

Cinram International to quit U.S. securities registration, save on costs



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By David Friend

TORONTO (CP) - Cinram International Income Fund (TSX:CRW.UN) is voluntarily terminating its registration under the U.S. Securities Exchange Act in a move to cut costs as the DVD maker looks at expanding beyond traditional packaged media to unearth more profits.

The world's biggest CD and DVD manufacturer said Wednesday it will quit its American filing responsibilities in 90 days but "will continue to meet its Canadian continuous disclosure obligations through filings with the applicable Canadian securities regulators."

Cinram spokeswoman Lyne Beauregard Fisher said the move will save costs on fees, U.S. lawyers and internal staff involved in the filing process.

She said savings will be "important in size," but declined to pin down a specific number.

Cinram's announcement Wednesday comes as an increasing number of foreign companies chafe at what they regard as excessively onerous registration and reporting requirements in the United States.

The burden increased sharply after the Sarbanes-Oxley Act was passed in 2002 in response to Enron, WorldCom and other accounting scandals. Analysts have estimated that accounting and auditing expenses increased by 15 to 20 per cent after Sarbanes-Oxley, which required more financial and corporate reporting.

The decision also comes as the company looks for ways to beef up its earnings by using its existing manufacturing plants in new ways to counter a downturn in CD sales and a seasonal DVD market that sees most of its action during the Christmas shopping season.

In recent weeks, speculation has mounted that Cinram may be looking at buying or taking a

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stake in Saver CD, a U.S.-based direct mail advertising company, to help combat uncertainty in the consumer disc sales market.

Though no official announcement has been made linking the two companies, Oregon-based Saver CD says it has held talks with major players in the industry.

"I'm not confirming or denying that any specific companies are in contact with us other than to say that we have met with the leaders in the replication industry who have discussed a potential acquisition or investment," Saver CD founder and president William Simpson said in a telephone interview.

He declined to say whether the company has spoken with executives of Toronto-based Cinram.

Saver CD, a small startup company that bulk packages advertising campaigns from a variety of local and national companies, has developed a multimedia CD-ROM that is mailed in a slipsleeve cardboard case directly to households.

Fisher also declined comment on a potential deal between Cinram and Saver CD.

However, Cinram investors were told by CEO Dave Rubenstein at an annual meeting earlier this month that the company planned to manufacture new products using its existing plants - describing one new product similar to that produced by Saver CD.

"We are looking to build on our core competencies of injection moulding, automated and manual packaging, printing and logistics," he told investors.

He said the new product is "smaller than a bread box, cannot be delivered through a pipe (and) ships in a box with a bar code."

The company has said that it expects to announce its unnamed deal by mid-July.

Saver CD relies on the consumer first activating the CD-ROM by placing it in their computer and entering an activation code.

Once its unlocked, the disc offers a variety of interactive functions, such as video commercials, printable coupons and PC games, market the product.

Among its clients, Saver CD lists Coldwell Banker, Subway sandwiches, Bally Total Fitness and State Farm Insurance. Since opening in October 2005 the company said it has shipped three million discs to about 400,000 homes.

Securing a deal with Saver CD would ensure that Cinram counters seasonal sales with a steady flow of manufacturing orders across the entire year. The company estimates that it will send out 15 million discs to U.S. households, with plans to ramp up its campaign to 45 million discs each quarter.

The CD advertising business has been enjoying a resurgence in recent months as marketers try and secure the eyeballs of consumers in a culture that is becoming accustomed to Internet ad blockers on computers and digital video recorders that skip television commercials.

National CineMedia, a U.S. company that runs preshow advertising in theatres, has announced plans to distribute CD-ROM discs rife with upcoming movie trailers at cinema chains like AMC Entertainment Inc. and Regal Entertainment Group.

In 2003, 20th Century Fox tested the promotional disc market by attaching free DVDs to popcorn bags to tout its high-profile summer movie release slate.

Discs included behind-the-scenes features and movie trailers hosted in a format similar to the television show "Entertainment Tonight."

Canadian cereal boxes have used CD-ROM advertising for trial versions of computer games as well as for free movies and exercise DVDs.

In April Cinram paid US\$50 million to acquire retailer distribution company Ditan Corp., which is involved in gift card technology.

Cinram units climbed eight cents to \$25.91 on the Toronto Stock Exchange in Wednesday trading.

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