



**MANAGEMENT INFORMATION CIRCULAR**

*Annual Meeting of Unitholders of*

**CINEPLEX GALAXY INCOME FUND**

**To be held on May 13, 2009**

**March 31, 2009**

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## NOTICE OF ANNUAL MEETING OF UNITHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting (the “**Meeting**”) of the holders (the “**Unitholders**”) of trust units of Cineplex Galaxy Income Fund (the “**Fund**”) will be held at 10:30 a.m. Eastern Standard Time on May 13, 2009 at the Scotiabank Theatre, 259 Richmond Street West, Toronto, Ontario, for the following purposes:

- (a) to receive the Fund’s consolidated financial statements for the period ended December 31, 2008 and the report of the auditors thereon;
- (b) to elect trustees for the coming year;
- (c) to appoint PricewaterhouseCoopers LLP as auditors of the Fund for the coming year and to authorize the trustees to fix the remuneration to be paid to the auditors; and
- (d) to transact such other business as may properly come before the Meeting and any and all adjournments thereof.

The accompanying Management Information Circular provides additional information relating to matters to be dealt with at the Meeting and forms part of this Notice of Annual Meeting of Unitholders.

DATED at Toronto, Ontario this 31st day of March, 2009.

By Order of the Trustees

*“Ellis Jacob”*

President and Chief Executive Officer

Note: If you are a Unitholder and you are not able to be present at the meeting, please exercise your right to vote by signing and returning the enclosed form of proxy to CIBC Mellon Trust Company so as to arrive not less than 48 hours before the time set for the holding of the Meeting or any adjournment or postponement thereof (excluding Saturdays, Sundays and holidays) before any reconvened meeting or to be deposited with the Chairman of the Meeting prior to the commencement of the Meeting or to any reconvened meeting. The enclosed form of proxy may be returned by facsimile to (416) 368-2502, or by mail (a) in the enclosed envelope, or (b) in an envelope addressed to Cineplex Galaxy Income Fund, c/o Proxy Department, CIBC Mellon Trust Company, P.O. Box 721, Agincourt, Ontario, M1S 0A1, or (c) deposited by hand with CIBC Mellon Trust Company, attention: Proxy Department, 320 Bay Street, Banking Hall Level, Toronto, Ontario. The Trustees of the Fund have fixed the record date for the Meeting as April 1, 2009 (the “**Record Date**”). Only Unitholders of record at the close of business on the Record Date will be entitled to notice of the Meeting or an adjournment thereof.

# **CINEPLEX GALAXY INCOME FUND**

## **MANAGEMENT INFORMATION CIRCULAR**

This information circular is furnished in connection with the solicitation by the trustees (the “**Trustees**”) of Cineplex Galaxy Income Fund (the “**Fund**”) of proxies to be used at the annual meeting (the “**Meeting**”) of holders (the “**Unitholders**”) of trust units (the “**Units**”) to be held on May 13, 2009 at the Scotiabank Theatre, 259 Richmond Street West, Toronto, Ontario, commencing at 10:30 a.m. Eastern Standard Time, and at all postponements or adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting. All dollar amounts in this information circular are expressed in Canadian dollars, unless otherwise indicated. The information contained herein is given as at March 31, 2009, except where otherwise noted.

## **THE FUND**

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario, which on March 31, 2009 indirectly owned approximately 97% of the limited partnership units (“**LP Units**”) of Cineplex Entertainment Limited Partnership (“**Cineplex Entertainment LP**”) (excluding the Class C LP Units that are designed to indirectly fund payments on the convertible unsecured subordinated debentures of the Fund) and approximately 77% of the outstanding shares of Cineplex Entertainment Corporation (“**Cineplex Entertainment GP**”).

## **Administration Agreement**

The Fund, Cineplex Galaxy Trust (the “**Trust**”) and Cineplex Entertainment LP are party to an administration agreement (the “**Administration Agreement**”) dated November 26, 2003. Under the terms of the Administration Agreement, Cineplex Entertainment LP has agreed to provide (for no consideration) all administrative and support services required by the Fund and the Trust, including (without limitation) those necessary to: (i) ensure compliance by the Fund with continuous disclosure obligations under applicable securities legislation; (ii) provide investor relations services; (iii) provide or cause to be provided to Unitholders all information with respect to income taxes; (iv) call and hold meetings of Unitholders and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings; (v) provide for the calculation of distributions to Unitholders; (vi) attend to all administrative and other matters arising in connection with any redemption of Units; (vii) ensure compliance with the Fund’s limitations on non-resident ownership; and (viii) assist the Fund’s Trustees in making all determinations necessary for the discharge of their obligations under the Fund’s Declaration of Trust. The Administration Agreement also provides that Cineplex Entertainment LP shall assume and pay for any expenses incurred by the Fund or the Trust.

The Administration Agreement has a term of 25 years, although the Fund and the Trust may extend the term of the agreement for two additional ten-year periods by providing Cineplex Entertainment LP with 30 days written notice of such extension. The Administration Agreement may be terminated by any of the parties in the event of the insolvency or receivership of another party, or in the case of default by one of the other parties in the performance of a material obligation of the Administration Agreement (other than as a result of the occurrence of a force majeure event) which is not remedied within 30 days after written notice thereof has been delivered.

## **PROXY SOLICITATION AND VOTING**

### **Solicitation of Proxies**

The solicitation of proxies for the Meeting will be made primarily by mail, but proxies may also be solicited personally or by telephone on behalf of the Fund. Cineplex Entertainment LP will bear the total cost in respect of the solicitation of proxies for the Meeting and will bear the legal, printing and other costs associated with the preparation of this information circular.

### **Appointment and Revocation of Proxies**

Together with this information circular, the Unitholders of the Fund will also be sent a form of proxy. The persons named in such proxy form as persons to vote on behalf of you as a Unitholder are representatives of the Fund. A Unitholder who wishes to appoint some other person to represent him or her at the Meeting may do so by crossing out the person named in the enclosed proxy and inserting such person's name in the blank space provided in the form of proxy or by completing another form of proxy. Such other person need not be a Unitholder of the Fund.

To be valid, proxies must be deposited at the offices of CIBC Mellon Trust Company, Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1, or by facsimile to (416) 368-2502 (or toll free facsimile within North America to (866) 368-2502), or deposited by hand with CIBC Mellon Trust Company, attention: Proxy Department, 320 Bay Street, Banking Hall Level, Toronto, Ontario so as not to arrive later than 10:30 a.m. Eastern Standard Time on May 11, 2009, or be deposited with the Chair of the Meeting prior to the commencement of the Meeting. If the Meeting is adjourned, proxies must be deposited 48 hours (excluding Saturdays, Sundays and holidays) before the time set for any reconvened meeting at which the proxy is to be used, or be deposited with the Chair prior to the commencement of the Meeting or any reconvened meeting.

The document appointing a proxy must be in writing and completed and signed by a Unitholder or his or her attorney authorized in writing or, if the Unitholder is a corporation, by a duly authorized officer or attorney thereof. Persons signing as officers, attorneys, executors, administrators, trustees, etc., should so indicate and may be asked to provide satisfactory evidence of such authority.

A Unitholder who has given a proxy may revoke the proxy: (a) by completing and signing a proxy bearing a later date and depositing it as set forth above; (b) by depositing an instrument in writing executed by the Unitholder or by his or her attorney authorized in writing: (i) at the registered office of the Fund at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, at which the proxy is to be used; or (ii) with the Chair of the Meeting prior to the commencement of such Meeting on the day of such Meeting or any adjournment thereof; or (c) in any other manner permitted by law.

### **Voting of Proxies**

The persons named in the accompanying form of proxy will vote Units in respect of which they are appointed, on any ballot that may be called for, in accordance with the instructions of the Unitholder as indicated on the proxy. In the absence of such specification, such Units will be voted: **(a) FOR the election of each of the nominees to the board of Trustees listed under the heading "Matters to be Considered at the Meeting – Election of Trustees"; and (b) FOR the appointment of PricewaterhouseCoopers LLP as auditors of the Fund.**

The persons appointed under the accompanying form of proxy are conferred with discretionary authority with respect to amendments or variations of matters identified in the form of proxy and Notice of Meeting and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting, it is the intention of the persons designated in the enclosed form of proxy to vote in accordance with their best judgment on such matter or business. At the date of this information circular, the Trustees knew of no such amendments, variations or other matter.

### **QUORUM**

A quorum is required for the Meeting. For the Meeting, 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. If a quorum is not present within 30 minutes after the time fixed for the holding of the Meeting, the Meeting will stand adjourned to a day not less than 14 days later and to a place and time as chosen by the Chair of the Meeting, and if at such adjourned meeting a quorum is not present, the holders of Units present either in person or by proxy shall be deemed to constitute a quorum.

## INFORMATION FOR BENEFICIAL HOLDERS OF SECURITIES

**Information set forth in this section is very important to persons who hold Units otherwise than in their own names.** A non-registered Unitholder (a “**Beneficial Holder**”) who beneficially owns Units, but such Units are registered in the name of an intermediary (such as a securities broker, financial institution, trustee, custodian or other nominee who holds Units on behalf of the Unitholder or in the name of a clearing agency in which the intermediary is a participant) should note that only proxies deposited by Unitholders whose names are on the records of the Fund as the registered holders of Units can be recognized and acted upon at the Meeting.

Units that are listed in an account statement provided to a Unitholder by a broker are probably not registered in the Unitholder’s own name on the records of the Fund; such Units are more likely registered in the name of the Unitholder’s broker or an agent of the broker.

Applicable regulatory policy in Canada requires brokers and other intermediaries to seek voting instructions from Beneficial Holders in advance of Unitholders’ meetings. Every broker or other intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Holders in order to ensure that their Units are voted at the Meeting. Often the form of proxy supplied to a Beneficial Holder by its broker is identical to that provided to registered Unitholders. However, its purpose is limited to instructing the registered Unitholder how to vote on behalf of the Beneficial Holder. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications (“**Broadridge**”). Broadridge typically prepares a voting instruction form (a “**Voting Form**”) that it mails to the Beneficial Holders and asks Beneficial Holders to return the Voting Form directly to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions representing the voting of Units to be represented at the Meeting. A Beneficial Holder receiving a Voting Form cannot use that Voting Form to vote Units directly at the Meeting. The Voting Form must be returned to Broadridge well in advance of the Meeting to have the Units voted.

Although Beneficial Holders may not be recognized directly at the Meeting for purposes of voting Units registered in the name of their broker or other intermediary, a Beneficial Holder may attend at the Meeting as proxyholder for the registered holder and vote their Units in that capacity. Beneficial Holders who wish to attend the Meeting and indirectly vote their own Units as proxyholder for the registered holder should enter their own names in the blank space on the Voting Form provided to them and return same to Broadridge or their broker or other intermediary (or agent of such broker or other intermediary) in accordance with the instructions provided on the Voting Form well in advance of the Meeting.

## VOTING UNITS AND PRINCIPAL HOLDERS THEREOF

The Fund is authorized to issue an unlimited number of Units. As at March 31, 2009, there were 55,400,035 Units outstanding. The sole beneficiaries of the Fund are the Unitholders. Pursuant to the Declaration of Trust of the Fund, Unitholders of record at the Record Date are entitled to notice of and to attend the Meeting in person or by proxy, and to one vote per Unit on any poll vote at the Meeting.

At the Meeting, each Unitholder of record at the close of business on April 1, 2009, the record date established for the notice of the meeting (the “**Record Date**”), will be entitled to one vote for each Unit held on all matters proposed to come before the Meeting.

Concurrent with the closing of the initial public offering of the Fund on November 26, 2003, the Fund, Cineplex Galaxy Trust, Cineplex Entertainment LP, Cineplex Entertainment GP and certain investors in businesses acquired by the Fund on such date entered into an exchange agreement (the “**Exchange Agreement**”). Pursuant to the Exchange Agreement, as amended, holders of Class B LP Units, holders of Class D LP Units and holders of CELP 2007 Class B LP Units have the right at any time to indirectly exchange their Class B LP Units, Class D LP Units or CELP 2007 Class B LP Units for Units on a one-for-one basis, subject to certain adjustments and restrictions. As at March 31, 2009, there were 1,750,652 Class B LP Units and no further Class D LP Units or CELP 2007 Class B LP Units outstanding which may be so exchanged.

Onex Corporation (“**Onex**”) beneficially owns or controls, directly or indirectly, an aggregate of 12,708,556 Units of the Fund and 1,471,938 Class B LP Units of Cineplex Entertainment LP exchangeable for Units of the Fund,

representing approximately 22.9% of the Units of the Fund that are outstanding and 22.6% of the Units of the Fund that are outstanding on a fully-diluted basis (assuming the exchange of all outstanding units of Cineplex Entertainment LP and the conversion of all outstanding convertible debentures of the Fund). To the knowledge of the Trustees, other than as discussed herein regarding Onex Corporation, no person beneficially owns or exercises control or direction over securities carrying more than 10% of the votes attached to the issued and outstanding Units.

## **MATTERS TO BE CONSIDERED AT THE MEETING**

### **Financial Statements**

The annual report, the financial statements of the Fund for the period ended December 31, 2008 and the Auditors' Report thereon accompanying this information circular will be placed before the Unitholders at the Meeting. No formal action will be taken at the Meeting to approve the financial statements, the requirements of the Declaration of Trust having been satisfied by their advance circulation to Unitholders. If any Unitholder has questions regarding such financial statements, such questions may be brought forward at the Meeting.

### **Election of Trustees**

#### *Trustees of the Fund*

The Fund is administered by its Board of Trustees (the "**Fund Board**"). The Fund is required to have a minimum of three Trustees and a maximum of ten Trustees. The number of Trustees has currently been fixed by the Fund Board at five. Trustees will be appointed at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting.

The Fund Board has adopted a majority voting policy in trustee elections that will apply at any meeting of Fund unitholders where an uncontested election of trustees is held. Pursuant to this policy, if the number of proxy votes withheld for a particular trustee nominee is greater than the votes for such trustee, the trustee nominee will be required to submit his or her resignation to the Chairman of the Board promptly following the Fund's annual meeting. Following receipt of resignation, the Compensation, Nominating and Corporate Governance Committee of Cineplex Entertainment GP (the "**CNCG Committee**") will consider whether or not to accept the offer of resignation. With the exception of special circumstances, the CNCG Committee of Cineplex Entertainment GP will be expected to recommend that the Fund Board accept the resignation. Within 90 days following the Fund's annual meeting, the Fund Board will make its decision and disclose it by a press release, such press release to include the reasons for rejecting the resignation, if applicable. A trustee who tenders his or her resignation pursuant to this majority voting policy will not be permitted to participate in any meeting of the Fund Board or the CNCG Committee of Cineplex Entertainment GP at which the resignation is considered.

The table set forth below identifies the names of, and certain information for, the persons proposed to be nominated for election by Unitholders as Trustees, each of whom is an independent in that neither he nor she has any direct or indirect relationship with the Fund or Cineplex Entertainment LP which could, in the view of the Board, be reasonably expected to interfere with the exercise of that individual's independent judgment.

Name, Principal Occupation and Residence	Age	Date Appointed as a Trustee	Units Beneficially Owned or Over Which Control or Direction is Exercised <sup>(1)</sup>	Value of Units Beneficially Owned or Controlled <sup>(3)</sup>
Howard Beck <sup>(2)</sup> Corporate Director Ontario, Canada	76	October 2003	10,000	\$141,300
Joan Dea <sup>(2)</sup> Corporate Director Ontario, Canada	45	November 2006	0	\$0
Krystyna Hoeg Corporate Director Ontario, Canada	59	August 2006	1,000	\$14,130

Name, Principal Occupation and Residence	Age	Date Appointed as a Trustee	Units Beneficially Owned or Over Which Control or Direction is Exercised <sup>(1)</sup>	Value of Units Beneficially Owned or Controlled <sup>(3)</sup>
Robert Steacy <sup>(2)</sup> Corporate Director Ontario, Canada	59	May 2005	5,000	\$70,650
Phyllis Yaffe <sup>(2)</sup> Corporate Director Ontario, Canada	60	February 2008	1,000	\$14,130

**Notes:**

- (1) The information as to Units beneficially owned, directly or indirectly, including by associates or affiliates, not being within the knowledge of the Fund, has been furnished by the respective nominees.
- (2) Member of the Audit Committee of the Fund Board.
- (3) Represents the total value of the Units beneficially owned by the noted nominee as at the close of trading on March 31, 2009.

Set out below is a brief profile for each of the persons nominated for election as Trustee.

**Howard L. Beck.** Mr. Beck is currently a director of Barrick Gold Corporation and Citibank Canada. He also acts as an advisor to a number of private companies and sits on the Audit Committee for Citibank Canada. Mr. Beck was a founding partner of the law firm Davies, Ward & Beck (currently, Davies, Ward, Phillips & Vineberg LLP).

**Joan Dea.** Until late 2008, Ms. Dea was the Executive Vice President, Head of Strategic Management and Corporate Marketing for BMO Financial Group and was a member of its executive committee. In that capacity, she was responsible for strategy development and performance management, branding and customer experience and major change initiatives. Prior to joining BMO Financial Group, Ms. Dea was a partner of the Boston Consulting Group where she ran the Canadian Financial Services practice and was a global expert in Customer Experience Strategies. Ms. Dea is a member of the Board of Directors of Torstar Corporation. She is also a Steering Committee member of the Toronto City Alliance and founding patron of the Luminato Festival.

**Krystyna Hoeg.** Ms. Hoeg was the president and chief executive officer of Corby Distilleries Limited from 1996 until her retirement in 2007. She previously held several positions in the finance and controller functions of Allied Domecq PLC and Hiram Walker & Sons Limited. Prior to that she spent five years in public practice as a chartered accountant with the accounting firm of Touche Ross. She is currently a director of Sun Life Financial Inc., Shoppers Drug Mart Corporation, Imperial Oil Limited and Canadian Pacific Railway Limited. She is also a director of Ganong Brothers Limited and Samuel, Son & Co. Limited, both of which are privately owned corporations. Ms. Hoeg sits as Chair of the Audit Committees for Sun Life Financial Inc. and is a member of the Audit Committee for Imperial Oil Limited. She also sits on the board of the Woodrow Wilson Center, Canadian Institute (Advisory Council) and Toronto East General Hospital. Ms. Hoeg became a Chartered Accountant in 1982.

**Robert J. Steacy.** Mr. Steacy retired as Executive Vice President and Chief Financial Officer of Torstar Corporation in 2005, where he served as the senior financial officer for 16 years. Mr. Steacy has been a Chartered Accountant since 1976 (Institute of Chartered Accountants of Ontario). He currently serves as a director of Canadian Imperial Bank of Commerce and Domtar Corporation and is Chair of the Audit Committee of Domtar Corporation. Mr. Steacy was a director of ITI Education Corporation (“ITI”) (as a result of Torstar Corporation’s partial ownership of ITI) when it voluntarily agreed to the appointment of a receiver in August 2001. Mr. Steacy resigned as a director of ITI on August 16, 2001. In October 2001, a cease trading order was issued against ITI by the Ontario Securities Commission, which prohibited the trading of securities of ITI until filing of an Order of Revocation by the Ontario Securities Commission. This cease trading order was imposed as a result of ITI’s failure to file its interim financial statements in accordance with Ontario securities law.

**Phyllis Yaffe.** In 2007, Ms. Yaffe retired from the role of Chief Executive Officer of Alliance Atlantis Communications Inc., a position that she held since 2005. Prior to that time, she served six years as Chief Executive Officer of Alliance Atlantis Broadcasting Inc. Before assuming the lead position with Alliance Atlantis Broadcasting, Ms. Yaffe held a number of strategic positions in film and television in Canada since the 1980s. She is



currently Vice-Chair of the Board of Governors for Ryerson University, serves on the board of directors of the World Wildlife Fund and is Chairperson of Women Against Multiple Sclerosis.

*Directors of Cineplex Entertainment GP*

Cineplex Entertainment GP has a board of directors (the “**GP Board**”) consisting of eight members, five of whom are currently appointed by the Fund. Pursuant to the terms of a securityholders agreement dated November 26, 2003 (as amended) governing the affairs of Cineplex Entertainment GP (the “**Securityholders Agreement**”); the remaining three directors on the GP Board are appointed by certain shareholders related to Lowes Cineplex Entertainment Corporation on November 26, 2003 (including certain affiliates of Onex) (the “**LCE Shareholders**”). The Fund’s nominees as directors of Cineplex Entertainment GP are Mses. Hoeg and Yaffe and Messrs. Beck and Steacy and Ellis Jacob. The nominees of the LCE Shareholders on the GP Board are Timothy Duncanson, Anthony Munk and Ms. Dea. Mses. Dea, Hoeg and Yaffe and Messrs. Beck and Steacy are all independent within the meaning of applicable securities laws.

Three members of the GP Board do not also sit as Trustees of the Fund. The following is a brief profile of each of those directors, Messrs. Jacob, Munk and Duncanson.

**Ellis Jacob.** Mr. Jacob has been working in the motion picture exhibition industry since 1987. Prior to assuming his current positions as President and Chief Executive Officer, Mr. Jacob was Chief Executive Officer and co-founder of Galaxy Entertainment Inc. (“**GEI**”). Prior to founding GEI, 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 director and chair of the Audit Committee of the Toronto International Film Festival Group. He is a director of the Motion Picture Theatre Associations of Canada and a member of board of directors of the National Association of Theater Owners as well as a member of the Executive Committee of such board. He also is a director and member of the Audit Committees of Dundee Corporation and Husky Injection Molding Systems Ltd. He is the chairman of the Audit Committee for Husky Injection Molding Systems Ltd. Mr. Jacob also sits on other charitable boards and committees.

**Anthony Munk.** 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 Barrick Gold Corporation, Husky Injection Molding Systems Ltd. and RSI Home Products.

**Timothy Duncanson.** Mr. Duncanson is currently a Managing Director of Onex Corporation. Prior to joining Onex in 1999, Mr. Duncanson was an associate in the mergers and acquisitions group 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 boards of Tube City IMS Corporation and Huron University College.

Set out in the following table are additional details on each of the Directors of the GP Board:

Name, Principal Occupation and Residence	Age	Date Appointed as a Director	LP Units and/or Fund Units Beneficially Owned or Over Which Control or Direction is Exercised <sup>(1)</sup>	Value of Units Beneficially Owned or Controlled <sup>(2)</sup>
Tim Duncanson Managing Director, Onex Ontario, Canada	41	October 2003	27,912 <sup>(3)</sup>	\$394,397
Ellis Jacob President and Chief Executive Officer, Cineplex Entertainment Corporation Ontario, Canada	55	October 2003	165,105 <sup>(4)</sup>	\$2,332,934
Anthony Munk Managing Director, Onex Investment Corporation New York, USA	48	October 2003	63,618 <sup>(5)</sup>	\$989,922

**Notes:**

- (1) The information as to Units beneficially owned, directly or indirectly, including by associates or affiliates, not being within the knowledge of the Fund, has been furnished by the respective directors.
- (2) Represents the total value of the Units beneficially owned based on the price of the Units on the Toronto Stock Exchange as at the close of trading of March 31, 2009. Mr. Jacob has an additional 107,605 unvested Units through the Cineplex Entertainment LP Long-term Incentive Plan, with a total value of \$1,520,459 as at March 31, 2009.
- (3) 20,697 of these Units are held pursuant to Onex Corporation's management investment plan. Mr. Duncanson is entitled to receive such Units or the economic value thereof at such time, if any, as Onex completes a specified realization event.
- (4) 125,000 of this number represent Class B LP Units that are exchangeable on a one-for-one basis for Fund Units, subject to certain adjustments and restrictions.
- (5) 49,671 of these Units are held pursuant to Onex Corporation's management investment plan. Mr. Munk is entitled to receive such Units or the economic value thereof at such time, if any, as Onex completes a specified realization event.

**Appointment of Auditors**

It is proposed that the firm of PricewaterhouseCoopers LLP, Chartered Accountants, be re-appointed as auditors of the Fund, to hold office until the next annual meeting of the Unitholders or until its successor is appointed, and that the Trustees be authorized to fix the remuneration of the auditors.

PricewaterhouseCoopers LLP have been the auditors of the Fund since its inception. **The persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, will vote such proxies in favour of a resolution to re-appoint PricewaterhouseCoopers LLP as auditors of the Fund and authorize the Trustees to fix its remuneration.**

**EXECUTIVE AND OTHER COMPENSATION**

**Compensation of Executive Officers**

Under applicable securities legislation, the Fund is required to disclose certain financial and other information relating to the compensation of its Chief Executive Officer, Chief Financial Officer and the Fund's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation exceeded \$150,000. The Fund, however, does not carry on business; its sole purpose is to hold, indirectly, the securities of Cineplex Entertainment LP. Pursuant to the Administration Agreement, executive officers of Cineplex Entertainment LP are responsible for the management of Cineplex Entertainment LP and the Fund. As such, the information presented herein includes the required disclosure about the compensation of the CEO, CFO and Cineplex Entertainment LP's three most highly compensated executive officers.

For the year ended December 31, 2008, the Named Executive Officers (“NEOs”) are: Ellis Jacob, President and Chief Executive Officer; Gord Nelson, Chief Financial Officer; Dan McGrath, Executive Vice-President; Michael Kennedy, Executive Vice-President, Filmed Entertainment; and Jeffrey Kent, Chief Technology Officer.

### **Compensation Discussion and Analysis**

The CNCG Committee has the responsibility to review and make recommendations to the Trustees concerning the compensation of the executive officers of Cineplex Entertainment LP, including the NEOs, within the constraints of the agreements described below under “Employment Contracts”. The CNCG Committee is currently comprised of four members: Messrs. Beck (Chair), Duncanson and Steacy, and Ms. Hoeg. No member of the CNCG Committee is an officer, employee or former officer or employee of Cineplex Entertainment LP or any of its subsidiaries. No executive officers of Cineplex Entertainment LP also serve as a director or member of the CNCG Committee of another issuer, one of whose executive officers is a member of the GP Board or the CNCG Committee.

The CNCG Committee annually reviews the compensation strategy, policies and principles for executive officers, including the apportionment of pay between fixed compensation and performance-based compensation. The CNCG Committee reviews and approves all compensation and benefits of the NEOs. The CNCG Committee did not use the services of an external compensation consultant during 2008.

#### *Objectives*

The CNCG Committee’s executive compensation philosophy is guided by its objective to attract, motivate and retain executives critical to the success of the Fund and the enhancement of Unitholder value. To achieve these objectives, the CNCG Committee seeks to:

- align the financial interests of the NEOs with those of Unitholders, in both the short and long-term;
- provide incentives to meet and exceed performance-based goals; and
- differentiate the level of compensation paid to NEOs based on market benchmarks, individual performance and contribution to overall business performance, development and achievement of business strategy, leadership qualities and scope of responsibilities.

In order to ensure that Cineplex Entertainment LP has compensation that is competitive and appropriate, a market review is conducted bi-annually to compare base salaries and incentive plans with comparator organizations. In the case of roles for which NEO data is available from other information circulars, a group of comparator organizations has been established (in the absence of comparable Canadian theatre exhibitors) that represents Canadian income trusts, Canadian communication and entertainment providers and US theatre exhibitors including the following: RioCan Real Estate Investment Trust, Yellow Pages Income Fund, Torstar Corporation, Canwest Global Communications Corp., Telus Corporation, Shaw Communications Inc., Corus Entertainment, Regal Entertainment Group and AMC Entertainment Inc. Average compensation information from those organizations provides a point of comparison for the CNCG Committee in evaluating and setting compensation at Cineplex for the roles of Chief Executive Officer, Chief Financial Officer, Executive Vice President and Executive Vice President, Filmed Entertainment.

For the Chief Technology Officer role at Cineplex, which does not have sufficient NEO comparators, general Canadian industry market data is gathered from one or more executive compensation surveys that compares similar roles in publicly-traded organizations sorted by revenues, employee population and type of industry. In 2008, surveys from Mercer LLC and AON Consulting were used.

#### *Elements of Compensation*

Compensation is intended to reward NEOs for demonstrating leadership, providing strategic direction to their functional unit or business area, executing on individual performance objectives and wider corporate objectives. Compensation is also intended to reward performance aligned with business results, ensure competitive pay relative

to the marketplace, and retain key individuals through long-term incentives. The components of the executive compensation program are described in the following table:

Compensation element	How it is paid	What it is designed to reward
Base Salary	Cash	Rewards skills, capabilities, knowledge and experience, reflecting the level of responsibility, as well as the contribution expected from each executive.
Annual Cash Incentive	Cash	Rewards executives for their contribution to the achievement of annual financial and non-financial goals. Payouts, made after the end of a fiscal year, are based on how the executive and the Company performed against established measures and objectives.
	Deferred Equity Units	Executives may elect not to receive cash and to defer a portion of their annual cash incentive. Provides another vehicle through which executives can achieve unit ownership requirements.
Mid and Long-Term Incentives	Long Term Incentive Plan Units	Encourages Unit ownership while rewarding significant performance that results in the Fund exceeding its per Unit distributable cash targets. Provides alignment between the interests of executives and Unitholders.
	Unit Options (“Options”)	Rewards contribution to the long-term performance of Cineplex Entertainment LP and demonstrated potential for future contribution. Links the interests of executives and Unitholders for Unit price appreciation over a five-year period.
<b>Other elements of compensation</b>		<b>Program Objectives</b>
Pension and benefits		Provide pension and benefits that are generally competitive and that minimize financial risk for Cineplex Entertainment LP.
Perquisites		Part of the overall competitively-positioned executive compensation package.
Unit ownership		Aligns executive interests with Unitholder interests by requiring executives to meet minimum Unit ownership requirements.

The compensation of the NEOs consists of two principal elements: (i) fixed compensation, and (ii) performance-based compensation. Fixed compensation includes salary, benefits and retirement contributions. Performance-based compensation includes an annual cash incentive bonus, awards made pursuant to the long-term incentive plan (the “**LTIP**”) of Cineplex Entertainment LP, and awards made pursuant to the unit option plan (the “**Option Plan**”) of the Fund.

(i) *Fixed Compensation Elements*

(a) *Base Salaries*

Base salaries are paid as a secure and predictable component of cash compensation, which the CNCG Committee views as an essential component of attracting and retaining talented individuals.

Base salaries are paid to the NEOs in accordance with each of their employment agreements described below under “Employment Contracts”. Base salaries are adjusted annually to reflect the NEO’s and the Fund’s performance during the prior year, to maintain competitive rates in relation to market changes and to reflect changes to the NEO’s scope of responsibilities. Base salaries have been negotiated between the Chief Executive Officer and the CNCG Committee and between the Chief Executive Officer and the remaining NEOs with final approval by the CNCG Committee. For NEOs other than the CEO, the CNCG Committee’s determinations regarding base salaries are strongly influenced by the assessment and recommendations of the CEO.

NEOs have annual performance objectives that include individual goals that relate to business performance of Cineplex Entertainment LP and/or the NEO’s business unit function. The extent to which a NEO has achieved these goals in one year will influence a determination of his base salary level for the following year. Salaries for NEOs are reviewed at the same time as salaries for all full-time employees, and in the absence of any compelling market data specific to a role, adjustments are generally in line with the overall salary budget of the organization. In light of market conditions and the incentive awards made in 2008, base salaries for NEOs will not be increased in 2009.

For the year ended December 31, 2008, base salaries represented the following percentage of each NEO's total compensation:

Ellis Jacob	19.40%
Gord Nelson	22.01%
Dan McGrath	22.07%
Michael Kennedy	28.46%
Jeffrey Kent	26.05%

This percentage will vary from year to year primarily due to variations in the annual bonus earned and the annual LTIP and Options awards.

*(b) Benefits and Perquisites*

All NEOs participate in the group benefits plan for all employees which provides health, dental and out-of-country coverage on a cost-sharing basis. In addition to this group coverage, Ellis Jacob receives an annual allowance of up to \$20,000 to cover his personal and immediate family's medical costs not reimbursed under the group plan. The remaining NEOs receive an annual allowance of \$10,000 for the same purpose. This coverage provides additional support to these individual during times of illness and is intended to aid in their preventative health care and quick recovery in times of illness. Only the amounts actually paid under this allowance in 2008 are included in the Summary Compensation Table.

An additional fee of approximately \$2,000 is paid on behalf of each NEO to an external provider to access medical consultations on an expedited basis.

A whole life insurance policy valued at \$1,000,000 is provided to Ellis Jacob in lieu of life coverage available under the group benefits plan. A whole life policy valued at \$500,000 is provided to Dan McGrath in lieu of life coverage available under the group plan. These two policies are convertible upon retirement and, in the case of Ellis Jacob, provide a more appropriate level of coverage than is available under the group plan. Each of the remaining NEOs pay personally for term life insurance under the group benefits plan.

Disability coverage is available under the group benefits plan based on the lesser of: (i) 66.67% of the first \$3,000 of pre-tax monthly earnings plus 50% of any portion of pre-tax monthly earnings in excess of \$3,000 less the sum of \$5,000 and 100% of direct deductible sources of income; (ii) 85% of post-tax monthly earnings, less 100% of direct or indirect deductible sources of income; and (iii) \$10,000, the maximum monthly benefit. This benefit is paid for by the NEOs directly.

As at December 31, 2008, additional disability coverage in the following amounts of monthly benefit was provided by Cineplex Entertainment LP to each NEO as follows:

Ellis Jacob	\$29,600
Gord Nelson	\$ 5,000
Dan McGrath	\$10,850
Michael Kennedy	\$ 5,000
Jeffrey Kent	\$ 5,000

The additional level of disability coverage is deemed appropriate and necessary as the formula for disability coverage in the group plan does not provide sufficient replacement income for individuals with a base salary in excess of \$185,000 per annum. These monthly benefit amounts are treated as non-taxable income.

Each of the NEOs is required to travel in his normal course of business and an annual car allowance treated as taxable income is paid to each NEO as follows. The amounts have been set and are benchmarked against widely-available data in compensation surveys.

Ellis Jacob	\$24,000
Gord Nelson	\$14,000
Dan McGrath	\$14,000
Michael Kennedy	\$14,000
Jeffrey Kent	\$14,000

(c) *Retirement Contributions*

The NEOs participate in a defined contribution pension plan sponsored by Cineplex Entertainment LP (the “**DC Plan**”). Employer contributions are made to the DC Plan based on contributions by the NEO to a Group Registered Retirement Savings Plan (the “**GRRSP**”) based on the following schedule:

Employee GRRSP Contributions	0%	1%	2%	3% or more
<i>Employment Service</i>	<i>Cineplex DC Pension Contributions</i>			
Less than 5 years	1%	1%	2%	3%
5 – 10 years	1%	1.3%	2.7%	4%
More than 10 years	1%	1.7%	3.3%	5%

This schedule of contributions is regularly reviewed against market data and is deemed to provide a competitive retirement incentive for employees. Changes have been introduced to this DC Plan effective January 1, 2009 to remove restrictions on matching levels for members who joined the plan after their eligibility date. The above benefit is available to all full-time Cineplex employees at the same employer contribution levels. Details of specific contributions made by Cineplex to each NEO’s DC Plan account are set out in the Summary Compensation Table and in the Pension Arrangements section below.

Pursuant to the terms of his employment agreement, a supplemental executive retirement plan was established by Cineplex Entertainment LP for Ellis Jacob effective as at January 1, 2006 (the “**SERP**”). The SERP was created to supplement the retirement income of Mr. Jacob in recognition of his service in predecessor organizations and the entertainment industry in general.

The maximum aggregate annual pension that Mr. Jacob is entitled to receive under the SERP and his deemed benefit under the DC Plan is \$300,000, which amount will be prorated in the event that Mr. Jacob terminates his employment before his 60<sup>th</sup> birthday. Commencing on April 1, 2007, and on April 1 in each subsequent year during the term of Mr. Jacob’s employment agreement, Cineplex Entertainment LP is required to secure its obligations under the SERP by posting a letter of credit with a face amount equal to the cumulative amount which has been charged as an expense for the SERP in the consolidated financial statements of Cineplex Entertainment LP since the effective date of the SERP, provided that the face amount of such letter of credit shall not exceed the lump sum payment which would be payable to Mr. Jacob if he voluntarily terminated his employment at any time on or after age 60 or if he voluntarily terminated his employment with more than six months notice if under the age of 60.

(ii) *Performance-based Incentives*

(a) *Annual cash incentive*

Each NEO is entitled to receive an annual cash incentive bonus of up to a specified percentage of his or her base salary based upon the achievement of financial metrics as described below (as well as meeting individual performance objectives in the case of NEOs other than the Chief Executive Officer) (collectively, the “**Bonus Measures**”). The Bonus Measures are established by the GP Board during the annual budgeting and business planning process in February of each year.

An annual cash incentive is a standard element of compensation packages at the executive level and provides a pay-for-performance reward for performance in a one-year period. The measures in each plan correlate to each NEO's responsibilities which are cross functional with the exception of the EVP, Filmed Entertainment role.

The bonus design for each of the NEOs is as follows:

	<b>Ellis Jacob</b>	<b>Gord Nelson</b>	<b>Dan McGrath</b>	<b>Michael Kennedy</b>	<b>Jeff Kent</b>	
Bonus Target	100%	55%	55%	40%	40%	
Bonus Maximum	150%	75%	75%	60%	60%	
<b>Bonus Measures</b>						<b>2008 Targets</b>
EBITDA	50%	50%	50%	50%	50%	\$141,208,000
Individual Performance	-	25%	25%	20%	25%	CEO Assessment
Other Revenue	12.5%	6.25%	6.25%	-	6.25%	\$95,878,000
Concession Margin per Patron	12.5%	6.25%	6.25%	-	6.25%	\$3.12
Other Operating Expenses per Patron	12.5%	6.25%	6.25%	-	6.25%	\$3.06
Film Measures	12.5%	6.25%	6.25%	30%	6.25%	Confidential
% of Actual Bonus relating to Undisclosed Targets as a % of Total Compensation of the NEO	2.6%	0.8%	0.8%	2.0%	0.7%	

“EBITDA” is defined as earnings before interest income and expense, income taxes and amortization expense adjusted for gain/loss on disposal of theatre assets, loss from discontinued operations and the impact of the Cineplex Entertainment LP's former non-controlling interest. Other Revenue is set out in the financial statements and includes Media, Games and all remaining Other Revenue, subject to certain adjustments relating to timing of new initiatives. Concession Margin per Patron is arrived at by dividing total Concession Revenues, less Cost of Concessions, as set out in the financial statements, by annual attendance. Other Operating Expenses per Patron is arrived at by dividing Other Operating Expenses as set out in the financial statements, subject to certain adjustments relating to timing of new initiatives, by annual attendance. A description of Film Measures and the performance targets are not disclosed because they represent information that disclosure thereof would be detrimental to our competitive position. The level of difficulty in reaching this undisclosed target is the same as for other measures in the bonus plans.

Each NEO other than the CEO has an individual performance measure. This is a qualitative assessment by the CEO based on each NEO's performance during the past year against overall strategic objectives, individual performance objectives, leadership skills and other competencies required at the executive level. Commencing in 2009, the CEO's bonus design will be changed to include an individual performance measure as assessed by the GP Board. As a result, the 2009 CEO bonus design will have the same bonus measures and weightings as the bonus design for Messrs. McGrath, Nelson and Kent displayed above.

For NEOs, the bonus opportunity for achieving the Bonus Measures for the year ended December 31, 2008 had targets ranging from 40% to 100% of base salary and the maximum opportunity ranging from 60% to 150% of base salary as set out in the preceding table.

Actual bonus amounts paid to the NEOs are identified in the Summary Compensation Table.

(b) *Mid and Long-Term Incentive Compensation*

(A) *LTIP*

The officers, including the NEOs, and key employees of Cineplex Entertainment LP are eligible to participate in its LTIP. The purpose of the LTIP is to provide eligible participants with mid-term (less than five years) compensation opportunities that will enhance Cineplex Entertainment LP's ability to attract, retain and motivate key personnel and reward officers and key employees for significant performance that results in the Fund exceeding its per Unit distributable cash targets. Pursuant to the LTIP, Cineplex Entertainment LP will set aside a pool of funds based upon the amount, if any, by which the Fund's per Unit distributable cash exceeds certain defined threshold amounts.

Cineplex Entertainment LP or a trustee/custodian will purchase Units in the market with this pool of funds and will hold the Units until such time as ownership vests to each participant. Generally, one-third of these Units will vest equally in each of the three years following the fiscal year to which the grant of the awards relates. LTIP participants are entitled to receive distributions on all Units held for their account prior to the applicable vesting date. Unvested Units held by the trustee/custodian for an LTIP participant will be forfeited if the participant resigns or is terminated for cause prior to the applicable vesting date, and those Units will be sold and the proceeds returned to Cineplex Entertainment LP.

The GP Board or the CNCG Committee has the power to, among other things: (i) determine those individuals who will participate in the LTIP; (ii) determine the level of participation of each participant; and (iii) determine the time or times when LTIP awards will vest or be paid to each participant. In this determination, the GP Board requests the recommendation of the CEO relating to the number of participants and the level of participation for each participant which may vary depending upon the size of the pool in a particular year and the relative contributions of the participants to the successful performance of the organization. Generally LTIP participation is awarded to selected individuals at the Vice President level and above, but key individuals below the Vice President level may also receive an award in a particular year to reflect their contributions and provide a retention incentive.

For the year ended December 31, 2008 and until the year ended December 31, 2009, the LTIP provides for awards based on the amount by which distributable cash exceeded a base distribution threshold of \$1.20 per Unit per annum. The amount awarded for such period is subject to a \$10 million maximum.

Percentage by which Distributable Cash per Unit Exceeds Base Distribution Threshold	Maximum Proportion of Excess Distributable Cash Available for LTIP Payments
20% or less.....	15%
greater than 20% .....	30% of any excess over 10%

(B) *Option Plan*

In 2008, the Fund adopted the Option Plan to focus and reward senior executives for enhancing long-term Unitholder value through: (a) aligning the interests of certain officers and employees of Cineplex Entertainment LP (“**Participants**”) with those of Unitholders; (b) providing compensation opportunities to attract, retain and motivate Participants; and (c) providing Participants with an incentive for excellence in individual performance.

Under the Option Plan, Options to purchase Units of the Fund may be granted to Participants in respect of unissued Units. In determining the number of Options to be granted to a Participant, consideration is given to the individual’s present and potential contribution to the success of Cineplex, based on the assessment of the CEO. The CNCG Committee considers the recommendation of the CEO and annually decides the number and allocation of Options per Participant to be granted by the Board. Generally Options are granted to selected individuals at the Vice President level and above.

The aggregate number of Units reserved for issuance upon the exercise of all Options granted under the Option Plan may not exceed 4,500,000 Units. Any increase in this number will require the approval of the Unitholders given by the affirmative vote of a majority of the votes cast at a meeting of the Unitholders of the Fund, except as provided below.

Except with the approval of the Unitholders given by the affirmative vote of a majority of the votes cast at a meeting of the Unitholders (excluding the votes attaching to Units beneficially owned by insiders to whom Units may be issued pursuant to any unit compensation arrangement and their associates), no Options shall be granted to any Participant if such grant could result in the aggregate number of Units issued to insiders within any 12-month period, or issuable to insiders at any time, under the Plan an any other security compensation arrangement, to exceed 10% of the total number of issued and outstanding Units and securities exchangeable for Units at such time.

The terms, conditions and limitations of each Option granted under the Option Plan will be determined by the CNCG Committee, subject to the rules of the Toronto Stock Exchange (the “**TSX**”) and any other applicable regulatory authority. All Options will have a fixed exercise price (the “**Exercise Price**”), which Exercise Price shall



not be less than the closing price of the Units on the TSX on the trading day immediately preceding the date of grant (except that if no Units traded in the five preceding trading days, the Exercise Price will be not less than the average of the closing bid and ask prices over the preceding five trading days). The Options will generally be non-transferable. Except as determined otherwise, Options will vest as to one-third of the total Options grant in each of the first three anniversaries of the grant thereof. Options will have a maximum term of five years, subject to extension of up to ten business days in the event that termination of an Option would otherwise occur during a blackout period.

Pursuant to the Option Plan, a Participant, rather than exercising an Option, may elect at any time to surrender his or her vested Options for cancellation and receive an amount (the “**Growth Amount**”) equal to the difference between the market price of the Unit underlying the Option and the Exercise Price of the Option, which Growth Amount, less any amounts required to be withheld, will be payable in either: (i) cash (unless not permitted by the Fund in its discretion); or (ii) through the issuance by the Fund to the Participant of a number of Units calculated by dividing the Growth Amount by the market price of the underlying Units.

The Option Plan provides that a Participant will be required to repay funds from the disposition of Units acquired on exercise of an Option or proceeds derived from an Option in certain circumstances, including where the Participant has been determined to have engaged in acts of fraud or breach of fiduciary duty.

Subject to the overriding discretion of the CNCG Committee with respect to an Option, an Option and all rights to purchase Units pursuant thereto shall expire and terminate immediately upon the Participant who holds such Option ceasing to be an officer or employee, except that: (i) other than in the case of termination for cause, all vested and exercisable Options held at the time a Participant ceases to be an eligible person may be exercised by the Participant for a period of 30 days following the time that such Participant ceases to be an eligible person and after such 30 day period shall expire and terminate; (ii) in the case of retirement, all Options held at the time a Participant ceases to be an eligible person will continue to vest and may be exercised by the Participant for a period of three years following the time that such Participant ceases to be an eligible person and after such three year period shall expire and terminate; (iii) in the case of death or disability, all vested and exercisable Options held at the time a Participant ceases to be an eligible person may be exercised by the Participant for a period of one year following the time that such Participant ceases to be an eligible person and after such one year period shall expire and terminate; and (iv) where an employment agreement provides otherwise.

Upon a “change of control”, all Options will become exercisable. A “change of control” is defined in the Option Plan as any sale, disposition, assignment, reorganization, amalgamation, merger or other transaction, or series of related transactions, as a result of which an entity or group of entities acting jointly or in concert, or entities associated or affiliated with any such entity or group within the meaning of the *Securities Act* (Ontario), other than Onex Corporation or any entity that controls or is controlled by it (the “**Onex Group**”), becomes the owner, legal or beneficial, directly or indirectly, of more than 50% of the Units or exercises control or direction over more than 50% of the Units and the Onex Group ceases to hold, directly or indirectly, at least 20% of the Units (on a fully-diluted basis).

The terms and conditions of Options granted under the Option Plan are subject to adjustments in certain circumstances, as set forth in the Option Plan, in the discretion of the Fund Board. The Fund Board may discontinue the Option Plan at any time or, except as set forth below, may amend the Option Plan at any time (including amendments to change the vesting provisions of any Option, to change the termination provisions of any Option that does not entail an extension beyond the original expiration date and to change eligible participants of the Option Plan), provided, however, that no such amendment may adversely alter or impair any Option previously granted to a Participant without the consent of the Participant. Any such amendment shall, if required, be subject to the prior approval of, or acceptance by, the TSX.

An amendment to: (i) increase the aggregate number of Units issuable under the Option Plan; (ii) extend the term of an Option other than as provided for in the Option Plan; (iii) reduce the Exercise Price of Options previously granted, (iv) any cancellation and reissuance of Options to the same Participant at a lower price; (v) any change in the eligibility to participate in the Plan which would permit non-employee trustee or director participation in the Plan; or (vi) any change which would permit Options to be transferable or assignable, other than in the event of death or legal incapacity, requires approval by vote of a majority of the votes cast at a meeting of the Unitholders of

the Fund (excluding the votes attaching to Units beneficially owned by insiders to whom Units may be issued pursuant to any unit compensation arrangement and their associates).

### **Option-Based Awards**

Each year the CNCG Committee considers the number of Options to purchase Units of the Fund to be awarded to Participants as part of its annual compensation review. Prior to its formal determination, the CNCG Committee will generally meet with the Chief Executive Officer to solicit his views as to the Options that ought to be awarded to other senior officers. In determining the number of Options to be granted to a Participant, it is intended that consideration will be given to the individual's present and potential contribution to the success of Cineplex, other compensation elements awarded or available to the Participant, the number of Options currently held by the Participant, the number of Units reserved for issuance under the Option Plan that remain available for issuance and the limitations on grants to insiders provided for under the terms of the Option Plan.

On February 11, 2009, the CNCG Committee and Board approved 1,250,000 Option awards to be allocated to a total of 21 participants, with a grant date of February 18, 2009 and vesting over a three-year period.

The following table sets out the Option awards made to the NEOs on February 11, 2009:

<b>Name</b>	<b>Number of Options Approved</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Ellis Jacob	345,000	\$14.00	February 18, 2014
Gord Nelson	172,500	\$14.00	February 18, 2014
Dan McGrath	172,500	\$14.00	February 18, 2014
Michael Kennedy	90,000	\$14.00	February 18, 2014
Jeffrey Kent	90,000	\$14.00	February 18, 2014

Additional conditional awards totalling a further 380,000 Options which have an exercise price of \$14.00 and an expiry date of February 18, 2014 have been made to other employees.

### **Unit Ownership Requirements**

All NEOs and other key members of the senior management team are subject to Unit ownership guidelines. Other than Ellis Jacob, the NEOs have a three-year period from the adoption of such guidelines in April 2008 in which they are encouraged to reach and maintain the Unit ownership levels noted in the following chart. Mr. Jacob is required to reach and maintain the Unit ownership level noted below as at the present time.

<b>Name</b>	<b>Ownership Expectation by April 30, 2011</b>	<b>Ownership as at March 31, 2009</b>
Ellis Jacob	30,000	165,104 <sup>(1)</sup>
Gord Nelson	15,000	33,077
Dan McGrath	15,000	29,701
Michael Kennedy	10,000	30,365
Jeffrey Kent	10,000	16,127

**Notes:**

(1) Total includes 125,000 Class B LP Units which are convertible on a one-for-one basis to Units of the Fund.

Neither unvested LTIP Units nor unexercised Options will count towards this ownership requirement. However, deferred equity Units held on behalf of a Named Executive Officer pursuant to the Deferred Equity Unit Plan ("DEU Plan") as described in this information circular will count towards such Named Executive Officer's Unit ownership total.

### *DEU Plan*

In November, 2008, the Fund adopted a DEU Plan that was intended to facilitate equity ownership for those employees who are subject to Unit ownership guidelines.

Under the DEU Plan, NEOs and certain other senior officers are entitled to elect to receive all or a portion of the annual cash incentive bonus to which they may be entitled, if any, during the such calendar year in the form of a deferred equity unit (“DEU”) rather than a cash payment. This plan is described in more detail later in this information circular.

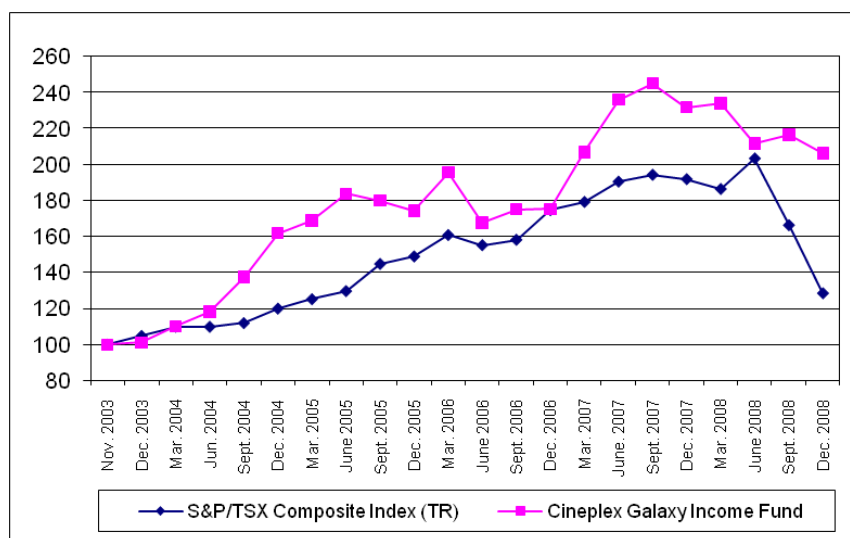
The DEU Plan does not provide any additional compensation to the NEOs and is not considered an additional element of compensation.

#### *Change of Control Payments*

The Fund’s and Cineplex Entertainment LP’s compensation plans in which the NEOs participate, including employment agreements entered into with the NEOs, generally provide for payments or other adjustments to be made upon a change of control. The CNGC Committee believes that such arrangements are necessary in order to retain its executives in the event that there is a threatened or actual change in control and to remain competitive with the practices of other issuers. Entitlements upon a change of control are described under the section “Termination and Change of Control Benefits”.

#### **Fund Performance Graph**

The following graph compares the return for \$100 invested in Units in November, 2003 with the total return of the S&P/TSX Composite index, assuming the reinvestment of distributions in additional Units.



Since the inception of the Fund, the Fund has consistently performed higher than the TSX index.

For purposes of this discussion of the relationship between executive compensation and shareholder value, executive compensation is based on the amounts disclosed in the Summary Compensation Tables from the information circulars relating to fiscal periods from 2004 to 2008 for the five most highly compensated executive officers in each year. The disclosure requirements have changed during this period, with more elements now included in the definition of compensation, such as current service pension costs and distributions on equity. Additionally, as the result of the acquisition of Famous Players in 2005, Cineplex more than doubled in size, which has resulted in increased compensation to match market benchmarking for total compensation within (comparable) larger organizations.

To provide a link between Unitholders and executives relating to long-term Unit price appreciation, a Unit Option Plan was introduced in 2008, and while the value intended to be delivered at grant is included in the Summary Compensation Table, there has been no actual value delivered to executives to date due to the recent global market conditions that have negatively affected the Unit price.

During the comparison period of 2004 through 2008, the total value delivered to Unitholders through capital appreciation and receipt of distributions was approximately \$468.1 million, whereas the total compensation to NEOs was \$27.7 million or 5.9% of the total value delivered. During the comparison period, the increase in NEO compensation was \$7.3 million. This increase in compensation was based on stronger overall financial performance over the period, in which unitholder returns exceeded 100%.

### **Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Unit-Based Awards (\$) <sup>(1)</sup>	Option-Based Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation <sup>(3)</sup>		Pension Value (\$) <sup>(4)</sup>	All Other Compensation (\$) <sup>(5)</sup>	Total Compensation (\$)
					Annual Incentive Plans (\$) <sup>(3)</sup>	Long-term Incentive Plans (\$) <sup>(3)</sup>			
Ellis Jacob <sup>(6)</sup> Chief Executive Officer	2008	803,419	1,740,965	455,000	756,609	0	218,800	165,875	4,140,668
	2007	776,250	1,377,400	0	941,055	0	208,400	131,804	3,434,909
	2006	750,000	562,952	0	1,625,000	0	149,000	105,815	3,192,767
Gord Nelson Chief Financial Officer	2008	348,148	733,036	227,500	196,808	0	16,819	59,363	1,581,674
	2007	336,375	619,830	0	218,373	0	16,250	28,037	1,218,865
	2006	325,000	253,328	0	158,297	0	16,250	19,233	772,108
Dan McGrath Executive Vice-President	2008	348,148	733,036	227,500	196,808	0	10,091	62,206	1,577,789
	2007	336,375	619,830	0	218,373	0	9,750	39,503	1,223,831
	2006	325,000	253,328	0	158,297	0	9,250	30,471	776,346
Michael Kennedy EVP, Filmed Entertainment	2008	342,792	549,770	117,000	143,492	0	7,997	43,456	1,204,507
	2007	331,200	428,090	0	153,837	0	22,661	26,436	962,224
	2006	320,000	197,033	0	99,355	0	0	18,797	635,185
Jeffrey Kent Chief Technology Officer	2008	294,586	549,770	117,000	117,003	0	8,539	44,074	1,130,972
	2007	284,625	482,090	0	134,258	0	8,250	32,421	941,644
	2006	275,000	197,033	0	99,074	0	8,673	18,557	598,337

Notes:

- (1) The Unit-based awards column represents the total amount funded to the LTIP trustee/custodian on behalf of the NEOs including both vested and unvested Units. The 2008 LTIP award has been made based on the formula set out in the LTIP disclosure section above. The dollar value allocated by the GP Board for each NEO's LTIP award is applied to purchase whole Units which have the market value listed above at the time of purchase, based on a unit value of \$14.47. LTIP payouts represent the total amount funded to the LTIP trustee/custodian on behalf of the NEO, including both vested and unvested Units. The LTIP trustee/custodian purchases Units in the market and holds the Units until such time as the ownership vests to each participant. Generally, one-third of these Units will vest equally in each of the three years following the year of service for which the grant was made. LTIP awards are reported in the year in which the executive's service was rendered. The LTIP compensation obligation is recorded as an accrued liability until the corresponding LTIP pool of funds is utilized to acquire Units, at which point, it is reclassified to Unitholders' capital, as the Fund is obligated to deliver a fixed number of Units, the value of which will vary with the market value of the Units. Subsequent changes in the fair value of the Units are not recognized.
- (2) The Fund anticipates that Option holders will exercise, and that the administrators of the Plan will settle, the Options for cash. The Fund, therefore, accounts for Options issued under the Option Plan as cash-settled liabilities. The Options are recorded at fair value at each balance sheet date, based on the market price of Units in excess of the exercise price, taking into account the Options vested on a graded schedule. The fair value of the Options award is estimated at \$1.300 per Option based on a Black Scholes calculation, which was used as it is the standard method for option valuation. The following estimates and key assumptions were used in the calculation:

Exercise Price – as at date Option grant made by GP Board	\$17.03
Unit Price – as at date Option Plan approved by Unitholders	\$15.95*
Expected Life of Options in Years	5.00
Risk-free rate	3.30% (based on market rate for 5-year government issues)
Expected Dividend Yield	7.00% (based on publicly-available information)
Expected Volatility	23% (based on historical volatility)
Vesting Period in Years	3.00
Number of Options Granted in 2008	1,250,000

\*The Unit Price is the deemed fair market value of the grant based on the date that Unitholder approval was obtained for the Unit Option Plan (when, as in this case, the initial grant by the GP Board was made before the plan was approved by Unitholders).

- (3) All amounts reflected in the “Non-Equity Incentive Plan Compensation” column relate to the annual cash incentive program and are based on the Bonus Measures. In addition to the annual bonus amount, Ellis Jacob received a one-time cash bonus of \$1.0 million on August 29, 2006 after the GP Board determined that Cineplex Entertainment LP had implemented the required threshold of annualized synergies as a result of the Famous Players acquisition. Annual bonuses for the NEO are accrued as at December 31 and paid during in the first quarter in the following year.
- (4) The “Pension Value” amounts for Ellis Jacob are the total of the amounts shown in both of the “Compensatory Change” columns of the Defined Benefit Plans and Defined Contribution Plans tables set forth under “Pension Arrangements”. The pension amounts for the remaining NEOs are the amounts shown in the “Compensatory Change” column of the Defined Contribution Plans table set forth under “Pension Arrangements”.
- (5) The “All Other Compensation” column includes annual car allowances, medical insurance premiums and fees, and monthly distributions on unvested LTIP Units.
- (6) While Mr. Jacob is also a director of the GP board, he receives no director compensation for those services.
- (7) No NEO elected to exchange any compensation to be received in any other form.

### **Employment Agreements**

Each of the NEOs is subject to an employment agreement. Each employment agreement contains provisions setting out: (i) the base salary; (ii) the manner for increasing base salary; (iii) scope of responsibilities; (iv) entitlements to benefits; (v) entitlement to participation in compensation plans; and (vi) severance benefits that may be provided on termination of services. With the exception of Ellis Jacob whose employment contract has a termination/renewal date of December 31, 2010, none of the remaining NEOs have a term limit in their employment agreements.

Each employment agreement provides that the executive will be provided with a compensation package (salary, incentives and benefits). The base salaries paid to each of the NEOs as at December 31, 2008 are set out in the Summary Compensation Table. In light of market conditions and the incentive awards made in 2008, no base salaries will be increased in 2009.

All of the NEOs are entitled to receive an annual cash incentive bonus based upon the achievement of EBITDA targets and other targets set by the CNCG Committee. The annual bonus design and targets are approved by the CNCG Committee and are set out in the “*Annual Cash Incentive*” section herein. All performance targets on financial measures are the same for any NEOs who has the measure within their bonus plan.

Under the terms of the employment agreements, the CEO receives an annual car allowance in the amount of \$24,000. All other NEOs are entitled to an annual car allowance of \$14,000.

All of the NEOs are eligible to participate in any long-term incentive plans that may exist from time to time. The GP Board determines the amount of any annual awards under these plans and the amount of each individual award based on the relative contribution of the individual as assessed by the CEO and the CNCG Committee. Monthly distributions are paid on unvested LTIP Units awarded and these amounts are included in the All Other Compensation column of the Summary Compensation Table.

All NEOs are subject to a non-compete clause for 12 months following departure and a non-solicitation clause for the same 12 month period.

In the case of Ellis Jacob, his employment agreement stipulates that he shall be a member of the GP Board. No compensation is paid for this board role. Mr. Jacob will also receive post-retirement health and dental benefits until age 75 under all conditions of departure other than termination for cause.

### **Incentive Plan Awards**

The following table sets out all outstanding Unit-based awards for each NEO as at December 31, 2008. The value of unvested Unit-Based Awards noted in the following chart are included in the values noted in the 2006 and 2007 Unit-Based Awards rows of the Summary Compensation Table.

Name	Option-Based Awards				Unit-Based Awards	
	Number of Units Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised "In-The-Money" Options (\$)	Number of Units in Unit-Based Awards That Have Not Vested (#) <sup>(1)</sup>	Market or Payout Value Of Unit-Based Awards That Have Not Vested (\$) <sup>(2)</sup>
Ellis Jacob	350,000	17.03	02/12/2013	0	66,970	920,838
Gord Nelson	175,000	17.03	02/12/2013	0	30,137	414,384
Dan McGrath	175,000	17.03	02/12/2013	0	30,137	414,384
Michael Kennedy	90,000	17.03	02/12/2013	0	23,440	322,300
Jeffrey Kent	90,000	17.03	02/12/2013	0	23,440	322,300

Notes:

- (1) The number of Units that have not vested is the outstanding unvested LTIP balance for each participant as at December 31 in that year. Units shown in 2008 are 1/3 of the balance of LTIP Units relating to 2006 performance and 2/3 of the balance of Units relating to 2007 performance. The original "grant" value of LTIP Units issued in 2006, 2007 and 2008 are included in the Summary Compensation Table.
- (2) The market value of the unvested LTIP Units was \$13.75 as at December 31, 2008.

The following table sets out the value of incentive plan awards vested or earned for each NEO during the past year.

Name	Option-Based Awards – Value Vested During the Year (\$) <sup>(1)</sup>	Unit Based Awards – Value Earned During the Year (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$) <sup>(3)</sup>
Ellis Jacob	n/a	654,673	756,609
Gord Nelson	n/a	294,596	196,808
Dan McGrath	n/a	294,596	196,808
Michael Kennedy	n/a	229,132	143,492
Jeffrey Kent	n/a	229,132	117,003

Notes:

- (1) The first vesting date for Option-based awards is in February, 2009 so no value vested during 2008.
- (2) The amounts reflected in "Unit-Based Awards – Value Vested During the Year" represent LTIP Units awarded in 2006 and 2007 that have vested in 2008 on their scheduled anniversaries. These awards are reflected in the Summary Compensation Table for each of 2006 and 2007.
- (3) The amounts reflected in the final column, "Non-Equity Incentive Plan Compensation – Value Earned During the Year", represent the "Annual Incentive Plan" cash payments for 2008 as reflected in the "Annual Incentive Plan" column in the Summary Compensation Table.

### **Pension Arrangements**

Cineplex Entertainment LP's pension plans are described above under "Compensation Discussion & Analysis" and the tables below outline the details for 2008 relating to each NEO.

#### *Defined Benefit Plan Table – SERP - Ellis Jacob*

Name	Number of Years Credited Service (#)	Annual Benefits Payable (\$)		Accrued Obligation at Start of Year (\$)	Compensatory Change (\$)	Non-Compensatory Change (\$)	Accrued Obligation at Year End (\$)
		At Year End	At Age 65				
Ellis Jacob	9.5	177,833	238,603	1,681,700	197,800	(397,400)	1,482,100

The "Compensatory Change" value noted above is included as part of the "Pension Value" noted in the Summary Compensation Table as it relates to Ellis Jacob for 2008.

*Defined Contribution Plan Table –Pension Plan for Employees of Cineplex Entertainment LP*

<b>Name</b>	<b>Accumulated Value at Start of Year (\$)</b>	<b>Compensatory Change (\$)</b>	<b>Non-Compensatory Change (\$)</b>	<b>Accumulated Value at Year End (\$)</b>
Ellis Jacob	77,193	21,000	(26,564)	71,629
Gord Nelson	135,398	16,819	(36,942)	115,275
Dan McGrath	39,435	10,091	(10,475)	39,051
Michael Kennedy	21,416	7,997	(11,334)	18,079
Jeffrey Kent	27,416	8,539	(6,536)	29,419

As to each NEO other than Ellis Jacob, the amount reflected above as the “Compensatory Change” is noted as the 2008 “Pension Value” in the Summary Compensation. As to Ellis Jacob, the amount noted in Summary Compensation Table combines the “Compensatory Change” values noted in the Defined Benefit Plan Table as well as the Defined Contribution Benefit Plan Table.

*Defined Benefit Plan*

Pursuant to the terms of his employment agreement, a SERP has been established by Cineplex Entertainment LP for Mr. Jacob effective as at January 1, 2006. Under the terms of the SERP, if Mr. Jacob terminates his employment either: (i) before his 60th birthday (Mr. Jacob is currently 55 years of age), provided that he provides at least six months prior written notice of such termination; or (ii) after his 60<sup>th</sup> birthday, other than where his employment is terminated in the circumstances described in the next sentence, Mr. Jacob will be entitled to (at his option): (a) an annual pension equal to 2% of his average total annual compensation (base salary and an annual bonus deemed to be equal to 50% of base salary, (other than for 2006, in which case the actual bonus paid will apply) for the three fiscal years most recently completed prior to termination multiplied by Mr. Jacob’s years of service (which shall be deemed for all purposes to have commenced on July 1, 1999), less any pension benefit provided to Mr. Jacob under Cineplex Entertainment LP’s defined contribution pension plan (which has been deemed to be the maximum defined benefit pension allowable for registered pension plans under the *Income Tax Act* (Canada)); or (b) a lump sum payment equal to the commuted value of the benefit described above.

If Mr. Jacob’s employment is terminated: (i) by Cineplex Entertainment LP without cause; (ii) by Mr. Jacob based on constructive dismissal or similar circumstances or within 12 months following a change of control; or (iii) by Mr. Jacob or Cineplex Entertainment LP as a result of Mr. Jacob becoming disabled, Mr. Jacob will be entitled (at his option) to either receive a lump sum payment of the present value of an annuity that would provide for annual payments determined as if he had remained employed until the age of 65 but with such payments to commence as of the termination of his employment, or to receive such annual payments commencing as of the termination of his employment.

The maximum aggregate annual pension that Mr. Jacob is entitled to receive under the SERP and his deemed benefit under the DC Plan is \$300,000, which amount will be prorated in the event that Mr. Jacob terminates his employment before his 60th birthday.

The total amount accrued under the SERP as at December 31, 2008 related to Mr. Jacob is approximately \$1,482,100. The total cost of the SERP attributable to Mr. Jacob’s 2008 service is approximately \$197,800 as reflected in the Defined Benefit Plan table above.

*Defined Contribution Plan*

If an NEO’s annual registered retirement savings plan contribution maximum would be exceeded by a combination of GRRSP and prior year DC contributions, DC contributions are made in full and GRRSP contributions are reduced to ensure that the maximum is not exceeded. DC contributions are calculated as a percentage of the previous year’s base salary. Effective January 2009, DC contributions will be calculated for all plan members based on current base salary at the time of contribution.

Taking the schedule and maximums into account as set out in the “Fixed Compensation Elements – Retirement Contributions” section above, the NEOs received DC contributions in 2008 as a percentage of 2007 base salary as follows:

Ellis Jacob	2.7% (limited by contribution maximum)
Gord Nelson	5.0%
Dan McGrath	3.0%
Michael Kennedy	2.4%
Jeffrey Kent	3.0%

In January, 2009 the pension contributions for Dan McGrath and Michael Kennedy increased to 4.0%. In October 2009, the pension contributions for Michael Kennedy will increase to 5%.

Under defined contribution pension plan legislation, all amounts are fully vested for the participants after two years of service and amounts will be locked in after departure until age 55. After age 55, an annuity may be purchased or the plan value may be transferred to a locked-in retirement account, a life income fund or another pension plan.

#### *Deferred Compensation Plans*

##### *DEU Plan*

In November 2008, the Fund adopted the DEU Plan that is intended to facilitate Unit ownership for those employees who are subject to Unit ownership guidelines.

Under the DEU Plan, NEOs and certain other senior officers are entitled to elect to receive all or a portion of the annual cash incentive bonus to which they may be entitled, if any, during the such calendar year in the form of DEUs rather than a cash payment.

Under the terms of the DEU Plan, the DEU participant will be credited on the date that his or her bonus would otherwise be payable with a number of DEUs equal to the amount of annual bonus designated to be received in the form of DEUs divided by the “fair market value” of the Units on such date. The “**fair market value**” is defined as the closing price of the Units as reported on the TSX (or, if such exchange is not open on such date, the immediately preceding date on which such exchange is open), or, if the Units are not so listed or traded, the “fair market value” will be the value established by the CNCG Committee in good faith. In addition, additional partial DEUs will be credited to such DEU participant equal to cash distributions paid on the same number of Units, based on the “fair market value” of a Unit at the time cash distributions are made on the Units.

DEUs granted in lieu of an annual cash incentive bonus will vest on December 15 of the third calendar year following the year in respect of which the annual cash incentive bonus is payable (the “**Vesting Date**”). On or after the Vesting Date (but in no event later than December 31 of the calendar year in which the Vesting Date falls), the vested DEUs will be settled for cash consideration determined by multiplying the number of vested DEUs by the “fair market value” of a Unit on such date. If the services of a participant in the DEU Plan are terminated prior to the Vesting Date, the participant’s DEUs will be redeemed not later than 50 days from the date of such termination for an amount equal to the “fair market value” of all DEUs held by such participant under the DEU Plan.

Upon a “change of control”, at the discretion of the CNCG Committee, all DEUs will vest and be redeemable at their “fair market value”. Alternatively, to the extent that the change of control would also result in a capital reorganization, arrangement, amalgamation or reclassification of the capital of the Fund or Cineplex Entertainment LP and the CNCG Committee does not accelerate the vesting of DEUs, the CNCG Committee may make adequate provisions to ensure that, upon completion of the proposed change of control, the number of DEUs outstanding under the DEU Plan and/or determination of the fair market value shall be appropriately adjusted in such manner as it considers equitable, in its discretion, to prevent substantial dilution or enlargement of the rights granted to holders of the DEUs. For purposes of the DEU Plan, a “**change of control**” is defined as any sale, disposition, assignment, reorganization, amalgamation, merger or other transaction, or series of related transactions, as a result of which an entity or group of entities acting jointly or in concert, or entities associated or affiliated with any such entity or group within the meaning of the *Securities Act (Ontario)*, other than the Onex Group, becomes the owner, legal or



beneficial, directly or indirectly, of more than 50% of the Units or exercises control or direction over more than 50% of the Units and the Onex Group ceases to hold, directly or indirectly, at least 20% of the Units (on a fully-diluted basis).

The DEU Plan is unfunded. The terms and conditions of DEUs granted under the DEU Plan are subject to adjustments in certain circumstances, as set forth in the DEU Plan, in the discretion of the GP Board. The GP Board may discontinue the DEU Plan at any time or, except as set forth below, may amend the DEU Plan at any time (including amendments to change the vesting provisions of any DEU, provided, however, that no such amendment may adversely alter or impair any DEU previously granted without the consent of the applicable participant).

No NEOs elected to take DEUs relating to the 2008 performance year.

### **Termination and Change of Control Benefits**

Under the terms of each NEO's employment agreement, in the event of termination other than for cause or disability, and including upon a "change of control" (as defined below), the employment agreements for the NEOs provide that the NEO will be paid a lump sum amount equal to 36 months (Mr. Jacob), 24 months (Messrs. McGrath and Nelson), 18 months (Mr. Kennedy) and 15 months (Mr. Kent), respectively, of salary and bonus. The NEO will also continue to receive benefits for a maximum period of between 15 months and three years following the termination of the executive (other than in the case of Mr. Jacob, who will continue to receive such benefits to age 75). For purposes of the employment agreements, a "change of control" is defined as any sale, disposition, assignment, reorganization, amalgamation, merger or other transaction, or series of related transactions, as a result of which an entity or group of entities acting jointly or in concert, or entities associated or affiliated with any such entity or group within the meaning of the *Securities Act (Ontario)*, other than the Onex Group, becomes the owner, legal or beneficial, directly or indirectly, of more than 50% (33 1/3% in the case of Ellis Jacob) of the Units or exercises control or direction over more than 50% (33 1/3% in the case of Ellis Jacob) of the Units and the Onex Group ceases to hold, directly or indirectly, at least 20% of the Units (on a fully-diluted basis). Each of the employment agreements for the NEOs includes non-competition and non-solicitation covenants in effect for 12 months following the date on which the executive ceases to be employed by Cineplex Entertainment LP.

The charts below outline the amounts due to each of the NEOs under various termination conditions. The employment agreements for each of the NEOs provide that all unvested LTIP Units will vest immediately upon a change in control.

In addition, the Option Plan and DEU Plan provide that the vesting terms under each such plan may be accelerated upon a change of control. A "change of control" is defined in both the Option Plan and the DEU Plan as any sale, disposition, assignment, reorganization, amalgamation, merger or other transaction, or series of related transactions, as a result of which an entity or group of entities acting jointly or in concert, or entities associated or affiliated with any such entity or group within the meaning of the *Securities Act (Ontario)*, other than the Onex Group, becomes the owner, legal or beneficial, directly or indirectly, of more than 50% of the Units or exercises control or direction over more than 50% of the Units and the Onex Group ceases to hold, directly or indirectly, at least 20% of the Units (on a fully-diluted basis).

Further, subject to the overriding discretion of the CFCG Committee with respect to an Option, an Option and all rights to purchase Units pursuant thereto shall expire and terminate immediately upon the Participant who holds such Option ceasing to be an officer or employee, except that: (i) other than in the case of termination for cause, all vested and exercisable Options held at the time a Participant ceases to be an eligible person may be exercised by the Participant for a period of 30 days following the time that such Participant ceases to be an eligible person and after such 30 day period shall expire and terminate; (ii) in the case of retirement, all Options held at the time a Participant ceases to be an eligible person will continue to vest and may be exercised by the Participant for a period of three years following the time that such Participant ceases to be an eligible person and after such three year period shall expire and terminate; (iii) in the case of death or disability, all vested and exercisable Options held at the time a Participant ceases to be an eligible person may be exercised by the Participant for a period of one year following the time that such Participant ceases to be an eligible person and after such one year period shall expire and terminate; and (iv) where an employment agreement provides otherwise.

Under the terms of the DEU Plan, if a DEU participant's services are terminated for any reason, all DEUs held by such DEU participant will vest and be redeemed by Cineplex Entertainment LP for their "fair market value" within 50 days of the date of such termination.

As vesting was not accelerated as a result of a change of control or termination event described above as at December 31, 2008, the amounts due to Mr. Jacob, Nelson, McGrath, Kennedy and Kent under the Option Plan were \$0 in all cases. If vesting had been accelerated as a result of a change of control or termination event described above as at December 31, 2008, the amounts due to Mr. Jacob, Nelson, McGrath, Kennedy and Kent under the DEU Plan would also have been \$0 in all cases.

The following charts outline payments that would be made under various termination scenarios, all with an effective departure date of December 31, 2008. In all cases any outstanding salary, bonus and unused vacation relating to the period of employment up to the date of departure would be due and payable but are not included in the chart. The amounts reflected in the below charts are not reflected in the Summary Compensation Table as no NEO terminations occurred during 2008.

*Termination in the Event of: (a) Without Cause; (b) Ellis Jacob and Dan McGrath Resignation for Good Reason (other than under a Change in Control); or (c) All NEOs due to Change in Control, either by Employer or by Employee for Good Reason (CEO does not require Good Reason for first 12 months)*

Name	Period of Notice	Salary & Bonus Notice (\$) <sup>(1)</sup>	Unit-Based Awards (\$) <sup>(2)</sup>	Option-Based Awards (\$)	Deferred Equity Plan (\$)	Pension Value (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)</sup>
Ellis Jacob	36 months	4,820,514	920,838	0	0	100,000 66,000	529,458
Gord Nelson	24 months	1,079,258	414,384	0	0	34,815	52,820
Dan McGrath	24 months	1,079,258	414,384	0	0	20,888	58,507
Michael Kennedy	18 months	719,864	322,300	0	0	7,997	26,939
Jeffrey Kent	15 months	515,512	322,300	0	0	11,047	26,465

Notes:

- (1) Salary and Bonus Notice payments to Ellis Jacob will be made within 10 business days; all other NEOs can select lump sum or salary continuance. In the event of a change of control, all payments are made on a lump sum basis within 10 business days.
- (2) Value of Unit-Based Awards (Unvested LTIP Units) is calculated at closing price on December 31, 2008 of \$13.75/Unit. These Units will vest on the regular schedule over a two-year period. In the event of a change of control, all LTIP Units vest immediately.
- (3) In the case of Ellis Jacob, \$100,000 of the Pension Value represents the incremental annual SERP pension payable for his lifetime with 60% continuing to his spouse upon his death. A lump sum commuted value may be selected in lieu of the annual pension. \$66,000 represents three years of DC plan employer contributions during the notice period. In the event of resignation with six months' notice, there is no incremental annual SERP pension and no further DC plan contributions. For the remaining NEOs, the Pension Value is equivalent to DC plan employer contributions during the notice period.
- (4) Distributions paid on LTIP Units during the vesting period are included in All Other Compensation as follows:

Ellis Jacob	\$55,616
Gord Nelson	\$25,027
Dan McGrath	\$25,027
Michael Kennedy	\$19,466
Jeffrey Kent	\$19,466

All Other Compensation does not include the value of group benefits which continue during the Notice Period. In the case of Ellis Jacob, All Other Compensation includes three years of car allowance totalling \$72,000, insurance costs relating to the Notice Period totalling \$215,855, as well as the extension of health and other insurance benefits until age 75 valued at \$185,987. For the remaining NEOs, All Other Compensation includes insurance costs relating to the Notice Period plus the LTIP distributions set out above. In the event of termination due to change in control, All Other Compensation is as above minus the distributions on LTIP Units.

*Termination With Cause (all NEOs), CEO Resignation with less than six months notice, all other NEO Resignations*

No compensation will be paid upon termination under these conditions. Any amounts under the DEU Plan, the Option Plan or the LTIP that vested to an NEO prior to the date of resignation would remain vested in that NEO.

*All NEOs due to Disability*

Name	Period of Notice	Salary and Bonus Notice (\$)	Unit-Based Awards (\$) <sup>(1)</sup>	Option-Based Awards (\$)	Deferred Equity Plan (\$)	Pension Value (\$) <sup>(2)</sup>	All Other Compensation (\$) <sup>(3)</sup>
Ellis Jacob	0	0	920,838	0	0	100,000	274,424
Gord Nelson	0	0	414,384	0	0	0	25,027
Dan McGrath	0	0	414,384	0	0	0	25,027
Michael Kennedy	0	0	322,300	0	0	0	19,466
Jeffrey Kent	0	0	322,300	0	0	0	19,466

Notes:

- (1) Value of Unit-Based Awards (unvested LTIP Units) is calculated at closing price on December 31, 2008 of \$13.75/Unit. These Units will vest on the regular schedule over a two-year period.
- (2) In the case of Ellis Jacob, this represents the incremental annual SERP pension payable for his lifetime with 60% continuing to his spouse upon his death, and no further DC plan contributions. A lump sum commuted value may be selected in lieu of the annual pension.
- (3) All Other Compensation includes retirement insurance benefits to age 75 for Ellis Jacob in the amount of \$218,808 and distributions paid on LTIP Units during the vesting period as follows:

Ellis Jacob	\$55,616
Gord Nelson	\$25,027
Dan McGrath	\$25,027
Michael Kennedy	\$19,466
Jeffrey Kent	\$19,466

**Compensation of Trustees and Directors**

The following table sets out all amounts of compensation provided to the Trustees and Directors for the year ended December 31, 2008. While Ellis Jacob does not receive compensation for his services as a director of the GP Board, his total compensation is discussed under “*Compensation of Executive Officers*”.

Name	Fees Earned (\$)	Total (\$)
Howard Beck	50,000	50,000
Joan Dea	50,000	50,000
Krystyna Hoeg	50,000	50,000
Robert Steacy	65,000	65,000
Phyllis Yaffe	50,000	50,000
Tim Duncanson	0	0
Anthony Munk	0	0
Ellis Jacob	0	0

For service during 2008, Trustees each received an annual retainer of \$50,000. In addition, the Chairman of the Audit Committee of the Fund received an additional annual retainer of \$15,000. The Trustees are also reimbursed for out-of-pocket expenses for attending meetings. Members of management and the nominees of Onex Corporation or its affiliates to the Board of Directors do not receive any compensation for acting as directors. No equity compensation has been awarded to either the Trustees or the Directors.

Ms. Yaffe was appointed as a Director and Trustee in February 2008 but attended a board meeting in Q1, 2008 as an observer and so was paid the full director’s fee for the year.

**TRUSTEES’, DIRECTORS’ AND OFFICERS’ INSURANCE**

The Trustees, directors and officers of the Fund and Cineplex Entertainment LP and their subsidiaries are covered under directors’ and officers’ insurance policies that provide an aggregate limit of liability to the insured Trustees, directors and officers of \$30,000,000. For the insurance term year 2008, Cineplex paid a total premium of \$175,755 or a rate per million of limit of \$5,859.

The Declaration of Trust of the Fund and the by-laws of Cineplex Entertainment GP provide for indemnification of their respective Trustees, directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties of office, subject to certain usual limitations.

### **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

To the knowledge of the Trustees, other than as disclosed in this information circular, no “informed person” had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any material transaction with the Fund since the commencement of the Fund’s 2007 fiscal year. “**Informed Person**” means: (a) a Trustee of the Fund; (b) a trustee, director or executive officer of a person or company that is itself an informed person; (c) any person or company who beneficially owns, directly or indirectly, voting securities of a reporting issuer or who exercises control or direction over voting securities of the Fund or a combination of both carrying more than 10% of the voting rights attached to all Units; and (d) the Fund, if it has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

### **CORPORATE GOVERNANCE**

The Fund is administered by the Fund Board and by Cineplex Entertainment GP, which indirectly oversees the operating business of Cineplex Entertainment LP and its subsidiaries. All members of the Fund Board also members of the GP Board. References in this discussion to “**the Board**” relate to the Fund Board and the GP Board collectively.

The Board and management of Cineplex Entertainment LP (“**Management**”) recognize that effective corporate governance practices are fundamental to the long-term success of the Fund. Sound corporate governance contributes to Unitholder value through increased confidence. The Board and Management are therefore committed to maintaining a high standard of corporate governance and compliance with the corporate governance guidelines of the Canadian Securities Regulators.

The mandate of the Fund Board was attached to the Fund’s Management Information Circular dated March 28, 2007 as Exhibit I and is available on the System for Electronic Document Retrieval and Analysis (“**SEDAR**”) at [www.sedar.com](http://www.sedar.com).

#### **Board Composition and Independence**

The Board views an individual as independent if he or she has no direct or indirect relationship with the Fund or Cineplex Entertainment LP which could, in the view of the Board, be reasonably expected to interfere with the exercise of that individual’s independent judgment.

The Fund Board is currently comprised of five individuals, all of whom are independent. Each of the trustees currently on the Fund Board is being nominated for election at the upcoming May 13, 2009 Annual General Meeting.

The GP Board is currently comprised of eight individuals, five of whom (Mses. Dea, Hoeg and Yaffe and Messrs. Beck and Steacy) are independent. Ellis Jacob, the Chief Executive Officer of Cineplex Entertainment GP, is the only member of Management on the GP Board and thus is not independent within the meaning of applicable securities laws. Under the terms of the Securityholders Agreement, the LCE Shareholders are entitled to appoint three directors to the Board while they hold less than 30% but more than 20% of the Units on a fully diluted basis. Messrs. Munk and Duncanson and Ms. Dea are the nominees of the LCE Shareholders. As a result of their relationship with Onex, Messrs. Munk and Duncanson are considered by the Board not to be independent within the meaning of applicable securities laws.

On March 30, 2009, the Fund and Onex announced that Onex had entered into an agreement with a syndicate of underwriters led by RBC Capital Markets, Scotia Capital Inc. and National Bank Financial Inc. for the sale of 12,956,885 Units on a bought deal basis (See – “Subsequent Events”). If the offering closes, the LCE Shareholders will no longer have the right to appoint directors to the GP Board.

During 2008, the GP Board held five in-camera sessions. At each regularly scheduled Board meeting, the non-management Trustees/directors hold an in-camera session exclusive of members of Management which facilitates open and candid discussion amongst the Trustees/directors.

The Fund Board elects from its ranks a chairperson to preside at all meetings of the Fund Board. Mr. Beck, an independent director, was appointed as Chairman of the Fund Board following the Fund's IPO in 2003 and continued to act in such capacity throughout 2008. Mr. Munk serves as Chairman of the GP Board.

### **Committees**

The Fund Board and the GP Board each maintain an Audit Committee and the GP Board also maintains a CNCG Committee. As the Audit Committee of both the Fund Board and the GP Board are comprised of the same individuals and have the same mandates, references in this discussion to the "Audit Committee" refers collectively to the Audit Committees of both the Fund Board and the GP Board. The Audit Committee is currently comprised of Mses. Dea and Yaffe and Messrs. Beck and Steacy, all of whom are independent. Mr. Steacy is chair of the Audit Committee. The terms of reference for the Audit Committee of the Fund and the Audit Committee of Cineplex Entertainment GP are attached as Schedules to the Fund's Annual Information Form dated March 31, 2009 available at [www.sedar.com](http://www.sedar.com).

The GP Board maintains the CNCG Committee. The CNCG Committee is currently comprised of three independent directors (Messrs. Steacy and Beck and Ms. Hoeg) and Mr. Duncanson as a nominee of the LCE Shareholders. Mr. Beck is chair of the CNCG Committee.

### **Attendance**

The following table sets forth the number of board and committee meetings held and attendance by each of the members of the Fund Board and the GP Board during the year ended December 31, 2008:

<b>Trustee/Director</b>	<b>Trustee Meetings Attended</b>	<b>Director Meetings Attended</b>	<b>Audit Committee Meetings Attended</b>	<b>CNCG Committee Meetings Attended</b>
Howard Beck	5 of 6	5 of 6	3 of 4	3 of 3
Joan Dea	6 of 6	6 of 6	3 of 3	N/A
Krystyna Hoeg	5 of 6	5 of 6	1 of 1	1 of 2
Robert Steacy	6 of 6	6 of 6	4 of 4	3 of 3
Ellis Jacob	N/A	6 of 6	N/A	N/A
Timothy Duncanson	N/A	5 of 5	N/A	1 of 1
Anthony Munk	N/A	5 of 5	N/A	2 of 2
Phyllis Yaffe	5 of 5	5 of 5	3 of 3	N/A

The above table reflects the changes in membership of both the Audit Committee and the CNCG Committee which occurred on March 7, 2008. The above table does not reference attendance at the May 2008 annual meeting of Unitholders. Where an individual director does not sit on a noted committee, their attendance is not applicable and is recorded above as such.

### **Position Descriptions**

The Board has not developed specific written position descriptions for the chairman of the Fund Board or the chairpersons of the committees of the Board, although the mandate of the Fund Board includes a description of the chairman's responsibilities and each committee has terms of reference by which its chairperson can be assessed. The Chief Executive Officer's responsibilities are set out in his employment agreement.

### **Orientation and Continuing Education**

The CNCG Committee is responsible for establishing and administering the orientation and continuing education of Board and committee members to ensure that all Trustees and directors fully understand the role of the Board and its committees and the nature and operation of Cineplex Entertainment LP's business. Each new Trustee is provided with an orientation session upon joining the Fund Board and presentations are made regularly to the Board on different aspects of Cineplex Entertainment LP's business.

### **Ethical Business Conduct**

The Board has approved a Code of Business Conduct and Ethics for the Fund, Cineplex Entertainment GP and Cineplex Entertainment LP and its subsidiaries (the "Code"). All of the Trustees, directors, officers and full-time employees of the Fund and Cineplex Entertainment LP are subject to the Code. Part-time employees are also subject to a separate hourly employee Code of Conduct. Management monitors compliance with the Code, but any Trustee, director or employee may report any violations of the Code directly to the chairman of the Audit Committee (currently Mr. Steacy). No waivers of the Code have been granted to date.

### **Nomination of Directors**

The number of Trustees is currently fixed at five. The CNCG Committee is responsible for recruiting, assessing and proposing individuals qualified to become new independent Trustees and submit recommendations to the Fund Board for its consideration and decision, as well as to consider nominees, if any, recommended by either Management or the Unitholders for election as Trustees.

As part of its governance process in recommending potential independent directors or Trustees, the practice of the Fund and Cineplex Entertainment GP is for the Compensation Committee to confer with an outside third party consultant to review potential appointees to the Fund Board and the GP Board. From a list of suggestions from that third party as well as candidates suggested by members of Management or the CNCG Committee or other Board members, each member of the committee interviews a number of potential candidates. Although only a majority is required for action, in practice, the members of the CNCG Committee have all agreed on any selected candidate to be recommended for nomination to the Fund Board or the GP Board. The CNCG Committee also consults with the Chief Executive Officer prior to making its recommendations to each of the Boards.

### **Compensation**

The Board, acting on the recommendations of the CNCG Committee, reviews the adequacy and form of Management's and Trustees' and directors' compensation, as determined based on a review of the competitive marketplace, to ensure that they are respectively current and reflective of the roles and responsibilities of each group. This is conducted by reviewing survey data bi-annually to compare Canadian board compensation based on size of organization, type of entity, meeting and attendance requirements, committee representation, and additional Board Chair and Committee Chair responsibilities. Additional data is also gathered from boards of organizations used in benchmarking executive compensation and is discussed in that section.

### **Assessments**

The CNCG Committee is responsible for developing processes to assess Board and committee effectiveness and to consider the development needs of the Board, individual Trustees and directors, committees and their members. The Committee seeks input from both internal and external counsel to develop this Board and committee assessment process and revises such process annually as may be required. Formal assessments are performed annually through the use of confidential surveys (compiled on a "blind" basis by outside legal counsel) which direct questions regarding individual members as well as Committee performance. The Committee also obtains informal feedback from members of the GP Board. Formal assessments are also performed annually regarding the performance of the Chief Executive Officer. The findings of the CNCG Committee are reported to the Board for discussion which can be held either with or without management present.

## **Retirement**

In addition to the mandate of the Fund Board, the GP Board adopted a Charter of Expectations for Trustees and Directors. While no retirement age guidelines are provided, the Charter does set forth expectations regarding the performance and participation of both Trustees and Directors, including potential grounds for dismissal from the Boards.

## **OTHER BUSINESS**

The Trustees are not aware of any other business to come before the Meeting other than those items of business set forth in the attached Notice. If any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy to vote in respect of those matters in accordance with their judgment.

## **SUBSEQUENT EVENTS**

On March 30, 2009, the Fund and Onex announced that Onex had entered into an agreement with a syndicate of underwriters led by RBC Capital Markets, Scotia Capital Inc. and National Bank Financial Inc. for the sale of Units on a bought deal basis at a price of \$14.25 per Unit. The offering consists of 12,956,885 Units owned or controlled by Onex. The Fund will not receive any portion of the gross proceeds (approximately \$184.6 million) from the sale of Units by Onex and its affiliates. Following completion of the offering, Onex affiliates will continue to control approximately 2% of the outstanding Units of the Fund (on a fully-diluted basis). Closing of the transaction is expected to occur on or about April 21, 2009, and is subject to customary regulatory approvals.

## **ADDITIONAL INFORMATION**

Further information relating to the Audit Committee and the Fund's external auditors is available in the Fund's annual information form dated March 31, 2009 in the section entitled "*Audit Committee*" which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Financial information is provided in the Fund's comparative financial statements and management's discussion and analysis for the period ended December 31, 2008, the interim financial statements of the Fund for periods subsequent to the end of the Fund's last fiscal year and the Fund's current annual information form (together with any documents incorporated therein by reference), all of which are available upon written request from the Secretary of Cineplex Entertainment GP, 1303 Yonge Street, Toronto, Ontario M4T 2Y9 and are available at the Fund's website [www.cineplex.com](http://www.cineplex.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information relating to the Fund may be found on the Fund's website [www.cineplex.com](http://www.cineplex.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **APPROVAL OF TRUSTEES**

The contents and the sending of this information circular to the Unitholders have been approved by the Board of Trustees of the Fund.

By Order of the Board of Trustees of  
Cineplex Galaxy Income Fund

*"Ellis Jacob"*

President and Chief Executive Officer

March 31, 2009