recorded Multimedia Products, Video Game and Other. The Pre-recorded Multimedia Products segment consists of the replication, packaging and distribution of DVDs, Blu-ray discs and CDs, including new releases and catalog titles, for the entertainment divisions of motion picture studios and music labels. The Video Game segment includes revenue from the assembly, packaging and distribution of video games and the Other segment includes revenue from logistic services for our telecommunications customer (Motorola), revenue from the retail services division (Cinram Retail Services™), revenue from the 2011 acquisition of 1K Studios and other non-core activities. Comparative figures have been reclassified to reflect this segment reporting.

3.1 Revenue by segment

(in thousands of U.S. dollars)	Three months ended March 31			
		2012		2011
Pre-recorded Multimedia Products	**$143,051**	**85%**	$150,995	86%
Video Game	**9,632**	**6%**	11,176	6%
Other	**14,898**	**9%**	14,531	8%
	$167,581	**100%**	$176,702	100%

Pre-recorded Multimedia Products

In the first quarter ended March 31, 2012, Pre-Recorded Multimedia Product revenue (which includes replication and distribution of Blu-ray discs, DVDs and CDs) decreased 5% to $143.1 million from $151.0 million in 2011 as a result of lower unit shipments for standard DVD and CD, both in North America and Europe.

Sales of standard DVDs continued to be the main revenue source for Cinram during the first quarter of 2012. DVD revenue (including related distribution services) accounted for 64% of consolidated revenue in the first quarter of 2012, compared with 66% in 2011. We replicated 106 million DVDs in the first quarter of 2012, compared with 120 million in 2011, and, as a result of lower unit shipments combined with a decline in average selling prices, DVD replication revenue dropped to $59.5 million, compared with $73.0 million in 2011. This 11% decrease in units shipped is consistent with industry data provided by Futuresource Consulting which is projecting 2012 unit declines in standard DVD sell through retail sales of 11% for USA, 12% for the UK, 15% for France and 4% for Germany.

As a result of an 89% increase in unit shipments, from 6.7 million during the first quarter of 2011 to 12.7 million in the current quarter, Blu-ray revenue increased to $10.7 million, compared to $7.2 million in 2011 as the increase in shipments was partially offset by a decline in average selling prices. Blu-ray unit shipments increased by 68% in North America, while unit shipments more than doubled in Europe compared to the prior year comparable period. This increase in units shipped is ahead of industry data provided by Futuresource Consulting which is projecting 2012 unit increases in Blu-ray sell through retail sales of 23% for USA, 2% for the UK, 32% for France and 37% for Germany.

Revenue from CDs (including related distribution services) decreased 9% in the first quarter of 2012, to $24.4 million from $26.8 million in 2011, consistent with expectations given the state of physical CD sales. CD replication revenue was $20.2 million, compared to $21.3 million in 2011, while CD related distribution revenue was $4.2 million during the 2012 first quarter, compared to $5.5 million in the prior year period.

Pre-recorded Multimedia Product revenue accounted for 85% of consolidated revenue, compared to 86% in the prior year.

Video Game

Video Game revenue was $9.6 million in the first quarter of 2012 compared with $11.2 million in 2011 primarily as a result of reduced orders from key customers resulting from increased competition and reduced consumer demand. This segment accounted for 6% of consolidated revenue in the first quarter of 2012, consistent with prior year period. As indicated in our 2011 year end disclosures, console price reductions, in response to competitive pressures and the emerging market for online gaming, continue to impose pressure on revenue and margins. The current cycle of consoles, including XBOX, Wii and PS3 which had initial releases several years ago, all experienced price reductions in recent years. According to industry figures, hardware sales in 2011 fell to $5.6 billion, an 11% decline from the prior year, while software sales declined 6% during the same period.

Other

Other segment revenue totaled $14.9 million and represents 9% of consolidated 2012 first quarter revenue, an increase from $14.5 million and 8% in the comparable 2011 period. The increase in Other revenue is attributable to higher revenues from 1K Studios, partially offset by reduced revenue from our telecommunications customer and vendor managed inventory revenues associated with Cinram Retail Services™ (Vision™).

3.1.1. Geographic segments revenue

(in thousands of U.S. dollars)	Three months ended March 31			
	2012		2011	
North America	**$ 92,373**	**55%**	$103,785	59%
Europe	**75,208**	**45%**	72,917	41%
Total	**$167,581**	**100%**	$176,702	100%

3.1.2. North America

North American revenue decreased 11% in the first quarter to $92.4 million, from $103.8 million in 2011, primarily due to lower revenue associated with reduced unit shipments for standard DVDs and CDs combined with lower revenue from our video game segment.

As a result of the above factors, first quarter North American DVD revenue (including related distribution) declined to $49.1 million from $60.1 million during the first quarter of 2011. This was partially offset by higher revenue from Blu-ray disc sales, which were $6.2 million in the first quarter of 2012, compared to $4.7 million in the prior year.

CD sales (including related distribution) decreased to $13.8 million, from $14.2 million in 2011. The year over year decline was principally caused by lower volumes, consistent with industry performance.

Video Game revenue was $9.6 million in the first quarter of 2012, compared with $11.2 million in the prior year period. The decrease was due to the continued softness in this industry combined with the impact of the facility rationalization efforts over the past year.

Revenue from our wireless division decreased to $10.4 million during the first quarter of 2012, compared to $11.6 million in 2011, as a result of a decrease in units processed. This was offset by increased revenue from 1K Studios, which totaled $3.3 million during the first quarter of 2012, compared to $2.0 million in 2011.

North American revenue accounted for 55% of consolidated revenue in the first quarter of 2012, compared with 59% in 2011.

Europe

European revenue increased in the first quarter of 2012 to $75.2 million, from $72.9 million in 2011, as a result of higher standard DVD distribution related revenues, particularly in Germany. This, combined with an increase in Blu-ray related revenue, led to higher sales in Europe.

European DVD revenue (including related distribution) increased during the first quarter of 2012, to $58.9 million from $56.9 million in 2011, as a result of an increase in the distribution of DVD units resulting in higher distribution related revenues in Germany. This was partially offset by lower DVD related revenue in both France and the UK.

Revenue related to the sale of Blu-ray discs increased by 80% to $4.5 million during the first quarter of 2012, up from $2.6 million in the prior year, as unit shipments increased by over 100% over the comparable 2011 period.

CD revenue (including related distribution) for the first quarter of 2012 decreased 16% to $10.6 million from $12.6 million in 2011 as a result of lower CD unit shipments, combined with lower distribution of CD units.

Other revenue from non-core activities improved to $1.2 million, compared to $0.9 million in 2011.

As a percentage of consolidated sales, revenue from Europe represented 45% for the first quarter of 2012, compared with 41% in 2011.

4. GROSS PROFIT

Gross profit for the first quarter of 2012 increased to $21.1 million, from $17.9 million in 2011, primarily resulting from lower property, plant and equipment amortization expense recorded in the current period combined with lower fixed costs associated with the rationalization of facilities over the past year. As a result, gross profit as a percentage of revenue increased to 12.6% during the first quarter of 2012, compared to 10.2% in the prior year. Excluding amortization charges, gross profit was $25.8 million or 15.4% of revenue compared to $26.0 million or 14.7% in the prior year period.

While the majority of the components included in cost of goods sold are variable in nature, there are several fixed components, including factory overheads, such as wages and salaries, as well as facility related costs, including rent, security and other charges.

Amortization expense from property, plant and equipment, which is included in cost of goods sold, decreased to $4.7 million in the first quarter of 2012 from $8.1 million in 2011, as a result of lower net book value of property, plant and equipment due to impairment charges recorded during 2011.

Amortization of intangible assets, which is included in cost of goods sold, decreased to $0.2 million in the first quarter of 2012 compared with $0.7 million in 2011. The remaining net book value of $1.8 million is being amortized over a period set to expire at the end of 2017.

5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased in the first quarter of 2012 to $34.6 million, from $27.8 million in 2011, as a result of several factors including; (i) the settlement of loans for named officers of $2.1 million and (ii) professional, legal, consulting and advisory fees of $5.2 million incurred in both North America and Europe associated with the refinancing and review of strategic options. Excluding these factors, selling, general and administrative expenses were $27.3 million, or 16.3% of revenue, compared with $27.8 million, or 15.7% of revenue, in 2011.

6. OTHER CHARGES (INCOME)

Restructuring charges

In the three months ended March 31, 2012, the Fund rationalized certain facilities. Expenditures totaling $1.6 million related to North American severance were recorded as other charges.

Assets held for sale

Certain vacant land in Canada previously classified as investment property was reclassified as held for sale, as the criteria for this reclassification were met in the fourth quarter of 2011. On January 11, 2012, the Fund sold this vacant land, which had a net book value of $3.0 million, for net proceeds of $3.3 million, resulting in a gain of $0.3 million that has been recorded in other charges.

Certain land and building in the United States previously classified as investment property was reclassified as held for sale, as the criteria for this reclassification were met in the first quarter of 2012. In the three months ended March 31, 2012, an impairment of asset held for sale of $0.5 million was recorded in other charges, and the carrying value of $0.7 million at March 31, 2012 reflects fair value less costs to sell.

7. NET FINANCE COSTS

During the first quarter of 2012, we recorded net finance costs of $10.5 million, compared to net finance cost of $5.9 million in the prior year period. The current year charge includes: (i) $7.6 million of interest expense (inclusive of interest on the first lien and second lien debt); (ii) revolving credit facility interest expense of $1.4 million, (iii) amortization of transaction costs of $2.6 million and other charges of $2.2 million which were offset by (a) $2.1 million of a non-cash unrealized foreign exchange gain relating to intercompany loans and (b) net gain of $1.1 million related to changes in values associated with embedded derivatives.

(I) INTEREST EXPENSE ON DEBT

Interest expense on the combined first and second lien debt for the first quarter of 2012 decreased to $7.6 million, compared with $8.1 million in 2011, as a result of the conversion of a significant portion of the second lien debt into equity on January 3, 2012. Interest expense associated with the revolving credit facility was $1.4 million for the first quarter of 2012, as the Fund had average outstanding bank indebtedness of $19.1 million during the first quarter of 2012. The weighted average interest rate on our debt for the first quarter was approximately 12.4%, compared with approximately 8.0% in 2011.

As of March 31, 2012, borrowings outstanding under our revolving credit facilities totaled $19.0 million, not including letters of credit issued for $12.0 million. As a result, borrowing capacity under our revolving credit facility is $4.0 million as of March 31, 2012.

8. INCOME TAXES

The Fund records income tax expense based on projected taxable income in various jurisdictions and taking into account tax deductions available under the existing corporate structure. During the first quarter of 2012, our effective tax rate was 1%, compared to a recovery rate of 7% in the prior year. The current year tax rate reflects the fact that certain of the Fund's foreign operations are expected to be subject to tax during the year, and, accordingly, a tax expense is recorded even though the Fund has consolidated pre-tax losses.

9. NET LOSS

We recorded a net loss from continuing operations of $25.5 million for the first quarter of 2012, compared with net loss from continuing operations of $22.8 million in 2011. On a per unit basis, we reported a basic loss from continuing operations of $0.06 for the quarter ended March 31, 2012, compared with a basic loss of $0.42 per share in 2011.

10. LIQUIDITY AND CAPITAL RESOURCES

Sources and uses of cash

	Three months ended March 31,	
(in thousands of U.S. dollars)	2012	2011
Cash flow used in continuing operating activities	$(5,617)	$21,804
Cash flow used in financing activities	$(15,500)	$(18,217)
Cash flow provided by continuing investing activities	$6,620	$(2,191)

We experienced cash outflows from continuing operating activities of $5.6 million in the first quarter of 2012, compared with inflows of $21.8 million in the corresponding 2011 period, as the prior year comparable reflects higher inflows associated with working capital balances. Cash used in financing activities was $15.5 million in the first quarter of 2012, compared to $18.2 million in the prior year period, and reflects the repayment of term debt and capital lease obligations combined with interest charges associated with debt servicing. Cash provided by investing activities was an inflow of $6.6 million in the first quarter of 2012, compared to an outflow of $2.2 million in the prior year period, and includes proceeds from the disposition of assets held for sale.

As of March 31, 2012, our net debt position (bank indebtedness plus first and second lien debt, after adjusting for the valuation of the embedded derivative, less cash and cash equivalents) was $206.2 million, compared to $203.8 million at December 31, 2011. This results from lower cash balances offset by lower second lien debt balances from the partial settlement of second lien debt during the first quarter of 2012.

We paid $0.6 million for property, plant and equipment (on a cash basis) during the first quarter of 2012, consisting primarily of Blu-ray related equipment. This compared to $1.1 million of capital expenditures in the prior year period.

At March 31, 2012, our cash balance was $57.8 million and we had total assets of $382.3 million, compared with $70.1 million and $452.7 million, respectively, at December 31, 2011. The reduction in total assets was primarily attributable to lower trade receivables as of March 31, 2012 given the seasonality of the business. The corresponding cash inflow from the collection of receivables was used during the quarter to settle trade and other payables in addition to funding operations.

Our contractual obligations are substantially the same as those disclosed in our 2011 annual report. In addition, refer to the discussion of the Refinancing and Recapitalization previously outlined in this MD&A.

In February 2012, Moody's Investor Service downgraded Cinram's long-term corporate family rating to Caa3 from Caa1. The rating has a negative outlook. In March 2012, Standard and Poor's downgraded its long term corporate credit rating on Cinram to CC from CCC. The ratings offered by S&P have subsequently been withdrawn at the Fund's request.

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Ratings for debt instruments range from AAA, in the case of S&P or Aaa in the case of Moody's, which represent the highest quality of securities rated, to D, in the case of S&P and C in the case of Moody's which

represent the lowest quality of securities rated. The credit ratings accorded by the rating agencies are not recommendations to purchase, hold or sell the rated securities inasmuch as ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances so warrant.

11. Units and distributions

At March 31, 2012, there were 437.7 million units issued and outstanding in addition to 0.02 million exchangeable Cinram International Limited Partnership units issued and outstanding (which units are exchangeable for Fund units on a one-for-one basis). On January 3, 2012, as a result of the second lien debt being exchanged for equity, a total of 373.2 million units of the Fund were issued to holders of the second lien debt.

Contemporaneously with the Refinancing and Recapitalization amendment completed in April 2011, 13 million warrants were issued and the holder has the option to purchase 13 million units of the Fund at $0.242 per Unit, being the per unit price resulting from the exchange of the second lien debt on January 3, 2012. The warrants vest over a period of three years and expire on the seventh anniversary date from the date of vesting.

During the year ended December 31, 2009, the Fund entered into two separate agreements to advance up to C$3.3 million to named officers for the purpose of buying units of the Fund on the open market. During the year ended December 31, 2009, C$2.4 million was advanced for the purchase of 1,273,300 units. Interest was calculated at the rate prescribed for purposes of the Income Tax Act (Canada), which throughout the term of the loan was 1%. The balances outstanding were secured by the units purchased or any proceeds realized upon sale of the units. On February 28, 2012, the named officers surrendered all pledged units of the Fund to treasury for cancellation in satisfaction of these loans. In accordance with the terms of the loan agreements with the named officers, in March 2012, a payment was made to the Taxation Authorities of C$2.1 million to offset personal tax liabilities of the named officers and an expenditure of C$2.1 million was recorded as a selling, general and administrative expense.

12. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Significant accounting policies and critical accounting estimates and judgments used in preparing the financial statements are described in Notes 3 and 4 to the 2011 audited consolidated financial statements, respectively.

Significant changes in the assumptions, including those with respect to future business plans and cash flows, could materially change the recorded carrying amounts.

In our 2011 annual audited consolidated financial statements and notes thereto as well as in our 2011 annual MD&A, we identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations. Please refer to Notes 2 and 3 of our 2011 Year End Audited Consolidated Financial Statements for a detailed discussion regarding our significant accounting policies and application of critical accounting estimates and judgments. There have been no significant changes to our accounting policies during the 2012 first quarter.

13. CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

Based on a review of the Fund's procedures and documentation of internal controls over financial reporting (ICFR), the Fund's CEO and CFO are satisfied that internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS.

During the three months ended March 31, 2012, we did not make any significant changes in, or take any corrective actions regarding, our internal controls or other factors that materially affect, or are reasonably likely to materially

affect, the Fund's design of internal controls over financial reporting.

The Fund is committed to providing timely and accurate disclosure of material transactions and events to its Unitholders and the capital markets in general. The Fund has implemented a process whereby management will meet and otherwise communicate on a regular basis to ensure that continuous disclosure obligations are fulfilled on an ongoing basis. The CEO and the CFO, together with management, have designed and evaluated the effectiveness of the Fund's disclosure controls and procedures and have concluded that they are reasonably assured that such disclosure controls and procedures were effective and that material information relating to the Fund was made known to them within the time periods specified under applicable securities legislation.

We periodically review our internal controls and our disclosure controls and procedures each quarter.

14. RISKS AND UNCERTAINTIES

The risks and uncertainties we face have been disclosed in our 2011 Annual MD&A and in our filings with Canadian Securities Commissions, which are available on www.sedar.com.

15. CHANGES IN ACCOUNTING POLICIES:

Recent Accounting Pronouncements

IFRS 7, *Financial Instrument: Disclosures*

In October 2010, the IASB amended IFRS 7, Financial Instruments: Disclosures. This amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with an entity's continuing involvement in derecognized financial assets. The amendment is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2012. The Company is assessing the impact of this amended standard on its consolidated financial statements.

IFRS 9, *Financial Instruments*

In October 2010, the IASB issued IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9, which replaces IAS 39, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Fund's interim and annual consolidated financial statements commencing January 1, 2015. The Fund is assessing the impact of this new standard on its consolidated financial statements.

IFRS 12, *Disclosure of Interests in Other Entities*

In May 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"). IFRS 12 establishes new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for the Fund's interim and annual consolidated financial statements commencing January 1, 2013. The Fund is assessing the impact of this new standard on its consolidated financial statements.

IFRS 13, *Fair Value Measurement*

In May 2011, the IASB issued IFRS 13, Fair Value Measurement ("IFRS 13"). IFRS 13 replaces the fair value guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures which enable users to assess the methods and inputs used to develop fair value measurements. This new standard is effective for the Fund's interim and annual consolidated financial statements commencing January 1, 2013. The Fund is assessing the impact of this new standard on its consolidated financial statements.

IAS 1, *Presentation of Financial Statements*

In June 2011, the IASB amended IAS 1, Presentation of Financial Statements. This amendment requires an entity to separately present the items of other comprehensive income as items that may or may not be reclassified to profit and loss. This amended standard is effective for the Fund's interim and annual consolidated financial statements commencing January 1, 2013. The Fund is assessing the impact of this amended standard on its consolidated financial statements.

IAS 12, *Deferred Tax: Recovery of Underlying Assets:*

In December 2010, the IASB amended IAS 12, Deferred Tax: Recovery of Underlying Assets ("IAS 12"). IAS 12 will now include a rebuttal presumption which determines that the deferred tax on the depreciable component of an investment property measured using the fair value model from IAS 40 should be based on its carrying amount being recovered through a sale. The standard has also been amended to include the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should be measured on the sale basis. This amendment is effective for the Fund's interim and annual consolidated financial statements commencing January 1, 2012. The Fund is assessing the impact of this amended standard on its consolidated financial statements.

IAS 19, *Employee Benefits:*

In June 2011, the IASB amended IAS 19, Employee Benefits. This amendment eliminated the use of the "corridor" approach and mandates all re-measurement impacts be recognized in other comprehensive income. It also enhances the disclosure requirements, providing better information about the characteristics of defined benefit plans and the risk that entities are exposed to through participation in those plans. This amendment clarifies when the Fund should recognize a liability and an expense for termination benefits. This amended standard is effective for the Fund's interim and annual consolidated financial statements commencing January 1, 2013. The Fund is assessing the impact of this amended standard on its consolidated financial statements.

IFRS 10 *Consolidated Financial Statements*

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements ("IFRS 10"). IFRS 10, which replaces the consolidation requirements of SIC-12 Consolidation-Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This new standard is effective for the Fund's interim and annual consolidated financial statements commencing January 1, 2013. The Fund does not expect IFRS 10 to have a material impact on its consolidated financial statements.

IFRS 11 *Joint Arrangements*

In May 2011, the IASB issued IFRS 11, Joint Arrangements ("IFRS 11"). IFRS 11, which replaces the guidance in IAS 31, Interests in Joint Ventures, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring interests in jointly controlled entities to be accounted for using the equity method. This new standard is effective for the Fund's interim and annual consolidated financial statements commencing January 1, 2013. The Fund does not expect IFRS 11 to have a material impact on its consolidated financial statements.

16. ADDITIONAL INFORMATION

Copies of publicly filed documents of the Fund can be found through the SEDAR website at www.sedar.com.

Condensed Consolidated Interim Financial Statements
(Expressed in U.S. dollars)

CINRAM INTERNATIONAL INCOME FUND

Three months ended March 31, 2012 and 2011
(Unaudited)

CINRAM INTERNATIONAL INCOME FUND

Condensed Consolidated Interim Statements of Financial Position

(Expressed in thousands of U.S. dollars)

	March 31 2012 (unaudited)	December 31 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 57,775	$ 70,097
Trade and other receivables	118,104	167,523
Inventories	21,662	24,156
Current income tax assets	736	–
Prepaid and other assets	12,516	10,036
Assets held for sale (note 14)	734	2,956
Total current assets	211,527	274,768
Property, plant and equipment	152,441	154,645
Investment property	3,841	5,121
Intangible assets	1,816	1,971
Other non-current assets	12,647	16,215
Total assets	$ 382,272	$ 452,720
Liabilities and Unitholders' Deficiency		
Current liabilities:		
Bank indebtedness (note 6(d))	$ 19,000	$ 19,000
Trade and other payables	101,284	148,999
Provisions	16,659	14,094
Employee benefits	34,560	34,765
Current tax liability	14,579	13,433
First-lien debt (note 6(a))	232,842	232,456
Second-lien debt (note 6(b))	11,997	22,422
Current derivative financial instruments (note 7(a))	–	3,383
Current portion of obligations under financing leases	9,455	7,577
Total current liabilities	440,376	496,129
Obligations under financing leases	4,942	4,854
Other non-current liabilities	1,169	1,099
Non-current provisions	3,780	3,952
Employee benefits	21,312	20,899
Deferred tax liabilities	1,260	914
Total liabilities	472,839	527,847
Unitholders' deficiency	(90,567)	(75,127)
Total liabilities and unitholders' deficiency	$ 382,272	$ 452,720

Going concern (note 2(a))
Subsequent events (notes 2(a) and 15)

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CINRAM INTERNATIONAL INCOME FUND

Condensed Consolidated Interim Statements of Loss

(Expressed in thousands of U.S. dollars)
(Unaudited)

	Three months ended March 31	
	2012	2011
Revenue	$ 167,581	$ 176,702
Cost of goods sold	146,442	158,763
Gross profit	21,139	17,939
Selling, general and administrative expenses	34,565	27,764
Other charges, net (note 8)	1,845	5,441
Results from operating activities	(15,271)	(15,266)
Net finance costs (note 9)	10,522	5,937
Loss before income tax expense	(25,793)	(21,203)
Income tax (recovery) expense	(318)	1,571
Loss for the period	$ (25,475)	$ (22,774)
Loss per unit (note 10):		
Basic	$ (0.06)	$ (0.42)
Diluted	(0.06)	(0.42)

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CINRAM INTERNATIONAL INCOME FUND

Condensed Consolidated Interim Statements of Comprehensive Loss

(Expressed in thousands of U.S. dollars)
(Unaudited)

	Three months ended March 31	
	2012	2011
Loss for the period	$ (25,475)	$ (22,774)
Other comprehensive income (loss), net of income taxes (note 11):		
Unrealized gain (loss) on translating financial statements of foreign operations	(982)	235
Unrealized gain on hedges of net investment in foreign operations	–	4,662
Release of other comprehensive income due to de-designation of hedge	–	3,609
Other comprehensive income (loss)	(982)	8,506
Total comprehensive loss for the period, net of income taxes	$ (26,457)	$ (14,268)

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CINRAM INTERNATIONAL INCOME FUND

Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)

(Expressed in thousands of U.S. dollars)
(Unaudited)

	Fund capital			Accumulated other	Total
	Number of units	Amount	Deficit	comprehensive income (loss)	unitholders' deficiency
	(in thousands of units)				
Balances at January 1, 2011	53,972	$ 173,727	$ (165,095)	$ (13,592)	$ (4,960)
Loss for the period	–	–	(22,774)	–	(22,774)
Other comprehensive income (note 11)	–	–	–	8,506	8,506
Total comprehensive loss for the period	–	–	(22,774)	8,506	(14,268)
Balances at March 31, 2011	53,972	$ 173,727	$ (187,869)	$ (5,086)	$ (19,228)
Balances at January 1, 2012	64,297	$ 181,154	$ (256,249)	$ (32)	$ (75,127)
Loss for the period	–	–	(25,475)	–	(25,475)
Other comprehensive loss (note 11)	–	–	–	(982)	(982)
Total comprehensive loss for the period	–	–	(25,475)	(982)	(26,457)
Deferred units exchanged for fund units	235	6	–	–	6
Issuance of fund units (note 6(b))	373,173	11,011	–	–	11,011
Balances at March 31, 2012	437,705	$ 192,171	$ (281,724)	$ (1,014)	$ (90,567)

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CINRAM INTERNATIONAL INCOME FUND

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in thousands of U.S. dollars)
(Unaudited)

	Three months ended March 31	
	2012	2011
Cash flows from operating activities:		
Loss for the period	$ (25,475)	$ (22,774)
Items not involving cash:		
Amortization expense	4,834	8,785
Interest on first and second lien debt (notes 6(a), 6(b), and 9)	7,618	7,485
Revolving Facilities fees and interest (notes 6(d) and 9)	1,438	–
Mark-to-market adjustment of derivative liability (note 9)	(3,383)	(4,600)
Accretion of embedded derivative (notes 7(a) and 9)	2,236	–
Amortization of transaction costs (notes 6(c) and 9)	2,550	648
Impairment of asset held for sale (notes 8 and 14)	513	–
Release of accumulated other comprehensive income due to de-designation of hedge (note 11)	–	3,609
Gain on disposal of property, plant and equipment (notes 8 and 15)	(267)	–
Income tax (recovery) expense	(318)	1,571
Unrealized foreign exchange gain on intercompany loans and release of cumulative translation adjustment (note 9(a))	(2,095)	(732)
Other	(118)	401
Change in provisions	2,117	4,161
Change in employee benefits	(900)	(5,142)
Income taxes paid	(119)	(209)
Change in non-cash operating working capital (note 12)	7,503	28,601
Net cash provided by (used in) operating activities	(3,866)	21,804
Cash flows from financing activities:		
Transaction costs	–	(3,017)
Repayment of long-term debt and bank indebtedness	(6,157)	(7,156)
Interest and fees paid	(6,477)	(7,829)
Repayment of obligations under financing leases	(2,866)	(215)
Net cash used in financing activities	(15,500)	(18,217)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(591)	(1,115)
Proceeds on disposition of assets held for sale (note 14)	3,223	–
Acquisitions	–	(2,963)
Change in non-current liabilities	70	(396)
Decrease in other non-current assets	3,918	2,283
Net cash provided by (used in) investing activities	6,620	(2,191)
Cash used in discontinued operating activities	–	(290)
Foreign currency translation gain on cash held in foreign currencies	424	1,660
Increase (decrease) in cash and cash equivalents	(12,322)	2,766
Cash and cash equivalents, beginning of period	70,097	164,399
Cash and cash equivalents, end of period	$ 57,775	$ 167,165

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CINRAM INTERNATIONAL INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of U.S. dollars, except units and per unit information)

Three months ended March 31, 2012 and 2011
(Unaudited)

1. Reporting entity:

Cinram International Income Fund ("Cinram" or the "Fund") is an unincorporated, open-ended, limited purpose trust, established under the laws of the Province of Ontario, Canada by Declaration of Trust dated March 21, 2006, as amended and restated on May 5, 2006. The registered office of the Fund is located at 2255 Markham Road, Toronto, Ontario, Canada.

The Fund was established to acquire, invest in, hold, transfer, dispose of and otherwise deal with securities and/or assets of the Cinram International Income Trust, Cinram International General Partner Inc., and other corporations, partnerships, or other persons engaged, directly or indirectly, in the business of the manufacture, packaging, distribution, sale and provision of Pre-Recorded Multimedia Products and related logistics services, as well as activities related or ancillary thereto, and such other investments as the Trustees may determine, and the borrowing of funds for that purpose.

The Fund is primarily involved in the manufacture, replication, packaging and distribution of DVDs, Blu-ray© discs and CDs, and the distribution of video games and telephonic handheld devices. The Fund's group of companies also incorporates One K Studios, LLC ("1K"), a digital media firm based in Los Angeles.

The condensed consolidated interim financial statements of the Fund, as at and for the quarter ended March 31, 2012, comprise Cinram and its subsidiaries (together referred to as the "Fund" and individually as "Fund entities").

2. Basis of preparation:

(a) Going concern:

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS").

The going concern basis of presentation assumes that the Fund will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at March 31, 2012, the Fund would have been in breach of certain financial covenants in its reporting to its lenders, under its August 2011 Credit Facility (note 6). However, subsequent to March 31, 2012, the Fund

2. Basis of preparation (continued):

has continued to receive waivers for a limited period from its lenders under the August 2011 Credit Facility for certain financial and non-financial covenants. The amounts outstanding under the August 2011 Credit Facility have been classified as a current liability both as at March 31, 2012 and December 31, 2011. The waivers received during the period ended and subsequent to March 31, 2012 were as follows:

(i) on January 31, 2012, the Fund received a waiver for certain financial covenants from its lenders for the period up to March 15, 2012;

(ii) on March 15, 2012, the lenders further agreed to extend the waiver for certain financial covenants up to March 28, 2012. In addition, on March 15, 2012, the lenders agreed to extend the date by which the lenders were required to approve the business plan and financial statement projections (the "Business Plan") submitted to the lenders on February 15, 2012, from March 15, 2012 to March 28, 2012;

(iii) on March 28, 2012, the lenders further agreed to extend the waiver for certain financial covenants up to April 30, 2012; however, the lenders could have terminated this waiver on or after April 13, 2012. The March 28, 2012 waiver also extended the date by which the lenders were required to approve the Business Plan and waived certain other financial reporting requirements indefinitely, subject to the lenders' right to terminate the waiver on or after April 13, 2012; and

(iv) On April 30, 2012, the lenders further agreed to extend the waiver for certain financial covenants up to May 30, 2012; however, the lenders may terminate this waiver on or after May 15, 2012. The April 30, 2012 waiver also extends the date by which the lenders are required to approve the Business Plan and waives certain other financial reporting requirements indefinitely, subject to the lenders' right to terminate the waiver on or after May 15, 2012.

Without further waivers or amendments, and subject to the lenders not terminating the waivers pertaining to: (1) the financial covenants, (2) the Business Plan, and (3) certain other financial reporting requirements on or after May 15, 2012, the lenders can terminate the April 30, 2012 waiver pertaining to the financial covenants on or after May 30, 2012, and the amounts under the August 2011 Credit Facility are repayable on demand.

2. Basis of preparation (continued):

Should the lenders demand repayment of the amounts outstanding on or prior to May 30, 2012, in the absence of alternative sources of funding, the Fund would not be able to repay the amounts outstanding under the August 2011 Credit Facility. At March 31, 2012, the Fund has a unitholders' deficiency of $90,567 and a working capital deficiency of $228,849. For the three months ended March 31, 2012, the Fund incurred a loss of $25,475. The circumstances described above have resulted in a material uncertainty over the Fund's ability to repay the amounts outstanding under the August 2011 Credit Facility and meet its other obligations as they become due. This material uncertainty may cast significant doubt about the ability of the Fund to continue as a going concern.

The Fund is currently in discussions with its lenders and is undergoing a strategic review with its advisors, including a possible sale of certain or all of the Fund's operations or a restructuring of the operations. If this strategic review does not provide alternatives for repayment of the August 2011 Credit Facility and allow the Fund to meet its other obligations as they become due, a demand by the lenders for settlement of amounts due under the August 2011 Credit Facility will likely have a material adverse effect on the Fund's financial position. No agreements with the Fund's lenders or potential purchasers or investors have been reached yet and there can be no assurance that such agreements will be reached.

The ability of the Fund to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of the actions taken or planned, some of which are described above. Management believes the actions taken or planned will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these consolidated financial statements. There is no certainty that these and other strategies will be sufficient to permit the Fund to continue as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis of presentation was not appropriate. If the going concern basis of presentation was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported net loss and the statement of financial position classifications used.

2. Basis of preparation (continued):

(b) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

These condensed consolidated interim financial statements were approved by the Board of Trustees on May 10, 2012.

These condensed consolidated interim financial statements should be read in conjunction with the Fund's 2011 annual consolidated financial statements.

(c) Seasonality:

The Fund's business follows a seasonal pattern, whereby Pre-Recorded Multimedia Products sales (note 5) are traditionally higher in the third and fourth quarters than in other quarterly periods due to consumer holiday buying patterns. As a result, a disproportionate share of total revenue is typically generated in the third and fourth quarters.

(d) Functional and presentation currency:

These consolidated financial statements are prepared in U.S. dollars, which is the Fund's presentation currency. All financial information presented in U.S. dollars has been rounded to the nearest thousand. The Fund's functional currency is Canadian dollars.

The Fund has chosen to present its consolidated financial statements in U.S. dollars due to the majority of its business activities being transacted in this currency, and the exposure of the Fund's reported results to exchange rate fluctuations is reduced due to the relative size of its U.S. dollar cash flows.

3. Significant accounting policies:

Refer to note 3 of the Fund's consolidated financial statements for the year ended December 31, 2011 for a listing of the Fund's significant accounting policies. The Fund has applied the same accounting policies and methods of computation as at, and for the three months ended March 31, 2012, as was disclosed in note 3 in the Fund's consolidated financial statements for the year ended December 31, 2011.

4. Critical accounting estimates and judgments:

Refer to note 4 of the Fund's consolidated financial statements for the year ended December 31, 2011 for a listing of the Fund's critical accounting estimates and judgments. The Fund has utilized the same critical accounting estimates and judgments as at, and for the three months ended March 31, 2012, as was disclosed in note 4 in the Fund's consolidated financial statements for the year ended December 31, 2011.

5. Operating segments:

The Chief Executive Officer ("CEO") manages the operations of the Fund by business segments. The Fund's reportable business segments are Pre-Recorded Multimedia Products, Video Game and Other.

The Fund's presentation of reportable segments is based on how management has organized the business in making operating and capital allocation decisions and assessing performance. For each of these reportable business segments, the Fund's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Fund's reportable segments:

- The Pre-Recorded Multimedia Products segment manufactures and distributes DVDs, Blu-ray discs and CDs;

- The Video Game segment includes results from the packaging, distribution and logistic services provided to games publishers and associated retailers; and

- The Other segment includes the wireless division, vendor-managed inventory services provided by Cinram Retail Services, formerly known as Vision Information Services, and 1K.

The accounting policies of the segments are the same as those described in the significant accounting policies. The Fund evaluates segment performance based on earnings (loss) from continuing operations before other charges, net finance costs, income taxes and amortization ("EBITA").

CINRAM INTERNATIONAL INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of U.S. dollars, except units and per unit information)

Three months ended March 31, 2012 and 2011
(Unaudited)

5. Operating segments (continued):

(a) Industry segments:

Three months ended March 31, 2012	Pre-Recorded Multimedia Products	Video Game	Other	Total
Revenue from external customers	$ 143,051	$ 9,632	$ 14,898	$ 167,581
EBITA	(12,608)	68	3,948	(8,592)
Amortization of property, plant and equipment	3,894	–	785	4,679
Amortization of intangible assets	–	–	155	155
Capital expenditures	581	–	10	591

Three months ended March 31, 2011	Pre-Recorded Multimedia Products	Video Game	Other	Total
Revenue from external customers	$ 150,995	$ 11,176	$ 14,531	$ 176,702
EBITA	(5,722)	1,500	3,182	(1,040)
Amortization of property, plant and equipment	6,967	377	708	8,052
Amortization of intangible assets	–	637	96	733
Capital expenditures	1,108	–	7	1,115

As at March 31, 2012	Pre-Recorded Multimedia Products	Video Game	Other	Total
Total assets	$ 341,109	$ 9,061	$ 32,102	$ 382,272

5. Operating segments (continued):

As at December 31, 2011	Pre-Recorded Multimedia Products	Video Game	Other	Total
Total assets	$ 394,769	$ 16,070	$ 41,881	$ 452,720

Reconciliation of EBITA to loss for the period:

	Three months ended March 31 2012	2011
EBITA	$ (8,592)	$ (1,040)
Other charges, net (note 8)	1,845	5,441
Deduct:		
Amortization of property, plant and equipment	4,679	8,052
Amortization of intangible assets	155	733
Net finance costs	10,522	5,937
Income tax (recovery) expense	(318)	1,571
Loss for the period	$ (25,475)	$ (22,774)

(b) Geographic segments:

The Pre-Recorded Multimedia Products, Video Game and Other segments are managed on a worldwide basis, but operate in North America and Europe.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Three months ended March 31, 2012	North America	Europe	Total
Revenue from external customers	$ 92,373	$ 75,208	$ 167,581

CINRAM INTERNATIONAL INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of U.S. dollars, except units and per unit information)

Three months ended March 31, 2012 and 2011
(Unaudited)

5. Operating segments (continued):

Three months ended March 31, 2011	North America	Europe	Total
Revenue from external customers	$ 103,785	$ 72,917	$ 176,702

As at March 31, 2012	North America	Europe	Total
Property, plant and equipment, investment property, goodwill and intangible assets	$ 92,331	$ 65,767	$ 158,098
Other non-current assets	4,368	8,279	12,647

As at December 31, 2011	North America	Europe	Total
Property, plant and equipment, investment property, assets held for sale and intangible assets	$ 99,903	$ 64,790	$ 164,693
Other non-current assets	7,050	9,165	16,215

(c) Major customers:

In the three months ended March 31, 2012, the Fund had three customers in the Pre-Recorded Multimedia Products segment that accounted for approximately 34%, 26% and 11%, respectively, of consolidated revenue. In the three months ended March 31, 2011, the Fund had three customers in the Pre-Recorded Multimedia Products segment that accounted for approximately 37%, 21% and 12%, respectively, of consolidated revenue.

6. August 2011 Credit Facility:

The balance of first-lien debt and second-lien secured debt comprises the following:

	March 31, 2012	December 31, 2011
First-lien debt, before adjustment (a)	$ 232,842	$ 235,006
Less: unamortized transaction costs (c)	–	(2,550)
First-lien debt, net	232,842	232,456
Second-lien debt, before adjustment	11,997	101,908
Less: equity forward embedded derivative (note 7(b))	–	(79,486)
Second-lien debt, net (b)	11,997	22,422
	244,839	254,878
Less: current portion (including second-lien debt)	(244,839)	(254,878)
Total non-current first and second lien debt	$ –	$ –

The weighted average interest rate on the first and second lien debt of the Fund for the three months ended March 31, 2012 was 12.4%. For the three months ended March 31, 2011, the weighted average interest rate on long-term debt was 8.0%, inclusive of net payments made under an interest rate swap. These weighted average calculations exclude adjustments to the first-lien debt due to the embedded derivative liability related to the term loan (note 7(a)).

(a) The following are the key terms of the first-lien debt:

(i) A principal amount of $232,842 as at March 31, 2012 which includes cumulative interest paid in kind of $5,367. The Fund records the first-lien debt at the principal amount, plus cumulative interest paid in kind that has not been repaid, less an adjustment recorded to estimate the fair value of the embedded derivative financial instrument liability related to the interest rate floor for the first-lien debt (note 7(a)).

(ii) The term of the first-lien debt matures on December 31, 2013.

(iii) The security for the first-lien debt is a first lien on all assets of the Fund.

6. August 2011 Credit Facility (continued):

(iv) Interest is LIBOR plus 1,100 basis points, of which 300 basis points can be paid in kind. LIBOR is established to have a floor of no less than 1.25% and constitutes an embedded derivative liability (note 7(a)). The interest to be paid in kind is added to the principal amount of the first-lien debt each period.

(v) Interest to be paid quarterly.

(vi) Additional interest to accrue if, as a result of certain minimum liquidity provisions, the Fund defers principal amortization or excess cash flow sweep payments or pays interest-in-kind with respect to all or a portion of the outstanding loans.

(vii) Amortization of the first-lien debt to be 1.25% of the closing date principal amount per quarter, beginning in the second quarter of 2011. The amortization will increase to 2.5% per quarter in the third quarter of 2012 and beyond, subject to certain minimum liquidity provisions.

The first-lien debt has been classified as a current liability as at March 31, 2012 and December 31, 2011, as discussed in note 2(a).

(b) The following are the key terms of the second-lien debt:

(i) The second-lien debt was substantially settled through the issuance of equity, as it became mandatorily exchangeable into units of the Fund on January 3, 2012. A principal amount of $90,000 plus $308 in accrued interest of the second-lien debt was exchanged for units of the Fund at a price of $0.242 per unit ($11,011) on January 3, 2012, and 373,172,682 units of the Fund were issued to holders of the second-lien debt.

(ii) At March 31, 2012, the second-lien debt was classified as a current liability of $11,997 and $101,908 at December 31, 2011.

(iii) The security for the second-lien debt is a second lien on all assets of the Fund.

(iv) The interest rate is 17% per annum, compounded on a quarterly basis accruing until December 31, 2013.

6. August 2011 Credit Facility (continued):

(c) Transaction costs relate to amendments to the Fund's credit facility, which were finalized on August 12, 2011. The transaction costs of $3,653 have been fully amortized up to March 31, 2012 (December 31, 2011 - $1,103) in accordance with the effective interest rate method. For the three months ended March 31, 2012, $2,550 (2011 - $648) in amortization was recorded (note 9).

(d) The Fund has revolving facilities (the "Revolving Facilities") and the key terms are as follows:

(i) A total available amount of $35,000 in two advances, subject to the conditions and waiver discussed in note 2(a).

(ii) The revolving credit advance of $14,000, of which $14,000 (December 31, 2011 - $12,695) is utilized as of March 31, 2012. As at March 31, 2012, $11,970 (December 31, 2011 - $12,695) is utilized for outstanding letters of credit that may be redrawn for direct borrowing or for a replacement letter of credit to the extent any outstanding letters of credit are cancelled. Also, as at March 31, 2012, $2,030 (December 31, 2011 - $1,305) was presented as bank indebtedness. The interest rate on this advance is similar to that of the Term Loan.

(iii) The first-out revolving credit advance for $21,000 can only be utilized after the $14,000 revolving credit facility is fully drawn. As at March 31, 2012, $16,970 (December 31, 2011 - $17,695) was presented as bank indebtedness. The interest rate on this advance is LIBOR plus 975 basis points on Eurocurrency loans. LIBOR is established to have a floor of no less than 1.25%. Similarly, the Fund can choose to be subject to U.S. or Canada base rates at similar interest rates.

(iv) The first-out revolving credit advance has a priority above all other security and loans, thereby resulting in a lower interest rate than the existing revolving credit advance.

(v) Interest is payable on both advances on a quarterly basis.

(vi) A commitment fee of 200 basis points per annum on the undrawn portion of the Revolving Facilities.

The Revolving Facilities balance is $19,000 at March 31, 2012 (December 31, 2011 - $19,000) and has been classified as bank indebtedness in current liabilities.

7. Derivative financial instruments:

(a) Embedded derivative:

In connection with the Amended Credit Facility and August 2011 Credit Facility, the interest rate on the first-lien debt includes a LIBOR floor of 1.25%, which has been determined to be an embedded derivative. As at April 11, 2011 (the "inception date"), the Fund recorded a decrease to first-lien debt and a corresponding increase to derivative financial instrument liabilities of $3,040. This amount represented the estimated fair value of the embedded derivative at the inception date. The fair value of the embedded derivative as at March 31, 2012 is nil, and $3,383 has been recorded as a gain to net finance costs (note 9) as a change in the fair value of the derivative financial instrument liabilities during the three months ended March 31, 2012. During the three months ended March 31, 2012, the Fund recorded $2,236 (2011 – nil) of accretion charges on the estimated fair value of the embedded derivative at the inception date (note 9).

(b) Equity forward embedded derivative:

As the second-lien debt was mandatorily exchangeable into units of the Fund on December 31, 2011 (note 6(b)), it contained an equity forward embedded derivative. As at December 31, 2011, the Fund measured the fair value of the equity forward embedded derivative asset at $79,486, and it was recorded against the carrying amount of the second-lien debt as at December 31, 2011. The fair value was determined based on the difference between the conversion price of $0.242 and the tracking price of the Fund's units of $0.029 at December 31, 2011. As the converted units in relation to the second-lien debt which gave rise to the equity forward embedded derivative were converted on January 3, 2012 (note 6(b)), it settled in the three months ended March 31, 2012 and, as a result, the recorded amount was nil as at March 31, 2012.

CINRAM INTERNATIONAL INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of U.S. dollars, except units and per unit information)

Three months ended March 31, 2012 and 2011
(Unaudited)

8. Other charges, net:

	Three months ended March 31	
	2012	2011
Facility restructuring (a)	$ 1,599	$ 5,441
Impairment of asset held for sale (note 14)	513	–
Gain on sale of investment property (note 14)	(267)	–
	$ 1,845	$ 5,441

(a) Facility restructuring costs:

A continuity schedule of the provision for facility restructuring costs for the three months ended March 31, 2012 is as follows:

	Severance costs	Facility exit costs	Other costs	Total costs
December 31, 2011	$ 2,251	$ 1,130	$ 8	$ 3,389
Add expenditures	1,598	–	1	1,599
Deduct payments	(1,019)	(344)	–	(1,363)
March 31, 2012	$ 2,830	$ 786	$ 9	$ 3,625

In the three months ended March 31, 2012, the Fund rationalized certain facilities. Expenditures totalling $1,599 related to North American severance and was recorded as other charges.

As at March 31, 2012, the Fund had $3,336 in current facility restructuring provisions and $289 in non-current facility restructuring provisions, respectively.

CINRAM INTERNATIONAL INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of U.S. dollars, except units and per unit information)

Three months ended March 31, 2012 and 2011
(Unaudited)

9. Net finance costs:

Three months ended March 31:

	2012	2011
Interest on first and second lien debt (notes 6(a) and 6(b))	$ 7,618	$ 7,485
Revolving Facilities fees and interest (note 6(d))	1,438	–
Release of accumulated other comprehensive income due to de-designation of hedge	–	3,609
Change in fair value of embedded derivative (note 7(a))	(3,383)	(4,600)
Accretion of embedded derivative (note 7(a))	2,236	–
Amortization of transaction costs (note 6(c))	2,550	648
Unrealized foreign exchange translation gain (a)	(2,095)	(732)
Investment income	(62)	(993)
Other (b)	2,220	520
Net finance costs	$ 10,522	$ 5,937

(a) Unrealized foreign exchange gain is a non-cash item that primarily relates to intercompany loans within the Fund. For the three months ended March 31, 2012, the gain of $2,095 is primarily a result of depreciation in the U.S. dollar value relative to the Canadian dollar. For the three months ended March 31, 2011, the gain of $732 is primarily a result of changes in the U.S. dollar relative to certain foreign currencies.

(b) Other net finance costs include professional fees and related costs for advisors involved in undertaking a comprehensive and thorough review of strategic alternatives for the Fund.

CINRAM INTERNATIONAL INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of U.S. dollars, except units and per unit information)

Three months ended March 31, 2012 and 2011
(Unaudited)

10. Basic and diluted loss per unit:

The reconciliation of the numerator and denominator for the calculation of basic and diluted loss per unit is as follows:

	Three months ended March 31	
	2012	2011
Numerator:		
Loss from continuing operations	$ (25,475)	$ (22,774)
Loss for the period	$ (25,475)	$ (22,774)

	Three months ended March 31	
	2012	2011
Denominator (in thousands):		
Weighted average units outstanding - basic	425,393	53,972
Weighted average number of units outstanding - diluted	425,393	53,972

	Three months ended March 31	
	2012	2011
Loss per unit:		
Basic	$ (0.06)	$ (0.42)
Diluted	(0.06)	(0.42)

Basic and diluted loss per unit have been calculated using the weighted average and maximum dilutive number of units outstanding during the year.

	Three months ended March 31	
	2012	2011
Anti-dilutive units (in thousands)	26,572	1,973

CINRAM INTERNATIONAL INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of U.S. dollars, except units and per unit information)

Three months ended March 31, 2012 and 2011
(Unaudited)

11. Accumulated other comprehensive loss:

	Three months ended March 31	
	2012	2011
Foreign currency translation account:		
Balance, beginning of period	$ (32)	$ (8,580)
Change in foreign currency translation account	(982)	4,897
Balance, end of period	$ (1,014)	$ (3,683)
Unrealized net loss of cash flow hedges:		
Balance, beginning of period	$ –	$ (5,012)
Release of other comprehensive income due to de-designated hedge	–	3,609
Balance, end of period	$ –	$ (1,403)
Accumulated other comprehensive loss	$ (1,014)	$ (5,086)

Other comprehensive loss is presented net of income tax expense of $796 for the three months ended March 31, 2012 (2011 - $1,302).

12. Change in non-cash working capital:

	Three months ended March 31	
	2012	2011
Decrease in accounts receivable	$ 52,770	$ 60,044
Decrease in inventories	2,875	30
Increase in prepaid expenses	(2,337)	(2,412)
Decrease in trade and other payables	(45,805)	(29,061)
	$ 7,503	$ 28,601

13. Personnel expenses:

	Three months ended March 31	
	2012	2011
Wages and salaries	$ 80,523	$ 84,474
Contributions to defined contribution plans	337	335
Termination benefits	1,598	2,454
Expenses related to defined benefit plans	265	290
Cash-settled share-based payment transactions (a)	2,200	91
	$ 84,923	$ 87,644

(a) Employee unit purchase loans:

During the year ended December 31, 2009, the Fund entered into two separate agreements to advance up to Cdn. $3,250 to named officers for the purpose of buying units of the Fund on the open market. During the year ended December 31, 2009, Cdn. $2,419 was advanced for the purchase of 1,273,300 units. Interest was calculated at the rate prescribed for purposes of the Income Tax Act (Canada), which throughout the term of the loan was 1%. The balances outstanding were secured by the units purchased or any proceeds realized upon sale of the units. On February 28, 2012, the named officers surrendered all units of the Fund pledged to treasury for cancellation in connection with these loans, and the loans were forgiven. During the three months ended March 31, 2012, a payment was made to offset personal tax liabilities of the named officers, and as a result, an expenditure of Cdn. $2,123 (U.S. $2,200) to selling, general and administrative expenses was recorded.

14. Assets held for sale:

	March 31, 2012	December 31, 2011
Carrying value of assets held for sale:		
Vacant land (i)	$ –	$ 2,956
Land and building (ii)	734	–
	$ 734	$ 2,956

(i) On January 11, 2012, the Fund sold certain vacant land which was classified as assets held for sale and which had a net book value of $2,956, for net proceeds of $3,223, resulting in a gain of $267 that has been recorded in other charges (note 8).

(ii) Certain land and building in the United States previously classified as investment property was reclassified as assets held for sale, as the criteria for this reclassification were met in the first quarter of 2012. In the three months ended March 31, 2012, an impairment of asset held for sale of $513 was recorded in other charges (note 8), and the carrying value of $734 reflects fair value less costs to sell.

15. Subsequent event:

Notice of non-renewal of a customer contract:

On May 1, 2012, the Fund announced that it had received a written notice of non-renewal from a customer of the Fund's Other segment who decided not to extend certain fulfillment services beyond the current term, which expires June 15, 2013.

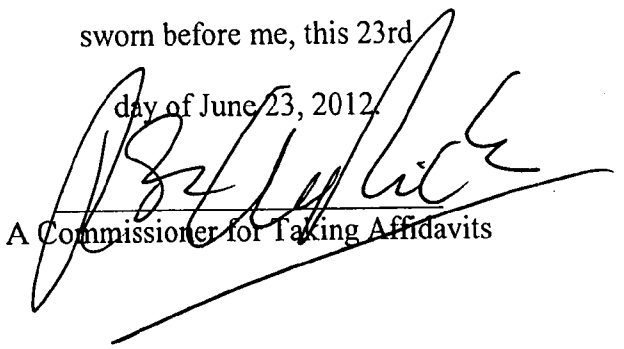
The Fund has provided distribution and related services to this customer since 2008. Revenues from this business for the year ended December 31, 2011 represented approximately 6% of the total consolidated revenues of the Fund.

This is Exhibit "E" referred to in the

affidavit of John Bell

sworn before me, this 23rd

day of June 23, 2012.



A Commissioner for Taking Affidavits

CINRAM INTERNATIONAL GROUP
IFRS Balance Sheet - APPLICANTS
March 31, 2012

	Cinram International I nc.	1362806 Ontario	Cinram Inc	Cinram (U.S.) Holdings Inc.	Cinram Manufacturing LLC	IHC Corporation	Cinram Retail Services LLC	Cinram Wireless LLC	Cinram Distribution LLC	One K Studios LLC	Cinram International ULC	Cinram International Limited Partnership	CII Trust	Cinram International General Partner Inc	Cinram International Income Fund
	USD	CDN	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Total Cash and Cash Equivalents	2,726,242	5,584	5,815,449	571,982	991,221	-	256,335	6,709,233	2,695,536	31,336	27,578	2,314	2,355	2,365	9,334
Trade and Other Receivables	15,700,366	-	21,474,400	-	9,997,515	-	376,353	10,671,024	6,845,221	1,858,942	-	-	-	-	-
Intercompany Receivable	127,705,433	121,522	194,380,145	233,735,693	204,252,013	382,451	3,835,924	41,518,053	38,543,789	-	61,452	-	-	88	35,407
Income tax recoverable	-	-	438,051	58,755	-	5,505	-	-	799	-	-	-	-	-	-
Net Inventory	1,880,375	-	6,641,430	-	2,681,009	-	-	-	595,849	-	-	-		-	-
Projects - working in progress									-	2,145,406					
Prepaid Expenses	866,057	-	880,260	200,528	1,429,196	267,276	87,602	499,242	373,381	55,908	-	-	-	-	-
Total Current Assets	148,898,473	127,506	229,629,736	234,566,958	219,560,954	655,242	4,556,214	59,397,552	49,054,575	4,089,595	89,029	2,314	2,355	2,453	44,741
Net Property, plant and equipment	6,407,846	-	41,273,065	-	37,292,286	-	108,187	1,889,608	(2)	835,859	-	-	-	-	-
Equipment subject to Capital Leases	112,830	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Property	-	-	-	-	-	2,593,313	733,750	-	-	-	-	-	-	-	-
Intercompany Investment	616,180,043	34,416,582	-	1,758,488,446	-	-	-	-	-	-	1,136,426,482	178,857,192	178,760,872	11	161,083,434
Intercompany Notes Rec.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,415,608,998
Intangible assets	-	-	-	-	-	-	673,750	-	-	1,141,809	-	-	-	-	-
Other Assets	271,572	-	3,521,463	-	575,000	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	622,972,090	34,416,582	44,794,528	1,759,488,445	37,867,286	2,593,313	1,515,687	1,889,608	(2)	1,978,668	1,136,426,482	178,857,192	178,760,872	11	1,576,692,432
Total Assets	771,870,563	34,544,088	274,424,264	1,994,055,404	257,428,240	3,248,556	6,072,901	61,287,160	49,054,573	6,068,263	1,136,515,512	178,859,506	178,760,227	2,464	1,576,737,173
Total Bank Operating Loans	-	-	-	19,000,000	-	-	-	-	-	155,548	-	-	-	-	-
Accounts Payable Trade and Other Payables	2,620,475	-	4,971,030	41,668	2,095,272	175,148	32,918	(147,194)	1,974,662	482,064	-	-	-	-	-
Total Intercompany Payable	261,336,100	3,593	135,159,351	181,645,697	94,069,487	14,543,712	8,774,964	936,525	63,248,273	2,266,953	66,347	1,505	1,415,646,787	2,200	1,617
Total Accrued Liabilities	10,648,156	-	18,480,466	630,855	5,250,656	-	52,363	1,158,930	1,380,776	87,803	-	-	-	-	-
Provisions - current	1,738,994	-	4,027,348	234,020	1,772,210	2,937,256	-	-	579,650	-	-	-	-	-	-
Accrued Employee Benefits - Current	3,854,926	-	4,843,201	-	4,389,702	1,424,387	207,138	1,610,632	2,953,308	498,514	-	-	-	-	-
Income Taxes Payable	8,876,914	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Portion Long-Term Debt	7,259,428	-	10,709,303	-	-	-	-	-	-	-	-	-	-	-	-
Callable Debt	-	-	-	11,997,218	-	-	-	-	-	-	-	-	-	-	-
PIK Interest LTD - current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Curr portion of Oblig under Financing Leases	46,695	-	4,126,367	-	-	-	-	-	-	39,695	-	-	-	-	-
Warrants - Current	-	-	-	150,533	-	-	-	-	-	-	-	-	-	-	-
Eliminating Balances	3	-	(38)	-	-	(34)	-	7	1	-	-	-	-	-	-
Total Current Liabilities	296,421,691	3,593	182,317,028	213,899,990	107,557,527	19,080,470	9,067,584	3,558,901	70,136,672	3,530,581	66,347	1,505	1,415,646,787	2,200	1,617
Net Long Term Debt	82,712,100	-	126,793,531	-	-	-	-	-	-	-	-	-	-	-	-
PIK Interest LTD - non-current	2,156,571	-	3,210,877	-	-	-	-	-	-	-	-	-	-	-	-
Obligation under Financing Leases-long term	76,201	-	1,993,510	-	-	-	-	-	-	51,084	-	-	-	-	-
Derivative Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non current Liabilities	7,413	-	-	-	-	-	-	-	1,128,168	32,742	-	325	-	-	-
Provisions Non-Current	428,453	-	247,000	-	-	-	-	-	258,130	-	-	-	-	-	-
Employee Benefits Long Term	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants - Non Current	-	-	-	21,502	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	85,380,738	-	132,244,917	21,502	-	-	-	-	1,386,298	83,825	-	325	-	-	-
Total Liabilities	381,802,429	3,593	314,561,945	213,921,492	107,557,527	19,080,470	9,067,584	3,558,901	71,522,970	3,614,406	66,347	1,830	1,415,646,787	2,200	1,617
Common Stock	1,201,898,126	30,740,000	305,557,350	585,800,000	762,640,114	525,655,972	773,701	25,777,556	135,821,021	2,962,949	178,857,192	17,683,344	-	-	17,832,814
Class A LP Units	-	-	-	-	-	-	-	-	-	-	-	161,083,530	161,083,423	11	161,972,800
Class B LP Units	-	-	-	-	-	-	-	-	-	-	-	-	-	11	-
Equity Adjustment	(984,237,006)	-	-	-	-	-	-	-	-	-	984,237,007	-	(1,552,379,571)	-	1,552,379,571
Contributed Surplus	2,918,423	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,685,740)
Retained earnings - BegBalance	136,648,583	3,800,533	(341,711,197)	1,193,274,373	(608,666,799)	(541,354,062)	(3,360,140)	29,880,803	(155,224,638)	(740,927)	22,340,427	92,087	128,094,978	305	(142,440,210)
Net Income	(11,132,547)	(38)	(4,083,834)	1,059,538	(2,746,403)	27,581	(408,344)	2,069,901	(1,823,960)	231,834	(1,606)	75	33,800,658	(88)	(33,801,326)
Retained Earnings - ending balance	125,516,035	3,800,495	(345,795,031)	1,194,333,911	(612,413,202)	(541,326,481)	(3,768,484)	31,950,704	(157,048,598)	(509,092)	22,338,821	92,162	161,895,636	217	(176,241,536)
CTA Foreign Currency Translation	43,972,555	-	-	-	-	-	-	-	-	-	(48,983,855)	(1,399)	(7,477,048)	25	7,477,646
Other OCI	-	-	-	-	(556,199)	(161,405)	-	-	(1,240,819)	-	-	-	-	-	-
Total Equity	390,058,134	34,540,495	(40,137,681)	1,780,133,911	149,870,713	(15,831,914)	(2,994,783)	57,728,256	(22,468,396)	2,453,857	1,136,449,164	178,857,676	(1,236,677,560)	264	1,576,735,555
Total Liabilities & Stockholders Equity	771,870,563	34,544,088	274,424,264	1,994,055,404	257,428,240	3,248,556	6,072,901	61,287,160	49,054,574	6,068,263	1,136,515,512	178,859,506	178,760,227	2,464	1,576,737,173

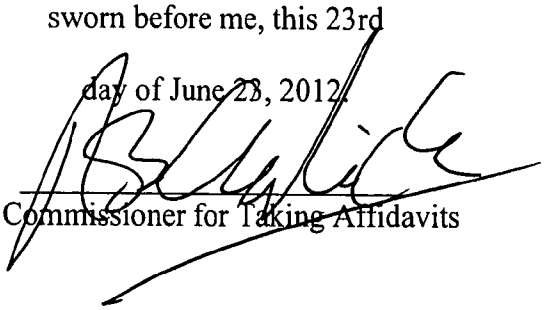
F

This is Exhibit "F" referred to in the

affidavit of John Bell

sworn before me, this 23rd

day of June 23, 2012.



A Commissioner for Taking Affidavits

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 reviewed, or 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) simul taneously 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 reasonably 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 52nd 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 52nd 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.) HOLDINGS 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 1.1(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(e).

"**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 immoveable 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 immoveable 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:

(i) the documents required to be delivered by the Seller pursuant to Section 7.2;

(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 25TH
	)	
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

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; 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

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

Court File No: _____

363

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

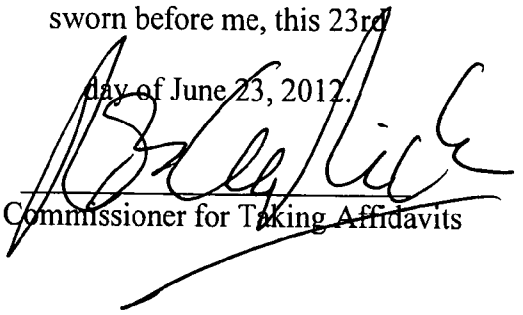
\6082974

This is Exhibit "G" referred to in the

affidavit of John Bell

sworn before me, this 23rd

day of June 23, 2012.



A Commissioner for Taking Affidavits

June 23, 2012

FTI Consulting Canada Inc.
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, ON M5K 1G8

Attention: Paul Bishop

Dear Sir:

Re: Proceedings under the *Companies' Creditors Arrangement Act* ("CCAA")
Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections

In connection with the Application by Cinram International Income Fund, Cinram International Inc. and their Canadian and U.S. subsidiaries ("Cinram") for the commencement of proceedings under the CCAA in respect of Cinram, the management of Cinram ("Management") has prepared the attached Cash Flow Forecast and the assumptions on which the Cash-Flow Forecast is based.

Cinram confirms that:

1. The Cash Flow Forecast and the underlying assumptions are the responsibility of Cinram;

2. All material information relevant to the Cash Flow Forecast and to the underlying assumptions has been made available to FTI Consulting Canada Inc., in its capacity as Monitor; and

3. Management has taken all actions that it considers necessary to ensure:

    a. The individual assumptions underlying the Cash Flow Forecast are appropriate in the circumstances; and

    b. That the individual assumptions underlying the Cash Flow Forecast, taken as a whole, are appropriate in the circumstances.

Yours truly,

John H. Bell
Cinram International Inc.

\6095152

Cinram International Inc - North American Entities

13 Week DIP Budget Cash Flow Forecast

(US$ in millions)

Week Ending	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	
Forecast Week	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
Cash Flow from Operations														
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)
Operating Cash Flows	**(3.2)**	**(2.7)**	**(0.8)**	**1.5**	**(1.3)**	**0.9**	**(0.8)**	**3.3**	**(2.1)**	**(0.3)**	**(3.0)**	**2.5**	**(2.0)**	**(8.1)**
Restructuring / Non-recurring	(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)
Financing	-	(0.9)	-	-	-	(0.1)	-	-	-	-	(0.2)	-	-	(1.2)
DIP Proceeds	-	15.0	-	-	-	-	-	-	-	-	-	-	-	15.0
Non-Operating Cash Flow	**(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**
Projected Net Cash Flow	**(3.7)**	**10.9**	**(1.3)**	**0.6**	**(1.7)**	**0.4**	**(1.2)**	**2.9**	**(2.2)**	**(0.4)**	**(3.3)**	**2.4**	**(2.1)**	**1.2**
Beginning Cash Balance	11.5	7.8	18.7	17.4	18.0	16.2	16.6	15.4	18.2	16.0	15.6	12.4	14.8	11.5
Ending Cash Balance	**7.8**	**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**

Notes:

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

[2] Receipts from operations are forecast based on existing Accounts Receivable, forecast sales, and customer payment terms.

[3] Forecast Disbursements for operations 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.

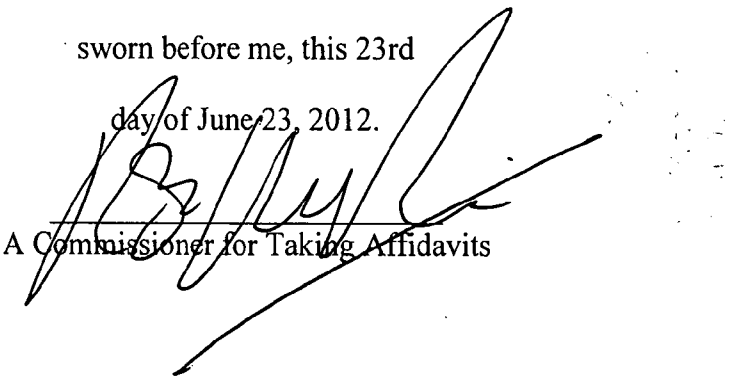
[5] Financing disbursments include interest and transaction fees associated with DIP financing. No interest or principal payments to secured lenders are assumed in the forecast.

This is Exhibit "H" referred to in the

affidavit of John Bell

sworn before me, this 23rd

day of June, 23, 2012.



A Commissioner for Taking Affidavits

Execution Version

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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EXHIBITS

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 effects 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 Obligors 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, Cinram 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 Ty pe 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 s ocial 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)ther e 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 Obligors, 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 Obligors 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 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 L iens 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 Obligors, 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 Obligors 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 businesss 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)m akes 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 transfe r, 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 unmatured. 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.

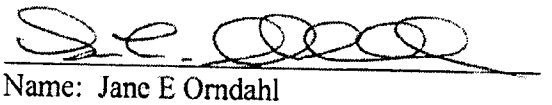
CINRAM WIRELESS LLC
CINRAM MANUFACTURING LLC
IHC CORPORATION
CINRAM RETAIL SERVICES, LLC
ONE K STUDIOS, LLC
CINRAM DISTRIBUTION LLC

By: _____
Name: JOHN H Beck
Title: A.S.O

1362806 ONTARIO LIMITED

By: _____
Name: JOHN H BELL
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

Owner	Address	City	Country
Cinram International Inc.	2255 Markham Road	Toronto, ON	Canada

Schedule 2.01 to the DIP Credit Agreement

CONFIDENTIAL

Schedule 5.03

Consents and Authorizations

None.

Schedule 5.05(a)

Financial Statements

None.

Schedule 5.06

Litigation

None.

Schedule 5.08

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.

Schedule 5.15

Intellectual Property

A. 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 AUDOVISUAL 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.

Trademark	Reg. No./Date	App. No./Filed	Status
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

Trademark	Reg. No. / Date	App. No. / Filed	Status
IVY HILL	1,707,281 19920811	74-139,202 19910214	Registered

Cinram Distribution LLC

Trademark	Reg. No. / Date	App. No. / Filed	Status
CINRAM GAMES		85-262,186 March 9, 2011	Pending

One K Studios, LLC

Trademark	Reg. No. / Date	App. No. / Filed	Status
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

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Part E of Schedule 5.15 to the DIP Credit Agreement

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F. FOREIGN TRADEMARKS

Cinram International Inc.

Trademark	Country/Region	Reg. No./ Date	APP. No. / Filed	Status
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[5]
DITAN & design	Canada		1,463,370 May 1, 2010	Pending[6]
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

[5] Currently in the name of Ditan Distribution LLC, a Delaware Limited Liability Company but being transferred to Cinram International Inc.

[6] Currently in the name of Ditan Distribution LLC, a Delaware Limited Liability Company but being transferred to Cinram International Inc.

Trademark	Country	Reg. No. / Date	App. No. / Filed	Owner	Status
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

Schedule 5.17

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	
CINRAM, INC.	DE	UCC-1 #13184085 8/16/11	SINGULUS TECHNOLOGIES AG	
CINRAM, INC.	DE	UCC-1 #13269514 8/23/11	SINGULUS TECHNOLOGIES AG	
CINRAM, INC.	DE	UCC-1 #13372607 8/31/11	SINGULUS TECHNOLOGIES AG	

Debtor	State	UCC Type, File No. and File Date	Secured Party	Collateral Description
CINRAM, INC.	DE	UCC-1 #13571265 9/16/11	SINGULUS TECHNOLOGIES AG	

CANADIAN LIENS

Secured Party	File Number	Regn No.	Collateral Description	Debtor
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.

Secured Party	File Number	Regn No.	Collateral Description	Debtor
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 (Szolgáltáto 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%

Schedule 7.04

Transactions with Affiliates

None.

Schedule 7.06 to the DIP Credit Agreement

CONFIDENTIAL

Schedule 7.08 to the DIP Credit Agreement

CONFIDENTIAL

EXHIBIT A

[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.

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:

SCHEDULE OF LOANS

This Note evidences Loans made under the within-described Credit Agreement to the Payor, on the dates, in the principal amounts, of the Types, bearing interest at the rates and having Interest Periods (if applicable) of the durations set forth below, subject to the payments and prepayments of principal set forth below:

Date Made	Principal Amount of Loan	Type of Loan	Interest Rate	Duration of Interest Period	Amount of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By

EXHIBIT B

[Form of Notice of Borrowing]

NOTICE OF BORROWING

[_____], 2012

JPMorgan Chase Bank, N.A.,
270 Park Avenue, 22nd 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.

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

(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:

EXHIBIT C

[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*][1]]

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 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 (as amended, the "Credit Agreement").

[1] Select as applicable.

5. Assigned Interest:

Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned	Percentage assigned of Commitment/Loans[2]
$	$	%
$	$	%
$	$	%
$	$	%
$	$	%

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)

[2] 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][3] Accepted:

[3] 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][4]

[NAME OF RELEVANT PARTY],

by

_____

Name:

Title:

[4] 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.

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]

EXHIBIT F

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.

EXHIBIT F

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.

Exhibit G

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 "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 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)

ANNEX 2

ASSIGNMENT OF COLLATERAL

ANNEX 3

PLEDGED EQUITY AND PROMISSORY NOTES

(A) Pledged Capital

Issuer	Obligor	Percentage Ownership	Class/Par Value	Certificate No.	Number of Shares

(B) Promissory Notes

ANNEX 4

LIST OF COPYRIGHTS, COPYRIGHT REGISTRATIONS AND APPLICATIONS FOR COPYRIGHT REGISTRATIONS

ANNEX 5

LIST OF PATENTS AND PATENT APPLICATIONS

Title	Appl. No.	Filed	Patent/Publ. No. Status	Status

ANNEX 6

LIST OF TRADE NAMES, TRADEMARKS, SERVICES MARKS, TRADEMARK AND SERVICE MARK REGISTRATIONS AND APPLICATIONS FOR TRADEMARK AND SERVICE MARK REGISTRATIONS

Trademark	Reg. No./Date	App. No./Filed	Status

ANNEX 7

LIST OF CONTRACTS, LICENSES AND OTHER AGREEMENTS

ANNEX 8

LIST OF DEPOSIT AND SECURITIES ACCOUNTS

Obligor	Type of Account	Account Number	Name and address

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 he 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 he 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 a nd 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 he deemed to he 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 depositary bank or issuer that shall either (a) cause the depositary 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 he 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:

EXHIBIT A

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	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	
Forecast Week	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
Cash Flow from Operations														
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)
Operating Cash Flows	**(3.2)**	**(2.7)**	**(0.8)**	**1.5**	**(1.3)**	**0.9**	**(0.8)**	**3.3**	**(2.1)**	**(0.3)**	**(3.0)**	**2.5**	**(2.0)**	**(8.1)**
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financing	-	(0.9)	-	-	-	(0.1)	-	-	-	-	(0.2)	-	-	(1.2)
DIP Proceeds	-	15.0	-	-	-	-	-	-	-	-	-	-	-	15.0
Non-Operating Cash Flow	**(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**
Projected Net Cash Flow	**(3.7)**	**10.9**	**(1.3)**	**0.6**	**(1.7)**	**0.4**	**(1.2)**	**2.9**	**(2.2)**	**(0.4)**	**(3.3)**	**2.4**	**(2.1)**	**1.2**
Beginning Cash Balance	11.5	7.8	18.7	17.4	18.0	16.2	16.6	15.4	18.2	16.0	15.6	12.4	14.8	11.5
Ending Cash Balance	**7.8**	**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**

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 disbursments 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 25TH
	)	
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

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; 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

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

Court File No: _____

621

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

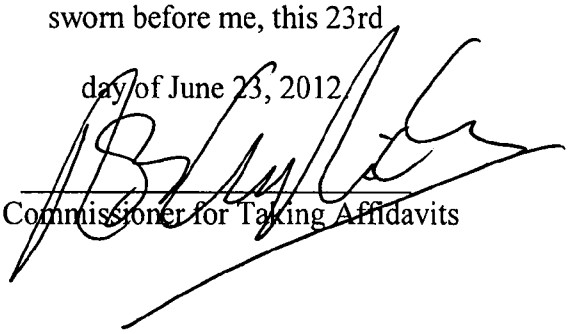
\6082974

This is Exhibit "I" referred to in the

affidavit of John Bell

sworn before me, this 23rd

day of June 23, 2012.



A Commissioner for Taking Affidavits

June 22, 2012

Cinram International Inc.
2255 Markham Road
Toronto, Ontario M1B 2W3
Canada
Attention: John Bell
Telephone No.: 416-298-8190
Telecopier No.: 416-298-0612

Senior Secured Priming and Superpriority Debtor-in-Possession Credit Agreement – Fee Letter

Ladies and Gentlemen:

This letter (the "***Fee Letter***") is delivered to you in connection with the Senior Secured Priming and Superpriority Debtor-in-Possession Credit Agreement of even date herewith (the "***DIP Facility Agreement***") among Cinram International ULC, Cinram International Inc. ("Cinram"), Cinram, Inc., Cinram (U.S.) Holding's Inc., certain affiliates of Cinram, JPMorgan Chase Bank, N.A. ("***JPMorgan***") and the Lenders party thereto. Unless otherwise defined herein, capitalized terms shall have the same meanings as specified therefor in the DIP Facility Agreement. In connection with, and in consideration of the agreements contained in, the DIP Facility Agreement, you agree with JPMorgan and the Lenders as follows

1. **UPFRONT FEE**. You will pay to JPMorgan, for the account of the Lenders (including JPMorgan), a fee (the "***Upfront Fee***") of 4.50% (450 basis points) of the aggregate principal amount of the Loans as of the Draw Date. Such Upfront Fee shall be for the Lenders' participation in the DIP Facility.

2. **ADMINISTRATIVE AGENCY FEE**. You will pay an administrative agent fee (the "***Agent Fee***") of $200,000 to JPMorgan, for its own account as Administrative Agent for the Lenders under the DIP Facility Agreement.

All of the fees described above in this letter agreement shall be fully earned upon becoming due and payable in accordance with the terms hereof, shall be nonrefundable for any reason whatsoever and shall be in addition to any other fees, costs and expenses payable pursuant to the DIP Facility Agreement or otherwise.

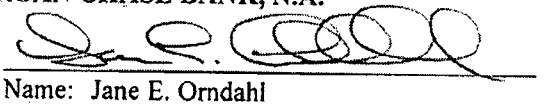
The Agent Fee and Upfront Fees shall be due and payable in full on the Draw Date from the proceeds of the Loans. On the Draw Date, the Agent Fee and Upfront Fees shall be netted against the proceeds of the Loans. Your obligation to pay the foregoing fees will not be subject to counterclaim or setoff for, or be otherwise affected by, any claim or dispute you may have.

This Fee Letter may not be amended or any provision hereof waived or modified except by an instrument in writing signed by each of the parties hereto. The provisions of Section 11.07 and 11.08 of the DIP Facility Agreement are incorporated herein as though fully set forth herein.

If the foregoing is in accordance with your understanding, please sign and return this letter agreement to us.

Very truly yours,

JPMORGAN CHASE BANK, N.A.

By: 

Name: Jane E. Orndahl
Title: Special Credits Senior Asset Mgr.

ACCEPTED AND AGREED TO
AS OF THE DATE FIRST ABOVE WRITTEN:

CINRAM INTERNATIONAL, INC.

By: John H. Bell

Name: Chief Financial Officer

Title: _____

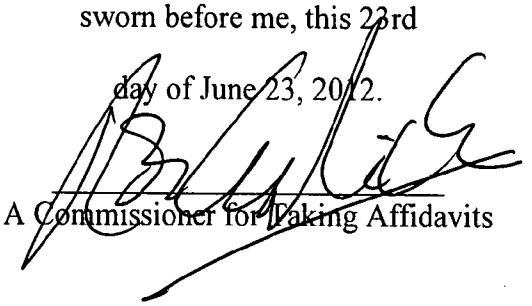
J

This is Exhibit "J" referred to in the

affidavit of John Bell

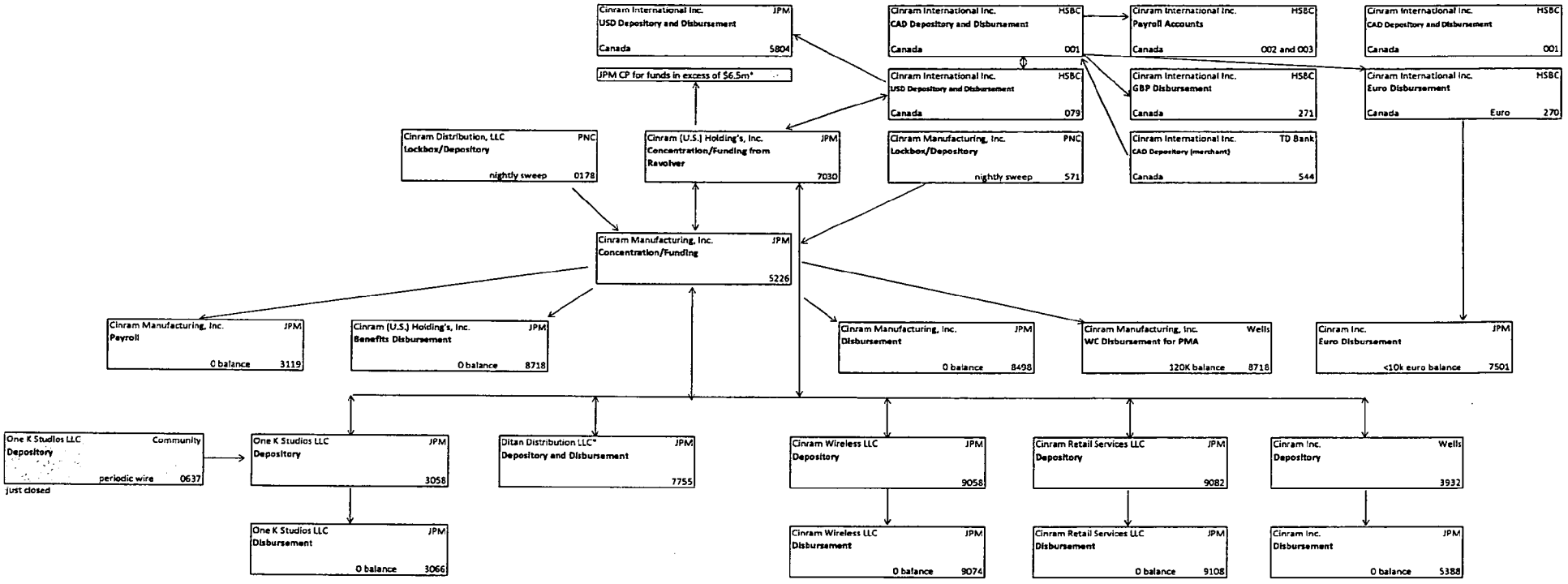
sworn before me, this 23rd

day of June 23, 2012.



A Commissioner for Taking Affidavits

Principal Fund Flows



Notes:

-- One K Studios LLC, Ditan, Cinram Wireless LLC, Cinram Retail Services LLC, Cinram, Inc., Depository Accounts and Cinram (U.S.) Holding's Concentration, Cinram Manufacturing Concentration all exchange funds on an as-needed basis for cash management purposes.

-- 0 balance accounts maintain a 0 balance until a disbursement is required at which time such account draws down funds from another account

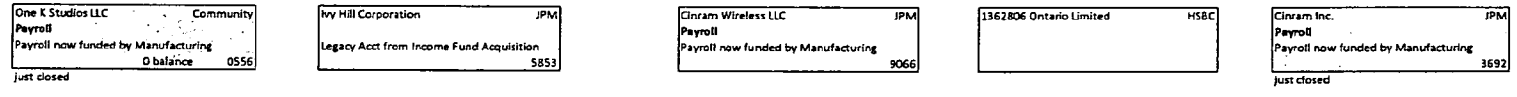
-- Ditan Distribution LLC is listed as account owner which was merged into Cinram Distribution LLC

-- Funds are longer invested in overnight commercial paper because there is less than $6.5 required minimum balance

-- Ivy Hill Corporation was renamed as IHC Corporation

-- Cinram International Inc. and Cinram Inc exchange funds periodically and Cinram Wireless has in the past, athough it is not common practice

Inactive but open accounts



K

Exhibit K

CONFIDENTIAL

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

Applicants

CONSENT

FTI Consulting Canada Inc. hereby consents to act as Court-appointed monitor of Cinram International Inc., Cinram International Income Fund, CII Trust, Cinram International Limited Partnership and the companies listed in Schedule "A" hereto in respect of these proceedings.

Dated: June 23, 2012

FTI CONSULTING CANADA INC.

Per: Paul Bishop

Name: Paul Bishop
Title: Senior Managing Director

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	MONDAY, THE 25TH
	)	
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

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; 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

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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2012 at 10:30 PM

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

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

Applicants

Court File No. CV12-9767-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

Proceeding commenced at Toronto

APPLICATION RECORD
(Returnable June 25, 2012)

GOODMANS LLP
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Toronto, Canada M5H 2S7

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