



**MANAGEMENT INFORMATION CIRCULAR**

**Annual and Special Meeting of Unitholders of**

**CINEPLEX GALAXY INCOME FUND**

**To be held on May 11, 2006**

**March 22, 2006**

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## NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting (the “Meeting”) of the holders (the “Unitholders”) of trust units of Cineplex Galaxy Income Fund (the “Fund”) will be held at 10:00 a.m. (Toronto time) on May 11, 2006 at the Paramount 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, 2005 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;
- (d) to consider, and if thought advisable, to pass a resolution approving the right of holders to exchange all of the Class D limited partnership units of Cineplex Entertainment Limited Partnership (“Cineplex Entertainment LP”) held indirectly by certain employees of Cineplex Entertainment LP and by Onex Corporation into units of the Fund, all as more particularly described in the accompanying Management Information Circular; and
- (e) 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 and Special Meeting of Unitholders.

DATED at Toronto, Ontario this 22<sup>nd</sup> day of March, 2006.

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, 200 Queen’s Quay East, Unit #6, Toronto, Ontario M5A 4K9. The Trustees of the Fund have fixed the record date for the Meeting as March 24, 2006 (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 and special meeting (the “Meeting”) of holders (the “Unitholders”) of trust units (the “Units”) to be held on May 11, 2006 at the Paramount Theatre, 259 Richmond Street West, Toronto, Ontario, commencing at 10:00 a.m. (Toronto 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 FUND**

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario, which on March 22, 2006 indirectly owned all of the Class A LP Units and 1,689,232 Class B LP units, representing 50.6% of the outstanding limited partnership units (“LP Units”) of Cineplex Entertainment Limited Partnership (“Cineplex Entertainment LP”) (excluding the Class C LP Units), and 50.6% 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”). 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 2003 Administration Agreement has 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. The information contained herein is given as at March 22, 2006, except where otherwise noted.

### **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 are Trustees 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, 200 Queen's Quay East, Unit #6, Toronto, Ontario M5A 4K9 or by facsimile to (416) 368-2502, so as not to arrive later than 4:00 p.m. (Toronto time) on May 10, 2006, 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 the nominees to the board of trustees listed under the heading “Matters to be Considered at the Meeting – Election of Trustees”; (b) FOR the appointment of PricewaterhouseCoopers LLP as auditors of the Fund; and (c) FOR the resolution approving the right to exchange all of the Class D LP Units into Units.**

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 registers 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 ADP Investor Communications

(“ADP”). ADP 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 ADP. ADP 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 ADP 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 ADP 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 of March 22, 2006, there were 27,924,232 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 March 24, 2006, 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.

To the knowledge of the Trustees, 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.

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, holders of Class B LP Units have the right at any time to indirectly exchange their Class B LP Units for Units on a one-for-one basis, subject to certain adjustments and restrictions. There are currently 26,477,742 Class B LP Units outstanding which may be so exchanged.

If the resolution permitting the exchange of Class D LP Units for Units is approved at the Meeting, the 748,477 Class D LP Units will become subject to the terms of the Exchange Agreement.

On March 22, 2006, Cineplex Odeon Corporation (“COC”) owned, directly and indirectly, 21,108,569 Class B LP Units which, if exchanged on the date hereof for Units pursuant to the Exchange Agreement, would make it a beneficial owner of 38.3% of the voting rights attached to all Units of the Fund entitled to vote at a meeting of Unitholders (excluding the Class C LP Units

and assuming that all other Class B LP Units were also exchanged for Units at the same time). COC is indirectly controlled by Onex Corporation.

## MATTERS TO BE CONSIDERED AT THE MEETING

### Financial Statements

The annual report, the financial statements of the Fund for the period ended December 31, 2005 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

The Fund is required to have a minimum of three Trustees and a maximum of ten Trustees. Under the terms of the Fund's Declaration of Trust, the board of Trustees will consist of four members for so long as certain shareholders related to Loews Cineplex Entertainment Corporation on November 26, 2003 (including COC and certain affiliates of Onex Corporation) (the "LCE Shareholders") hold at least 30% of the Units (on a fully-diluted basis). The LCE Shareholders have the right to appoint one of such Trustees so long as the LCE Shareholders own at least 30% of the Units (on a fully diluted basis) and the remainder of the Trustees are appointed by the Unitholders.

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, provided that Unitholders shall not be entitled to vote on the appointment of any Trustee appointed by the LCE Shareholders.

The following table sets forth the names of, and certain information for, the persons proposed to be nominated for election by Unitholders as Trustees:

<b>Name, Principal Occupation and Residence</b>	<b>Date Appointed as a Trustee</b>	<b>Units Beneficially Owned or Over Which Control or Direction is Exercised<sup>(1)</sup></b>
Howard Beck <sup>(2)</sup> Corporate Director Ontario, Canada	October 2003	10,000
Bruce Birmingham <sup>(2)</sup> Corporate Director Ontario, Canada	October 2003	5,000
Robert Steacy <sup>(2)</sup> Corporate Director Ontario, Canada	May 2005	5,000

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 board of Trustees.

The following table sets forth the name of and certain information for, the nominee of the LCE Shareholders as a Trustee:

Name, Principal Occupation and Residence	Date Appointed as a Trustee	Units Beneficially Owned or Over which Control or Direction is Exercised <sup>(1)</sup>
John Bailey Corporate Director Ontario, Canada	August 2004	8,000

Note:

- (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 nominee.

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, and advisor to, a number of public and private companies, including Barrick Gold Corporation, Citibank Canada and Trizec Canada Inc. Mr. Beck was a founding partner of the law firm Davies, Ward & Beck (currently, Davies, Ward, Phillips & Vineberg).

**Bruce Birmingham.** Mr. Birmingham served as Past President of the Bank of Nova Scotia from March 2002 to March 2003 and as President of the Bank of Nova Scotia from 1995 to 2002. Mr. Birmingham has served on a number of boards of directors, including the Bank of Nova Scotia from 1992 to 2003, Luscar Coal Income Fund from 1996 to 2001 and Indigo Books & Music Inc. through 2004.

**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. He currently serves as a Director of Alliance Atlantis Communications Inc., the University of Toronto Press and Domtar Inc. He is also a Trustee of Somerset Entertainment Income Fund. Mr. Steacy serves on the Audit Committees for all four organizations and serves as Chairman of the Audit Committee for Somerset Entertainment Income Fund. Mr. Steacy became a Chartered Accountant in 1976.

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.

**John Bailey.** Mr. Bailey was Chairman and CEO of Famous Players from 2000 to 2003 after serving as President from 1997. Prior to that, he was COO and EVP. Before joining Famous Players, Mr. Bailey was SVP, Financial Planning for Paramount Pictures Corporation and Senior Vice President of the Gulf and Western Entertainment Group. Mr. Bailey is also a trustee of the Movie Distribution Income Fund, a director of Motion Picture Distribution Inc. and a member of the board of Downsview Park. Mr. Bailey has been a Trustee and Director since August 2004.

#### Directors of Cineplex Entertainment GP

Cineplex Entertainment GP has a board of directors consisting of seven members, three of whom are currently elected by the Fund and the remaining four of which are elected by the LCE Shareholders. The Fund's nominees as directors of Cineplex Entertainment GP are Messrs. Beck, Birmingham and Steacy. The nominees of the LCE Shareholders on the board of directors of Cineplex Entertainment GP are Mr. Bailey, Ellis Jacob, Anthony Munk and Timothy Duncanson. The following is a brief profile of each of 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 position as Chief Executive Officer, Mr. Jacob was Chief Executive Officer and co-founder of Galaxy Entertainment Inc. Prior to founding Galaxy Entertainment Inc., Mr. Jacob represented Alliance Atlantis Communications Inc. as Integration Consultant from September 1998 to the summer of 1999. From 1987 to 1998, Mr. Jacob held various positions with Cineplex Odeon Corporation as Vice President, Finance, Chief Financial Officer, Executive Vice President and, ultimately, Chief Operating Officer.

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

**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 department of Lazard Freres & Co., LLC and was also an investment analyst with Mutual Asset Management Ltd. Mr. Duncanson holds the Chartered Financial Analyst designation. He currently serves on the board of Cineplex Odeon Corporation.

### **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.**

### **Exchange of Class D LP Units into Units**

On July 22, 2005, Cineplex Entertainment LP acquired the Famous Players movie business from Viacom Inc. and Viacom Canada Inc. (the "Acquisition"). In connection with the Acquisition, Cineplex Entertainment LP paid certain of its employees a bonus in recognition of their contribution to the successful completion of the Acquisition. The bonus was satisfied by the issuance of an aggregate of 500,000 Class D LP Units to a trustee for the benefit of such employees. In addition, Cineplex Entertainment LP paid Onex Corporation a transaction fee of \$4 million in connection with advisory services rendered by it in connection with the Acquisition and its financing. This fee was satisfied by the issuance of 248,440 Class D LP Units to Onex Corporation. The Class D LP Units are not exchangeable for Units but are entitled to receive distributions on substantially the same basis as the Class B LP Units.

Unitholders will be asked at the Meeting to consider a resolution (the "Exchange Resolution") approving the right of holders to exchange all of the Class D LP Units into Units (on a one-for-one basis). In the case of the Class D LP Units held by a trustee for the benefit of certain employees of Cineplex Entertainment LP, as an alternative to the holder exchanging his or her Class D LP Units for Units, Cineplex Entertainment LP may redeem the Class D LP Units for Units. As the recipients of the Class D Units were insiders of the Fund at the time such units were issued, Toronto Stock Exchange rules require Unitholder approval prior to permitting the exchange of these Class D LP Units into Units (or any other security exchangeable for Units). Unitholders who hold (or are entitled to) Class D LP Units will not be permitted to vote on the Exchange Resolution (such Unitholders currently hold 24,236 Units which cannot be voted on the Exchange Resolution). If Unitholders do not approve the Exchange Resolution, the board of directors of Cineplex Entertainment GP intends to develop other alternative forms of compensation for the holders of Class D LP Units, one of which may involve a cash payment in exchange for the Class D LP Units.

If the Exchange Resolution is approved and all of the Class D LP Units are exchanged for Units, an additional 748,440 Units could be issued, representing approximately 1.4% of the outstanding Units (on a fully-diluted basis).

The full text of the Exchange Resolution is attached to this Circular as Exhibit "A". 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 the Exchange Resolution. The majority of the votes cast by Unitholders (excluding 24,236 Units held by holders of Class D LP Units) are required to vote in favour of the Exchange Resolution in order for the resolution to be approved.

Ellis Jacob, the CEO and a director of Cineplex Entertainment GP, has an indirect entitlement to 250,000 Class D LP Units. Timothy Duncanson and Anthony Munk, both directors of Cineplex Entertainment GP, are also employees of Onex Corporation, which owns 248,440 Class D LP Units.

If the Exchange Resolution is approved, holders of Class D LP Units will become party to the Exchange Agreement and will be entitled to exchange Class D LP Units for Units on the same basis as the holders of Class B LP Units are entitled to exchange their LP Units for Units.

## **EXECUTIVE AND OTHER COMPENSATION**

### **Compensation of Trustees and Directors**

Trustees each receive an annual retainer of \$30,000 plus \$1,500 for each meeting of the Trustees attended in person and \$750 for meetings attended by telephone. In addition, the Chairman of the Audit Committee receives an annual retainer of \$5,000. The Trustees are also reimbursed for out-of-pocket expenses for attending meetings.

In addition to his regular Trustee fees set forth in the preceding paragraph, Mr. Bailey entered into a consulting agreement with Cineplex Entertainment LP under which he performed consultancy services during 2005 and received a total compensation of \$240,000 for such services. Effective January 1, 2006, Mr. Bailey and Cineplex Entertainment LP entered into a further one year agreement under which Mr. Bailey continues to perform consulting services for a total annual sum of \$250,000.

For the year ended December 31, 2005 the Fund paid or accrued \$163,250 related to annual retainers and meeting attendance. In addition, the Fund paid or accrued \$1,012 related to the reimbursement of out-of-pocket expenses for attending meetings.

The directors of Cineplex Entertainment GP receive no compensation for serving on the board of directors of Cineplex Entertainment GP.

### **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 whose total salary and bonus exceeded \$150,000 (other than the Chief Executive Officer and Chief Financial Officer). 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 Cineplex Galaxy Income Fund. The Summary Compensation Table

below provides a summary of salary and other annual compensation earned by the Chief Executive Officer, Chief Financial Officer and each of the three next most highly compensated executive officers of Cineplex Entertainment LP whose total salary and bonus exceeded \$150,000 (the “Named Executives”) for the most recently completed financial year, the 2004 financial year and for the period from November 26, 2003 (when the Units of the Fund were listed for trading on the Toronto Stock Exchange) to December 31, 2003.

### Summary Compensation Table

Name and Principal Position	Period	Salary <sup>(1)</sup> (\$)	Annual Compensation		Long Term Compensation		All Other Compensation (\$)
			Bonus(\$) <sup>(2)</sup>	Other Annual Compensation (\$)	Class D LP Units <sup>(7)</sup>	LTIP Payouts (\$) <sup>(8)</sup>	
Ellis Jacob Chief Executive Officer	2005	608,654	-	71,841 <sup>(3)</sup>	250,000	-	-
	2004	479,017	288,750	58,250	-	90,522	-
	2003 <sup>(1)</sup>	44,731	-	1,846	-	-	-
Gord Nelson Chief Financial Officer	2005	293,173	65,000	13,270 <sup>(4)</sup>	57,500	-	-
	2004	244,493	108,000	51,858	-	47,588	-
	2003 <sup>(1)</sup>	22,000	-	2,132	-	-	-
Dan McGrath Executive Vice- President	2005	296,635	65,000	22,406 <sup>(5)</sup>	57,500	-	-
	2004	252,310	110,000	21,500	-	47,588	-
	2003 <sup>(1)</sup>	23,240	-	1,299	-	-	-
Jeffrey Kent Chief Technology Officer	2005	252,596	55,000	13,250 <sup>(6)</sup>	25,000	-	-
	2004	54,231	50,000	3,000	-	-	-
	2003	-	-	-	-	-	-
Anne Fitzgerald Senior Vice- President, General Counsel and Corporate Secretary	2005	141,346	21,875	-	20,000	-	-
	2004	-	-	-	-	-	-
	2003	-	-	-	-	-	-

**Notes:**

- (1) The salary and other compensation for 2003 are for the period from November 26, 2003 to December 31, 2003
- (2) Bonuses for the Named Executives for the year ended December 31, 2005 were accrued as of that date are expected to be paid in April, 2006
- (3) Includes \$24,461 related to an annual car allowance and \$47,380 related to contributions to life insurance premiums and other discretionary membership expenses
- (4) Includes \$13,270 related to an annual car allowance
- (5) Includes \$14,269 related to an annual car allowance
- (6) Includes \$13,250 related to an annual car allowance
- (7) Represents number of Class D LP Units issued to Named Executives on the successful completion of the acquisition of Famous Players
- (8) LTIP Payments represent the amount funded to the LTIP trustee on behalf of the Named Executive. The LTIP trustee will purchase Units in the market and will hold 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 grant of the awards. No Units were granted during 2005 through LTIP.

## **Employment Agreements**

On the closing of the Fund's initial public offering, each of Ellis Jacob, Dan McGrath and Gord Nelson entered into employment agreements with Cineplex Entertainment LP. Both Jeff Kent and Anne Fitzgerald entered into employment agreements with Cineplex Entertainment LP upon commencement of their employment in 2004 and 2005, respectively. In February 2006, Ellis Jacob's employment agreement was amended and restated. These agreements provide that these executives will devote substantially all of their time to Cineplex Entertainment LP, but, in certain cases, may also provide services to the LCE Shareholders. Each employment agreement provides that the executive will be provided with a compensation package (salary, incentives and benefits). The base salary provided for each of Messrs. Jacob, McGrath, Nelson, Kent and Ms. Fitzgerald is \$750,000, \$325,000, \$325,000, \$275,000 and \$175,000 respectively. All of the Named Executives are entitled to receive an annual bonus based upon the achievement of distributable cash targets set by the Compensation, Nominating and Corporate Governance Committee. The maximum amount which can be earned pursuant to such bonus is equal to a percentage of each of such officer's annual base salary, 150% for Mr. Jacob, 75% for Messrs. McGrath and Nelson and 60% for Mr. Kent and Ms. Fitzgerald.

In addition, Mr. Jacob is entitled to a one-time cash bonus of \$1 million on the later of: (a) July 22, 2006; and (b) the date that the Board of Directors of Cineplex Entertainment GP determines that Cineplex Entertainment LP has implemented \$20 million of annualized synergies as a result of the Acquisition. The Board of Directors has not yet made that formal determination.

Each of the Named Executives is also eligible to participate in the long-term incentive plan of Cineplex Entertainment LP. See "— Long-term Incentive Plan".

In the event of termination other than for cause or disability, and including upon certain prescribed change of control events in the case of Mr. Jacob, the employment agreements for Messrs. Jacob and McGrath provides that the executive will be paid a lump sum amount equal to 24 months and 21 months, respectively, of salary and bonus and that the executive will continue to receive benefits for a maximum period of between one and two years following the termination of the executive.

Each of the employment agreements for Messrs. Jacob, McGrath and Kent 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.

## **Pension Arrangements**

The Named Executives participate in a defined contribution pension plan sponsored by Cineplex Entertainment LP (the "DC Plan"). Normal retirement age is 65, although early retirement is permitted in the 10-year period preceding normal retirement date.

Pursuant to the terms of his amended and restated employment agreement, a supplemental executive retirement plan has been established by Cineplex Entertainment LP for Mr. Jacob effective as of January 1, 2006 (the "SERP"). Under the terms of the SERP, if Mr. Jacob terminates his employment either: (i) before his 60<sup>th</sup> birthday (Mr. Jacob is currently 53 years of

age), provided that he provides at least 6 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 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) 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 will be deemed to be the maximum defined benefit pension allowable for registered pension plans under the *Income Tax Act* (Canada)). 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 pro rated 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 shall 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.

The total estimated annual combined benefit payable to Ellis Jacob at age 60 under the DC Plan and the SERP is \$300,000 based on his years of service and the cap contained in the SERP.

### **Long-term Incentive Plan**

The officers and key employees of Cineplex Entertainment LP are eligible to participate in its Long-term Incentive Plan (the "LTIP"). The purpose of the LTIP is to provide eligible participants with 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 exceed certain defined threshold amounts. Cineplex Entertainment LP or a trustee 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 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 board of directors of Cineplex Entertainment GP or its Compensation, Nominating and Corporate Governance 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.

The LTIP provides for awards that may be earned based on the amount by which distributable cash exceeds a base distribution threshold of \$1.15 per Unit per annum. The percentage amount of that excess which forms the LTIP incentive pool will be determined in accordance with the table below, subject to a \$4 million maximum in any fiscal year:

Percentage by which Distributable Cash per Unit Exceeds Base Distribution Threshold	Maximum Proportion of Excess Distributable Cash Available for LTIP Payments
5% or less .....	10%
over 5% to 10% .....	15% of any excess over 5% to 10%
greater than 10% .....	20% of any excess over 10%

The base distribution threshold will be subject to adjustment by the Compensation, Nominating and Corporate Governance Committee of Cineplex Entertainment GP’s board of directors every three years.

## **REPORT ON EXECUTIVE COMPENSATION**

### **Composition of the Compensation, Nominating and Corporate Governance Committee**

The Compensation, Nominating and Corporate Governance Committee of Cineplex Entertainment GP has the responsibility to review and make recommendations to the Trustees concerning the compensation of the executive officers of Cineplex Entertainment LP, including the Chief Executive Officer, within the constraints of the agreements described under “Executive and Other Compensation – Employment Contracts.” The Compensation, Nominating and Corporate Governance Committee is comprised of three members: Messrs. Munk (Chair), and Beck and Steacy. No member of the Compensation, Nominating and Corporate Governance 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 compensation committee of another issuer, one of whose executive officers is a member of the board of directors of Cineplex Entertainment GP or the Compensation, Nominating and Corporate Governance Committee.

Prior to his resignation as a Trustee of the Fund and a director of Cineplex Entertainment GP on August 1, 2005, Edward Sonshine was a member of the Compensation, Nominating and Corporate Governance Committee of Cineplex Entertainment GP. Upon the resignation of Mr. Sonshine, Mr. Steacy was appointed to the Compensation, Nominating and Corporate Governance Committee.

## **Report on Executive Compensation by the Compensation, Nominating and Corporate Governance Committee**

The Compensation, Nominating and Corporate Governance Committee's executive compensation philosophy is guided by its objective to obtain and retain executives critical to the success of the Fund and the enhancement of Unitholder value.

The compensation of the Named Executives consists of two principal elements: fixed compensation which includes salary, benefits and retirement contributions and performance related compensation which includes an annual bonus and LTIP program. The initial compensation levels were determined by the Board of Directors of Cineplex Entertainment GP on the completion of the Fund's initial public offering on November 26, 2003.

Base salaries are paid to the Named Executives in accordance with each of their employment agreements described under "Executive and Other Compensation – Employment Contracts,"

In addition, each Named Executive is entitled to receive a bonus of up to a specified percentage of his or her base salary based upon the achievement of EBITDA financial targets as well as meeting individual job performance targets and objectives. For Named Executives, the bonus opportunity for achieving targeted objectives ranges from 40% to 100% of base salary and the maximum opportunity ranges from 60% to 150% of base salary based on targets established by the Fund during the annual budgeting and business planning process. Bonus amounts paid to the Named Executives are identified in the Summary Compensation Table. No bonus was payable to any of the Named Executives in 2003 due to the fact that the Fund was not created until November 26, 2003. Bonus amounts accrued related to 2004 and 2005 performance are identified in the Summary Compensation Table for each Named Executive.

In 2005, some of the Named Executives and other employees were eligible to participate in the LTIP which is directly linked to the levels of the distributable cash achieved by the Fund as described in the LTIP. The LTIP incentive pool is subject to a \$4 million maximum in any fiscal year and 50% of the LTIP pool is allocated to the executive group as defined by the Compensation, Nominating and Corporate Governance Committee. There were no LTIP allocations for any Named Executive or other plan participant related to 2005 performance.

### *Chief Executive Officer Compensation*

An increase in base salary to \$750,000 for Mr. Jacob was determined by the Board of Directors of Cineplex Entertainment GP following the acquisition of Famous Players in July 2005. The Compensation, Nominating and Corporate Governance Committee recommended the increased base salary and the other terms reflected in Mr. Jacob's amended and restated employment agreement based on Mr. Jacob's increased responsibilities following the significant increase in the size of the business following the Famous Players acquisition. As part of Mr. Jacob's amended and restated employment agreement, Mr. Jacob was not eligible for a bonus payment for 2005. However, Mr. Jacob is entitled to a one-time cash bonus of \$1 million on the later of: (a) July 22, 2006; and (b) the date that the Board of Directors of Cineplex Entertainment GP determines that Cineplex Entertainment LP has implemented \$20 million of annualized synergies as a result of the Famous Players acquisition. The Board of Directors has not yet made that

formal determination. In addition, there were no allocations to Mr. Jacob under the Long-term Incentive Plan related to 2005 performance.

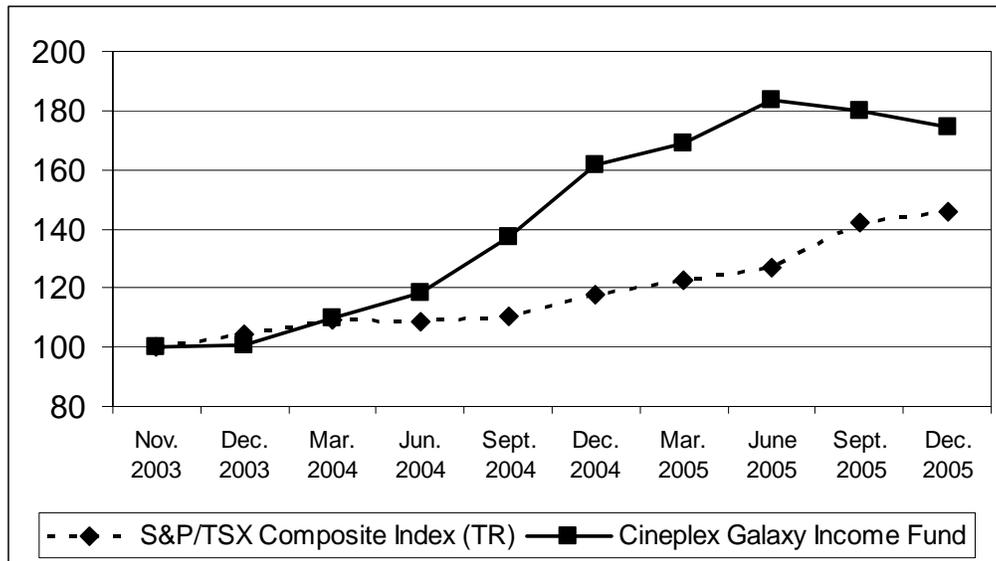
When determining the salary of the Chief Executive Officer in future years, the Compensation, Nominating and Corporate Governance Committee will consider, among other things, the performance of the business, individual performance, as well as compensation practices of comparable organizations. The compensation of the Chief Executive Officer will be comprised of a base salary, bonus and participation in the LTIP.

*Submitted by:*

*Anthony Munk  
Howard Beck  
Robert Steacy*

### FUND PERFORMANCE GRAPH

The following graph compares the total return for \$100 invested in Units from November 26, 2003 (the date of the closing of the initial public offering of the Units) with the total return of the S&P/TSX Composite index, assuming the reinvestment of distributions in additional Trust Units.



### 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 \$25,000,000. For the insurance term year 2006, Cineplex paid a total premium of \$225,180 or a rate per million of limit of \$9,007.

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 2005 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 its Board of Trustees (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 serve on the Board of Directors of Cineplex Entertainment GP (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 is attached to this Management Information Circular as Exhibit “B”.

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

The Board views an individual as independent if he 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 judgement.

The Fund Board is currently comprised of four individuals, three of whom are independent (Messrs. Beck, Birmingham and Steacy) and one of whom is not independent (Mr. Bailey) as he is a nominee of the LCE Shareholders under the Securityholders Agreement.

The GP Board is currently comprised of seven individuals, three of whom (Messrs. Beck, Birmingham and Steacy) are independent. Ellis Jacob, the CEO of Cineplex Entertainment GP,

is the only member of management on the GP Board. Under the terms of the Securityholders Agreement, the LCE Shareholders are entitled to appoint four directors to the Board while they hold not less than 30% of the Units on a fully diluted basis. Messrs. Jacob, Bailey, Munk and Duncanson are the nominees of the LCE Shareholders, and therefore are considered by the Board not to be independent within the meaning of applicable securities laws. During 2005, the GP Board held five in-camera sessions. At each quarterly Board meeting, the trustees/directors hold an in-camera session exclusive of members of management which process facilitates open and candid discussion amongst the independent 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 fiscal year 2005. 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 Compensation, Nominating and Corporate Governance 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 Messrs. Beck, Birmingham & Steacy, all of whom are independent. 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, 2005 available at [www.sedar.com](http://www.sedar.com).

### **Position Descriptions**

The Board has not developed specific written position descriptions for the CEO, 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.

### **Orientation and Continuing Education**

The Compensation, Nominating and Corporate Governance 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 prior to joining the Fund Board and presentations are made regularly to the Board on different aspects of Cineplex Entertainment LP's business.

### **Ethical Business Conduct**

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 employees of the Fund and Cineplex Entertainment LP are

subject to the Code. 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**

Pursuant to the Fund's Declaration of Trust and the Securityholders Agreement, the number of Trustees is currently fixed at four and the LCE Shareholders are entitled to appoint one Trustee for so long as the LCE Shareholders hold at least 30% of the outstanding Units on a fully diluted basis. For as long as the LCE Shareholders own at least 30% of the Units on a fully diluted basis, the LCE Shareholders also have the right to appoint two of the three members of the Compensation, Nominating and Corporate Governance Committee. Notwithstanding this right, the Compensation, Nominating and Corporate Governance Committee is currently comprised of two independent trustees (Messrs. Beck and Steacy) and Mr. Munk (as a nominee of the LCE Shareholders).

The Compensation, Nominating and Corporate Governance 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 the Unitholders for election as Trustees.

### **Compensation**

The Board, acting on the recommendations of the Compensation, Nominating and Corporate Governance 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.

### **Assessments**

Compensation, Nominating and Corporate Governance 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. Assessments are performed annually through the use of confidential surveys (compiled on a "blind" basis by outside legal counsel) and informal feedback obtained from members of the Board and the various committees. The findings of the Compensation, Nominating and Corporate Governance Committee are then reported to the Board.

## **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.

### **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 22, 2006 in the section entitled "Audit Committee" which is available on the System for Electronic Document Retrieval and Analysis (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, 2005, 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, Suite 300, 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 22, 2006

## **EXHIBIT "A"**

### **Exchange Resolution**

#### **BE IT RESOLVED THAT:**

1. The right to exchange or redeem 748,447 Class D limited partnership units of Cineplex Entertainment Limited Partnership ("Cineplex Entertainment LP") for trust units of Cineplex Galaxy Income Fund is hereby authorized and approved.
2. Any one director or officer of Cineplex Entertainment Corporation (the general partner of Cineplex Entertainment LP, as administrator of the Fund and in its own capacity, as applicable) is hereby authorized and directed, for and on behalf of Cineplex Entertainment LP, the Fund and the Corporation, as applicable, to execute and deliver all such documents (including any exchange agreements (including an agreement amending and restating the Exchange Agreement entered into by, among others, the Fund, Cineplex Entertainment LP and the holders of Class B limited partnership units of Cineplex Entertainment LP dated November 26, 2003)) and to do all such other acts and things as he or she may determine to be necessary or advisable to give effect to this resolution, the execution of any such document or the doing of any such other act or thing being conclusive of such determination.

## **EXHIBIT “B”**

### **CINEPLEX GALAXY INCOME FUND**

#### ***MANDATE OF THE BOARD OF TRUSTEES***

The Declaration of Trust provides that the investments and affairs of Cineplex Galaxy Income Fund (the “Fund”) will be subject to the control and authority of a minimum of three and a maximum of ten trustees. The trustees are responsible for supervising the activities and managing the investments and affairs of the Fund pursuant to section 9.2 of the Declaration of Trust. The responsibilities of the board of trustees described herein are made pursuant to such provision and do not impose any additional responsibilities or liabilities on the trustees at law or otherwise.

#### **(A) Composition**

The board of trustees shall be constituted with a majority of individuals who qualify as independent trustees.

#### **(B) Responsibilities of the Board of Trustees**

The board of trustees are responsible for supervising the activities and managing the investments and affairs of the Fund pursuant to section 9.2 of the Declaration of Trust and in that regard shall be specifically responsible for:

- (i) the adoption of a strategic planning process and approval, on at least an annual basis, of a strategic plan which takes into account, among other things, the opportunities and risks of the Fund’s business and investments;
- (ii) to the extent feasible, satisfying itself as to the integrity of the CEO and senior officers of Cineplex Entertainment Corporation (“GenPar”) and that the CEO and other senior officers create a culture of integrity throughout the organization;
- (iii) the identification of the principal risks for the Fund and ensuring the implementation of appropriate risk management systems;
- (iv) succession planning;
- (v) adopting a communications policy which enables the Fund to communicate effectively and addresses how the Fund interacts with all of its stakeholders, including analysts and the public, contains measures for the Fund to avoid selective disclosure and is reviewed at such intervals or times as the board deems appropriate;
- (vi) the integrity of the internal control and management information systems of Cineplex Entertainment Limited Partnership (the “LP”) and its subsidiaries;
- (vii) establishing and maintaining a standing audit committee of the board;

- (viii) reviewing and reassessing the adequacy of the terms of reference of the Audit Committee at such intervals or times as the board deems appropriate;
- (ix) receiving recommendations of the Audit Committee respecting, and reviewing and approving, the audited, interim and any other publicly announced financial information of the Fund;
- (x) developing the Fund's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Fund;
- (xi) implementing a process for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual trustees;
- (xii) implementing a process for examining the size of the board of trustees and undertaking, where appropriate, a program to establish a board size which facilitates effective decision-making;
- (xiii) implementing a process for reviewing the adequacy and form of compensation of trustees and ensuring that compensation realistically reflects the responsibilities and risk involved in being a trustee;
- (xiv) meeting regularly with management of GenPar or any other of the Fund's investments to receive reports respecting the performance of the Fund, new and proposed initiatives, the Fund's business and investments, management concerns and any areas of concern involving the Fund; and
- (xv) meeting regularly without management of GenPar or its subsidiaries present.

#### (C) Responsibilities of Chair

The role and responsibilities of the Chair of the Fund are set out below:

- (i) the Chair shall be expected to attend and chair meetings of the board of trustees of the Fund;
- (ii) the Chair shall not be a member of management of the Fund or GenPar or its subsidiaries;
- (iii) the Chair shall not be expected to and shall not perform policy making functions other than in his or her capacity as a trustee of the Fund. The Chair shall not have the right or entitlement to bind the Fund in his or her capacity as Chair;
- (iv) the Chair shall provide direction with respect to the dates and frequencies of board meetings and related committee meetings and the Chief Executive Officer of GenPar and the Chair shall liaise to prepare board meeting agendas;
- (v) the Chair shall ensure that the board understands the boundaries between board and management responsibilities; and

- (vi) the Chair shall ensure that the board of trustees carries out its responsibilities effectively, which will involve the board meeting on a regular basis without management of GenPar or its subsidiaries present and may involve assigning responsibility for administering the board's relationship to management to a committee of the board.

(D) Decisions Requiring Prior Approval of the Board of Trustees

Approval of the board of trustees shall be required for:

- distributions;
- significant acquisitions/dispositions;
- related party transactions;
- the release of any financial information to be publicly disseminated;
- the issuance or repurchase of units of the Fund;
- the terms of reference of committees of the board; and
- any other matter that would give rise to a "material change" to the Fund.

The foregoing list is intended to specify particular matters requiring board approval and is not intended to be an exhaustive list.

(E) Measures for Receiving Unitholder Feedback

All publicly disseminated materials of the Fund shall provide for a mechanism for feedback of unitholders. Persons designated to receive such information shall be required to provide a summary of the feedback to the trustees on a semi-annual basis or at such other more frequent intervals as they see fit.

(F) Expectations of Management

Management of GenPar shall be required to report to the board of trustees at the request of the board on the performance of the Fund, new and proposed initiatives, the Fund's business and investments, management concerns and any other matter the board or its Chair may deem appropriate. In addition, the board expects management of GenPar to promptly report to the Chair of the board any significant developments, changes, transactions or proposals respecting GenPar or its subsidiaries.

(G) Definitions

"independent trustee" means a trustee who has no direct or indirect material relationship with GenPar or the LP or its affiliates.

“material relationship” means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a trustee’s independent judgment. Without limiting the generality of the foregoing, the following persons are considered to have a material relationship with GenPar/ the LP:

- (a) a person who is, or has been within the last three years, an employee or executive officer of GenPar/the LP, or any of its subsidiary entities or affiliated entities;
- (b) a person whose immediate family member is, or has been within the last three years, an executive officer of GenPar/the LP, or any of its subsidiary or affiliated entities;
- (c) a person who (i) is a partner<sup>1</sup> of GenPar/the LP’s internal or external auditor; (ii) is employed by the firm that is GenPar/the LP’s internal or external auditor, or (iii) was within the last three years a partner or employee of that firm and personally worked on GenPar/the LP’s audit within that time;
- (d) a person whose spouse, minor child or stepchild, or child or stepchild who shares a home with the person (i) is a partner of the firm that is GenPar/the LP’s internal or external auditor, (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or (iii) was within the last three years a partner or employee of that firm and personally worked on GenPar/the LP’s audit within that time;
- (e) a person who is, or has been, or whose immediate family member is, or has been within the last three years, an executive officer of an entity if any of GenPar/the LP or its subsidiaries’ current executives serves or served at that same time on the entity’s compensation committee;
- (f) a person who received, or whose immediate family member who is employed as an executive officer of GenPar/the LP or any of its subsidiary entities received, more than \$75,000 in direct compensation from GenPar/the LP or its subsidiary entities during any 12 month period within the last three years, other than (i) as remuneration for acting in his or her capacity as member of the board of trustees, board of directors or any board committee, or (ii) fixed amounts of compensation under a retirement plan for prior service with GenPar/the LP or any of its subsidiary entities if the compensation is not contingent in any way on continued service; and
- (g) a person who is an affiliated entity of GenPar/the LP or any of its subsidiary entities.

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<sup>1</sup> “partner” does not include a fixed income partner whose interest in the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with an internal or independent auditor if the compensation is not contingent in any way on continued services.