

CINEPLEX GALAXY INCOME FUND

INITIAL ANNUAL INFORMATION FORM

April 5, 2004

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EXPLANATORY NOTES

The information in this Annual Information Form is stated as of March 31, 2004, unless otherwise indicated.

For an explanation of the capitalized terms and expressions, please refer to the “Glossary of Terms” at the end of the Annual Information Form. Unless otherwise indicated or the context otherwise requires, “Fund” refers to Cineplex Galaxy Fund, “Trust” refers to Cineplex Galaxy Income Trust, “Cineplex Galaxy GP” refers to the Cineplex Galaxy General Partner Corporation and “Cineplex Galaxy LP” refers to Cineplex Galaxy Limited Partnership. Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to “\$” are to Canadian dollars.

Certain statements in this Annual Information Form may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund or Cineplex Galaxy LP, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this Annual Information Form, such statements use such words as “may”, “will”, “expect”, “believe”, and other similar terms. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this Annual Information Form. Forward-looking statements involve significant risk and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including but not limited to, the factors discussed under “Risk Factors”. Although the forward-looking statements contained in this Annual Information Form are based upon what management of Cineplex Galaxy LP believes are reasonable assumptions, neither the Fund nor Cineplex Galaxy LP can assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of the Annual Information Form, and the Fund and Cineplex Galaxy LP assume no obligation to update or revise them to reflect new events or circumstances.

CORPORATE STRUCTURE

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario, which indirectly owns all of the Class A LP Units, representing 40.8% of the outstanding LP Units of Cineplex Galaxy LP, and 40.8% of the outstanding shares of Cineplex Galaxy GP. The remaining LP Units of Cineplex Galaxy LP and outstanding shares of Cineplex Galaxy GP are held by Cineplex Odeon Corporation (“COC”) and its subsidiary Cineplex Odeon (Quebec) Inc. and the former shareholders of Galaxy Entertainment Inc. (“GEI”).

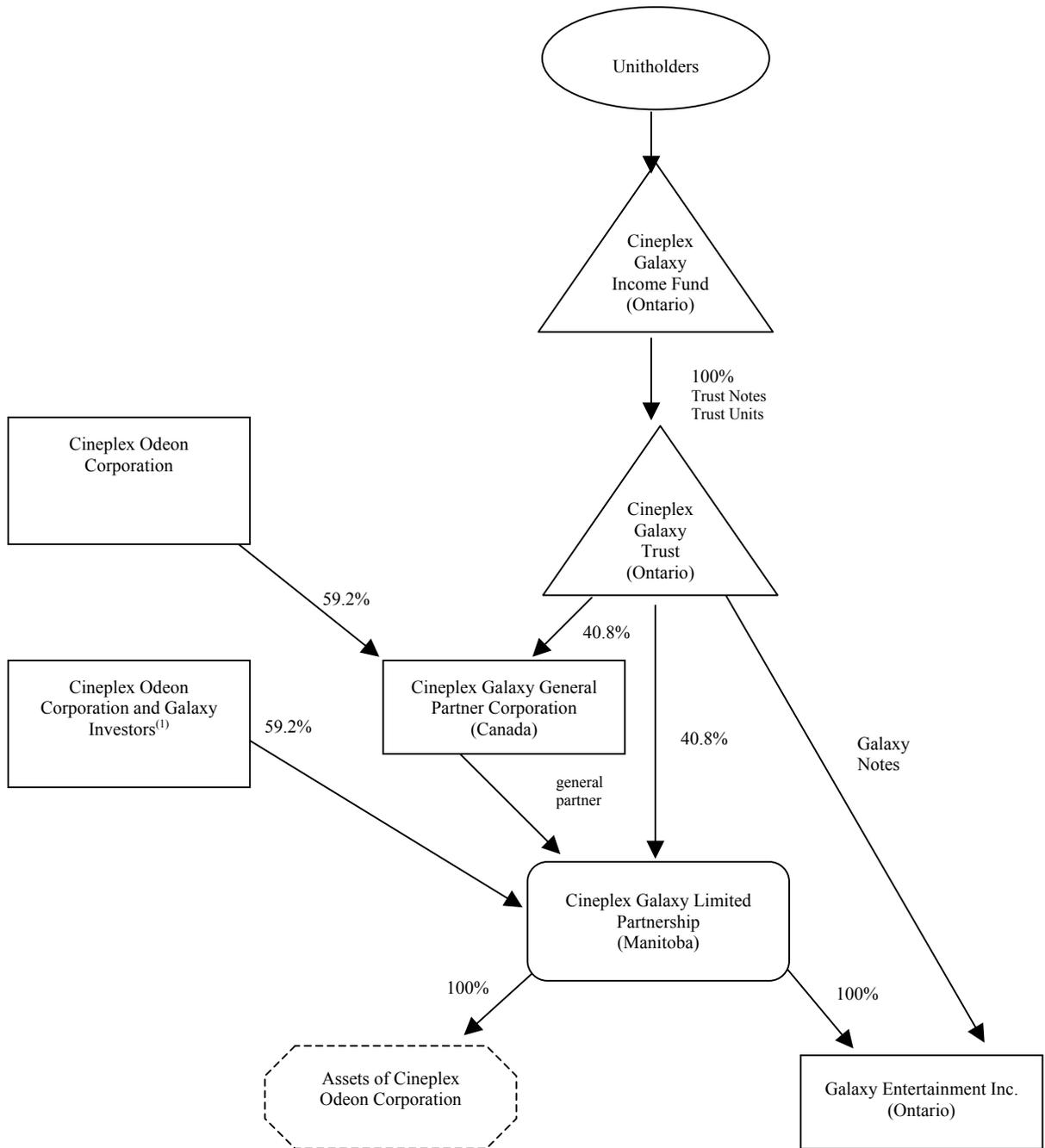
The Trust is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario. The Trust was created to (i) acquire and hold Class A LP Units currently representing 40.8% of the outstanding LP Units, (ii) acquire and hold shares of Cineplex Galaxy GP representing 40.8% of the outstanding shares of Cineplex Galaxy GP, and (iii) advance funds under the Galaxy Notes to GEI.

Cineplex Galaxy LP is a limited partnership formed under the laws of the Province of Manitoba. Cineplex Galaxy LP was created to acquire and hold substantially all of the theatre business assets previously owned by COC and its subsidiary Cineplex Odeon (Quebec) Inc. and all the shares of GEI.

The principal and head office of the Fund, the Trust, Cineplex Galaxy LP and Cineplex Galaxy GP is located at 1303 Yonge Street, Suite 300, Toronto, Ontario, M4T 2Y9.

The Partnership is one of the two leading film exhibition companies in Canada. The Partnership owns, operates or has an interest in 83 theatres with 750 screens in six provinces. The Partnership operates theatres under the Cineplex Odeon brand, which has enjoyed an established urban market presence in Canada for over 20 years, and the newer Galaxy brand, which is rapidly developing a reputation as a primary entertainment destination in mid-sized communities.

The following chart illustrates the structure of the Fund (including jurisdiction of establishment/incorporation of the various entities).



(1) Cineplex Odeon Corporation and its subsidiary Cineplex Odeon (Quebec) Inc. together own 44.4% of Cineplex Galaxy Limited Partnership.

INDUSTRY OVERVIEW

The motion picture industry consists of three principal activities: production, distribution and exhibition. Production involves the development, financing and production of feature-length motion pictures. Distribution involves the promotion and exploitation of motion pictures in a variety of different channels. Theatrical exhibition is the primary initial distribution channel for new motion picture releases. The theatrical success of a movie is typically the most important factor in determining its popularity and value in later forms of exhibition, such as home video, DVD and pay-per-view, network and syndicated television.

Management of the Partnership believes that the following market trends are important factors in the growth of the film exhibition industry in Canada:

Importance of Theatrical Success in Establishing Movie Brands and Subsequent Markets

Theatrical exhibition is the initial and most important distribution channel for new motion picture releases. A successful theatrical release which “brands” a film is often the determining factor in its popularity and value in “downstream” distribution channels, such as home video, DVD and pay-per-view, network and syndicated television.

Increased Investment in Production and Marketing of Films by Studios

Additional revenues generated by films in domestic, international and downstream markets have driven the major studios to increase spending on producing and marketing new theatrical releases at a compound annual growth rate of 7.2% over the past ten years, from US\$6.5 billion in 1992 to over US\$13 billion in 2002.

Increased Supply of Successful Films

Studios are increasingly producing films in series, such as *Harry Potter*, *Lord of the Rings*, *Star Wars* and *The Matrix*. When the first film in a series is successful, subsequent films in that series benefit from existing public awareness and anticipation. The result is that such features typically attract large audiences and generate strong box office revenues.

The success of a broader range of film genres also benefits film exhibitors. The studios’ success in producing and marketing a wide variety of diverse yet commercially appealing movies such as *Chicago*, *Seabiscuit*, *My Big Fat Greek Wedding*, *Crouching Tiger*, *Hidden Dragon* and *A Beautiful Mind* has expanded the demographic base of regular movie-goers and also contributed to greater per capita attendance.

Favourable Demographic Attendance Trends

The demographic segment of the movie-going population in the U.S. that attends the most movies is between 12 to 17 years of age. This group is expanding and continues to be the largest segment of movie-goers. The “baby boom” generation, currently between the ages of 39 and 57, is also attending more movies in the U.S. Management believes that similar trends exist in Canada. According to Statistics Canada, these segments of the population are expected to increase in Canada over the next few years. Management believes that these demographic trends will result in higher attendance levels and continued growth in the film exhibition business.

Convenient and Affordable Form of Out-of-Home Entertainment

With an average movie ticket price in Canada of only \$7.60 in 2003, the movie-going experience continues to provide value and compares favourably to alternative forms of out-of-home entertainment in Canada such as professional sporting events or live theatre.

Reduced Seasonality of Revenues

Historically, film exhibition industry revenues have been seasonal, with the most marketable motion pictures generally being released during the summer and the late-November through December holiday season. More recently, the seasonality of motion picture exhibition attendance has become less pronounced as film studios have expanded the historical summer and holiday release windows and increased the number of heavily marketed films released during traditionally weaker periods.

Diversification of Revenue Streams

While box office revenues continue to account for the largest portion of exhibitors' revenues, expanded concession offerings, advertising, games, promotions and other ancillary revenue streams have increased as a share of total revenues. The margins on these other revenue streams, particularly advertising, are much higher than on admission sales and have enhanced the profitability of the industry in general.

GENERAL DEVELOPMENT OF THE BUSINESS

General

On completion of the Fund's IPO on November 26, 2003 the Fund issued 17,500,000 Units at a price of \$10 per Unit for aggregate gross proceeds of \$175,000,000. On December 24, 2003 the Fund issued a further 1,900,000 Units also at a price of \$10 per unit upon the exercise of the over-allotment option granted to the underwriters of the IPO for additional gross proceeds of \$19,000,000. The net proceeds of the IPO were used by the Fund to indirectly acquire 40.8% of the outstanding LP Units of Cineplex Galaxy LP and 40.8% of the outstanding shares of Cineplex Galaxy GP. The remaining 59.2% of the LP Units and shares of Cineplex Galaxy GP are owned by the Investors. Cineplex Galaxy LP in turn purchased substantially all of the theatre assets of COC and all of the shares of GEI.

History of the Partnership

Cineplex Galaxy LP was formed on November 26, 2003 through the combination of the Cineplex Odeon and Galaxy film exhibition businesses. The Partnership operates theatres under the Cineplex Odeon brand, which has enjoyed an established urban market presence in Canada for over 20 years, and the newer Galaxy brand, which is rapidly developing a reputation as a primary entertainment destination in mid-sized communities.

Recent Developments

Since the date of the IPO, the Partnership has made a number of changes designed to both improve operations and achieve growth in revenue and profitability, including:

- Strengthened management. The Partnership has expanded its management team by adding a Senior Vice President of Film since the date of the IPO. The management team of Cineplex Galaxy LP is very experienced and has a demonstrated ability to increase cash flow and improve operating performance.
- Integration of predecessors. The Partnership has successfully completed the integration of the businesses of both COC and GEI which were combined as part of the IPO. The successful integration has allowed management to improve branding strategies and to reduce corporate overhead.

Cineplex Odeon Corporation Restructuring

Background

Faced with significant operating shortfalls, excessive financial leverage and an inability to satisfactorily achieve an informal restructuring with its key stakeholders, Loews Cineplex Theatres, Inc. ("LCT"), the parent company of COC at the time, filed for bankruptcy protection on February 15, 2001 under chapter 11 of the U.S. Bankruptcy Code. In Canada, COC had undertaken significant new theatre construction and re-screening of older theatres from 1997 through 2000. This expansion, together with significant expansion by COC's competitors, resulted in intensified competition for patronage and rendered many older theatres obsolete. The new screens, combined with the difficulty of closing older theatres as a result of their long-term, non-cancellable leases, created an oversupply of screens in many of COC's markets. In light of these issues and its parent company's decision to file for bankruptcy protection in the U.S., COC and certain of its Canadian subsidiaries filed for creditor protection in Canada under the *Companies' Creditors Arrangement Act* (the "CCAA") on February 15, 2001. The CCAA restructuring filing was a separate Canadian reorganization conducted by COC. The CCAA proceedings were coordinated with the LCT chapter 11 proceedings based on the fact that LCT was the sole shareholder and largest creditor of COC. LCT and COC each emerged from its restructuring proceedings separately on March 21, 2002.

Management believes that the conditions which resulted in the restructuring of COC are unlikely to reoccur, primarily because a large proportion of the desirable locations in Canada are now served by modern multiplex theatres of an appropriate size relative to their markets, making new theatre construction generally uneconomic in these markets. Management also believes that the modern multiplexes constructed in recent years will continue to satisfy consumer demands, and that another revolutionary change of theatre formats is unlikely to occur in the foreseeable future.

Portfolio Restructuring

The restructuring proceedings did not materially impact the day-to-day operations of COC. Pursuant to the CCAA proceedings, COC had the right during its restructuring to unilaterally repudiate and terminate contractual obligations and agreements and to treat such obligations as affected claims in its restructuring plan. COC's main contractual obligations, which were either repudiated and treated as affected claims or renegotiated on terms acceptable to COC, were its theatre leases. The CCAA proceedings allowed COC to reposition substantially all of the leases which it believed required amendments on terms acceptable to COC. COC also compromised substantial guarantee obligations which existed prior to February 2001 based on certain guarantees provided by COC for theatre leases operated by LCT and/or its subsidiaries in the United States. Upon emergence from the CCAA on March 21, 2002, COC was positioned with a reorganized lease portfolio which allowed it to regain its competitive position in the Canadian market.

During the restructuring, COC closed 30 theatres in Canada. These theatres generated approximately \$8.4 million in theatre level cash flow losses for fiscal 2001. Theatre level cash flow is measured by subtracting the operating costs of a theatre (film rental costs, concession costs and other theatre operating costs) from the revenues generated by the theatre. In addition, since filing under the CCAA, COC has closed 12 under-performing theatres by allowing leases to expire and selling properties. Also, as a result of the restructuring, COC was able to renegotiate ten theatre leases to provide solely for percentage rent, and 38 theatre leases to provide shorter terms or a right in favour of COC to terminate such leases on very short notice (generally 30 to 90 days). These renegotiations significantly enhanced COC's flexibility in responding to changing market conditions.

BUSINESS OF THE PARTNERSHIP

Theatre Circuit

The Partnership owns, operates or has an interest in 83 theatres with 750 screens with an average of 9.3 screens per Cineplex Odeon theatre and an average of 8.4 screens per Galaxy theatre. The Canadian film exhibition industry as a whole has an average of approximately 6.9 screens per theatre. Approximately 75% of the Partnership's screens have an age of seven years or less, approximately 65% of the Partnership's auditoriums feature stadium seating and approximately 84% of the Partnership's auditoriums have digital sound.

The Partnership's modern multiplex theatres are designed to provide patrons with a premium movie-going experience and maximize profitability by matching the number of screens with the size of the market served. In addition, the Partnership's auditorium seating capacities are varied within individual theatres, enabling it to maximize revenues by shifting films to smaller or larger auditoriums in response to changing attendance levels. The Partnership is also able to achieve efficiencies by staggering show times and consolidating box office, concession, projection and lobby facilities, which enables the Partnership to improve operating margins.

The table below shows the locations of screens and theatres operated by the Partnership:

	<u>Cineplex Odeon Theatres</u>		<u>Galaxy Theatres</u>	
	<u>Screens</u>	<u>Theatres</u>	<u>Screens</u>	<u>Theatres</u>
Alberta.....	112	11	10	1
British Columbia.....	43	6	8	1
Manitoba.....	8	1	—	—
Ontario.....	265	28	96	11
Quebec.....	134	14	31	4
Saskatchewan.....	21	3	22	3
Total.....	583	63	167	20

The Partnership owns three theatres, leases 73 theatres independently and leases seven theatres with joint venture partners. In general, the Partnership leases theatres under long-term leases, with original terms typically ranging from 15 to 20 years (with lease payment increases typically every five years) and containing various renewal options, usually in intervals of five to ten years and, in some cases, termination rights. Leases for 21 theatres expire within five years (17 of which have renewal options). The Partnership's theatre leases generally provide for minimum rental payments. The leases for several of the Cineplex Odeon theatres which were renegotiated during COC's restructuring provide both the tenant and the landlord the right to terminate the lease by providing notice, in some cases only upon the occurrence of certain events beyond the Partnership's control. However, at the majority of these locations, the Partnership owns the equipment at the theatre, which would make it economically difficult for a landlord to bring in a new theatre tenant.

Operations

The Partnership's revenues are primarily generated from box office and concession sales, which in turn are driven by attendance and price levels. In addition, ancillary revenues from sources such as advertising and promotions are an increasingly important component of the Partnership's overall revenues and future growth.

Box Office and Concessions

Box office revenues accounted for approximately 67% of the Partnership's revenues for the twelve months ended December 31, 2003. The Partnership strives to provide its patrons with a premium movie-going experience, including a high level of customer service. This level of service, combined with targeted film selection and the overall appeal of those films, drives attendance at the Partnership's theatres. Tickets are sold at the Partnership's theatres through box offices and automated ticketing machines, as well as remotely via the telephone and, in the case of certain Cineplex Odeon theatres, the Internet. The Partnership also offers corporate sales, group ticketing and gift certificates.

Concession revenues accounted for approximately 27% of the Partnership's revenues for the twelve months ended December 31, 2003. Concession sales have a much higher margin than admission sales. The Partnership's theatres feature prominent and appealing primary concession stations designed for rapid and efficient service. Auxiliary concession stations offering a wide variety of products are also located throughout many of the Partnership's larger theatres for additional sales. The Partnership continually seeks to increase concession sales by:

- Optimizing the product mix and introducing new product offerings, including offering "combos" of a variety of concession items.
- Training employees to cross-sell and up-sell products and providing incentives for such sales.
- Establishing visually appealing displays throughout the Partnership's theatres.
- Reviewing appropriate pricing.
- Running special promotions.
- Targeting concession offerings to accommodate local tastes and patron requests.

Management believes that the Partnership has favourable concession supply contracts and has developed an efficient concession purchasing and distribution supply chain, enhanced by its close relationship with the Loews Cineplex theatre group. The Partnership negotiates directly with manufacturers for many of its concession items in order to obtain competitive prices and to ensure adequate supplies.

Ancillary Revenues

The Partnership is continually developing and expanding its revenue streams from sources other than box office and concession revenues. Ancillary revenues accounted for 6% of the Partnership's revenues for the twelve months ended December 31, 2003.

Advertising. Advertising currently represents the Partnership's largest source of ancillary revenues. The Partnership's in-theatre advertising programs currently consist of rolling stock and slide commercials (which are shown before feature presentations), video monitors, display signage, third party branding and product sampling. The Partnership offers advertisers a variety of packages that include options such as on-screen and in-lobby advertising, as well as third party branding and product sampling. In-theatre advertising generates high margins because it utilizes existing theatre assets and personnel with minimal incremental capital and operating costs. The Partnership also acts as an agent on a commission basis for selling in-theatre advertising for several other theatre exhibition circuits. Management believes that the concentration of Cineplex Odeon theatres in major metropolitan markets and the Partnership's role as an agent for other exhibitors in Canada provides an attractive platform for advertisers by allowing them to target a large and desirable customer base. Management believes that the addition of the Galaxy theatres to this group further enhances its attractiveness to screen advertisers.

The potential addition of digital delivery and projection technologies may further improve the quality of the media that the Partnership offers for sale to advertisers, enable the Partnership to streamline the delivery of advertising content, allow for more interactive and targeted marketing and an expanded advertising base. The Partnership is evaluating third-party proposals that would provide it with cost-effective digital projection and delivery equipment.

In-theatre advertising is more broadly used by advertisers in many international markets than it is in Canada. For example, in-theatre advertising spending as a proportion of all advertising expenditures is three times higher in Europe than in Canada. Management believes that Canadian advertising sales will grow as in-theatre media becomes more accepted and new technologies emerge.

Games revenue. The Partnership's theatre experience is complemented by games rooms featuring a broad variety of current and popular game machines. The game machines are owned by third party suppliers, with the Partnership receiving a percentage of all sales. The third parties service and rotate game machines on a regular basis.

Other. The Partnership also generates ancillary revenues by leasing its theatres for motion picture premieres and screenings, broadcasting sporting events, other entertainment related events, corporate events and private parties. Some of the Partnership's theatres have earned reputations as the "preferred" theatres for these events within their markets. Other sources of ancillary revenues include management fees (for booking and operating non-owned theatres) and fees from ATMs located in theatre lobbies. The Partnership also has promotional partnerships, which enhance its marketing capabilities. The Partnership is continually exploring additional ancillary revenue opportunities.

Business Strategy

The Partnership business strategy is to continue to enhance its position as a leading exhibitor in the Canadian market by focusing on providing customers with a premium movie-going experience. Key elements of this strategy include:

Leveraging Market Specific Operating Focus

The Partnership utilizes its distinct Cineplex Odeon and Galaxy brands and market specific operating focus to serve the widest range of markets with a premium movie-going experience tailored to the specific needs of each location. The Cineplex Odeon brand is among the oldest in the industry and is recognized for providing premium quality theatre experiences. Most Cineplex Odeon theatres are located in major metropolitan markets at prominent locations in high traffic areas. The Galaxy brand is focused on providing a premium movie-going experience in formerly underserved mid-sized markets in order to become a primary entertainment destination within the community. The Partnership's operating strategy includes a concentrated local marketing effort and community interaction in all markets. Management currently believes there is an opportunity to apply Galaxy's market-specific operating focus to a number of existing Cineplex Odeon theatres located in mid-sized markets.

Maximizing Operating Efficiencies

The Partnership's prominent market position enables it to effectively manage film, concession and other theatre-level costs, thereby maximizing operating efficiencies. The Partnership seeks to achieve incremental operating savings by, among other things, implementing best practices and negotiating improved supplier contracts. In addition, the Partnership expects to continue to achieve operating synergies resulting from the combination of the operations of COC and GEI through the reduction of general and administrative expenses and by achieving economies of scale and scope.

Capitalizing on Ancillary Revenue Opportunities

The Partnership seeks to expand and further develop ancillary revenue opportunities, such as advertising, promotions, games and special events. These activities generate attractive margins and involve limited incremental operating expense. The combination of Cineplex Odeon theatres and Galaxy theatres gives the Partnership the ability to offer advertisers a larger number of screens, which is expected to increase advertising revenue for the Partnership. Management believes that the Partnership's size and market position allow it to exploit new ancillary revenue opportunities more quickly and profitably than most of its competitors.

Pursuing Selected Growth Opportunities

The Partnership seeks to enhance its competitive position by seeking selected complementary development opportunities, improving and refurbishing theatres and pursuing selective acquisition opportunities. The Partnership intends to only pursue expansion opportunities that meet certain strategic and financial return criteria. The Partnership's new theatre strategy focuses on locations unserved by a modern multiplex theatre in expanding urban and suburban markets as well as mid-sized communities. Management believes that the Partnership has the financial strength, experience and flexibility to pursue attractive development and acquisition opportunities that are accretive to the Fund. During the balance of 2004, the Partnership expects to open two new theatres and expand an existing theatre. The new theatres to be opened are a 10 screen theatre in Maple Ridge/Pitt Meadows, British Columbia and a six screen theatre in Orillia, Ontario. The Partnership plans on adding four screens to its existing theatre in Lethbridge, Alberta. The total cost of these three projects is estimated at \$12.4 million and will be funded by drawings under the Partnership's development credit facility. Beginning in 2005, the Partnership expects to open three new theatres each year, if opportunities are available.

Services Agreement

Effective on the IPO Closing, the Trust, Cineplex Galaxy LP, Cineplex Galaxy GP, COC and GEI entered into the Services Agreement pursuant to which COC provides certain services to the Trust, Cineplex Galaxy LP, Cineplex Galaxy GP and GEI.

Under the Services Agreement, COC provides to the Trust, Cineplex Galaxy LP, Cineplex Galaxy GP and GEI technology systems administration and maintenance, and software applications development and support services.

In consideration for the provision of its services, COC receives from Cineplex Galaxy LP an annual fee equal to US\$500,000 (to be increased annually to adjust for increases in the consumer price index), plus US\$25,000 (to be increased annually to adjust for increases in the consumer price index) for each additional group of eight theatre locations built or acquired by the Partnership following IPO Closing (net of any theatre closures). The service fee is subject to adjustment, to be determined by the parties to the Services Agreement, if COC is requested to provide additional services. The initial term of the Services Agreement is for a period of ten years. The Services Agreement is renewable for further five year periods upon expiry of each term, subject to the approval of COC and the directors of Cineplex Galaxy GP who are independent of the LCE Group. The Services Agreement may be terminated following certain customary events of default (including a material decline in performance by COC under the Services Agreement) or upon 12 months' written notice if members of the LCE Group cease to hold more than 20% of the Units on a fully diluted basis. The Services Agreement may also be terminated on 12 months' written notice by the directors of Cineplex Galaxy GP who are independent of the LCE Group and may be terminated by COC on 24 months' written notice. The Services Agreement may not be assigned by COC, directly or through a change of control of COC, except to another member of the LCE Group, without the prior consent of a majority of the directors of Cineplex Galaxy GP who are independent of the members of the LCE Group.

Employees

The Partnership employs approximately 3,810 people, of which are approximately 23% are full-time employees and approximately 77% are part-time employees. Approximately 5% of the Partnership's employees are represented by unions.

Seasonality

Historically, the Partnership's revenues have been seasonal with the most marketable motion pictures generally being released during the summer and the late-November through December holiday season. More recently, the seasonality of film exhibition attendance has become less pronounced as film studios have expanded the historical summer and holiday release windows and increase the number of heavily marketed films released during traditionally weaker periods. In addition, Cineplex Odeon theatres in major metropolitan markets give the Partnership access to a patronage that enjoys a wide variety of films genres, many of which are released on a less seasonal basis.

Trademarks

Management believes the trademarks "Cineplex", "Cineplex Odeon" and "Galaxy" enjoys significant brand awareness in the Canadian film exhibition market. COC and its affiliates are permitted to use certain trademarks, including the "Cineplex" and "Cineplex Odeon" trademarks pursuant to a license agreement with the Cineplex Galaxy LP.

Competition

The Partnership competes with other exhibitors on a local market-by-market basis. Management believes that the principal competitive factors in the industry are:

- The ability to secure an appropriate variety of film product on favourable licensing terms.
- The seating capacity, location, quality and reputation of an exhibitor's theatres.
- The level of customer service and amenities such as stadium seating and variety of concession offerings.
- The quality of projection and sound equipment at an exhibitor's theatres.
- The ability and willingness to promote the films to be exhibited.

The Partnership's theatres are subject to varying degrees of competition because competitors vary substantially in size, number and proximity at each location. Forty of the Partnership's 63 Cineplex Odeon theatres and 19 of the Partnership's 20 Galaxy theatres are located in free film zones. In addition to competing for patrons at its existing theatres, the Partnership also faces competition in acquiring and developing new theatre sites and acquiring existing theatres. However, management believes that the Partnership's prominent presence in its core markets and the resulting operating efficiencies and expertise will continue to give the Partnership a competitive advantage over many of its competitors in those markets.

In most competitive local markets, Famous Players Inc. is the Partnership's principal competitor. The remaining film exhibitors in Canada have significantly smaller market positions than the Partnership and primarily operate regional or local theatres.

In addition to competing with other exhibitors, the Partnership competes for the public's leisure time and disposable income with alternative forms of out-of-home entertainment such as sporting events, music

concerts, live theatre and restaurants. The Partnership also competes with a number of at-home entertainment alternatives and secondary movie distribution channels, such as cable and satellite television, DVDs and video cassettes, as well as pay-per-view services and downloads via the Internet.

Management believes that movie theatres compete well with alternative forms of out-of-home entertainment as a result of their lower cost and higher availability. Management also believes that with the advent of modern multiplex theatres, the cinema has become a meeting place as well as an entertainment destination.

Relationship with Loews Cineplex Entertainment Inc.

The Partnership is affiliated with the Loews Cineplex theatre group. The Loews Cineplex theatre group is one of the world's largest film exhibition companies, with theatres in United States, Canada, Mexico, Spain, Germany and South Korea, primarily in major cities. Through its affiliation with the Loews Cineplex theatre group, the Partnership benefits to a certain extent from strong relationships with real estate developers, suppliers, advertisers and promotional partners.

Regulatory Environment

Competition Law

In 2000, the Competition Bureau commenced an investigation into certain alleged practices on the part of distributors and exhibitors of motion pictures in Canada (including Cineplex Odeon) which the Competition Bureau believed might be having the effect of depriving certain exhibitors (i.e., exhibitors other than Cineplex Odeon and Famous Players Inc.) access to top-grossing films. The investigation was terminated in 2002 without any action being taken by the Competition Bureau against any distributor or exhibitor.

Quebec Cinema Act

In the province of Quebec, film distributors and theatre operators must be licensed under the Quebec Cinema Act and must obtain a permit for the exhibition of each print of a film. Generally, a permit will only be issued for English language prints if the distributor also makes the same number of French dubbed prints of the same film available to exhibitors for exhibition at the same time. However, distributors may obtain a provisional permit if a French dubbed version does not exist when an application is made, allowing a distributor to distribute any number of English language prints for an initial 45 day period. In the Partnership's experience, most major English language films are released simultaneously in both English and French.

Environmental

The Partnership owns, manages and/or operates theatres and other properties which are subject to certain federal, provincial and local laws and regulations relating to environmental protection, including those governing past or present releases of hazardous materials. Certain of these laws and regulations may impose liability on certain classes of persons for the costs of investigation or remediation of such contamination, regardless of fault or the legality of the original disposal. These persons include the present or former owner or a person in care or control of a contaminated property and companies that generated, disposed of or arranged for the disposal of hazardous substances found at the property. As a result, the Partnership may incur costs to clean up contamination present on, at or under its leased and owned properties, even if such contamination was present prior to the commencement of the Partnership's operations at the site and was not caused by its activities. Management is currently not aware of any such situations.

Other

The Partnership's operations are subject to federal, provincial and local laws governing matters such as construction, renovation and operation of theatres (including accessibility for disabled people and the hearing-impaired), as well as wages and working conditions, health and sanitation requirements and licensing. Management believes that the Partnership's theatres are in material compliance with all such laws.

DESCRIPTION OF THE FUND

General

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Fund Declaration of Trust. It is intended that the Fund qualify as a mutual fund trust for the purposes of the Tax Act. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Fund Declaration of Trust, which summary does not purport to be complete. Reference is made to the Fund Declaration of Trust for a complete description of the Units and the full text of its provisions.

Activities of the Fund

The Fund Declaration of Trust provides that the Fund is restricted to:

- (i) acquiring, investing in, transferring, disposing of and otherwise dealing with securities of the Trust and other corporations, partnerships, trusts or other persons engaged, directly or indirectly, in the business of film exhibition, as well as activities ancillary thereto, and such other investments as the Trustees may determine;
- (ii) acquiring, investing in, transferring, disposing of and otherwise dealing with securities of any of the Trust, Cineplex Galaxy GP, Cineplex Galaxy LP or their respective subsidiaries in connection with the Fund's obligations under the Exchange Agreement;
- (iii) temporarily holding cash in interest-bearing accounts, short-term government debt or short-term investment grade corporate debt for the purposes of paying the expenses and liabilities of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units or other securities of the Fund and making distributions to Unitholders;
- (iv) issuing Units and other securities of the Fund (including securities convertible or exchangeable into Units, or warrants, options or other rights to acquire Units or other securities of the Fund) (a) for obtaining funds to conduct the activities of the Fund, including raising funds for acquisitions and development; (b) in satisfaction of any non-cash distribution; (c) pursuant to any distribution reinvestment plans, incentive option plans or other compensation plans, if any, established by the Fund, the Trust, Cineplex Galaxy GP, Cineplex Galaxy LP or their respective subsidiaries; or (d) under the Exchange Agreement;
- (v) issuing debt securities (including debt securities convertible into, or exchangeable for, Units or other securities of the Fund) or otherwise borrowing and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering any of its assets as security;
- (vi) guaranteeing the payment of any indebtedness, liability or obligation of the Trust, Cineplex Galaxy LP, Cineplex Galaxy GP or any of their respective subsidiaries or the performance of any obligation of any of them, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of its assets as security for such guarantee, and subordinating its rights under the Trust Notes to other indebtedness;

- (vii) disposing of any part of the assets of the Fund;
- (viii) issuing or redeeming rights and Units pursuant to any Unitholder rights plan adopted by the Fund;
- (ix) repurchasing securities issued by the Fund, subject to the provisions of the Fund Declaration of Trust and applicable laws;
- (x) satisfying the obligations, liabilities or indebtedness of the Fund; and
- (xi) undertaking all other usual and customary actions for the conduct of the activities of the Fund in the ordinary course as are approved by the Trustees from time to time, or as are contemplated by the Fund Declaration of Trust,

provided the Fund will not undertake any activity, take any action, omit to take any action or make any investment which would result in the Fund not being considered a “mutual fund trust” for purposes of the Tax Act, or would result in the Units being treated as “foreign property” for the purposes of the Tax Act.

Units

An unlimited number of Units may be issued pursuant to the Fund Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains (other than net realized capital gains distributed to redeeming Unitholders) or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund.

All Units are of the same class with equal rights and privileges. The Units issued pursuant to the Offering are not subject to future calls or assessments, and entitle the holders thereof to one vote for each whole Unit held at all meetings of Unitholders.

Except as set out under “Redemption at the Option of Unitholders” below, the Units have no conversion, retraction, redemption or pre-emptive rights.

Issuance of Units

The Fund Declaration of Trust provides that the Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine, including pursuant to any Unitholder rights plan or any incentive option or other compensation plan established by the Fund. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a *pro rata* basis to the extent that the Fund does not have available cash to fund such distributions. The Fund Declaration of Trust also provides, unless the Trustees determine otherwise, that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution, except where tax was required to be withheld in respect of the Unitholder’s share of the distribution. In this case, each certificate, if any, representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts so distributed represent income, non-resident holders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units. Such non-resident Unitholders will be required to surrender the certificates, if any, representing their original Units in exchange for a certificate representing their post-consolidation Units.

Trustees

The Fund must have a minimum of three Trustees and a maximum of ten Trustees, the majority of whom must be residents of Canada (within the meaning of the Tax Act). Under the terms of the Fund

Declaration of Trust, the board of Trustees consists of four members and the LCE Shareholders have the right to appoint one of such Trustees so long as members of the LCE Group own at least 30% of the Units (on a fully diluted basis). The Trustees supervise the activities and manage the affairs of the Fund.

The Fund Declaration of Trust provides that, subject to its terms and conditions, the Trustees have full, absolute and exclusive power, control and authority over the trust assets and over the affairs of the Fund to the same extent as if the Trustees were the sole and absolute legal and beneficial owners of the trust assets and supervise the investments and conduct the affairs of the Fund. Subject to such terms and conditions, the Trustees are responsible for, among other things:

- acting for, voting on behalf of and representing the Fund as a holder of the Trust Units, Trust Notes and other securities of the Trust;
- maintaining records and providing reports to Unitholders;
- supervising the activities and managing the investments and affairs of the Fund;
- effecting payments of distributable cash from the Fund to Unitholders; and
- voting in favour of the Fund's nominees to serve as trustees of the Trust.

Any one or more of the Trustees may resign upon 30 days' written notice to the Fund, unless such resignation would cause the number of remaining Trustees to be less than a quorum, and may, except in the case of any Trustee appointed by LCE Shareholders, be removed by an Ordinary Resolution and the vacancy created by the removal or resignation must be filled at the same meeting, failing which it may be filled by the affirmative vote of a quorum of the Trustees.

Trustees are appointed at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting, provided that Unitholders shall not be entitled to vote on the appointment of any Trustee appointed by the LCE Shareholders. A quorum of the Trustees, being the majority of the Trustees then holding office, may fill a vacancy in the Trustees, except a vacancy resulting from an increase in the number of Trustees or from a failure of the Unitholders to elect the required number of Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from a failure of the Unitholders to elect the required number of Trustees, the Trustees will promptly call a special meeting of the Unitholders to fill the vacancy provided that the Unitholders will not be permitted to fill a vacancy created by an appointee of the LCE Shareholders ceasing for any reason to be a Trustee. If the Trustees fail to call that meeting or if there are not Trustees then in office, any Unitholder may call the meeting. Except otherwise provided in the Fund Declaration of Trust, the Trustees may, between annual meetings of Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of Unitholders, but the number of additional Trustees will not at any time exceed one-third of the number of Trustees who held office at the expiration of the immediately preceding annual meeting of Unitholders.

The Fund Declaration of Trust provides that the Trustees must act honestly and in good faith with a view to the best interests of the Fund and in connection with that duty must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Fund Declaration of Trust provides that each Trustee is entitled to indemnification from the Fund in respect of the exercise of the Trustee's power and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to the best interests of all the Unitholders or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his/her conduct was lawful.

See "Cineplex Galaxy GP — Securityholders Agreement".

Cash Distributions

The Fund intends to make distributions of its available cash to the maximum extent possible to the Unitholders. The Fund intends to make equal monthly cash distributions to Unitholders of record on the last business day of each month, less estimated cash amounts required for expenses and other obligations of the Fund and cash redemptions of Units and any tax liability.

The Fund may make additional distributions in excess of monthly distributions during the year, as the Trustees may determine.

Any income of the Fund which is applied to any cash redemptions of Units or is otherwise unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have an income tax liability under Part I of the Tax Act, be distributed to Unitholders in the form of additional Units. Those additional Units will be issued under exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

The Fund makes monthly cash distributions to Unitholders of record on the last business day of each month, and the distributions are paid within 30 days following the end of each month.

Holders of Units who are non-residents of Canada are required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether those distributions are in the form of cash or additional Units.

Redemption at the Option of Unitholders

Units are redeemable at any time on demand by the holders thereof. As the Units were issued in book-entry form, a Unitholder who wishes to exercise the redemption right is required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to the Fund at its head office and to CDS. Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

- (i) 90% of the "market price" of a Unit calculated as of the date on which the Units were surrendered for redemption (the "Redemption Date"); and
- (ii) 100% of the "closing market price" on the Redemption Date.

For purposes of this calculation, the "market price" of a Unit as at a specified date will be:

- (i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date;
- (ii) an amount equal to the weighted average of the closing prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or
- (iii) if there was trading on the applicable exchange or market for fewer than five of the ten trading days, an amount equal to the weighted average of the following prices established for each of the ten consecutive trading days ending on such date: the weighted average of the last bid and last asking prices of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the weighted average of the highest and lowest prices of the Units for each day that there was

trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

The “closing market price” of a Unit for the purpose of the foregoing calculations, as at any date, will be:

- (i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date and the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on the specified date;
- (ii) an amount equal to the closing price of a Unit on the principal market or exchange, if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date;
- (iii) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or
- (iv) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

The aggregate Redemption Price payable by the Fund in respect of all Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment no later than the last day of the month following the month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that:

- (i) the total amount payable by the Fund in respect of those Units and all other Units tendered for redemption in the same calendar month shall not exceed \$50,000, provided that the Trustees may, in their sole discretion, waive this limitation in respect of all Units tendered for redemption in any calendar month;
- (ii) at the time the Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and
- (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period ending on the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of one or more of the foregoing limitations, then each Unit tendered for redemption will, subject to any applicable regulatory approvals, be redeemed by way of a distribution *in specie*. In such circumstances, Trust Units and Series 1 Trust Notes of a value equal to the Redemption Price will be redeemed by the Trust in consideration of the issuance to the Fund of Series 2 Trust Notes and Series 3 Trust Notes, respectively. The Series 2 Trust Notes and Series 3 Trust Notes will then be distributed in satisfaction of the Redemption Price. No Series 2 Trust Notes or Series 3 Trust Notes in integral multiples of less than \$100 will be distributed and, where the number of securities of the Trust to be received by a Unitholder includes a multiple of less than \$100, that number shall be rounded to the next lowest integral multiple of \$100. The Fund will be entitled to all interest paid on the Trust Notes and the distributions paid on the Trust Units on or before the date of the distribution *in specie*. Where the Fund makes a distribution *in specie* of a *pro rata* number of securities of the Trust on the redemption of Units of a Unitholder, the

Fund currently intends to designate to that Unitholder any income or capital gain realized by the Fund as a result of the redemption of Trust Units and Series 1 Trust Notes in exchange for Series 2 Trust Notes and Series 3 Trust Notes, respectively, or as a result of the distribution of Series 2 Trust Notes or Series 3 Trust Notes to the Unitholder on the redemption of such Units.

It is anticipated that the redemption right described above will not be the primary mechanism for holders of Units to dispose of their Units. Series 2 Trust Notes and Series 3 Trust Notes which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in Series 2 Trust Notes or Series 3 Trust Notes and they may be subject to resale restrictions under applicable securities laws. Series 2 Trust Notes and Series 3 Trust Notes so distributed may not be qualified investments for trusts governed by Plans depending upon the circumstances at the time.

Repurchase of Units

The Fund is allowed, from time to time, to purchase Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such repurchase would constitute an “issuer bid” under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Meetings of Unitholders

The Fund Declaration of Trust provides that meetings of Unitholders shall be called and held annually for the election of Trustees and the appointment of auditors of the Fund. The Fund Declaration of Trust provides that the Unitholders are entitled to pass resolutions that bind the Fund only with respect to:

- the election or removal of Trustees (except in the case of any Trustee appointed by the LCE Shareholders);
- the election or removal of nominees of the Fund to serve as trustees of the Trust;
- the appointment or removal of the auditors of the Fund;
- the appointment of an inspector to investigate the performance by the Trustees in respect of their respective responsibilities and duties in respect of the Fund;
- the approval of amendments to the Fund Declaration of Trust (but only in the manner described below under “Amendments to the Fund Declaration of Trust”);
- the termination of the Fund;
- the sale of all or substantially all of the assets of the Fund;
- the exercise of certain voting rights attached to the securities of the Trust held by the Fund and, subject to the provisions of any securityholders’ agreement among the securityholders of Cineplex Galaxy GP and the terms of the Cineplex Galaxy LP Agreement, securities of Cineplex Galaxy LP or Cineplex Galaxy GP held by the Trust (see “— Exercise of Certain Voting Rights Attached to Securities of the Trust, Cineplex Galaxy GP and Cineplex Galaxy LP”);
- the ratification of any Unitholder rights plan, distribution reinvestment plan, distribution reinvestment and Unit purchase plan, Unit option plan or other compensation plan contemplated by the Fund Declaration of Trust requiring Unitholder approval;
- the dissolution of the Fund prior to the end of its term; and

- any other matters required by securities law, stock exchange rules or other laws or regulations to be submitted to Unitholders for their approval,

provided that the Unitholders shall not pass any resolution that would cause the Fund, the Trust, Cineplex Galaxy GP, Cineplex Galaxy LP or their respective subsidiaries to breach the terms of the Exchange Agreement, the Services Agreement, the Cineplex Galaxy LP Agreement or the Securityholders Agreement.

No other action taken by Unitholders or any other resolution of the Unitholders at any meeting will in any way bind the Trustees.

A resolution electing or removing nominees of the Fund to serve as trustees of the Trust (except filling casual vacancies) or with respect to the exercise of certain voting rights attached to the securities of the Trust or Cineplex Galaxy GP held by the Fund, a resolution required by securities law, stock exchange rules or other laws or regulations requiring a simple majority of Unitholders, and a resolution appointing or removing the Trustees or the auditors of the Fund must be passed by a simple majority of the votes cast by Unitholders. The balance of the foregoing matters must be passed by a Special Resolution.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5% of the Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxyholder need not be a Unitholder. Two persons present in person or represented by proxy and representing in total at least 10% of the votes attached to all outstanding Units will constitute a quorum for the transaction of business at all meetings.

The Fund Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Fund Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of more than 49.9% of the Units. This 49.9% limitation is applied with respect to the issued and outstanding Units of the Fund on both (i) a non-diluted basis and (ii) a fully-diluted basis calculated on the assumption that any Units issuable at the time of calculation to an Investor pursuant to the Exchange Agreement have been issued and are held by such Investor. The Trustees, in their sole discretion, may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees become aware, as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of at least 49.9% of the Units then outstanding are, or may be, non-residents or that such a situation is imminent, the transfer agent and registrar may make a public announcement thereof and shall not accept a subscription for Units from, or issue or register a transfer of Units to, a person unless the person provides a declaration that the person is not a non-resident. If, notwithstanding the foregoing, the Trustees, in their sole discretion, determine that 49.9% or more of the Units are held by non-residents, the Trustees may send a notice to non-resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days. If the persons receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not non-residents within such period, the Trustees may, on behalf of such persons, sell such Units and, in the interim, shall suspend the voting and

distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be holders of the Units and their rights shall be limited to receiving the net proceeds of such sale.

Amendments to the Fund Declaration of Trust

The Fund Declaration of Trust contains provisions that allow it to be amended or altered from time to time by the Trustees with the consent of the Unitholders by a Special Resolution.

The Trustees, at their discretion and without the approval of the Unitholders, are entitled to make certain amendments to the Fund Declaration of Trust, including amendments:

- (i) which are required for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the Fund, including ensuring that the Fund continues to qualify as a “mutual fund trust” and the Units do not constitute “foreign property”, each within the meaning of the Tax Act;
- (ii) which provide additional protection or added benefits for the Unitholders, provided that the Trustees receive a legal opinion from counsel to this effect;
- (iii) to remove any conflicts or inconsistencies in the Fund Declaration of Trust or to make minor corrections which are necessary or desirable and not prejudicial to the Unitholders; and
- (iv) which are necessary or desirable as a result of changes in taxation laws or policies of any governmental authority having jurisdictions over the Trustees of the Fund.

Notwithstanding the previous sentence, the Trustees may not amend the Fund Declaration of Trust in a manner which would result in (a) the Fund failing to qualify as a “mutual fund trust” under the Tax Act or (b) the Units being treated as “foreign property” for the purposes of the Tax Act.

Term of the Fund

The Fund has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on October 2, 2003. On a date selected by the Trustees which is not more than two years prior to the expiry of the term of the Fund, the Trustees are obligated to commence to wind-up the affairs of the Fund so that it will terminate on the expiration of the term. At any time prior to the expiry of the term of the Fund, the Unitholders may by Special Resolution require the Trustees to commence the termination, liquidation or winding-up of the affairs of the Fund.

The Fund Declaration of Trust provides that, upon being required to commence the termination, liquidation or winding-up of the affairs of the Fund, the Trustees will give notice thereof to the Unitholders, which notice shall designate the time or times at which Unitholders may surrender their Units for cancellation and the date at which the register of Units will be closed. After the date the register is closed, the Trustees shall proceed to wind up the affairs of the Fund as soon as may be reasonably practicable and for such purpose shall, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Unitholders, sell and convert into money the Trust Units, the Trust Notes and all other assets comprising the Fund in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the Fund. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees shall distribute the remaining part of the proceeds of the sale of the Trust Units, the Trust Notes and other assets together with any cash forming part of the assets of the Fund among the Unitholders in accordance with their *pro rata* interests. If the Trustees are unable to sell all or any of the Trust Units, the Trust Notes or other assets which comprise part of the Fund by the date set for termination, the Trustees may

distribute the remaining Trust Units, the Trust Notes or other assets *in specie* directly to the Unitholders in accordance with their *pro rata* interests subject to obtaining all required regulatory approvals.

Take-over Bids

The Fund Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Units and not less than 90% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who did not accept the take-over bid on the terms on which the offeror acquired Units from Unitholders who accepted the take-over bid.

The Cineplex Galaxy LP Partnership Agreement provides that if a non-exempt take-over bid from a person acting at arm's length to holders of LP Units (or any associate or affiliate thereof) is made for the Units and a contemporaneous identical offer is not made for the LP Units held by persons other than the Trust (in terms of price, timing, proportion of securities sought to be acquired and conditions, provided that the offer for the LP Units may be conditional on Units being taken up and paid for under the take-over bid), then, provided that (i) not less than 25% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken-up and paid for pursuant to the non-exempt bid from and after the date of first take-up of Units under the said take-over bid in excess of the foregoing threshold, and (ii) the take-over bid is not for any and all Units tendered or is not structured such that holders of LP Units can exchange into Units conditional on take-up, the LP Units held by persons other than the Trust will be exchangeable at an exchange ratio equal to 110% of the exchange ratio previously in effect, such that, based on the current one-to-one exchange ratio, on exchange the holder of LP Units will receive 1.1 Units for each Unit that the holder would otherwise have received. Notwithstanding any adjustment on completion of an exclusionary offer as described above, the distribution rights attaching to the LP Units will also not be adjusted until the exchange right is actually exercised.

Exercise of Certain Voting Rights Attached to Securities of the Trust, Cineplex Galaxy GP and Cineplex Galaxy LP

The Fund Declaration of Trust provides that the Fund shall not vote any securities of the Trust, nor permit the Trust to vote any securities of Cineplex Galaxy GP or Cineplex Galaxy LP, except as may be required under the Securityholders Agreement, to authorize any transaction which is adverse to the Unitholders including, among other things:

- any sale, lease or other disposition of all or substantially all of the assets of the Trust, Cineplex Galaxy GP or Cineplex Galaxy LP, except in conjunction with an internal reorganization of the Trust, Cineplex Galaxy GP or Cineplex Galaxy LP;
- any amalgamation, arrangement or other merger of the Trust, Cineplex Galaxy GP or Cineplex Galaxy LP with any other entity, except in conjunction with an internal reorganization of the Trust, Cineplex Galaxy GP or Cineplex Galaxy LP;
- any material amendment to the Trust Note Indenture other than in contemplation of a further issuance of Notes to the Fund that are identical in all respects to the Notes issued in connection with the Offering or in conjunction with an internal reorganization of the Trust, Cineplex Galaxy GP or Cineplex Galaxy LP;
- the winding-up or dissolution of the Trust, Cineplex Galaxy GP or Cineplex Galaxy LP prior to the end of the term of the Fund; or

- any material amendment to the constating documents of the Trust, Cineplex Galaxy GP or Cineplex Galaxy LP to change the authorized units, share capital or partnership interests which may be prejudicial to the Fund,

without the authorization of the Unitholders by a Special Resolution. The Fund is also prohibited from taking certain actions without approval of the board of directors of Cineplex Galaxy GP. See “Cineplex Galaxy GP — Securityholders Agreement”.

Information and Reports

The Fund will furnish to Unitholders, in accordance with applicable securities laws, all financial statements of the Fund and Cineplex Galaxy LP (including quarterly and annual financial statements and certifications) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders’ tax returns under the Tax Act and equivalent provincial legislation.

Prior to each meeting of Unitholders, the Trustees will provide to the Unitholders (along with notice of the meeting) all information, together with such certifications, as is required by applicable law and by the Fund Declaration of Trust to be provided to Unitholders.

Cineplex Galaxy LP has undertaken to provide the Fund with a report of any material change that occurs in the affairs of Cineplex Galaxy LP and with quarterly and annual financial statements accompanied by management’s discussion and analysis for the period covered by such financial statements, in each case, in form and content that Cineplex Galaxy LP would be required to file with the Ontario Securities Commission if it were a reporting issuer under Ontario securities laws. All of those reports and financial statements will be provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements under applicable securities laws relating to reporting of material changes in its affairs and the filing and delivery to securityholders of financial statements as required under applicable securities laws.

In addition, Cineplex Galaxy GP has agreed with the Fund that, for so long as the Fund is a reporting issuer under applicable securities laws, it will:

- issue a press release and deliver to the Fund for filing a material change report in respect of any material change in Cineplex Galaxy LP’s affairs;
- provide to the Fund the information that would be required to be included in an annual information form or any other report required to be filed with the Ontario Securities Commission if Cineplex Galaxy LP were a reporting issuer under Ontario securities law; and
- to the extent that the Fund does not prepare financial statements including Cineplex Galaxy LP’s results of operations, deliver to the Fund quarterly unaudited and annual audited financial statements of Cineplex Galaxy LP for filing with the securities commissions or other securities regulatory authorities in each of the provinces and territories of Canada and delivery to the Fund’s registered and beneficial Unitholders in accordance with applicable securities laws.

Such releases, forms, reports and statements, in each case, shall be in the form and content that Cineplex Galaxy LP would be required to file with the Ontario Securities Commission if it were a reporting issuer under Ontario securities law. The annual information form and other reports of Cineplex Galaxy LP will be delivered by the Fund to its Unitholders concurrently with the annual information form or other report of the Fund for the corresponding period. The quarterly unaudited and annual audited financial statements of Cineplex Galaxy LP will be delivered by the Fund to its Unitholders concurrently with the financial statements of the Fund for the corresponding period.

Trustees of the Fund are required to file insider reports and comply with insider trading provisions under applicable Canadian securities legislation in respect of trades made by such persons in Units of the Fund.

In addition, Cineplex Galaxy GP has undertaken to the Fund that, for so long as the Fund is a reporting issuer under applicable securities laws, it will:

- require each of its existing directors, as applicable, and senior officers and, promptly upon his or her assumption of office, each of its future directors and senior officers, to provide the securities commissions or other securities regulatory authorities in each of the provinces and territories of Canada with an undertaking agreeing that he or she will file in respect of the Fund pursuant to applicable insider reporting requirements as if he or she were an insider of the Fund, reporting transactions in Units and LP Units; and
- require each present and each future principal holder of LP Units (other than the Trust) and each director or officer of each present or future principal holder of LP Units to provide the securities commissions or other securities regulatory authorities in each of the provinces and territories of Canada with an undertaking agreeing that he, she or it will file in respect of the Fund pursuant to applicable insider reporting requirements as if he, she or it were an insider of the Fund, reporting transactions in Units and LP Units.

Book-Entry Only System

Registration of interests in and transfers of the Units can be made through a book-based system (the “Book-Entry System”) administered by CDS. Units may be purchased, transferred and surrendered for redemption through a participant in the CDS depository service (a “CDS Participant”). All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholder is entitled must be made or delivered by, CDS or the CDS Participant through which the Unitholder holds such Units. Upon a purchase of any Units, the Unitholder will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased. References in this Annual Information Form to a Unitholder means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

The Fund has the option to terminate registration of the Units through the Book-Entry System in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

Conflicts of Interest Restrictions and Provisions

The Fund Declaration of Trust contains “conflict of interest” provisions that serve to protect Unitholders without creating undue limitations on the Fund. The Fund Declaration of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act*, that require each Trustee to disclose to the Fund, as applicable, any interest in a material contract or transaction or proposed material contract or transaction with the Fund, or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the Fund. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to (i) his remuneration as a Trustee or officer of the Fund, as applicable, (ii) insurance or indemnity, or (iii) a contract or transaction with an affiliate.

DESCRIPTION OF THE TRUST

The Trust Declaration of Trust contains provisions substantially similar to those of the Fund Declaration of Trust relating to the Fund. The principal differences between the Trust Declaration of Trust and the Fund Declaration of Trust are those described below. The description below is a summary only and is

qualified in its entirety by reference to the text of the Trust Declaration of Trust and the Fund Declaration of Trust.

General

The Trust is an unincorporated open-ended limited purpose trust to be established as at the date of the IPO Closing under the laws of the Province of Ontario pursuant to the Trust Declaration of Trust. It is a limited purpose trust and its activities are restricted to, among other things:

- (i) acquiring, investing in, transferring, disposing of and otherwise dealing with securities of Cineplex Galaxy GP and Cineplex Galaxy LP and other corporations, partnerships, trusts or other persons engaged, directly or indirectly, in the business of film exhibition, as well as activities ancillary thereto, and such other investments as the trustees of the Trust may determine;
- (ii) investing in securities, including those issued by Cineplex Galaxy LP and Cineplex Galaxy GP;
- (iii) issuing Trust Units;
- (iv) issuing debt securities, including the Trust Notes;
- (v) redeeming Trust Units;
- (vi) purchasing securities issued by the Trust;
- (vii) subscribing for the Galaxy Notes;
- (viii) guaranteeing the obligations of Cineplex Galaxy LP, or any affiliate of the Trust or Cineplex Galaxy LP pursuant to any good faith debt for borrowed money incurred by Cineplex Galaxy LP or the affiliate, as the case may be, and pledging securities held by the Trust, Cineplex Galaxy LP or any such affiliate, as security for such guarantee; and
- (ix) satisfying the obligations, liabilities or indebtedness of the Trust.

The Trust does not intend to hold securities of any entities other than Cineplex Galaxy LP, Cineplex Galaxy GP and the Galaxy Notes, except in connection with its short-term cash management.

Restrictions on Trust's Trustees' Powers

The Trust Declaration of Trust provides that the trustees of the Trust (the "Trust's Trustees") may not, without approval by ordinary resolution of the holders of Trust Units:

- (i) take any action upon any matter which under applicable law (including policies of the Canadian securities commissions) or applicable stock exchange rules would require approval by ordinary resolution of the holders of Trust Units had the Trust been a reporting issuer (or the equivalent) in the jurisdictions in which the Fund is a reporting issuer (or the equivalent) and had the Trust Units been listed for trading on the stock exchanges where the Units are listed for trading; and
- (ii) subject to certain exceptions, appoint or change the auditors of the Trust.

Furthermore, the Trust Declaration of Trust states that the Trust's Trustees may not, without approval by special resolution of the holders of Trust Units:

- (i) take any action upon any matter which under applicable law (including policies of the Canadian securities commissions) or applicable stock exchange rules would require approval by special resolution or super-majority (as defined or described therein) of the holders of Trust Units had the

Trust been a reporting issuer (or the equivalent) in the jurisdictions in which the Fund is a reporting issuer (or the equivalent) and had the Trust Units been listed for trading on the stock exchanges where the Units are listed for trading;

- (ii) amend the Trust Declaration of Trust except in certain limited circumstances similar to those under which the Fund Declaration of Trust may be amended without consent of Unitholders;
- (iii) amend the Trust Note Indenture other than in contemplation of a further issuance of Trust Notes;
- (iv) sell, lease or exchange all or substantially all of the property of the Trust other than in the ordinary course of business or in connection with an internal reorganization;
- (v) authorize the termination, liquidation or winding-up of the Trust, other than at the end of the term of the Trust; or
- (vi) authorize the combination, merger or similar transaction of the Trust with any other person.

Redemption Right

The Trust Units are redeemable at any time on demand by the holders thereof upon delivery to the Trust of a duly completed and properly executed notice requiring the Trust to redeem the Trust Units, in a form reasonably acceptable to the Trust's Trustees, together with the certificates for the Trust Units representing the Trust Units to be redeemed and written instructions as to the number of Trust Units to be redeemed. Upon tender of Trust Units by a holder thereof for redemption, the holder of the Trust Units tendered for redemption will no longer have any rights with respect to such Trust Units other than the right to receive the redemption price for such Trust Units. The redemption price for each Trust Unit tendered for redemption will be equal to:

$$\frac{(A \times B) - C}{D}$$

Where:

A = the cash redemption price per Unit calculated as of the close of business on the date the Trust Units were so tendered for redemption by a Trust unitholder;

B = the aggregate number of Units outstanding as of the close of business on the date the Trust Units were so tendered for redemption by a Trust unitholder;

C = the aggregate unpaid principal amount of the Series 1 Trust Notes and accrued interest thereon and any other indebtedness held by or owed to the Fund and the fair market value of any other assets or investments held by the Fund (other than Trust Units) as of the close of business on the date the Trust Units were so tendered for redemption by a Trust unitholder; and

D = the aggregate number of Trust Units outstanding held by the Fund as of the close of business on the date the Trust Units were so tendered for redemption by a Trust unitholder.

The Trust's Trustees are also be entitled to call for redemption, at any time, all or part of the outstanding Trust Units registered in the name of the holders thereof other than the Fund at the same redemption price as described above for each Trust Unit called for redemption, calculated with reference to the date the Trust's Trustees approved the redemption of Trust Units.

The aggregate redemption price payable by the Trust in respect of any Trust Units tendered for redemption by the holders thereof during any month will be satisfied, at the option of the Trust's Trustees, (i) in immediately available funds by cheque; (ii) by the issuance to or to the order of the holder whose

Trust Units are to be redeemed of such aggregate amount of Series 2 Trust Notes as is equal to the aggregate redemption price payable to such holder of Trust Units rounded down to the nearest \$100, with the balance of any such aggregate redemption price not paid in Series 2 Trust Notes to be paid in immediately available funds by cheque; or (iii) by any combination of funds and Series 2 Trust Notes as the Trust's Trustees shall determine in their discretion, in each such case payable or issuable on the last day of the calendar month following the calendar month in which the Trust Units were so tendered for redemption. A holder of Trust Units whose Trust Units are tendered for redemption may elect, at any time prior to the payment of the redemption price, to receive Series 2 Trust Notes pursuant to (ii) above in the place of all or part of the funds otherwise payable, the amount of such Series 2 Trust Notes payable to be equal to the funds otherwise payable, rounded down to the nearest \$100.

Cash Distributions

The Trust intends to make monthly cash distributions to the Fund of its net monthly cash receipts, after satisfaction of its interest obligations, if any, and less any estimated cash amounts required for expenses and other obligations of the Trust, any cash redemptions or repurchases of Trust Units or Trust Notes and any tax liability. Such distributions will be paid within ten days following each calendar month end and are intended to be received by the Fund prior to its related cash distribution to Unitholders.

The distribution declared in respect of the month ending December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of the Trust for such year as is necessary to ensure that the Trust will not be liable for ordinary income taxes under the Tax Act in such year.

If the Trust's Trustees determine that the Trust does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Trust Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trust's Trustees, to be available for the payment of such distribution. The value of each Trust Unit so issued will be the redemption price thereof.

Any Trust Units transferred to Unitholders pursuant to a distribution *in specie* may be subject to resale and transfer restrictions and cannot be resold or transferred except as permitted by applicable securities law.

Trust Notes

Trust Notes are issuable in Canadian currency. Trust Notes are issuable in denominations of \$100 and integral multiples of \$100. No Trust Notes in integral multiples of less than \$100 will be distributed and where the number of Trust Notes to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number. On the IPO Closing, the Trust issued approximately \$159.3 million principal amount of Series 1 Trust Notes to the Fund.

Series 2 Trust Notes will be reserved by the Trust to be issued exclusively to holders of Trust Units as full or partial payment of the redemption price of Trust Units, as the Trust's Trustees may decide or, in certain circumstances, be obliged to issue. Series 3 Trust Notes will be reserved by the Trust to be issued exclusively as full or partial payment of the redemption price of Series 1 Trust Notes.

Interest and Maturity

The Series 1 Trust Notes issued at the IPO Closing are payable on demand, mature on the 25th anniversary of the date of issuance and bear interest at a rate of 3% per annum, payable on the last day of each calendar month that such Series 1 Trust Notes are outstanding. Each Series 2 Trust Note will mature on a date which is no later than the first anniversary of the date of issuance thereof and bear interest at a market rate to be determined by the Trust's Trustees at the time of issuance thereof, payable on the last

day of each calendar month that such Series 2 Trust Note is outstanding. Each Series 3 Trust Note will mature on the same date as the Series 1 Trust Notes and bear interest at a market rate to be determined by the Trust's Trustees at the time of issuance thereof, payable on the 30th day of each calendar month that such Series 3 Trust Note is outstanding.

Payment upon Maturity

On maturity, the Trust will repay the Trust Notes by paying to the trustee under the Trust Note Indenture in cash an amount equal to the principal amount of the outstanding Trust Notes which have then matured, together with accrued and unpaid interest thereon.

Redemption

The Trust Notes are redeemable in whole or in part (at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, payable in cash or, in the case of a redemption of Series 1 Trust Notes on an *in specie* payment of the Redemption Price of Units, in Series 3 Trust Notes) at the option of the Trust prior to maturity.

Subordination

Payment of the principal amount and interest on the Trust Notes is subordinated in right of payment to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness which is defined as all indebtedness, liabilities and obligations of the Trust which, by the terms of the instrument creating or evidencing the same, is expressed to rank in right of payment in priority to the indebtedness evidenced by the Trust Note Indenture. The Trust Note Indenture provides that upon any distribution of the assets of the Trust in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to the Trust, the holders of all such senior indebtedness are entitled to receive payment in full before the holders of the Trust Notes are entitled to receive any payment.

Default

The Trust Note Indenture provides that any of the following shall constitute an event of default:

- (i) default in payment of the principal of the Trust Notes when the same becomes due and the continuation of such default for a period of ninety days;
- (ii) default in payment of any interest due on any Trust Notes and continuation of such default for a period of ninety days;
- (iii) default in the observance or performance of any other covenant or condition of the Trust Note Indenture and continuance of such default for a period of ninety days after notice in writing has been given to the Trust's Trustees specifying such default and requiring the Trust to rectify the same; and
- (iv) certain events of dissolution, liquidation, reorganization or other similar proceedings relative to the Trust.

The provisions governing an event of default under the Trust Note Indenture and remedies available thereunder do not provide protection to the holders of Trust Notes which would be comparable to the provisions generally found in debt securities issued to the public.

Unit Certificates

As Trust Units are not intended to be issued or held by any person other than the Fund, registration of interests in, and transfers of, the Trust Units are not to be made through the Book-Entry System administered by CDS. Rather, holders of Trust Units are entitled to receive certificates therefor.

Meetings of Unitholders

An annual meeting of holders of Trust Units may be held at such time and place as shall be prescribed for the purpose of transacting such business as the Trust's Trustees may determine or as may properly be brought before the meeting.

DESCRIPTION OF CINEPLEX GALAXY LP

The following is a summary of the material attributes and characteristics of Cineplex Galaxy LP and the LP Units which will be issued under the Cineplex Galaxy LP Partnership Agreement. This summary is qualified in its entirety by reference to the provisions of the Cineplex Galaxy LP Partnership Agreement which contains a complete statement of those attributes and characteristics.

Capitalization

Cineplex Galaxy LP may issue an unlimited number of Class A LP Units and Class B LP Units to any person. The Cineplex Galaxy LP Partnership Agreement authorizes Cineplex Galaxy GP to cause Cineplex Galaxy LP to issue additional Class A LP Units or Class B LP Units for any consideration and on any terms and conditions as are established by Cineplex Galaxy GP. Class B LP Units held by the Investors are indirectly exchangeable into Units in accordance with the terms of the Exchange Agreement. Class A LP Units and Class B LP Units have economic and voting rights that are equivalent in all respects, except as otherwise described herein, including under "Support Arrangements".

Distributions

Cineplex Galaxy LP intends to make monthly cash distributions to holders of record of Class A LP Units and Class B LP Units on the last business day of each month of its distributable cash so that, subject to the provisions described under "— Support Arrangements", distributions to the Investors will be equal on a *pro rata* basis to the distributions to be made to Unitholders by the Fund. Subject to the provisions described under "Support Arrangements", holders of Class B LP Units are entitled to receive distributions of Cineplex Galaxy LP equal to the "catch-up payment" (as described below) before distributions are made to holders of Class A LP Units, provided that, if no amounts are paid to the Trust in respect of the Galaxy Debt in any month, holders of Class B LP Units are not entitled to a "catch-up payment". Subject to the provisions described under "— Support Arrangements", any remaining amounts available for distribution will be shared *pro rata* between the holders of Class A LP Units and Class B LP Units. Distributions will be paid within seven days of the end of each month and are intended to be received by the Trust prior to its related cash distribution to holders of its Trust Units. Distributable cash for a monthly period will consist, in general, of Cineplex Galaxy LP's EBITDA for the particular monthly period less any estimated cash amounts required for debt service obligations of Cineplex Galaxy LP, if any, other expense obligations, maintenance capital expenditures, taxes, reserves (including amounts on account of capital expenditures, and to stabilize distributions to Unitholders), and such other amounts as may be considered appropriate by Cineplex Galaxy GP.

Cineplex Galaxy LP may, in addition, make a distribution at any other time.

On completion of the IPO, Cineplex Galaxy Acquisition entered into an agreement with the Trust pursuant to which the Trust loaned to Cineplex Galaxy Acquisition an amount equal to \$100 million (the "Galaxy Notes"), which bear interest at a rate of 14% *per annum*. Following the amalgamation of Cineplex Galaxy Acquisition and GEI, the Galaxy Notes are now an obligation of GEI. The Galaxy

Notes are subordinated to the Credit Facilities. In connection with the entering into of the Galaxy Notes, the Trust entered into an agreement with Cineplex Galaxy LP designed to ensure that, subject to the provisions described under "Support Arrangements", the holders of Class B LP Units receive distributions equal to distributions per Unit made to the Trust in respect of the Galaxy Notes. Pursuant to such agreement the Trust agreed to contribute funds to Cineplex Galaxy LP if Cineplex Galaxy LP is otherwise unable to pay the "catch-up payment" per Class B LP Unit out of the assets of Cineplex Galaxy LP. The "catch-up payment" is generally equal to a "specified portion" of any principal or interest repayments on the Galaxy Notes received by the Trust. The "specified portion" is equal to the number of Class B LP Units outstanding divided by the aggregate number of Units outstanding.

Support Arrangements

The Cineplex Galaxy LP Partnership Agreement and the Exchange Agreement provides for the support arrangements described in this section (the "Support Arrangements"). The purpose of the Support Arrangements is to provide: (i) in effect, for an adjustment to the purchase price of the seven new theatres (the "New Theatres") which at the time of the IPO Closing had either not yet been opened or had been open for less than one year in the event of a shortfall of up to \$5.9 million in the actual annual cash flows generated by the New Theatres as compared to the estimated annual cash flows of \$9.8 million (after reflecting estimated loss in cash flow from two adjacent theatres in Edmonton); and (ii) protection for distributions to Unitholders of up to \$5.9 million annually in the event of such a shortfall (the "Limitations on Support Unit Distributions").

The New Theatres consist of one Cineplex theatre and four Galaxy theatres, all of which were opened between December 2002 and July 2003, plus one Galaxy theatre which was opened in November 2003 and one Galaxy theatre which was under construction at the time of the IPO Closing and which subsequently opened in January 2004.

Certain Investors received 5,130,435 LP Units (the "Support Units") in connection with the acquisition of the assets of COC and the shares of GEI on the IPO Closing that are subject to the Support Arrangements. The number of Support Units is equal to: (a) \$5.9 million (representing 100% of the \$2.0 million in estimated annual cash flow from the one Galaxy theatre which was opened in November 2003 and the one Galaxy theatre that had not yet opened at the time of the IPO Closing and 50% of the \$7.8 million in estimated annual cash flow from the one Cineplex theatre and four Galaxy theatres which were opened between December 2002 and July 2003); divided by (b) \$1.15 (the "Estimated Distributions per Unit"). The value of the Support Units at their issue price represents 60.2% of the effective purchase price attributable to the New Theatres. Based on Estimated Distributions per Unit, the Support Units are expected to be entitled to \$5.9 million in aggregate distributions per annum.

The Limitations on Support Unit Distributions will be in effect from the IPO Closing until, at least, December 31, 2004 and, in certain circumstances, may be extended by the holders of Support Units until as late as December 31, 2006. While the Limitations on Support Unit Distributions are in effect, no distributions will be paid to holders of Support Units until the end of the fiscal year when a determination is made regarding the actual cash flows of the New Theatres and, in particular, the extent of any shortfall for the year. If there is such a shortfall, the total distributions paid to holders of Support Units will be reduced to the extent that the actual cash flows of the New Theatres are less than \$9.8 million, up to a maximum reduction of \$5.9 million, and the amount of any such reduction will be distributed to the other holders of LP Units. Aggregate distributions attributable to the Support Units may in certain circumstances be insufficient to enable the full recovery of a shortfall in the actual cash flows of the New Theatres.

The Limitations on Support Unit Distributions will terminate as of December 31, 2004 and the exchange ratio applicable to the Support Units will not be adjusted if the New Theatres generate at least \$9.8 million of cash flow during fiscal 2004 determined based on the audited cash flows of the New Theatres for the year ended December 31, 2004. If the New Theatres do not generate \$9.8 million of cash flow

during fiscal 2004, the holders of Support Units will be entitled to terminate the Limitations on Support Unit Distributions and the exchange ratio for the Support Units will be reduced proportionately to any shortfall from the \$9.8 million of estimated cash flows from New Theatres, up to a maximum of \$5.9 million. Specifically, the exchange ratio will be adjusted such that the aggregate number of Units into which the Support Units are exchangeable will be reduced by a number equal to: (i) the amount by which the cash flow generated by the New Theatres is less than \$9.8 million (up to a maximum amount of \$5.9 million), divided by (ii) the Estimated Distribution per Unit. The effect of this adjustment will be, in effect, to reduce the purchase price attributable to the New Theatres that was paid by Cineplex Galaxy LP in connection with the acquisition of the assets of COC and the shares of GEI on the IPO Closing to reflect the actual cash flow generated by the New Theatres in fiscal 2004. Upon termination of the Limitations of Support Unit Distributions in circumstances where there was a shortfall, all future distributions on the Support Units will be adjusted to reflect the new exchange ratio.

If the Limitations on Support Unit Distributions do not terminate as of December 31, 2004, they will terminate on December 31, 2005 and, if applicable, the exchange ratio associated with the Support Units will be adjusted. If the New Theatres do not generate \$9.8 million of cash flow during fiscal 2005 determined based on the audited cash flows of the New Theatres for the year ended December 31, 2005, the exchange ratio associated with the Support Units will be reduced based on the formula set out in the preceding paragraph. Notwithstanding the foregoing if a *force majeure* occurs in respect of any New Theatres in the twelve months ending prior to December 31, 2005, the holders of the Support Units will have the option of extending the Limitations on Support Unit Distributions for one further year, provided that, if the New Theatres do not generate \$9.8 million of cash flow during fiscal 2006 determined based on the audited cash flows of the New Theatres for the year ended December 31, 2006, the exchange ratio associated with the Support Units will, if applicable, be reduced based on the formula set out in the preceding paragraph.

In the context of the Support Arrangements, there will also be certain arrangements between the Investors that receive the Support Units to allocate as among themselves any adjustment to the purchase price of the New Theatres, as well as any deficiency in the distributions on the Support Units while the Limitations on Support Units Distributions remain in effect.

Allocation of Net Income and Losses

The Class B LP Units will receive an allocation of income equal to the aggregate of all catch-up payments in any fiscal year, and the balance of the income or loss for tax purposes of Cineplex Galaxy LP for a particular fiscal year will be allocated to each partner in an amount calculated by multiplying the total income or loss for tax purposes to be allocated to the partners by a fraction, the numerator of which is the sum of the cash distributions received by that partner with respect to that fiscal year and the denominator of which is the total amount of the cash distributions made by Cineplex Galaxy LP to all partners with respect to that fiscal year (in each case excluding the amount of the catch-up payment). The amount of income allocated to a partner may exceed or be less than the amount of cash distributed by Cineplex Galaxy LP to that partner.

Income and loss of Cineplex Galaxy LP for accounting purposes is allocated to each partner in the same proportion as income or loss is allocated for tax purposes.

The fiscal year end of Cineplex Galaxy LP is December 31.

Exchange Agreement

On the IPO Closing, the Fund, the Trust, Cineplex Galaxy LP, Cineplex Galaxy GP and the Investors entered into the Exchange Agreement. The Exchange Agreement grants each of the Investors, or any entity controlled by them, the right to effectively exchange, through a series of steps to be described in the Exchange Agreement, all or any portion of their Class B LP Units for Units (the "exchange rights"). In

certain circumstances, the exchange rights permit a holder of shares of COC to transfer such shares to the Trust in exchange for Units provided that, immediately prior to such transfer, any remaining assets of COC, other than the retained interest to be exchanged, any debt of Cineplex Odeon (Quebec) Inc. and other immaterial assets relating to the theatre business which remained in COC, will be transferred by COC to another entity. Subject to the restrictions described under “— Support Arrangements”, the exchange rights may be exercised by the Investors at any time at their discretion so long as all of the following conditions have been met: (a) the exchange would not cause the Fund to breach the restrictions respecting non-resident ownership contained in the Fund Declaration of Trust as described in “Description of the Fund — Limitation on Non-Resident Ownership”; (b) the Fund is legally entitled to issue the Units in connection with the exercise of the exchange rights; and (c) the person receiving the Units upon the exercise of the exchange rights complies with all applicable securities laws. Rights under the Exchange Agreement may be assigned by the Investors in whole or in part in connection with a transfer of their direct or indirect ownership interests in Cineplex Galaxy LP. The Exchange Agreement provides that, to the extent Class B LP Units are exchanged for Units and such Units are subsequently transferred to a person who is not a member of the LCE Group, the Trust will be entitled to acquire a corresponding number of shares of Cineplex Galaxy GP from the applicable Investors.

The Exchange Agreement also provides that so long as any member of the LCE Group owns LP Units (or Units of the Fund for which such LP Units have been exchanged), the Fund and the Trust will not take any of the following actions without prior written approval of Cineplex Galaxy GP: (a) make any investment in any entity other than Cineplex Galaxy GP or Cineplex Galaxy LP (or any subsidiary of Cineplex Galaxy LP), (b) issue any units or other securities or repurchase outstanding units or other securities (other than as contemplated by the Exchange Agreement), or (c) guarantee the indebtedness of any third party.

Pursuant to the Exchange Agreement, certain of the Investors agreed with the Fund not to transfer outside the LCE Group that number of LP Units (or Units of the Fund issued on the exchange of such LP Units) received on the sale of the assets of COC and Cineplex Odeon (Quebec) Inc. for a period of three years following the IPO Closing. Those Investors will be released from these restrictions (i) with the prior consent of the Unitholders who are not members of the LCE Group by a majority of the votes cast in respect of a resolution thereon; (ii) to participate in any take over bid for Units made to all Unitholders by a party unrelated to the LCE Group, if such take over bid would result in the bidder acquiring direct or indirect control of Cineplex Galaxy LP and the board of directors of Cineplex Galaxy GP; or (iii) in the event a party unrelated to the LCE Group (but not only the Fund or the Trust) acquires direct or indirect control of Cineplex Galaxy LP and the board of directors of Cineplex Galaxy GP.

The Investors were also granted “piggy-back” registration rights and certain of the Investors granted demand registration rights by the Fund, subject to certain restrictions, which enable the Investors to require the Fund to file a prospectus and otherwise assist with a public offering of Units, pursuant to the terms and conditions contained in the Exchange Agreement. In the event of a “piggy-back” offering, the Fund's financing requirements would take priority.

Limited Liability

Cineplex Galaxy LP operates in a manner as to ensure to the greatest extent possible the limited liability of the Trust. The Trust may lose its limited liability in certain circumstances. If limited liability is lost by reason of the negligence of Cineplex Galaxy GP in performing its duties and obligations under the Cineplex Galaxy LP Partnership Agreement, Cineplex Galaxy GP has agreed to indemnify the Trust against all claims arising from assertions that its liability is not limited as intended by the Cineplex Galaxy LP Partnership Agreement. However, since Cineplex Galaxy GP has no significant assets or financial resources, this indemnity may have nominal value.

Transfer of LP Units

The LP Units are transferable subject to compliance with applicable securities restrictions and compliance with the Securityholders Agreement, provided that non-residents of Canada (and partnerships that are not Canadian partnerships within the meaning of the Tax Act) may not acquire or hold an LP Unit. However, an LP Unit is not transferable in part, and no transfer of an LP Unit will be accepted by Cineplex Galaxy GP, unless a transfer form, duly completed and signed by the registered holder of the LP Unit and the transferee, has been remitted to the registrar and transfer agent of Cineplex Galaxy LP. Notwithstanding the foregoing, members of the LCE Group may only transfer or exchange their Class B LP Units with the prior consent of the LCE Shareholders. A transferee of an LP Unit will become a partner and will be subject to the obligations and entitled to the rights of a partner under the Cineplex Galaxy LP Partnership Agreement on the date on which the transfer is recorded.

Amendment

The Cineplex Galaxy LP Partnership Agreement may be amended with approval by special resolution of the holders of LP Units, except for certain amendments, which require unanimous approval of holders of LP Units, including: (i) altering the ability of the limited partners to remove Cineplex Galaxy GP involuntarily; (ii) changing the liability of any limited partner; (iii) changing the right of a limited partner to vote at any meeting; or (iv) changing Cineplex Galaxy LP from a limited partnership to a general partnership.

Notwithstanding the foregoing,

- no amendment which would adversely affect the rights and obligations of Cineplex Galaxy GP, as general partner, may be made without its consent; and
- Cineplex Galaxy GP may make amendments to the Cineplex Galaxy LP Partnership Agreement to reflect: (i) a change in the name of Cineplex Galaxy LP or the location of the principal place of business of Cineplex Galaxy LP or the registered office of Cineplex Galaxy LP; (ii) a change in the governing law of the partnership to any other province of Canada; (iii) admission, substitution, withdrawal or removal of limited partners in accordance with the Cineplex Galaxy LP Partnership Agreement; (iv) a change that, as determined by Cineplex Galaxy GP, is reasonable and necessary or appropriate to qualify or continue the qualification of Cineplex Galaxy LP as a limited partnership in which the limited partners have limited liability under applicable laws; (v) a change that, as determined by Cineplex Galaxy GP, is reasonable and necessary or appropriate to enable Cineplex Galaxy LP to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; or (vi) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the Cineplex Galaxy LP Partnership Agreement which may be defective or inconsistent with any other provision contained in the Cineplex Galaxy LP Partnership Agreement or which should be made to make the Cineplex Galaxy LP Partnership Agreement consistent with the disclosure set out in the IPO prospectus.

Meetings

Cineplex Galaxy GP may call meetings of partners and is required to convene a meeting on receipt of a request in writing of the holder(s) of not less than 10% of the outstanding LP Units. Each partner is entitled to one vote for each LP Unit held. A quorum at a meeting of partners consists of two or more partners present in person or by proxy.

Tag-Along Rights

The Investors are entitled to participate, on a *pro rata* basis, in any sale by the Fund of its direct or indirect interest in Cineplex Galaxy LP.

DESCRIPTION OF CINEPLEX GALAXY GP

Functions and Powers of Cineplex Galaxy GP

Cineplex Galaxy GP has exclusive authority to manage the business and affairs of Cineplex Galaxy LP, to make all decisions regarding the business of Cineplex Galaxy LP and to bind Cineplex Galaxy LP. Cineplex Galaxy GP is to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Cineplex Galaxy LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The authority and power vested in Cineplex Galaxy GP to manage the business and affairs of Cineplex Galaxy LP includes all authority necessary or incidental to carry out the objects, purposes and business of Cineplex Galaxy LP, including without limitation, the ability to engage agents to assist Cineplex Galaxy GP to carry out its management obligations or substantially administrative functions. Cineplex Galaxy GP cannot dissolve Cineplex Galaxy LP or wind up Cineplex Galaxy LP's affairs except in accordance with the provisions of the Cineplex Galaxy LP Partnership Agreement.

Securityholders Agreement

On the IPO Closing, the Fund, the Trust, Cineplex Galaxy LP, Cineplex Galaxy GP and certain of the Investors entered into the Securityholders Agreement governing their securityholdings in, and the business and affairs of, Cineplex Galaxy LP and Cineplex Galaxy GP.

The following is a summary of certain provisions of the Securityholders Agreement, which summary is not intended to be complete. Reference is made to the Securityholders Agreement for a complete description and the full text of its provisions.

Directors

The Securityholders Agreement provides that the board of directors of Cineplex Galaxy GP (the "Board") is comprised of seven directors. For so long as members of the LCE Group hold, directly or indirectly, not less than 30% of the Units (on a fully diluted basis), LCE Shareholders will have the right to appoint four directors to the Board. If the LCE Group's ownership interest in Cineplex Galaxy LP falls below 30%, LCE Shareholders will be entitled to appoint directors to the Board as follows:

- (i) less than 30% and not less than 20% — three directors;
- (ii) less than 20% and not less than 15% — two directors; and
- (iii) less than 15% and not less than 5% — one director.

If members of the LCE Group own, directly or indirectly, less than 5% of the Units (on a fully diluted basis), LCE Shareholders will cease to have the right to appoint any directors of Cineplex Galaxy GP. The Fund is entitled to appoint three directors to the Board, who are currently the three independent Trustees (as described below). The balance, if any, of the Board must be independent of the LCE Group. These board representation rights are not transferable and if the LCE Group sells its interests, or a portion thereof, in Cineplex Galaxy LP, its board representation rights, or a corresponding portion thereof, will terminate, except that members of the LCE Group, directly or indirectly, may transfer such securities to another member of the LCE Group and retain such board representation rights.

Nomination of Trustees

The board of the Fund is currently comprised of four Trustees. One of the Trustees shall be a nominee of the LCE Shareholders for so long as members of the LCE Group owns at least 30% of the Units (on a fully diluted basis) and the three remaining Trustees must be independent of the members of the LCE Group. The nominees for election of the three independent Trustees in the proxy related materials sent to Unitholders are determined by the Compensation, Nominating and Corporate Governance Committee of Cineplex Galaxy GP, which is comprised of three members, two of whom, while members of the LCE Group hold at least 30% of the outstanding Units of the Fund (on a fully diluted basis), are directors appointed by LCE Shareholders and one of whom is an independent director appointed by the Fund. If the LCE Group owns 5% or more but less than 30% of the outstanding Units (on a fully diluted basis), one member of such committee will be a director of Cineplex Galaxy GP appointed by LCE Shareholders and the other two members will be independent directors appointed by the Fund. While such committee is entitled to propose the three nominees for election as independent Trustees, there is no requirement that the Unitholders vote in favour of the proposed nominees.

Transfers

The Securityholders Agreement provides that members of the LCE Group may only transfer their interests in Cineplex Galaxy GP (together with all rights under the Securityholders Agreement) to other members of the LCE Group, and provided that the transferee agrees to be bound by the provisions of the Securityholders Agreement.

Share Issuances and Pre-Emptive Rights

The Securityholders Agreement also provides each of the Investors and LCE Shareholders with pre-emptive rights to purchase interests in Cineplex Galaxy LP to maintain its *pro rata* ownership interest in the event that Cineplex Galaxy LP decides to issue equity securities to third parties or issues equity or debt to any existing partner (including the Trust). If Cineplex Galaxy LP, or any of its subsidiaries, issues equity securities or indebtedness (other than the Galaxy Notes), the Investors and LCE Shareholders are entitled to participate *pro rata* on the same basis. Upon exercise of this right, the Investors and LCE Shareholders will be entitled to participate in the issue of securities of Cineplex Galaxy LP at the most favourable price and on the most favourable terms as such securities are offered to any party. Cineplex Galaxy GP will not be entitled to issue securities without the prior approval of all of the shareholders of Cineplex Galaxy GP.

Securityholder Approval for Certain Matters

The Securityholders Agreement provides that Cineplex Galaxy LP or Cineplex Galaxy GP and, in the case of (ii), the Fund and the Trust, may not take the following actions without the prior approval of the LCE Shareholders so long as the LCE Group, directly or indirectly, collectively holds not less than 20% of the Units (on a fully diluted basis): (i) enter into any merger, consolidation, business combination or other corporate transaction, including acquisitions; (ii) sell, assign, convey or otherwise dispose of all or a material portion of the assets of the Fund or the Partnership or any of the Fund's direct or indirect interests in Cineplex Galaxy LP or Cineplex Galaxy GP; (iii) adopt any plan or proposal to liquidate, dissolve or reorganize or seek relief under bankruptcy or insolvency laws; (iv) change the size of the board of the Fund, the Trust or Cineplex Galaxy GP or their respective subsidiaries; (v) change the Chief Executive Officer of Cineplex Galaxy GP or Cineplex Galaxy LP; (vi) take any action that would hinder the business of Cineplex Galaxy LP from being carried on in the ordinary course; (vii) take any action in contravention of a material agreement or obligation; or (viii) agree to do any of the foregoing. These consent rights are not transferable and if the LCE Group directly or indirectly sells its interests, or a portion thereof, in Cineplex Galaxy LP or the Fund, such that it owns less than 20% of the Units (on a fully-diluted basis), its approval rights will terminate, except that any member of the LCE Group may transfer their securities to another member of the LCE Group, together with such approval rights.

Amendments

The Securityholders Agreement provides that certain material agreements, including the Securityholders Agreement, the Cineplex Galaxy LP Partnership Agreement, the Services Agreement and the Fund Declaration of Trust, may only be amended with the approval of all of the shareholders of Cineplex Galaxy GP.

Withdrawal or Removal of Cineplex Galaxy GP

Cineplex Galaxy GP may resign on not less than 180 days' written notice to the limited partners of Cineplex Galaxy LP, provided that Cineplex Galaxy GP will not resign if the effect would be to dissolve Cineplex Galaxy LP.

Cineplex Galaxy GP may not be removed as general partner of Cineplex Galaxy LP unless: (i) Cineplex Galaxy GP has committed a material breach of the Cineplex Galaxy LP Partnership Agreement, which breach has continued for 30 days after notice, and that removal is also approved by special resolution of the limited partners of Cineplex Galaxy LP; or (ii) the shareholders or directors of Cineplex Galaxy GP pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding-up of Cineplex Galaxy GP, or Cineplex Galaxy GP commits certain other acts of bankruptcy or ceases to be a subsisting corporation, provided that certain other conditions are satisfied, including a requirement that a successor general partner with the same ownership and governance structure at the relevant time agrees to act as general partner under the Cineplex Galaxy LP Partnership Agreement.

Transfer

Members of the LCE Group may transfer their shares of Cineplex Galaxy GP (together with all rights under the Securityholders' Agreement), in whole or in part, only to any other member of the LCE Group. If any of the LP Units are exchanged for Units of the Fund and such Units are subsequently transferred to a person who is not a member of the LCE Group or are otherwise transferred to any person who is not a member of the LCE Group, a corresponding number of shares of Cineplex Galaxy GP shall be transferred to the Trust for nominal consideration.

TRUSTEES, DIRECTORS AND OFFICERS

The following table sets out, for each of the trustees of the Fund and directors and senior officers of Cineplex Galaxy GP, the person's name, municipality of residence, positions with the Fund (i.e., trusteeship) and Cineplex Galaxy GP (i.e. directorship and/or office) and principal occupation. The senior officers of Cineplex Galaxy GP hold the same offices in Cineplex Galaxy LP. The term of office for each of the trustees of the Fund (other than the trustee elected by the LCE Shareholders) expires at the time of the next annual meeting of Unitholders. The term of office for each of the directors expires at the time of the next annual meeting of securityholders of Cineplex Galaxy GP.

<u>Name and Municipality of Residence</u>	<u>Position</u>	<u>Principal Occupation</u>
Howard Beck..... Toronto, Ontario	Trustee, Director	Corporate Director
Bruce Birmingham..... Oakville, Ontario	Trustee, Director	Corporate Director
Travis Reid..... Upper Saddle River, New Jersey	Trustee, Director	President and Chief Executive Officer, Loews Cineplex Entertainment Corporation
Edward Sonshine.....	Trustee, Director	President and Chief

<u>Name and Municipality of Residence</u>	<u>Position</u>	<u>Principal Occupation</u>
Toronto, Ontario		Executive Officer, RioCan Real Estate Investment Trust
Anthony Munk..... New York, New York	Chairman of Cineplex Galaxy GP, Director	Managing Director, Onex Investment Corp.
Timothy Duncanson..... Toronto, Ontario	Director	Principal, Onex Corporation
Ellis Jacob..... Toronto, Ontario	Director, Chief Executive Officer	Chief Executive Officer, Cineplex Galaxy LP
Stephen Brown..... Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Cineplex Galaxy LP
Dan McGrath..... Toronto, Ontario	Executive Vice President	Executive Vice President, Cineplex Galaxy LP
Gord Nelson..... Toronto, Ontario	Senior Vice President, Finance and MIS	Senior Vice President, Finance and MIS, Cineplex Galaxy LP
Robert O'Brien..... Toronto, Ontario	Vice President, Human Resources	Vice President, Human Resources, Cineplex Galaxy LP

Under the terms of the Securityholders Agreement, the LCE Shareholders have the right to appoint a prescribed number of nominees to the board of directors of Cineplex Galaxy GP so long as the members of LCE Group own at least 5% of the Units (on a fully diluted basis). See “Cineplex Galaxy GP — Securityholders Agreement”.

Biographies

The following are brief profiles of the trustees of the Fund and the directors and officers of Cineplex Galaxy GP.

Howard L. Beck, Trustee of the Fund, Director. Mr. Beck is currently a director of, and advisor to, a number of public and private companies, including Barrick Gold Corporation, Citibank Canada, Masonite International Corporation and Trizec Canada Inc. Mr. Beck was a founding partner of the law firm Davies, Ward & Beck (currently, Davies, Ward, Phillips & Vineberg).

Bruce Birmingham, Trustee of the Fund, Director. Mr. Birmingham served as Past President of the Bank of Nova Scotia from March 2002 to March 2003 and as President of the Bank of Nova Scotia from 1995 to 2002. Mr. Birmingham has served on a number of boards of directors, including the Bank of Nova Scotia from 1992 to 2003, Luscar Coal Income Fund from 1996 to 2001 and is currently a director of Indigo Books & Music Inc.

Travis Reid, Trustee of the Fund, Director. Mr. Reid is currently the president and chief executive officer of Loews Cineplex Entertainment Corporation, and has been an officer of Loews Cineplex Entertainment Corporation or its predecessors since 1991. While Mr. Reid was an officer of Loews Cineplex Theatres, Inc., it instituted Chapter 11 bankruptcy proceedings in the U.S., from which it emerged in March 2002.

Edward Sonshine, Trustee of the Fund, Director. Mr. Sonshine is the president and chief executive officer of Riocan Real Estate Investment Trust, where he has been employed since 1995. Mr. Sonshine has also served as a trustee of Riocan Real Estate Investment Trust since 1993.

Anthony Munk, Chairman of the Board of Director of Cineplex Galaxy GP. Mr. Munk is currently a managing director of Onex Investment Corp., a subsidiary of Onex Corporation which is a Toronto based diversified company. Prior to joining Onex in 1988, Mr. Munk was a vice-president with First Boston Corporation in London, England. Mr. Munk serves on the boards of Loews Cineplex, Cineplex Odeon Corporation, Barrick Gold Corporation and CMC Electronics Holdings Inc.

Timothy Duncanson, Director. Mr. Duncanson is currently a principal of Onex Corporation. Prior to joining Onex in 1999, Mr. Duncanson was an associate in the mergers and acquisitions department of Lazard Freres & Co., LLC and was also an investment analyst with Mutual Asset Management Ltd. Mr. Duncanson holds the Chartered Financial Analyst designation. He currently serves on the board of Cineplex Odeon Corporation.

Ellis Jacob, Director and Chief Executive Officer. Mr. Jacob has 17 years experience in the motion picture exhibition industry. Prior to assuming his current position as Chief Executive Officer, Mr. Jacob was Chief Executive Officer and co-founder of Galaxy Entertainment Inc. Prior to founding Galaxy Entertainment Inc., Mr. Jacob represented Alliance Atlantis Communications Inc. as Integration Consultant from September 1998 to the summer of 1999. From 1987 to 1998, Mr. Jacob held various positions with Cineplex Odeon Corporation as Vice President, Finance, Chief Financial Officer, Executive Vice President and, ultimately, Chief Operating Officer.

Mr. Jacob is a member of the board of directors and audit committee of Alliance Atlantis Communications Inc., an integrated Canadian Entertainment company. He is also a director and audit committee member of the Toronto International Film Festival and is a director of Motion Picture Distribution Inc. and the Motion Picture Theatre Association of Canada.

Stephen Brown, Chief Financial Officer. Mr. Brown has been the Chief Financial Officer of Galaxy Entertainment Inc. since its inception in December 1998. Mr. Brown was one of the co-founders of Galaxy Entertainment Inc. and has played an integral role in the growth and development of Galaxy Entertainment Inc. From January 1990 until June 1998 Mr. Brown was employed in a number of different finance-related positions at Cineplex Odeon Corporation. The last position Mr. Brown held at Cineplex Odeon Corporation was Chief Financial Officer.

Dan McGrath, Executive Vice President. Mr. McGrath joined GEI in June 2000 as Executive Vice-President, responsible for the areas of operations, merchandising and marketing. From 1987 until 1994, Mr. McGrath held various financial roles within Cineplex Odeon Corporation. From 1994, Mr. McGrath held the position of Vice President, Operations for Canada and the United States. In 1998, Mr. McGrath was promoted to Senior Vice President, Operations.

Mr. McGrath is a director and Treasurer for both the Motion Picture Theatre Association of Canada and the Motion Picture Theatre Association of Ontario.

Gord Nelson, Senior Vice President, Finance and MIS. Mr. Nelson joined Cineplex Odeon Corporation in December 1988 and has held various financial roles. From March 2003 to present he has held the position of Senior Vice President and Chief Financial Officer of Cineplex Odeon Corporation. From May 2000 to March 2003 Mr. Nelson held the position of Senior Vice President, Finance and from May 1998 to May 2000 he held the position of Vice President and Controller of Cineplex Odeon Corporation. While Mr. Nelson was an officer of Cineplex Odeon Corporation, it instituted proceedings under the CCAA.

Robert O'Brien, Vice President, Human Resources. Mr. O'Brien joined Cineplex Odeon Corporation in October of 1998 as Director of Human Resources and was promoted to Vice President in August of 1999. Prior to joining Cineplex Odeon Corporation, Mr. O'Brien served for four years as the Vice President of Human Resources for Marks and Spencer Canada and he has extensive experience in the retail sector. While Mr. O'Brien was an officer of Cineplex Odeon Corporation, it instituted proceedings under the CCAA.

RISK FACTORS

Risks Related to the Partnership and the Film Exhibition Industry

Reliance on Film Production and Performance

The Partnership's ability to operate successfully depends upon the availability, diversity and appeal of films, the ability of the Partnership to license films and the performance of these films in the Partnership's markets. The Partnership licenses first-run films, the success of which is dependent upon their quality, as well as on the marketing efforts of film studios and distributors. Poor performance of these films, or any disruption in the production or release of films, including by reason of a strike or threat of a strike, or a reduction in the marketing efforts of film studios and distributors, would have a negative effect on film attendance and adversely affect the Partnership's business and results of operations. The Partnership's reliance each year on a small number of very successful films is a related risk which all film exhibitors face. From 2000–2003, revenues from six films in each year accounted for between 16% and 23% of the Partnership's revenues in each such year.

A significant portion of the film rental fees of the Partnership are based on a percentage of box office receipts with the percentage declining over the length of the film run. As films play out faster, with a higher proportion of the box office generated during the early weeks of release, this may adversely affect the Partnership's results of operations.

Increased Capital Expenses Resulting from the Development of Digital Technologies for Film Exhibition

The film exhibition industry is in the early stages of conversion from a physical film-based medium to an electronic medium of film exhibition. There are likely to be significant capital costs associated with the adoption of this technology by film exhibitors. There are a variety of constituencies whose responses to this anticipated change, individually or collectively, may significantly impact film exhibitors, including content providers, distributors, equipment providers and exhibitors. It is not possible to predict accurately how the roles and allocation of costs among various industry participants may change as the industry changes from a film-based medium to an electronic medium. If the conversion process rapidly accelerates, the Partnership may have to raise additional capital to finance the associated conversion costs. The additional capital necessary may not be available to the Partnership on attractive terms or at all.

Reliance on Key Personnel

The success of the Partnership depends upon the retention of senior management, including Ellis Jacob. There can be no assurance that the Partnership would be able to find qualified replacements for the individuals who make up its senior management team if their services were no longer available. The loss of services of one or more members of the senior management team could adversely affect the Partnership's business, results of operations and the Partnership's ability to effectively pursue its business strategy. The Partnership does not maintain key-man life insurance for any of its employees.

The Acquisition and Development of New Theatre Sites

The acquisition and development of new theatre sites to be operated by the Partnership is dependent on the ability of the Partnership to identify, acquire and develop suitable sites for potential theatre locations in both new and existing markets. The cost to develop a new theatre is substantial, but its success is not

assured. While the Partnership is careful in selecting sites for new theatres, the significant time lag from identifying a new site to theatre opening can result in a change in local market circumstances and could negatively impact the theatre's chance of success.

Impact of New Theatres

The opening of modern multiplex theatres by the Partnership and certain of its competitors has tended to, and is expected by management to continue to, draw audiences away from less appealing older theatres, including some owned or operated by the Partnership. The building of new theatres or the addition of screens to existing theatres by competitors in areas in which the Partnership operates theatres may result in reduced attendance levels at the Partnership's theatres. Reductions in cash flow at the individual theatre level could, in the aggregate, have a material adverse effect on the Partnership's business and distributable cash.

Alternative Film Delivery Methods and Other Forms of Entertainment

The Partnership competes with other film delivery vehicles, including cable and satellite television, DVDs and video cassettes, as well as pay-per-view services and downloads via the Internet. The release date of a film in other channels of distribution (such as pay television or DVD) is at the discretion of each distributor and earlier release windows for such alternative channels could have a negative impact on the Partnership's business and results of operations. The Partnership also competes for the public's leisure time and disposable income with other forms of entertainment, including sporting events, live music concerts, live theatre and restaurants. These alternative film delivery methods and other forms of entertainment could reduce attendance at the Partnership's theatres, limit the prices that the Partnership can charge for admission and materially adversely affect the Partnership's business and results of operations.

Unauthorized Copying of Films

Technological advances and the conversion of films into digital formats have made it easier to create, transmit and "share" high quality unauthorized copies of films in theatrical release. As a result, users may be able to download and distribute unauthorized or "pirated" copies of films over the Internet. In addition, there could be increased proliferation of devices capable of making unauthorized copies of films. As long as pirated content is available to download digitally, some consumers may choose to digitally download pirated films rather than attending a theatre. Management believes that this may be particularly true for patrons who would otherwise go to a first-run film more than once in the theatre. These technological advances and illegal distribution of films poses a threat to the film exhibition business and may have an adverse effect on the Partnership's business.

Rising Insurance and Labour Costs

The terrorist attacks on the United States in 2001 have resulted in significant increases in the cost of property and liability insurance, have made some insurance coverage available only on unfavourable terms or not at all and have resulted in significant increases in the deductible amount for liability insurance. In addition, the Partnership is unable to obtain property insurance coverage for damage resulting from terrorist attacks. Future increases in insurance costs, coupled with the increase in deductibles, will result in higher theatre operating costs and increased risk.

Approximately 84% of the employees of the Partnership are hourly workers whose compensation is based on the prevailing provincial minimum wages. Any increase in these minimum wages will increase employee related costs.

Occupancy Costs

The majority of the Partnership's theatres are subject to long term leases. In accordance with the terms of these leases, the Partnership is responsible for costs associated with utilities consumed at the theatre and property taxes associated with the theatre. The Partnership has no control over these costs and these costs have been increasing over the last number of years.

Ability to Generate Additional Ancillary Revenue

Management intends to continue to pursue ancillary revenue opportunities such as advertising, games, promotions and alternative uses of its theatres during non-peak hours. The Partnership's ability to achieve its business objectives may depend in part on its ability to successfully increase these revenue streams. Some of the Partnership's competitors have made significant capital investments in deploying a digital preshow exhibition capability, and the success of this delivery system could make it more difficult for the Partnership to compete for advertising revenues. There can be no assurance that the Partnership will be able to effectively generate additional ancillary revenues. The inability of the Partnership to do so, or to effectively compete with delivery systems developed by its competitors, could have an adverse effect on the Partnership's business and results of operations.

Competitive Environment

The Partnership competes in each of its local markets with other national and regional circuits and independent film exhibitors, particularly with respect to film licensing, attracting patrons and acquiring and developing new theatre sites and acquiring existing theatres.

In most competitive local markets, Famous Players Inc. is the Partnership's principal competitor. Famous Players accounted for approximately 45% of Canadian box office revenues for 2003 and is indirectly owned by Viacom, Inc., which also controls Paramount Pictures, a major producer and distributor of films. The relationship between Famous Players and Paramount Pictures has not prevented the Partnership from exhibiting films distributed by Paramount Pictures to date, but there is no assurance that this will be the case in the future.

Movie goers are generally not brand conscious and usually choose a theatre based on its location, the films showing, show times available and the theatre's amenities. As a result, the development of theatres by the Partnership's competitors in areas in which the Partnership operates may lead to reduced attendance at the Partnership's theatres. In addition, a change in consumer preferences or technology may cause increased competition or require the Partnership to make significant capital expenditures in order to compete effectively.

The Partnership's failure to compete effectively with its current or any future competitors could result in, among other things, reduced levels of attendance at the Partnership's theatres as well as reduced box office and ancillary revenues and could have a material adverse effect on the Partnership's financial condition and results of operation.

Relationships with Major Film Distributors

Nine major film distributors accounted for approximately 91% of the Partnership's box office revenues for 2003, which is consistent with industry standards. The Partnership depends on maintaining good relations with these distributors, as this affects its ability to negotiate commercially favourable licensing terms for first-run films or to obtain licenses at all. A deterioration in the Partnership's relationships with any of the major film distributors could affect its ability to negotiate film licenses on favourable terms or its ability to obtain commercially successful films, which could adversely affect the Partnership's business and results of operations.

Relationships with Primary Concession Suppliers

Substantially all of the Partnership's beverage concessions are products of a single major beverage company. If this relationship were disrupted, the Partnership would be forced to negotiate a substitute arrangement with a different supplier that could be less favourable to the Partnership than the current arrangement. Any such disruptions could therefore increase the cost of concessions and harm the Partnership's operating margins, which would adversely affect the Partnership's business and results of operation.

The Partnership relies on a single company for the distribution of a substantial portion of its concession supplies. If this distribution relationship were disrupted, the Partnership could be forced to negotiate a number of substitute arrangements with alternative distributors that could, in the aggregate, be less favourable to the Partnership than the current arrangement.

Landlord Lease Termination Rights

The leases for several of the Cineplex Odeon theatres which were renegotiated during COC's restructuring provide both the tenant and the landlord the right to terminate the lease by providing notice, in some cases only upon the occurrence of certain events beyond the Partnership's control. A decision by the landlords at some or all of these theatres to terminate these leases could, in the aggregate, have a material adverse effect on the Partnership's Distributable Cash.

Reliance on Consumer Spending

The Partnership is dependent on consumers to spend discretionary funds on leisure activities. Movie theatre attendance may be affected by prolonged, negative trends in the general economy that adversely affect consumer spending. Any reduction in consumer confidence or disposable income in general may affect theatre attendance or severely impact the motion picture production industry, which, in turn, could adversely affect the Partnership's business and results of operations. In addition, if the Partnership is too aggressive in raising ticket prices or concession prices, there may be an adverse effect on attendance and concession revenues.

Reliance on Management Information Systems

Management depends heavily on management information systems to analyze operating performance on a regular basis. Pursuant to the Services Agreement, COC provides the Partnership with such systems. If these systems failed or became obsolete, the Partnership may be adversely affected.

Risks Related to the Structure of the Fund

Dependence on the Trust and the Partnership

The Fund is an unincorporated open-ended, limited purpose trust which is entirely dependent on the operations and assets of the Partnership through the Trust's ownership of 40.8% of the LP Units. Cash distributions to Unitholders are dependent on, among other things, the ability of the Trust to pay interest on the Trust Notes and to make cash distributions in respect of the Trust Units, which, in turn, is dependent on the Partnership making cash distributions and the ability of GEI to pay interest on the Galaxy Notes. The ability of the Partnership, GEI or the Trust to make cash distributions or other payments or advances is subject to applicable laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of those entities.

Cash Distributions Are Not Guaranteed and Will Fluctuate with the Business Performance

Although the Fund intends to distribute the interest received in respect of the Trust Notes and the cash distributions received in respect of the Trust Units, less expenses and amounts, if any, paid by the Fund in

connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by the Partnership's business or ultimately distributed to the Fund. The ability of the Fund to make cash distributions, and the actual amount distributed, is entirely dependent on the operations and assets of the Partnership, and is subject to various factors including the Partnership's financial performance, its obligations under applicable credit facilities, fluctuations in its working capital, the sustainability of its margins and its capital expenditure requirements. The market value of the Units may deteriorate if the Fund is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Nature of Units

Securities like the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the business of the Partnership and should not be viewed by investors as direct securities of Cineplex Galaxy LP or its subsidiaries. As holders of Units, Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions or rights of dissent. The Units represent a fractional interest in the Fund. The Fund's primary assets are the Trust Units and Trust Notes. The price per Unit is a function of anticipated distributable income.

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporations Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Distribution of Securities on Redemption or Termination of the Fund

Upon termination of the Fund, the Trustees may distribute the Trust Notes and Trust Units directly to the Unitholders, subject to obtaining all required regulatory approvals. Upon redemption of Units, the Trustees may distribute the Trust Notes directly to Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the Trust Notes and the Trust Units. In addition, Trust Notes and the Trust Units are not freely tradeable or listed on any stock exchange. See "Description of the Fund — Term of the Fund" and "Description of the Fund — Redemption at the Option of Unitholders". Securities so distributed may not be qualified investments for trusts governed by Plans, depending on the circumstances at the time.

Unitholder Liability

The Fund Declaration of Trust provides that no Unitholder is subject to any liability whatsoever to any person in connection with a holding of Units. However, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Fund Declaration of Trust, for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. The affairs of the Fund are conducted to minimize such risk wherever possible.

Dilution of Existing Unitholders and Limited Partnership Unit Holders

The Fund Declaration of Trust authorizes the Fund to issue an unlimited number of Units for that consideration and on those terms and conditions as shall be established by the Trustees without the approval of any Unitholders. The Unitholders do not have pre-emptive rights in connection with such further issues. Additional Units will be issued by the Fund in connection with the indirect exchange of the Class B LP Units. In addition, Cineplex Galaxy LP is permitted to issue additional LP Units for any consideration and on any terms and conditions.

Control of the Partnership

Pursuant to the Securityholders Agreement, the LCE Shareholders is entitled to appoint four of the seven directors on the Board of Cineplex Galaxy GP for so long as the LCE Group owns, directly or indirectly, not less than 30% of the Units (on a fully diluted basis). See “Material Agreements — Securityholders Agreement” for a description of the LCE Group’s board representation rights. These board representation rights are not transferable outside of the LCE Group. As a result of their board representation rights, the LCE Shareholders, for so long as the LCE Group owns not less than 30% of the Units (on a fully diluted basis), control the board of Cineplex Galaxy GP, which allows them to exercise significant control over certain corporate transactions submitted to the Board of Cineplex Galaxy GP for approval.

For so long as the LCE Group owns, directly or indirectly, not less than 20% of the Units (on a fully diluted basis), the LCE Shareholders have certain limited veto rights with respect to certain matters relating to Cineplex Galaxy LP and certain of its related entities, which allows the LCE Shareholders to exercise significant control over certain corporate transactions. These veto rights are not transferable outside the LCE Group. In addition, the LCE Shareholders have consent rights respecting amendment to certain material agreements entered into by Cineplex Galaxy LP and certain of its affiliates. See “Material Agreements — Securityholders Agreement”.

The interests of the LCE Shareholders may conflict with those of other Unitholders.

Leverage and Restrictive Covenants

The ability of the Trust and the Partnership to make distributions, pay dividends or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those entities (including the Partnership’s credit facilities). The degree to which the Partnership is leveraged could have important consequences to the Unitholders including: the Partnership’s ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; a significant portion of the Partnership’s cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; certain of the Partnership’s borrowings are at variable rates of interests, which exposes the Partnership to the risk of increased interest rates; and the Partnership may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors may increase the sensitivity of distributable cash to interest rate variations.

The Partnership’s current credit facilities contain numerous restrictive covenants that limit the discretion of the Partnership’s management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of the Partnership to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, such credit facilities contain a number of financial covenants that require the Partnership to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the Partnership’s credit facilities could result in a default which, if not cured or waived, could result in a termination of distributions by the Partnership and permit acceleration of the relevant indebtedness. If the indebtedness under the Partnership’s current credit facilities were to be accelerated, there can be no assurance that the assets of the Partnership would be sufficient to repay in full that indebtedness. In addition, the Partnership’s current credit facilities mature no later than the third anniversary thereof. There can be no assurance that future borrowings or equity financing will be available to the Partnership, or available on acceptable terms, in an amount sufficient to fund the Partnership’s needs.

Future Sales of Units by the Investors

The Investors hold in aggregate approximately 59.2% of the outstanding LP Units of Cineplex Galaxy LP which, pursuant to the Exchange Agreement, can be exchanged at any time, subject to certain conditions,

thereby causing the issuance of additional Units. The Investors have also been granted certain registration rights by the Fund. See “Cineplex Galaxy LP — Exchange Agreement”. If COC sells substantial amounts of Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

Income Tax Matters

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Units.

Interest on the Trust Notes accrues at the Fund level for Canadian federal income tax purposes, whether or not actually paid. The Fund Declaration of Trust provides that a sufficient amount of the Fund's net income and net realized capital gains will be distributed each year to Unitholders in order to eliminate the Fund's liability for tax under Part 1 of the Tax Act. Where such amount of net income (including interest on the Trust Notes) and net realized capital gains of the Fund in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, in circumstances when they do not directly receive a cash distribution.

Restrictions on Potential Growth

The payout by the Partnership of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of the Partnership and its cash flow.

Restrictions on Certain Unitholders and Liquidity of Units

The Fund Declaration of Trust imposes various restrictions on Unitholders. Non-resident Unitholders are prohibited from beneficially owning more than 49.9% of Units (on a non diluted and a fully diluted basis). These restrictions may limit (or inhibit the exercise of) the rights of certain Unitholders, including non-residents of Canada and U.S. persons, to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units held by the public.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE FUND

The Fund did not hold any material assets until November 26, 2003 when it acquired an indirect 36.8% interest in Cineplex Galaxy LP. On December 24, 2003 this ownership was increased to 40.8% when the underwriters exercised their over-allotment option. Cineplex Galaxy LP did not hold any material assets until November 26, 2003, when it acquired substantially all the theatre assets of COC and Cineplex Odeon (Quebec) Inc. and all of the shares of GEI from the Investors.

The following table includes selected consolidated financial information of the Fund (in thousands of Canadian dollars except per Unit amounts):

	For the Period from October 2 to December 31, 2003
Revenue	4,046
Net Income.....	4,046
Net Income per Unit (Basic).....	0.23

**For the Period from October 2
to December 31, 2003**

Net Income per Unit (Fully diluted)	0.22
Long-Term Debt	—
Unitholders' Equity.....	195,877
Total Assets	198,506

More detailed financial information is set out in the audited financial statements, and the related notes thereto as at and for the period ended December 31, 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to Management's Discussion and Analysis of Financial Condition and Results from Operations for the period ended December 31, 2003 included in the Fund's 2003 annual report at pages 10 to 21, which is incorporated by reference herein.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF CINEPLEX GALAXY LP

The following table sets out selected consolidated financial information for Cineplex Galaxy LP (or its predecessors) for the periods indicated.

	<u>Fiscal 2003</u>	<u>Fiscal 2002⁽¹⁾</u>
Total Revenues.....	\$333,823	\$324,301
Net Income.....	39,346	399,848
EBITDA.....	64,597	421,200
Adjusted EBITDA	60,809	53,486
Total Assets.....	318,183	299,896
Total Long Term Financial Liabilities.....	351,686	199,471

Note:

(1) Includes the results of COC and GEI for the period from January 1, 2002 through December 31, 2002.

More detailed financial information is set out in the Cineplex Galaxy LP's audited financial statements as the related notes thereto as at and for the period ended December 31, 2003.

DEFINITION OF EBITDA AND ADJUSTED EBITDA

References to "EBITDA" are to earnings before interest, income taxes and amortization. References to "Adjusted EBITDA" are to EBITDA adjusted for certain items that management believes facilitate the comparison of historical periods. Adjusted EBITDA: (i) excludes costs incurred in connection with COC's reorganization, (ii) excludes gains realized in the extinguishment of certain indebtedness in connection with COC's reorganization, (iii) excludes the effect of restructuring charges, (iv) excludes foreign currency exchange effects which the Partnership does not expect to continue to incur, and (v) excludes gains on disposal of certain theatre assets. All of such adjustments are based on historical information or contractual commitments.

Because the Fund distributes substantially all of its cash on an on-going basis (after providing for certain amounts described elsewhere in this Annual Information Form), management believes that EBITDA and Adjusted EBITDA are important measures in evaluating the performance of the Partnership. Specifically, management believes that Adjusted EBITDA is the appropriate measure from which to make adjustments to determine the Distributable Cash of the Fund.

EBITDA and Adjusted EBITDA are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as indicators of the Partnership's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

DISTRIBUTIONS

The following table sets for the date of payment per Unit and the total amount of the distributions paid by the Fund on the Units from inception:

Date	Per Unit	Total⁽²⁾
January 30, 2004	\$0.1118 ⁽¹⁾	\$5,318,000
February 27, 2004	\$0.0958	\$4,557,000
March 31, 2004	\$0.0958	\$4,557,000

Notes:

- (1) Includes distributions for the period from November 26, 2003, the IPO Closing, to December 31, 2003.
- (2) Includes distributions made to holders of Class B LP Units of Cineplex Galaxy LP.

MARKET FOR SECURITIES

The outstanding Units of the Fund are listed for trading on the Toronto Stock Exchange under the symbol CGX.UN.

GLOSSARY OF TERMS

“**Board**” means the board of directors of Cineplex Galaxy GP;

“**CCAA**” means the *Companies’ Creditors Arrangement Act*;

“**CDS**” means the Canadian Depositary for Securities Limited;

“**Cineplex Galaxy GP**” means Cineplex Galaxy General Partner Corporation;

“**Cineplex Galaxy LP**” means Cineplex Galaxy Limited Partnership;

“**Cineplex Galaxy LP Partnership Agreement**” means the Cineplex Galaxy LP limited partnership agreement, as it may be amended, supplemented or restated from time to time;

“**Class A LP Units**” means the Class A limited partnership units of Cineplex Galaxy LP;

“**Class B LP Units**” means the Class B limited partnership units of Cineplex Galaxy LP;

“**COC**” means Cineplex Odeon Corporation;

“**Distributable Cash**” means the estimated cash available for distribution;

“**EBITDA**” means earnings before interest, income taxes and amortization;

“**Fund**” means Cineplex Galaxy Income Fund;

“**Fund Declaration of Trust**” means the declaration of trust dated October 2, 2003, pursuant to which the Fund is established, as it may be amended, supplemented or restated from time to time;

“**GAAP**” means generally accepted accounting principles in Canada;

“**GEI**” prior to the IPO Closing, means Galaxy Entertainment Inc. and, subsequent to the IPO Closing, means Galaxy Entertainment Inc., the corporation resulting from the amalgamation of Galaxy Entertainment Inc. and Cineplex Galaxy Acquisition Inc.;

“**Galaxy Investors**” means the persons who were, immediately prior to the IPO Closing, shareholders of GEI;

“**Galaxy Notes**” means the indebtedness of GEI to the Trust;

“**IPO**” means the initial public offering of Units by the Fund;

“**IPO Closing**” means the closing of the IPO;

“**Investors**” means COC, Cineplex Odeon (Quebec) Inc. and the Galaxy Investors;

“**LCE Group**” means Loews Cineplex and (i) any person or entity who, on the IPO Closing, controlled or was controlled by Loews Cineplex, directly or indirectly, and (ii) any successor by merger, amalgamation, combination or otherwise of any of the foregoing, and (iii) any person or entity controlled by any of the foregoing; and notwithstanding any sale, transfer or change of control of Loews Cineplex or LCT following the IPO Closing;

“**LCE Shareholders**” means the members of the LCE Group that own shares of Cineplex Galaxy GP from time to time;

“**LCT**” means Loews Cineplex Theatres, Inc., currently a wholly-owned subsidiary of Loews Cineplex;

“**Loews Cineplex theatre group**” means Loews Cineplex, its subsidiaries and entities under common control (including Grupo Cinemex, S.A. de C.V. which is currently owned by Onex Corporation and OCM Cinema Holdings, LLC but is intended to be contributed by them to Loews Cineplex;

“**LP Units**” means the limited partnership until of Cineplex Galaxy LP, including the Class A LP Units and the Class B LP Units;

“**modern multiplex theatre**” means a theatre built or refurbished in the last seven years which features at least six screens per theatre, stadium seating, digital sound and enhanced concessions;

“**Ordinary Resolution**” means a resolution passed by a majority of the votes cast at a meeting of the Unitholders;

“**Partnership**” means Cineplex Galaxy LP, together with its general partner and subsidiaries, and includes, for the periods prior to the IPO Closing, the businesses of COC, Cineplex Odeon (Quebec) Inc. and GEI acquired by Cineplex Galaxy LP in connection with the IPO, together with their respective subsidiaries and their respective predecessors;

“**Redemption Date**” shall have the meaning ascribed thereto under “Description of the Fund – Redemption at the Option of Unitholders”;

“**Securityholders Agreement**” means the unanimous shareholders agreement dated November 26, 2003 between the Fund, the Trust, Cineplex Galaxy LP, Cineplex Galaxy GP and certain of the Investors, as the same may be amended, supplemented or restated from time to time;

“**Series 1 Trust Notes**” means the series 1 notes of the Trust issued under the Trust Note Indenture;

“**Series 2 Trust Notes**” means the series 2 notes of the Trust issued under the Trust Note Indenture;

“**Series 3 Trust Notes**” means the series 3 notes of the Trust issued under the Trust Note Indenture;

“**Services Agreement**” means the services agreement dated November 26, 2003 between COC, the Trust, Cineplex Galaxy LP, Cineplex Galaxy GP and GEI, as the same may be amended, supplemented or restated from time to time;

“**Special Resolution**” means a resolution passed by the affirmative vote of the holders of not less than 66 2/3% of the Units who voted in respect of that resolution at a meeting at which a quorum was present or a resolution or instrument signed in one or more counterparts by the holders of not less than 66 2/3% of the Units entitled to vote on such resolution;

“**Support Arrangements**” shall have the meaning ascribed thereto under “Support Arrangements”;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder;

“**Trust**” means Cineplex Galaxy Trust;

“**Trust Declaration of Trust**” means the declaration of trust dated November 12, 2003 pursuant to which the Trust was established, as the same may be amended, supplemented or restated from time to time;

“**Trustee**” or “**Trustees**” means the trustees of the Fund or any one of them;

“**Trust Note Indenture**” means the note indenture dated November 26, 2003 between the Trust and CIBC Mellon Trust Company governing the Trust Notes;

“**Trust Notes**” means, collectively, the Series 1 Trust Notes, Series 2 Trust Notes and Series 3 Trust Notes of the Trust;

“**Trust Units**” means units of the Trust;

“**Unitholders**” means the holders of Units; and

“**Units**” means units of the Fund.

ADDITIONAL INFORMATION

Upon request to the Secretary of Cineplex Galaxy GP at the address listed below:

- (a) When the Fund is in the course of a distribution of its securities pursuant to a short form prospectus or when a preliminary short form prospectus has been filed in respect of a distribution of its securities:
 - (i) one copy of this annual information form together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form;
 - (ii) one copy of the financial statements of the Fund for its most recently completed financial year together with the accompanying report of the auditors and one copy of any interim financial statements of the Fund subsequent to the most recently completed financial year;
 - (iii) one copy of the information circular of the Fund in respect of its most recent annual meeting of Unitholders that involved the election of Trustees; and
 - (iv) one copy of any other document that is incorporated by reference into the short form prospectus or the preliminary short form prospectus and that is not required to be provided under (i), (ii) or (iii) above;
- (b) At any other time, one copy of any other document referred to in (a), (i), (ii) or (iii) above, provided that the Fund may require the payment of a reasonable charge if the request is made by a person who is not a securityholder of the Fund.

For additional copies of this Annual Information Form and the materials listed in the preceding paragraph, please contact:

Cineplex Galaxy Limited Partnership
1303 Yonge Street, Suite 300
Toronto, Ontario M4T 2Y9

Attention: Secretary
Telephone: (416) 323-6600
Fax: (416) 323-6603