PRELIMINARY SHORT FORM PROSPECTUS

New Issue July 4, 2005

CINEPLEX GALAXY INCOME FUND

$110,043,500

6,835,000 Subscription Receipts, each representing the right to receive one trust unit

and

$105,000,000

6.0% Convertible Extendible Unsecured Subordinated Debentures

Subscription Receipts

This short form prospectus qualifies for distribution 6,835,000 subscription receipts ("Subscription Receipts"), each of which will entitle the holder thereof to receive, without any further action on the part of the holder thereof and without payment of additional consideration, one trust unit (a "Unit") of Cineplex Galaxy Income Fund (the "Fund") upon the closing of the acquisition (the "Acquisition") by Cineplex Galaxy Limited Partnership ("Cineplex Galaxy LP") of Famous Players (as defined herein), described in more detail under the heading "The Acquisition". This prospectus also qualifies for distribution the Units issuable pursuant to the Subscription Receipts. The proceeds from the sale of the Subscription Receipts (the "Escrowed Funds") will be held by CIBC Mellon Trust Company, as escrow agent (the "Escrow Agent"), and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) pending completion of the Acquisition or the occurrence of the Termination Time (as defined herein). Upon the Acquisition being completed on or before August 31, 2005, the Escrowed Funds will be released to the Fund and one Unit will be issued for each Subscription Receipt. The Fund will utilize the Escrowed Funds and the proceeds from the sale of Debentures (as described herein) to pay a portion of the purchase price for the Acquisition.

If the closing of the Acquisition does not take place by 5:00 p.m. (Toronto time) on August 31, 2005, if the Purchase Agreement is terminated at any earlier time or if the Fund has advised the Underwriters or announced to the public that it does not intend to proceed with the Acquisition (in any case, the "Termination Time"), the Escrow Agent shall return to holders of Subscription Receipts, commencing on the third business day following the Termination Time, an amount equal to the full subscription price therefor and their *pro rata* entitlements to interest actually earned on such amount.

If the closing of the Acquisition takes place prior to the Termination Time and holders of Subscription Receipts become entitled to receive Units, such holders will be entitled to receive an amount per Subscription Receipt equal to the amount per Unit of any cash distributions for which record dates have occurred during the period from the date of closing of the offering of the Subscription Receipts to the date immediately preceding the date the Units are issued pursuant to the Subscription Receipts. Accordingly, if the Acquisition closes on or before July 29, 2005, as currently contemplated, holders of Subscription Receipts will become holders of Units on or before July 29, 2005 and will be entitled, provided they remain holders of record of Units received pursuant to the Subscription Receipts on July 29, 2005, to receive the monthly distribution expected to be paid on August 30, 2005 to Unitholders (as defined herein) of record on July 29, 2005. If the closing of the Acquisition occurs after July 29, 2005, but on or before August 31, 2005, holders of Subscription Receipts on such day will be entitled to receive a payment per Subscription Receipt equivalent to the per Unit distribution that will be paid by the Fund to Unitholders of record on July 29, 2005. See "Description of the Subscription Receipts".

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Debentures

This short form prospectus also qualifies for distribution $105,000,000 aggregate principal amount of 6.0% convertible extendible unsecured subordinated debentures (the "Debentures" and, together with the Subscription Receipts, collectively, the "Securities") of the Fund at a price of $1,000 per Debenture. The Debentures bear interest at an annual rate of 6.0% payable semi-annually on June 30 and December 31 in each year commencing December 31, 2005. The Debentures have an initial maturity date of the earlier of the closing date of the Acquisition and August 31, 2005 (the "Initial Maturity Date"). If the closing of the Acquisition takes place prior to the Termination Time, the maturity date will be automatically extended from the Initial Maturity Date to December 31, 2012 (the "Final Maturity Date"). If closing of the Acquisition does not take place prior to the Termination Time, the Debentures will mature on the Initial Maturity Date. See "Description of the Debentures".

Debenture Conversion Privilege

Each Debenture will be convertible into freely tradeable Units at the option of the holder of a Debenture at any time after the Initial Maturity Date and prior to the close of business on the Final Maturity Date or, if called for redemption, on the Business Day (as defined herein) immediately preceding the date specified by the Fund for redemption of the Debentures, at a conversion price of $18.75 per Unit, subject to adjustment in certain events. Holders converting their Debentures will receive accrued and unpaid interest thereon to the date of conversion. Notwithstanding the foregoing, no Debentures may be converted during the five Business Days preceding June 30 and December 31, in each year, commencing December 31, 2005, as the registers of the Debenture Trustee (as defined herein) will be closed during such periods. Further particulars concerning the conversion privilege, including provisions for the adjustment of the conversion price, are set out under "Description of the Debentures — Conversion Privilege".

The issued and outstanding Units are listed on the Toronto Stock Exchange (the "TSX") under the trading symbol "CGX.UN". On June 28, 2005, the last trading day prior to the public announcement of the offering of Subscription Receipts and the Debentures (the "Offering"), the closing price of the Units on the TSX was $16.10 per Unit. On June 10, 2005, the last trading day prior to the public announcement of the Acquisition, the closing price of the Units on the TSX was $14.20 per Unit. The terms of the Offering were determined by negotiation between the Fund and RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc., TD Securities Inc., Westwind Partners Inc., Wellington West Capital Inc., Genuity Capital Markets and Raymond James Ltd. (collectively, the "Underwriters").

Price: $16.10 per Subscription Receipt
Price: $1,000 per Debenture

	Price to the Public(1)	Underwriters' Fee(2)	Net Proceeds(3)
Per Subscription Receipt	$16.10	$0.805	$15.295
Total Subscription Receipts	$110,043,500	$5,502,175	$104,541,325
Per Debenture	$1,000	$40	$960
Total Debentures	$105,000,000	$4,200,000	$100,800,000
Total Subscription Receipts and Debentures	$215,043,500	$9,702,175	$205,341,325

Notes:

(1) The price of the Securities has been determined by negotiation between the Fund and the Underwriters.

(2) The Underwriters' fee with respect to the Subscription Receipts is payable as to 50% upon closing of the Offering and 50% on release of the Escrowed Funds to the Fund. If the Acquisition is not completed, the Underwriters' fee with respect to the Subscription Receipts will be reduced to the amount payable upon closing of the Offering. The Underwriters' fee with respect to the Debentures is payable in full upon closing of the Offering.

(3) Before deducting the expenses of the Offering which are estimated to be approximately $750,000 and excluding interest, if any, on the Escrowed Funds.

Purchasers will have the option of subscribing for Debentures, Subscription Receipts or a combination thereof. It is currently expected that the closing of the Offering will occur on the same date as the closing of the Acquisition. In that event, the Fund will deliver Units on the closing of the Offering instead of Subscription Receipts. This prospectus also qualifies any such distribution of Units. See "Plan of Distribution".

The after-tax return for any Units (including Units issuable pursuant to the Subscription Receipts or upon exchange of the Debentures) owned by Unitholders which are subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by the Fund (portions of which may be fully or partially taxable or may constitute non-taxable

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returns of capital). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to Unitholders. Income is generally taxed as ordinary income or as dividends in the hands of a Unitholder. Returns of capital are generally non-taxable to a Unitholder (but reduce the Unitholder's cost base in the Unit for tax purposes).

A return on an investment in the Fund is not comparable to the return on an investment in a fixed-income security. The recovery of an initial investment in the Fund is at risk, and the anticipated return on such investment is based on many performance assumptions. Although the Fund intends to make distributions of its available cash to Unitholders, these cash distributions may be reduced or suspended. In addition, the market value of the Securities and the Units may decline if the Fund's cash distributions decline in the future and that decline may be material.

An investment in the Securities is subject to a number of risks that should be considered by a prospective investor. Cash distributions on the Units are not guaranteed and will be entirely derived from the business operated by related entities of the Fund and from the ability of each such entity to make distributions on its securities, which is subject to a number of risks. For these and other risk factors, see "Risk Factors". It is important for an investor to consider the particular risk factors that may affect the stability of the distributions paid by the Fund. See, for example, "Risks Relating to the Integration of the Combined Business", "Potential Undisclosed Liabilities Associated with the Acquisition", "Possible Failure to Complete the Acquisition" and "Possible Failure to Complete the Divestitures under the Consent Agreement" under the heading "Risk Factors" herein. This section and the section entitled "Risk Factors" on pages 41 to 49 of the AIF (as defined herein) incorporated by reference herein also describe the Fund's assessment of those risk factors, as well as the potential consequences to an investor if a risk should materialize.

There is currently no market through which the Subscription Receipts or Debentures may be sold and investors may not be able to resell the Subscription Receipts or Debentures purchased under this short form prospectus.

The Underwriters, as principals, conditionally offer the Securities, subject to prior sale, if, as and when issued by the Fund and delivered to and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters on behalf of the Fund by Goodmans LLP and on behalf of the Underwriters by Torys LLP.

Each of the Canadian chartered bank affiliates of RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc. and BMO Nesbitt Burns Inc. is a lender to affiliates of the Fund under existing credit facilities. Each of the Canadian chartered bank affiliates of RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc. and BMO Nesbitt Burns Inc. will be a lender to affiliates of the Fund under the credit facility to be entered into upon the closing of the Acquisition (see "The Acquisition — New Credit Facility"). A portion of such facility will be used to partially finance the Acquisition, to refinance the existing credit facilities and to pay related expenses. Consequently, the Fund may be considered a connected issuer of RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc. and BMO Nesbitt Burns Inc. under applicable securities laws in certain Canadian provinces and territories. See "Plan of Distribution".

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Securities at levels other than those which might otherwise prevail on the open market. See "Plan of Distribution".

The Fund is not a trust company or is registered under applicable legislation governing trust companies and does not carry on or intend to carry on the business of a trust company. The Fund qualifies as a mutual fund trust for the purposes of the *Income Tax Act* (Canada) (the "Tax Act") and offers and sells its Units to the public. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that statute or any other legislation.

Subscriptions for Securities will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Book-entry only certificates representing the Securities will be issued in registered form to The Canadian Depository for Securities Limited ("CDS") or its nominee as registered global securities and will be deposited with CDS on the date of issue of the Securities, which is expected to occur on or about July 21, 2005. Holders of Securities will not be entitled to receive physical certificates representing their ownership. See "Plan of Distribution", "Description of Subscription Receipts" and "Description of Debentures — Book-Entry System for Debentures".

TABLE OF CONTENTS

Prospective investors should rely only on the information contained or incorporated by reference in this short form prospectus. The Fund has not authorized anyone to provide different information. If an investor is provided with different or inconsistent information, he or she should not rely on it. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. Prospective investors should assume that the information appearing in this short form prospectus is accurate as of the date on the front cover of this short form prospectus only, regardless of the time of delivery of this short form prospectus or of any sale of the Securities. Certain information contained in this short form prospectus concerning companies other than the Fund or its subsidiaries and Famous Players has been derived from publicly available sources. Certain information contained in this short form prospectus concerning the business of Famous Players has been provided by Viacom Canada and its subsidiaries. No representation is made with respect to the accuracy of this information.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from Gord Nelson, Chief Financial Officer of Cineplex Galaxy GP, at 1303 Yonge Street, Toronto, Ontario M4T 2Y9, telephone (416) 323-6600. For the purpose of the Province of Québec, this simplified short form prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Chief Financial Officer at the above mentioned address and telephone number. In addition, copies of the documents incorporated by reference herein may be obtained from the securities commissions or similar authorities in Canada through the internet at www.sedar.com.

The following documents, filed with the securities commissions or similar authorities in the provinces and territories of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) annual information form of the Fund dated March 31, 2005 (the "AIF");

(b) management information circular of the Fund dated March 31, 2005 (except for the sections entitled "Report on Executive Compensation", "Fund Performance Graph" and "Statement of Corporate Governance Practices") distributed in connection with the annual meeting of Unitholders held on May 19, 2005;

(c) consolidated financial statements of the Fund for the financial year ended December 31, 2004, together with the notes thereto and the auditors' report thereon;

(d) consolidated financial statements of the Cineplex Galaxy LP for the financial year ended December 31, 2004, together with the notes thereto and the auditors' report thereon;

(e) management's discussion and analysis of financial condition and results of operations of the Fund and Cineplex Galaxy LP for the financial year ended December 31, 2004;

(f) unaudited consolidated financial statements of the Fund for the three month period ended March 31, 2005, together with the notes thereto;

(g) unaudited consolidated financial statements of Cineplex Galaxy LP for the three month period ended March 31, 2005, together with the notes thereto;

(h) management's discussion and analysis of financial condition and results of operations of the Fund and Cineplex Galaxy LP for the three month period ended March 31, 2005; and

(i) the material change report of the Fund dated June 21, 2005 filed in connection with the Acquisition.

Any material change reports (excluding confidential reports), interim financial statements, annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations in respect of the periods covered by such interim or annual financial statements, and management information circulars (excluding those portions that are not required pursuant to National Instrument 44-101 of the Canadian Securities Administrators to be incorporated by reference herein) filed by the Fund with the securities commissions or similar authorities in the provinces and territories of Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that was required to be stated or that was necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

DEFINED TERMS

For an explanation of certain terms and abbreviations used in this short form prospectus, reference is made to the "Glossary of Terms".

EXCHANGE RATES

The following table reflects (i) the low and high rates of exchange for one United States dollar ("US$"), expressed in Canadian dollars ("$"), during the periods noted, (ii) the rates of exchange at the end of such periods and (iii) the average of such exchange rates on the last business day of each month during such periods, based on the Bank of Canada noon spot rate of exchange.

	Three months ended		12 months ended		
	March 31, 2005	March 31, 2004	December 31, 2004	December 31, 2003	December 31, 2002
Low for the period	$1.2566	$1.3476	$1.3968	$1.5747	$1.6132
High for the period	$1.1987	$1.2692	$1.1774	$1.2924	$1.5110
Rate at the end of the period	$1.2096	$1.3105	$1.2036	$1.2924	$1.5796
Average noon spot rate for the period	$1.2267	$1.3179	$1.3015	$1.4015	$1.5704

Source: Bank of Canada

On June 30, 2005, the Bank of Canada noon spot rate of exchange was US$1.00 = $1.2256.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference into this short form prospectus, constitute forward looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements. In particular, this short form prospectus, and the documents incorporated by reference herein, contain forward looking statements pertaining to distributable cash and distributions per Unit. Management believes the expectations reflected in those forward looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward looking statements included in, or incorporated by reference into, this short form prospectus should not be unduly relied upon. These statements speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference into this short form prospectus, as the case may be.

The actual results could differ materially from those anticipated in these forward looking statements as a result of, among other things, the risk factors set out in this short form prospectus or incorporated by reference herein. See "Risk Factors". The Fund does not undertake any obligation to publicly update or revise any forward looking statements.

DEFINITIONS OF NON-GAAP MEASURES

References to "EBITDA" are to earnings before interest, taxes, depreciation and amortization. "Adjusted EBITDA" excludes from EBITDA income from discontinued operations, foreign exchange gain (loss), the effects of non-controlling interests, gain (loss) on disposal of theatre assets, lease shutdown costs and stock-based compensation. EBITDA and Adjusted EBITDA are not recognized measures under GAAP. Management believes that in addition to net income (loss), Adjusted EBITDA is a useful supplemental measure as it provides investors with an indication of distributable cash prior to debt service, capital expenditures, income taxes paid and certain unusual or non-recurring items and is used to define certain financial covenants in the Partnership's New Credit Facility. Investors should be cautioned, however, that EBITDA and Adjusted EBITDA should not be construed as an alternative to net income determined in accordance with GAAP as an indicator of the Fund's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Fund's method of calculating EBITDA and Adjusted EBITDA may differ from other companies and, accordingly, EBITDA and Adjusted EBITDA may not be comparable to measures used by other companies.

"Gross profit" is not a recognized measure under GAAP. Management believes that in addition to net income (loss), gross profit is a useful supplemental measure as it provides investors with an indication of the profits generated on products and services sold to customers before corporate overhead and other operating expenses. Investors should be cautioned, however, that gross profit should not be construed as an alternative to net income (loss) determined in accordance with GAAP as an indicator of the Fund's profitability. The Fund's method of calculating gross profit may differ from other companies and, accordingly, gross profit may not be comparable to measures used by other companies.

"Operating income" is not a recognized measure under GAAP. Management believes that in addition to net income (loss), operating income is a useful supplemental measure as it provides investors with an indication of the profits generated on products and services sold to customers after selling, general and administrative expenses. Investors should be cautioned, however, that operating income should not be construed as an alternative to net income determined in accordance with GAAP as an indicator of the Fund's profitability. The Fund's method of calculating operating income may differ from other companies and, accordingly, operating income may not be comparable to measures used by other companies.

A reconciliation of net income (loss) with EBITDA, Adjusted EBITDA, gross profit and operating income has been provided. See "Selected Financial Disclosure — Reconciliation of Non-GAAP Measures".

"Distributable cash" is not a recognized measure under GAAP and the Fund's method of calculation of distributable cash may differ from methods used by other entities. Accordingly, distributable cash as presented may not be comparable to similar measures presented by other entities. Management believes that the method of determining distributable cash presented in this short form prospectus is derived directly from net earnings, which is a measure recognized under GAAP and is a measure of operating performance understood by Unitholders. The Fund's method of determining distributable cash is also consistent with the Fund's historical disclosure and consistent with management's discussion and analysis of financial condition and results of operations as publicly disclosed to Unitholders. Management believes that consistent disclosure enhances the comparability of the information presented in this short form prospectus, including the *pro forma* presentation giving effect to the Offering and the Acquisition, with results of the Fund on a stand alone basis for prior periods. This method presents cash that is available for distribution to Unitholders based on the results of the relevant period, after adjusting for non-cash items and accounting for interest, income taxes paid, maintenance capital expenditures and restructuring cash payments.

PROSPECTUS SUMMARY

The following is a summary of certain information contained in this short form prospectus.

Box office data for 2004 is from A.C. Nielsen EDI. Although there may be certain small independent theatres which do not report to A.C. Nielsen EDI, these figures are widely used and referenced in the film exhibition industry.

The Fund

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated October 2, 2003, as amended. The Fund currently owns Class A LP Units and Class B LP Units representing approximately 43.8% of the outstanding LP Units of Cineplex Galaxy LP and approximately 43.8% of the outstanding shares of Cineplex Galaxy GP. The remaining LP Units of Cineplex Galaxy LP and outstanding shares of Cineplex Galaxy GP are held by Cineplex Odeon Corporation ("COC"), its subsidiary, Cineplex Odeon (Quebec) Inc. and former shareholders of Galaxy Entertainment Inc. ("GEI").

Description of the Partnership's Business

Cineplex Galaxy LP is one of the leading film exhibitors in Canada. The Partnership owns, operates or has an interest in 86 theatres with 775 screens in six provinces. The Partnership operates theatres under the Cineplex Odeon brand, which has enjoyed an established urban market presence in Canada for over 20 years, and the newer Galaxy brand, which is rapidly developing a reputation as a primary entertainment destination in mid-sized communities.

Description of Famous Players' Business

Famous Players is one of North America's leading film exhibitors and the largest film exhibitor in Canada calculated by box office revenue. Famous Players currently operates a circuit of 785 screens in 80 theatres across six provinces (including five Alliance Atlantis branded theatres), including many of Canada's highest grossing theatres, primarily located in major metropolitan markets. Founded in 1919, Famous Players operates theatres under the Coliseum, Colossus, SilverCity and Paramount brands, among others.

Acquisition

Cineplex Galaxy LP, Viacom Inc. ("Viacom") and Viacom Canada Inc. ("Viacom Canada") have entered into a purchase agreement made as of June 10, 2005 (the "Purchase Agreement") pursuant to which Cineplex Galaxy LP has agreed to acquire the FP Partnership and its general partner, Famous Players Co., which will together hold substantially all of the assets and conduct the business currently held and conducted by the Famous Players division of Viacom Canada, for total consideration of $500 million, comprised of approximately $464 million in cash and the assumption of capital lease obligations of approximately $36 million, subject to adjustment related to cash flow. Cineplex Galaxy LP intends to pay the cash portion of the purchase price with the net proceeds of the Offering together with additional drawings of approximately $200 million under the New Credit Facility and the proceeds of the RioCan Transaction. The closing of the Acquisition is expected to occur on or about July 21, 2005. See "The Acquisition — Purchase Agreement".

Rationale for the Acquisition

Management and the Trustees believe that the Acquisition is consistent with the Fund's objective to generate sustainable and growing distributable cash for the following reasons:

- *The Leading Film Exhibitor in Canada.* Following the Acquisition, the Partnership will be the leading film exhibitor in Canada. Management anticipates that, after the Acquisition and the Divestitures, the Partnership will own and operate 132 theatres with 1,278 screens in six Canadian provinces. Assuming completion of the Acquisition and Divestitures, the Partnership would have generated *pro forma* revenues, Adjusted EBITDA and net loss of approximately $751.9 million, $100.8 million and

$22.0 million, respectively, for the year ended December 31, 2004 and $740.0 million, $101.4 million and $6.0 million, respectively, for the twelve months ended March 31, 2005.

- *Immediately Accretive to Distributable Cash per Unit.* Management believes that the Acquisition will be immediately 5% accretive (4% fully-diluted) to the Fund's distributable cash per Unit on a combined *pro forma* basis for the twelve months ended March 31, 2005, without taking into account the synergies expected to result from the Acquisition.

- *Complementary Operations will Lead to Cost Savings.* Management believes the Partnership will benefit from cost-saving opportunities and other synergies through the integration of the operations of the Partnership and Famous Players. Specifically, Management expects to realize cost savings through a reduction in consolidated general and administrative expenses, improved supply chain cost management and greater operational efficiency. Management expects that these synergies will result in annual savings of approximately $20 million once the operations of Famous Players and those of Cineplex Galaxy LP have been fully integrated, which is expected to occur within 12 months of the closing of the Acquisition. Including these synergies, Management believes that the Acquisition, after the Divestitures, would have been approximately 30% accretive to the Fund's distributable cash per Unit on a *pro forma* basis for the 12 months ended March 31, 2005.

- *Opportunities to Increase Distributable Cash Through Revenue Growth.* Management believes there are significant opportunities to grow revenue and distributable cash per Unit following the Acquisition. Management believes that the enhanced demand from advertisers and the sharing of best practices between the Partnership and Famous Players will result in greater advertising revenue and distributable cash per Unit. Other significant revenue growth opportunities include the sale of naming rights on certain theatres and auditoriums, increased revenue from games and the exploitation of benefits related to the Partnership's loyalty programs.

- *Addition of High Quality Theatres in Metropolitan Markets.* Famous Players currently operates a circuit of modern theatres, offering customers a state-of-the-art movie experience. With the addition of the Famous Players theatres, the sources of the Partnership's revenues will be more diversified both by markets and by demographic characteristics. The Famous Players branded theatres, like those of the Partnership, also typically generate higher concessions and ancillary revenue per guest as compared to more traditional theatres.

- *Superior Combined Management.* The Partnership is expected to benefit from the combination of the Cineplex Galaxy and Famous Players management teams, both of which have significant industry experience and have successfully managed and developed the two leading film exhibition companies in Canada.

See "The Acquisition — Rationale for the Acquisition".

The Offering

The Offering:	6,835,000 Subscription Receipts and $105,000,000 aggregate principal amount of Debentures. See "Description of the Subscription Receipts", "Description of the Debentures" and "Plan of Distribution".
Total Amount of Offering:	$215,043,500.
Price:	$16.10 per Subscription Receipt and $1,000 per Debenture. See "Plan of Distribution".
Expected Closing Date of the Offering:	On or about July 21, 2005.
Use of Proceeds:	The proceeds to the Fund from the Offering together with the borrowings under the New Credit Facility and the proceeds of the RioCan Transaction will be used to fund the Acquisition, refinance existing indebtedness, pay certain expenses of the Acquisition and this Offering and for general corporate purposes. See "Use of Proceeds", "The Acquisition" and "Plan of Distribution".

The Subscription Receipts

The Escrowed Funds:	If Subscription Receipts are issued on closing of the Offering, the Escrowed Funds will be held by the Escrow Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada or a province or a Canadian chartered bank, as directed by the Fund, provided that such obligation is rated at least R1 (middle) by DBRS or any equivalent rating service pending completion of the Acquisition.
Completion of the Acquisition:	Upon the Acquisition being completed on or before August 31, 2005, the Escrowed Funds will be released to the Fund and one Unit will be issued for each Subscription Receipt without any further action on the part of the holder thereof and without payment of additional consideration. It is currently expected that the closing of the Offering will occur on the same date as the closing of the Acquisition. If the closing of the Acquisition occurs on the same date or prior to the date of the closing of the Offering, the Fund will deliver Units on closing of the Offering instead of Subscription Receipts. If the closing of the Acquisition does not take place by the Termination Time, the Escrow Agent shall return to holders of Subscription Receipts, commencing on the third business day following the Termination Time, an amount equal to the full subscription price therefor and their *pro rata* entitlements to interest actually earned on such amount.
Distributions:	If the closing of the Acquisition takes place prior to the Termination Time and holders of Subscription Receipts become entitled to receive Units, such holders will be entitled to receive an amount per Subscription Receipt equal to the amount per Unit of any cash distributions for which record dates have occurred during the period from the date of closing of the offering of the Subscription Receipts to the date immediately preceding the date the Units are issued pursuant to the Subscription Receipts. Accordingly, if the Acquisition closes on or before July 29, 2005, as currently contemplated, holders of Subscription Receipts will become holders of Units on or before July 29, 2005 and will be entitled, provided they remain holders of record of Units received pursuant to the Subscription Receipts on July 29, 2005, to receive the monthly distribution expected to be paid on August 30, 2005 to

	Unitholders of record on July 29, 2005. If the closing of the Acquisition occurs after July 29, 2005 but on or before August 31, 2005, holders of Subscription Receipts on such day will be entitled to receive a payment equivalent to the distribution that will be paid by the Fund to Unitholders of record on July 29, 2005. See "Description of the Subscription Receipts".

The Debentures

Maturity:	The Debentures will initially mature on the earlier of the closing date of the Acquisition and August 31, 2005. If the closing of the Acquisition takes place at or before the Termination Time, the maturity date will be automatically extended from August 31, 2005 to December 31, 2012.
Interest:	6.0% per annum. Assuming the extension of the maturity of the Debentures to the Final Maturity Date, the interest on the Debentures will be payable semi-annually in arrears on June 30 and December 31 in each year, commencing December 31, 2005. The first interest payment on December 31, 2005 will include interest accrued from the date of closing to but excluding December 31, 2005.
Conversion:	Each Debenture will be convertible into Units at the option of the holder at any time after the Initial Maturity Date and prior to the close of business on the Final Maturity Date or, if called for redemption, on the Business Day immediately preceding the date specified by the Fund for redemption of the Debentures at a conversion price of $18.75 per Unit, being a conversion rate of approximately 53.3333 Units per $1,000 principal amount of Debentures, subject to adjustment as provided in the Indenture. Holders converting their Debentures will receive accrued and unpaid interest thereon to the date of conversion.
Redemption:	The Debentures will not be redeemable on or before December 31, 2008. After December 31, 2008 and on or prior to December 31, 2010, the Debentures may be redeemed, in whole or in part, from time to time at the option of the Fund on not more than 60 days and not less than 30 days notice, at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume weighted average trading price of the Units on the TSX for 20 consecutive trading days ending on the fifth trading day preceding the day prior to the date upon which the notice of redemption is given is at least 125% of the Conversion Price. After December 31, 2010, the Debentures may be redeemed in whole or in part from time to time at the option of the Fund on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest.
Payment upon Redemption or Maturity:	On redemption or at the Final Maturity Date, the Fund may, at its option, on not more than 60 days and not less than 30 days prior notice and subject to regulatory approval, elect to satisfy its obligation to pay the applicable Redemption Price or the principal amount of the Debentures by issuing and delivering that number of Units freely tradeable in Canada obtained by dividing the aggregate Redemption Price of the outstanding Debentures which are to be redeemed, or the principal amount of outstanding Debentures which have matured, as the case may be, by 95% of the volume weighted average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the

	date fixed for redemption or the Final Maturity Date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash.
Change of Control:	Upon the occurrence of a change of control of the Fund involving the acquisition of voting control or direction over 70% or more of the Units (on a fully-diluted basis, including Units issuable on the exchange of all Class B LP Units), each holder of Debentures may require the Fund to purchase, on a date which is 30 days following the giving of notice of the change of control, the whole or any part of such holder's Debentures at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest to such date.
Subordination:	The payment of the principal and premium, if any, of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness of the Fund. The Debentures will also be effectively subordinate to claims of creditors of the Fund's subsidiaries except to the extent the Fund is a creditor of such subsidiary ranking at least *pari passu* with such other creditors. The Debentures will not limit the ability of the Fund to incur additional indebtedness, liabilities and obligations, including indebtedness that ranks senior to the Debentures, or from mortgaging, pledging or charging its properties to secure any indebtedness.
Canadian Federal Income Tax Considerations:	No gain or loss will be realized by a holder of Subscription Receipts on the exchange of a Subscription Receipt for a Unit. Each Canadian resident Unitholder will be required to include in computing income for tax purposes for a particular taxation year the Unitholder's *pro rata* share of the Fund's income that was paid or payable in that year by the Fund to the Unitholder and that was deducted by the Fund in computing its income. Generally, all other amounts received by Unitholders will not be included in a Unitholder's income for income tax purposes, but will reduce the adjusted cost base of the Unitholder's Units. Each Canadian resident holder of a Debenture that is a corporation, partnership, unit trust or a trust of which a corporation or a partnership is a beneficiary, will be required to include in computing income for tax purposes for a particular taxation year all interest on the Debentures that accrues to the holder to the end of that taxation year or that becomes receivable by or is received by the holder before the end of that year, except to the extent that the holder included that interest in computing its income for a preceding taxation year. Every other Canadian resident holder of a Debenture will generally be required to include in computing income for tax purposes for a particular taxation year all interest on the Debentures that is received or receivable by the holder in that year (depending upon the method regularly followed by the holder in computing income), except to the extent that the holder included that interest in income for a preceding taxation year. Each Canadian resident holder of a Debenture who exchanges a Debenture for Units will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Units so acquired and the holder may realize a capital gain or a capital loss as a result. Non-resident holders of Subscription Receipts, Units and Debentures should consult their tax advisors regarding the tax implications of an investment, including the application of withholding tax to distributions, payments of

interest, and amounts deemed to be interest on conversion, redemption or maturity of the Debentures. See "Certain Canadian Federal Income Tax Considerations". All prospective investors should consult their tax advisors regarding the tax implications of an investment in Subscription Receipts, Units and/or Debentures. See "Certain Canadian Federal Income Tax Considerations".

Risk Factors: The Partnership will be susceptible to a number of risks arising in its business or relating to the Acquisition which include: risks relating to the integration of the combined business, potential undisclosed liabilities associated with the Acquisition, possible failure to complete the Acquisition, possible failure to complete the Divestitures, increasing competition from alternative film delivery methods and other forms of entertainment, unauthorized copying and viewing of films, reliance on film production and performance, increased capital expenses resulting from the development of digital technologies for film exhibition, reliance on key personnel, the Partnership's ability to acquire and develop new theatre sites, the impact of new theatres on attendance at existing theatres, rising insurance, labour and occupancy costs, ability to generate additional ancillary revenue, competitive environment, relationships with major film distributors and primary concession suppliers, landlord termination rights, impact of discretionary consumer spending and existing and potential litigation and other proceedings.

There are also risks related to the structure of the Fund and the nature of the Units including: dependence on the Trust and the Partnership, fluctuation in cash distributions as a result of business performance, the absence of certain statutory rights associated with share ownership, potential for distribution of securities on redemption or termination of the Fund, possibility of Unitholder liability, potential dilution from future financings the existence of an external controlling interest in the Partnership, degree to which the Partnership is leveraged, restrictive covenants in the Partnership's credit facilities and in the Indenture, the effect of future sales of Units by the Investors, income tax matters, restrictions on potential growth as a result of the cash distribution policies of the Partnership and the Fund and restrictions on ownership of Units by non-resident holders.

Finally, there are specific risks related to the Securities which include: the absence of an existing market for such securities; the existence of and potential for further prior ranking indebtedness, the absence of prohibitions on senior indebtedness, the potential for redemption prior to maturity, the possible inability of the Fund to purchase Debentures as required following a change of control, and the effect of certain transactions on the value of the conversion feature of the Debentures.

Financial Highlights

Summary of Distributable Cash of the Fund

Management believes that, following the completion of the Acquisition, the Divestitures, the RioCan Transaction and the Offering, the Partnership will incur charges to interest and taxes, which charges are not accounted for in the historical financial statements of Cineplex Galaxy LP and Famous Players that are included or incorporated by reference in this short form prospectus. Although the Partnership does not have firm commitments for all of these additional expenses and, accordingly, the complete financial effects thereof are not objectively determinable, Management has estimated such additional expenses in preparing the following analysis. The following financial information has been prepared by Management to assist a reader of this short form prospectus and is derived from audited or unaudited financial statements included or incorporated by reference into this short form prospectus and other information available to Management. The following is not a forecast or projection of future results of the Partnership and has been prepared as of March 31, 2005 on a *pro forma* basis as if the Acquisition, the Offering, the Divestitures and the RioCan Transaction had occurred on January 1, 2004. The actual results of operations of the Partnership for any period following completion of the Acquisition, the Divestitures, the Offering and the RioCan Transaction will vary from the amounts set forth below, and such variations may be material.

Summary of *Pro Forma* Distributable Cash
(Unaudited)

	Cineplex Galaxy LP 12 Months Ended March 31, 2005	Famous Players 12 Months Ended March 31, 2005	Adjustments	Pro forma 12 Months Ended March 31, 2005
Net income (loss)	$25,848	$(14,065)	$(17,760) (8)	$ (5,977)
Less: income from discontinued operations	—	—	(6,116) (8)	(6,116)
Income from continuing operations	25,848	(14,065)	(23,876)	(12,093)
Adjustments to Income from continuing operations				
Amortization	24,825	50,636	(7,666) (8)	67,795
Interest on long-term debt	8,485	8,805	12,649 (8)	29,939
Interest on loan from Cineplex Galaxy Trust	14,000	—	—	14,000
Interest income	(497)	—	(303)	(800)
Income taxes	(1,130)	4,916	(4,916) (8)	(1,130)
EBITDA	71,531	50,292		97,711
Adjustments to EBITDA				
Foreign exchange gain/loss	—	(9,365)	9,365 (8)	—
Non-controlling interests	—	2,973	—	2,973
Gain on disposal of theatre assets	(105)	(3,094)	— (8)	(3,199)
Lease shutdown costs	—	3,900	—	3,900
Adjusted EBITDA	71,426	44,706		101,385
Interest on long-term debt(1)	(8,485)			(29,939)
Interest income	497			800
Current income taxes(3)	(423)			(423)
Non-cash items(4)	(4,476)			6,449
Maintenance capital expenditures(5)	(3,769)			(9,500)
Other cash disbursements(6)				(2,078)
Distributable cash — basic	54,770			66,694
Interest on Class C LP Units(2)				6,321
Distributable cash — fully diluted				73,015
Number of units — basic	47,567		7,583 (7)	55,150
Number of units — fully diluted			13,183 (7)	60,750
Distributable cash per unit — basic	$1.1514			$1.2093
Accretion — basic				5.0%
Distributable cash per unit — fully diluted				$1.2019
Accretion — fully diluted				4.4%

(1) Consisting of estimated interest expense on the New Credit Facility described under "The Acquisition — New Credit Facility", assuming drawings of $340 million, interest on Class C LP Units, accretion charge on the Class C LP Units, amortization of deferred financing charges on the New Credit Facility and interest on capital leases, net of interest related to carrying properties held for disposition.

(2) Adjustment to remove interest expense on Class C LP Units to present distributable cash on a fully-diluted basis.

(3) Represents large corporations tax on incorporated subsidiaries.

(4) Non-cash items include the following: (a) adjustments to reflect the amortization of tenant inducement and rent averaging liabilities, (b) non-cash amounts charged under the Viacom stock-based compensation plan, (c) amortization of deferred financing charges and (d) the accretion charge related to the Class C LP Units.

(5) Estimated maintenance capital expenditures for the combined business.

(6) Includes the principal component of capital lease payments and estimated distributions to non-controlling interests.

(7) Adjustment represents 6,835,000 units issued in connection with the completion of the Acquisition, the issuance of 500,000 units to executives to satisfy a fee paid on the closing of the Acquisition and the issuance of 248,447 units to Onex Corporation to satisfy a transaction fee of $4 million. Fully-diluted includes 5,600,000 units issued on the conversion of $105,000,000 principal amount of Debentures at a conversion price of $18.75 per unit.

(8) Pro forma adjustments are described in the Pro Forma Consolidated Statement of Income for the twelve-month period ended March 31, 2005.

CINEPLEX GALAXY INCOME FUND

The Fund

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated October 2, 2003, as amended. The Fund currently indirectly owns Class A LP Units and Class B LP Units, representing approximately 43.8% of the outstanding Class A LP Units and Class B LP Units of Cineplex Galaxy LP, and approximately 43.8% of the outstanding shares of Cineplex Galaxy GP (50.2% and 50.2%, respectively, after giving effect to the issuance of Units pursuant to the Subscription Receipts and the transactions described under "The Acquisition — Fees" and 54.8% and 54.8%, respectively, further assuming the conversion of all Debentures offered hereby into Units). The remaining LP Units of Cineplex Galaxy LP and outstanding shares of Cineplex Galaxy GP are held by Cineplex Odeon Corporation ("COC"), its subsidiary Cineplex Odeon (Quebec) Inc. and the former shareholders of Galaxy Entertainment Inc. ("GEI").

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

INDUSTRY OVERVIEW

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

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

Importance of Theatrical Success in Establishing Movie Brands and Subsequent Markets

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

Increased Investment in Production and Marketing of Films by Studios

Additional revenues generated by films in domestic, international and downstream markets have driven the major studios in North America to increase the average spending on producing and marketing new theatrical releases from US$50.3 million per title in 1994 to US$98.0 million per title in 2004, a compound annual growth rate of 6.9%.

Increased Supply of Successful Films

Studios are increasingly producing films in series, such as *Shrek, Harry Potter, Lord of the Rings* and *Star Wars*. When the first film in a series is successful, subsequent films in that series benefit from existing public awareness and anticipation. The result is that such features typically attract large audiences and generate strong box office revenues. The success of a broader range of film genres also benefits film exhibitors. The studios' success in producing and marketing a wide variety of diverse yet commercially appealing movies such as *Fahrenheit 911, Million Dollar Baby, Hotel Rwanda, Eternal Sunshine of the Spotless Mind, Finding Neverland* and *Garden State* has expanded the demographic base of regular movie-goers and also contributed to greater per capita attendance.

In addition, the studios' strong pipeline of new releases and sequels provides good visibility for future box office revenue, such as *King Kong, Harry Potter and The Goblet of Fire, Charlie and the Chocolate Factory* and *The Lion, the Witch and the Wardrobe*.

Favourable Demographic Attendance Trends

The demographic segment of the movie-going population in the U.S. that attends the most movies is between 12 to 17 years of age. This group is expanding and continues to be the largest segment of moviegoers. The "baby boom" generation, currently between the ages of 39 and 59, is also attending more movies in the U.S. Management believes that similar trends exist in Canada. According to Statistics Canada, these segments of the population are expected to increase in Canada over the next few years. Management believes that these demographic trends will result in higher attendance levels and continued growth in the film exhibition business.

Convenient and Affordable Form of Out-of-Home Entertainment

With an average movie ticket price in Canada of only $7.55 in 2003 (and estimated at $7.70 in 2004 by Screen Digest), the movie-going experience continues to provide value and Management believes compares favourably to alternative forms of out-of-home entertainment in Canada such as professional sporting events or live theatre.

Reduced Seasonality of Revenues

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

This trend has benefited exhibitors by facilitating more effective leverage of the fixed cost base throughout the year, while providing greater stability of revenue and profitability. Management believes this trend has reduced the traditional seasonality of cash flows in the film exhibition industry and has increased aggregate box office revenue as improved attendance in non-peak periods has not impacted attendance in traditional peak periods. In addition, the release of "blockbuster" films during non-peak periods means less rivalry for customers from theatres showing competing "blockbuster" films at the same time.

Diversification of Revenue Streams

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

DESCRIPTION OF THE BUSINESS OF CINEPLEX GALAXY

The Partnership is currently one of the leading film exhibitors in Canada. The Partnership owns, operates or has an interest in 86 theatres with 775 screens in six provinces. The Partnership operates theatres under the Cineplex Odeon brand, which has enjoyed an established urban presence in Canada for over 20 years, and the newer Galaxy brand, which is rapidly developing a reputation as a primary entertainment destination in mid-sized communities. In 2004, Cineplex had a 31% share of box office revenues in Canada based on A.C. Nielsen EDI box office information.

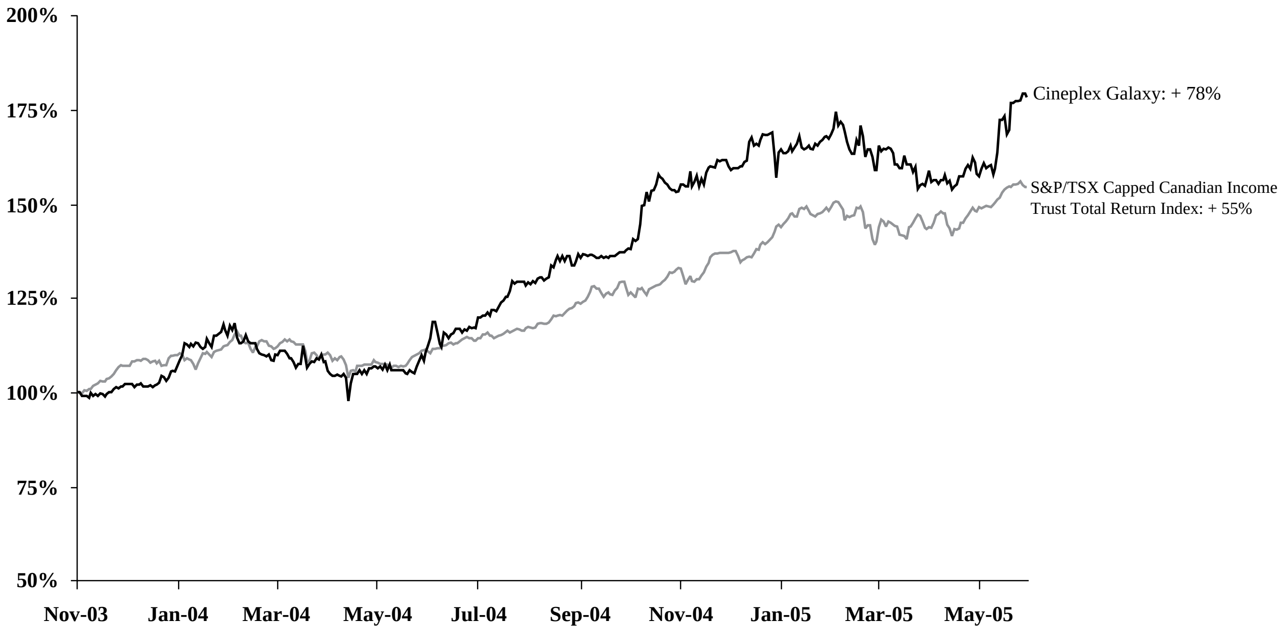
The Partnership's modern multiplex theatres are designed to provide patrons with a premium movie going experience and to maximize profitability by matching the number of screens with the size of the market served. In addition, the Partnership's auditorium seating capacities are varied within individual theatres, enabling it to maximize revenues by shifting films to smaller or larger auditoriums in response to changing attendance levels. The Partnership is also able to achieve efficiencies by staggering show times and consolidating box office, concession, projection and lobby facilities, which enables the Partnership to improve operating margins. Approximately 64% of the Partnership's screens have an age of eight years or less, approximately 66% of the

Partnership's auditoriums feature stadium seating and approximately 86% of the Partnership's auditoriums have digital sound. The table below shows the locations of screens and theatres operated by the Partnership:

	Cineplex Odeon Theatres		Galaxy Theatres	
	Screens	Theatres	Screens	Theatres
Alberta	99	9	30	3
British Columbia	53	7	8	1
Manitoba	8	1	—	—
Ontario	265	28	99	12
Quebec	136	15	34	4
Saskatchewan	21	3	22	3
Total	**582**	**63**	**193**	**23**

The Partnership's consistent financial performance has allowed the Fund to pay regular cash distributions of $1.15 per Unit per year and to deliver a total return of 78%, including capital appreciation through Unit price increases, from the completion of its initial public offering on November 26, 2003 to June 30, 2005, as illustrated in the chart below:

Total Relative Return Performance



Recent Developments

On June 29, 2005 the Partnership entered into a letter of intent to sell real estate interests in four theatre locations (two of which are Famous Players locations) for $67 million to RioCan Real Estate Investment Trust (the "RioCan Transaction"). The transaction is subject to the completion of the Acquisition, RioCan's due diligence and receipt of investment committee approval and the Partnership's right to obtain property appraisals. The Partnership intends to enter into lease agreements with RioCan for these properties on market terms and will continue to operate the theatres on each of the properties. Proceeds of the sale will be used to finance a portion of the purchase price for the Acquisition if completed prior to the Acquisition or to repay debt if completed after the closing of the Acquisition.

DESCRIPTION OF THE BUSINESS OF FAMOUS PLAYERS

Overview

Famous Players is one of North America's leading film exhibitors and the largest film exhibitor in Canada calculated by box office revenue. Founded in 1919 and headquartered in Toronto, Famous Players currently operates a circuit of 785 screens in 80 theatres across six Canadian provinces (including five Alliance Atlantis branded theatres), including many of Canada's highest-grossing theatres, primarily located in major metropolitan markets. In 2004, Famous Players had a share of EDI box office revenues in Canada of 43% and was the leading film exhibitor in Toronto, Ottawa, Calgary, Vancouver and Winnipeg based on A.C. Nielsen EDI box office information. Seven of the ten top-grossing Canadian theatres in 2004 were operated by Famous Players under the SilverCity and Paramount brands. Famous Players had total revenue of $506.8 million and Adjusted EBITDA of $45.7 million for the twelve months ended March 31, 2005.

Famous Players' market leading position and high-quality circuit have enabled it to deliver stable results and to generate significant operating efficiencies. In addition, Famous Players' success in cinema screen advertising, innovative concession offerings, and selected new theatre developments have been and are expected to continue to be key drivers of growth.

In addition to its theatre assets, Famous Players owns equity positions in the following joint ventures: a 51% interest in Famous Players Media Inc. ("FP Media") (49% of which is owned by Phamous Characters Inc.) and a 49% stake in Alliance Atlantis Cinemas (51% of which is owned by Motion Picture Distribution Limited Partnership). FP Media provides state-of-the-art cinema media programs, including digital cinema screen advertising. Alliance Atlantis Cinemas is a cinema exhibition joint venture which currently operates five theatres with 23 screens. Additionally, Famous Players has formed a joint venture pursuant to a joint venture agreement with IMAX® Corporation.

The combined financial statements of Famous Players for the year ended December 31, 2004 have been included elsewhere in this prospectus. Because Famous Players is a private company, until closing of the Acquisition, the financial statements and specific presentation regarding stock-based compensation is in accordance with generally accepted accounting principles for private companies.

Theatre Circuit

Many of Famous Players' theatres are located at prominent, high-traffic sites in major Canadian metropolitan markets. In addition to its traditional theatres, Famous Players operates a premier circuit of highly successful branded theatre models. Famous Players' recent expansion program led to the launch of the Coliseum, Colossus, Paramount and SilverCity brands and the introduction of nine IMAX® screens. Each of these brands has a unique building design and provides a differentiated theatre experience. Approximately 72% of Famous Players' screens have an age of eight years or less, approximately 70% of Famous Players' auditoriums feature stadium seating and approximately 99% of Famous Players' auditoriums have digital sound. The branded theatres also have higher concessions revenue per guest than the traditional theatres.

The tables below show the breakdown of screens and theatres currently operated by Famous Players (including five Alliance Atlantis branded theatres):

Theatre Portfolio	Sites	Screens	Average Screens per Site
Coliseum	5	59	12
Colossus	3	56	19
Paramount	4	53	13
SilverCity	29	378	13
Total Branded/New Generation	**41**	**546**	**13**
Traditional (including Alliance Atlantis)	39	239	6
Total Theatre Portfolio	**80**	**785**	**10**

	Theatres	Screens
Alberta	9	86
British Columbia	20	178
Manitoba	4	32
Ontario	35	350
Quebec	11	135
Saskatchewan	1	4
Total	80	785

Branded Theatres

Each of the branded theatre models has a unique building design and provides a distinctive theatre experience. Famous Players operates five Coliseum theatres with 59 screens, including one IMAX® screen at the Coliseum Mississauga. Their average age is 6.8 years. Management believes that Famous Players' Coliseums were the first circular movie theatres in the world and include other attractions such as the TechTown Interactive Gaming Centres. Famous Players operates three Colossus theatres with 56 screens and average age of 5.7 years. Two of the Colossus theatres have an IMAX® screen. Paramount is the brand name of Famous Players' urban flagship theatres located in the heart of certain of Canada's major cities. Famous Players currently has four Paramount theatres in Toronto, Calgary, Vancouver and Montréal. The four Paramount theatres have 53 screens, including three IMAX® screens. The average age of the Paramount theatres is 4.1 years. SilverCity theatres are among the most successful and popular theatres in Famous Players' portfolio. Famous Players currently has 29 theatres with 378 screens operating under the SilverCity brand with an average age of 6.3 years. Three SilverCity theatres, located in Brampton, Edmonton and Richmond, operate IMAX® screens.

The Partnership will have the right to continue to operate theatres under the Paramount brand name for a period of no more than nine months from the closing of the Acquisition, and the Partnership intends to sell the naming rights to the theatres and re-brand them during this time.

Traditional

The traditional, or non-branded, theatres offer a more casual movie-going experience. These theatres tend to be smaller than the branded theatres and average approximately six screens per theatre with an average age of 14.9 years.

Alliance Atlantis

Alliance Atlantis is a Canadian theatre circuit founded in 1999. With locations in Toronto, Vancouver, and Victoria, Alliance Atlantis boasts some of the most successful art house theatres in North America. It currently operates five theatre sites with 23 screens. Famous Players' joint venture partner is responsible for operating the Alliance Atlantis theatres and was the largest film distributor in Canada in 2003 and 2004.

Leases

Famous Players owns 10 theatres, leases 65 theatres independently and leases five theatres with joint venture partners. In general, Famous Players leases theatres under long-term leases, typically with original terms of 15 to 25 years (with lease payment increases typically every five years), containing various renewal options (usually in intervals of five years) and, in some cases, containing termination rights. Leases for 11 theatres are scheduled to expire within five years (eight of which have renewal options). Famous Players' theatre leases generally provide for minimum rental payments. In addition, a number of leases provide for the payment of rent based on a percentage of revenue once revenues have reached a prescribed threshold.

Movie Distributors

As access to large and influential markets in the opening weeks is crucial to the success of film releases, Famous Players is able to obtain a superior mix of films throughout its portfolio and efficiently manage its film costs. Famous Players has capitalized on its strong performance by diversifying its set of film distributors to maximize box office revenue. In fiscal 2004, no one film distributor accounted for more than 16% of Famous Players' box office revenue as reported by A.C. Nielsen EDI. Famous Players depends on maintaining good relations with these distributors, as this affects its ability to negotiate commercially favourable licensing terms for first-run films or to obtain licenses at all.

Operations

Box Office

Box office revenue is Famous Players' largest revenue source and represented 65% of 2004 total revenue. Famous Players remains focused on diversifying its revenue sources away from box office revenue. Since 2002, Famous Players has increased its non-box office revenue from 33% to 35% of total revenue in 2004.

Concessions

Concessions sales represented 27% of Famous Players' revenue in 2004. Famous Players' concessions gross margin was 82% in 2004. Increasing concessions revenue and concessions revenue per guest visit has been an important part of Famous Players' growth strategy. For example, Famous Players was the first operator in Canada to introduce branded concessions offerings and currently offers products in certain theatres from Pizza Hut Express, Burger King, New York Fries, Taco Bell Express, Wetzel's Pretzels, Starbucks, Baskin Robbins and Surf City. These branded concessions are primarily offered in Famous Players' newer theatres.

In addition, Famous Players recently implemented additional measures to drive concessions revenue. These strategies include the recently installed open shelving concept designed to stimulate impulse purchases by customers and the introduction of a greater variety of candy choices.

Media

Famous Players' media business accounted for 5% of its total revenue and 36% of Adjusted EBITDA in 2004. Famous Players provides advertisers with a large, captive and demographically attractive audience. Famous Players' theatres deliver over 40 million guest visits annually and generate the top attendance per screen in Canada.

Through its interest in FP Media, Famous Players sells advertising through: on screen full motion and digital pre-show film clips; on-screen slides; murals; poster displays; and concession monitors. Media sales have been a key part of Famous Players' strategy of diversifying its revenue sources, leveraging its fixed cost operating model and improving profitability per customer.

Games

The TechTown Interactive Gaming Centres placed in certain Famous Players' theatres feature current and popular game machines that are rotated within the Famous Players circuit. These game machines are owned by third-party suppliers and provide revenue on a percentage of total sales basis.

Employees

As at December 31, 2004, Famous Players employed approximately 621 salaried employees in Canada. In addition, Famous Players also employs hourly employees at each of its theatres. As at December 31, 2004, 179 hourly employees were represented by unions under collective bargaining agreements.

Trademarks

The Acquisition includes the trademarks Coliseum, Colossus, SilverCity and Famous Players. Management believes that these trademarks enjoy significant brand awareness. The Partnership will have the right to operate theatres under the Paramount brand name for a period of no more than nine months from the closing of the Acquisition and the Partnership intends to sell the naming rights to the Paramount theatres and re-brand them during this time.

THE ACQUISITION

Cineplex Galaxy LP, Viacom Canada and Viacom have entered into the Purchase Agreement made as of June 10, 2005 pursuant to which Cineplex Galaxy LP has agreed to acquire the FP Partnership and its general partner, Famous Players Co., which will together hold substantially all of the assets and conduct the business currently held and conducted by the Famous Players division of Viacom Canada, for total consideration of $500 million, comprised of approximately $464 million in cash and the assumption of capital lease obligations of approximately $36 million. The Fund, through its affiliates, intends to pay the cash portion of the purchase price with the net proceeds of the Offering together with additional drawings of approximately $200 million under the New Credit Facility and the proceeds of the RioCan Transaction. The closing of the Acquisition is expected to occur on or about July 21, 2005. See "The Acquisition — Purchase Agreement".

Rationale for the Acquisition

Management and the Trustees believe that the Acquisition is consistent with the Fund's objective to maintain and increase distributable cash for the following reasons:

The Leading Film Exhibitor in Canada

Following the Acquisition, the Partnership will be the leading film exhibitor in Canada. Management anticipates that, after the Acquisition and the Divestitures, the Partnership will own and operate 132 theatres with 1,278 screens in six Canadian provinces. Assuming completion of the Acquisition and Divestitures, the Partnership would have generated *pro forma* revenues, Adjusted EBITDA and net loss of approximately $751.9 million, $100.8 million and $22.0 million, respectively, for the year ended December 31, 2004 and $740.0 million, $101.4 million and $6.0 million, respectively, for the twelve months ended March 31, 2005. See "Selected Financial Disclosure".

The incremental theatres added through the Acquisition and after the Divestitures will make the Partnership the largest film exhibitor in Canada and the fourth largest film exhibitor in North America based on box office revenue, with a presence in key markets throughout the country. The table below outlines the breakdown of screens and theatres to be operated by the Partnership (including five Alliance Atlantis branded theatres) following the Acquisition and the Divestitures:

Theatre Type	Theatres	Screens	Average Screens per Site
Cineplex Galaxy	73	672	9.2
Famous Players	59	606	10.3
Total	132	1,278	9.7

Immediately Accretive to Distributable Cash per Unit

Management believes that the Acquisition will be immediately 5% accretive (4% fully-diluted) to the Fund's distributable cash per Unit on a combined *pro forma* basis for the twelve months ended March 31, 2005, without taking into account the synergies expected to result from the Acquisition. See "Selected Financial Disclosure — Summary of Distributable Cash of the Fund".

Complementary Operations will Lead to Cost Savings

Management believes that the Partnership will benefit from cost-saving opportunities and other synergies through the integration of the operations of the Partnership and Famous Players. Specifically, Management expects to realize cost savings through a reduction in consolidated general and administrative expenses, improved supply chain cost management and greater operational efficiency. Management expects that these synergies will result in annual savings of approximately $20 million once the operations of Famous Players and those of Cineplex Galaxy LP have been fully integrated, which is expected to occur within 12 months of the closing of the Acquisition. Including these synergies, Management believes that the Acquisition, after the

Divestitures, would have been approximately 30% accretive to the Fund's distributable cash per Unit on a *pro forma* basis for the 12 months ended March 31, 2005.

Opportunities to Increase Distributable Cash through Revenue Growth

Management believes there are significant opportunities to grow revenue and distributable cash per Unit following the Acquisition. For example, cinema advertising in Canada has only recently been established and represents a significant growth opportunity for the Partnership. Management believes that the larger cinema network resulting from the Acquisition will enhance demand from advertisers, enabling them to reach a broader audience of up to 70 million guest visits annually on a national basis. Management believes that the enhanced demand from advertisers and the sharing of best practices between the Partnership and Famous Players will result in greater advertising revenue and distributable cash per Unit. Other significant revenue growth opportunities include the sale of naming rights on certain theatres and auditoriums, increased revenue from games and the exploitation of benefits related to the Partnership's loyalty programs. In addition, the Acquisition will provide the opportunity to apply each company's core expertise to the other's operations. These improvements are expected to lead to higher revenues and improved operating margins on a combined basis than would be achievable if the entities continued to operate separately.

Addition of High Quality Theatres in Metropolitan Markets

Famous Players operates a circuit of modern theatres, offering customers a state-of-the-art movie experience. Famous Players has launched several highly successful branded theatre formats including Coliseum, Colossus, Paramount and SilverCity. Many of these theatres are located at prominent, high traffic sites in metropolitan areas and rank among the top box office revenue generators in North America during the opening weekend of "blockbuster" films. With the addition of the Famous Players theatres, the sources of the Partnership's revenues will be more diversified both by markets and by demographic characteristics. The Famous Players branded theatres, like those of the Partnership, also typically generate higher concessions and ancillary revenue per guest as compared to more traditional theatres.

Superior Combined Management

The Partnership is expected to benefit from the combination of the Cineplex Galaxy and Famous Players management teams, both of which have significant industry experience and have successfully managed and developed the two leading film exhibition companies in Canada. In addition, both teams have had experience in successfully integrating acquired businesses, which will be a significant advantage as the Partnership moves towards combining the businesses and effecting anticipated synergies. The Partnership intends to bring together the most talented members of each group to form a superior combined management team.

The Combined Business

Following the Acquisition and the Divestitures, the Partnership will bring together the businesses currently conducted by the Partnership and Famous Players, which include a number of industry-leading brands within the Canadian film exhibition industry. Following the Acquisition, Management currently intends to continue to operate Famous Players' theatres under the Coliseum, Colossus and SilverCity brand names, as well as continuing with its own Cineplex Odeon and Galaxy brand names. Certain theatres may be re-branded based upon their location. The Cineplex Odeon, Coliseum, Colossus and SilverCity branded theatres will generally be located in metropolitan markets, typically at very visible and prominent sites in high traffic areas. The Galaxy branded theatres are a primary entertainment destination in mid-sized communities that typically do not have another modern multiplex theatre. Of the Partnership's 1,001 screens that are located in major metropolitan centres, 80% are expected to be located in free film zones following the Acquisition and Divestitures, allowing the Partnership to select from among all movies released.

The table below shows the locations of theatres to be operated by the Partnership following the Acquisition and the Divestitures:

	Cineplex Galaxy Theatres	Famous Players Theatres	Combined Theatres
Alberta	10	4	14
British Columbia	6	15	21
Manitoba	—	4	4
Ontario	35	24	59
Quebec	16	7	23
Saskatchewan	6	—	6
Total	73	54	127

In addition, the Partnership and Famous Players have entered into commitments to open six new theatres over the next 18 months, as described in the following table. The cost to build these theatres is expected to be funded through the Partnership's Development Facility. See "The Acquisition — New Credit Facility".

	Theatre Type	Number of Screens
Milton, Ontario	Galaxy	8
Aurora, Ontario	Cineplex Odeon	10
Oakville, Ontario	Cineplex Odeon	12
Barrhaven, Ontario	Cineplex Odeon	7
Brockville, Ontario	Galaxy	6
Saskatoon, Saskatchewan	Famous Players	12

For a further description of the businesses of the Partnership and Famous Players, see pages 6 to 13 of the AIF, "Business of the Partnership" incorporated by reference into this short form prospectus and "Description of the Business of Famous Players".

Structure of the Acquisition

Prior to closing of the Acquisition, the Famous Players business will be restructured as follows:

- Famous Players Co., a wholly-owned subsidiary of Viacom Canada, and Viacom Canada formed the FP Partnership with Famous Players Co. as the general partner and Viacom Canada as the initial limited partner. The amended and restated limited partnership agreement of the FP Partnership will provide that any income or loss for the period between the contribution by Viacom Canada of substantially all of the assets relating to the Famous Players business, and shares of certain subsidiaries of Viacom Canada to the FP Partnership and the closing of the Acquisition will be allocated to Viacom Canada at the end of such period.
- Pursuant to an asset transfer agreement, Viacom Canada will transfer to FP Partnership and its general partner, Famous Players Co., all or substantially all of the assets of its film exhibition business operated by its Famous Players division, including the shares of Viacom Canada's subsidiaries in consideration for the issuance of additional limited partnership interests in FP Partnership and the assumption by the FP Partnership of all or substantially all of the liabilities relating to the film exhibition business and the joint venture interests operated by the Famous Players division of Viacom Canada, provided that the FP Partnership will not assume liabilities to related parties other than to related parties relating solely to film distribution rights on arm's length terms.

The Acquisition and related financing will be structured as follows:

- The Fund will issue (i) 6,835,000 Subscription Receipts to the public, raising $110,043,500, and (ii) the Debentures to the public, raising $105,000,000.
- Effective on closing of the Acquisition, the Subscription Receipts will be exchanged for Units.

- The Fund will use the proceeds of the offering of Subscription Receipts to acquire additional Trust Units and $100,139,585 aggregate principal amount of Trust Notes.
- The Fund will use the proceeds of the offering of Debentures to buy a 6.01% demand promissory note of the Trust.
- The Trust will subscribe for 6,835,000 Class A LP Units and 5,600,000 Class C LP Units of Cineplex Galaxy LP. An amendment will be made to the Cineplex Galaxy LP Partnership Agreement to create the Class C LP Units. The Class C LP Units will be entitled to a distribution on the Business Day before June 30 and December 31 each year in priority to distributions paid on the Class A LP Units and Class B LP Units equal to the amount of interest payable in respect of the Debentures plus a small spread. The distribution entitlement of the Class C LP Units will automatically adjust on the conversion of any Debenture for Units such that the holder of Class C LP Units will receive (i) distributions in the same manner as distributions are made on the corresponding number of Class A LP Units following such conversion and (ii) the priority distribution to the extent Debentures are not converted. The Class C LP Units will be entitled to a priority distribution of cash equal to the amount paid by the Fund in cash in respect of any principal repayment, redemption or repurchase of Debentures on the Business Day immediately prior to such payment. In addition, the Class C LP Units may be redeemed in order to provide the Fund with sufficient cash to repay, repurchase or redeem the Debentures.
- Cineplex Galaxy LP will make such drawings under the New Credit Facility as are necessary to complete the Acquisition, which drawings are expected to be approximately $200 million.
- Cineplex Galaxy LP will use the cash received pursuant to the issuance of LP Units to the Trust, the New Credit Facility and the RioCan Transaction to purchase the FP Partnership, subject to closing adjustments.

Purchase Agreement

The following is a summary of the material terms and conditions contained in the Purchase Agreement. This summary is qualified in its entirety by reference to the provisions of the Purchase Agreement, which contains a complete statement of those terms and conditions. See “Material Contracts”.

Purchase Price and Purchased Assets

Cineplex Galaxy LP, Viacom and Viacom Canada have entered into the Purchase Agreement made as of June 10, 2005 pursuant to which Cineplex Galaxy LP has agreed to acquire the FP Partnership and its general partner, Famous Players Co., for total consideration of $500 million, comprised of approximately $464 million in cash and the assumption of capital lease obligations of approximately $36 million. Pursuant to the terms of the Purchase Agreement, Cineplex Galaxy LP deposited $17,500,000 in an escrow account with Viacom Canada’s counsel on June 13, 2005. If the Acquisition is completed, this amount will be applied toward the cash consideration payable to Viacom Canada. If Viacom terminates the Purchase Agreement because of a breach of any representation, warranty, covenant or agreement of Cineplex Galaxy LP, or because of the non-satisfaction of certain conditions to be fulfilled by Cineplex Galaxy LP at or before the closing of the Acquisition, the deposit will become the property of Viacom Canada. If the closing of the Acquisition does not occur for any other reason, the full amount of the deposit will be returned to Cineplex Galaxy LP.

The Purchase Agreement provides that the net cash flow of Famous Players from and including April 29, 2005 to closing of the Acquisition is to be for the account of the Partnership. This result is accomplished by reducing the purchase price by an amount equal to the total amount of such net cash flow over such period, and then adding back the cash balances in the FP Partnership at closing.

In addition, the Purchase Agreement provides that, if the Acquisition has not closed by or on a prescribed date, the purchase price of $500 million will be increased on a daily basis at the rate of 10% per annum from and including that date to but excluding the date of closing of the Acquisition. The Partnership may elect to borrow funds under its bridge loan facility in order to complete the Acquisition prior to this date. See “— New Credit Facility”.

The Fund, through its affiliates, intends to pay the cash portion of the purchase price with the net proceeds of the Offering together with additional drawings of approximately $200 million under the New Credit Facility and proceeds of the RioCan Transaction.

Representations and Warranties

The Purchase Agreement includes representations and warranties which are customary in a transaction of this nature, including, with respect to Viacom, incorporation and corporate power, subsidiaries, capitalization, title to securities, authorization and enforceability of the Purchase Agreement, absence of conflicts, regulatory approvals, financial statements, absence of changes and unusual transactions, title to assets, compliance with laws, technology, real property, leases, environmental matters, employment matters, personal information, insurance, material contracts, litigation, tax matters and other matters relating to Famous Players. The representations and warranties of Viacom will survive for a period of one year following the closing of the Acquisition, except for representations and warranties relating to tax matters, which will survive until 60 days following the expiration of the relevant assessment, reassessment and appeal period in respect of any taxation period ending on or before the date on which the closing of the Acquisition occurs, and representations and warranties relating to incorporation and corporate power, subsidiaries, capitalization and authorization and enforceability of Purchase Agreement which will survive indefinitely.

Covenants

The parties to the Purchase Agreement have made customary covenants relating to the closing of the Acquisition and related matters. In particular, Viacom has agreed that, until the closing of the Acquisition, Famous Players' business will be conducted in the ordinary course. Viacom, Viacom Canada and Cineplex Galaxy LP have also agreed to use commercially reasonable efforts to ensure compliance with the conditions to closing of the Acquisition (see "— Closing Conditions" below).

In addition, the Purchase Agreement provides that if Viacom, Viacom Canada or any of Viacom's wholly-owned subsidiaries at any time during a period of two years following closing of the Acquisition directly or indirectly acquire control of a person which is engaged in the theatrical exhibition of motion pictures in Canada, Viacom Canada will not (and will cause Viacom or such subsidiary not to), until the second anniversary after the date of closing of the Acquisition, permit such acquired person to acquire or open any additional locations engaging in such business in Canada.

Indemnities

Viacom has agreed to indemnify and save harmless Cineplex Galaxy LP and Cineplex Galaxy LP has agreed to indemnify and save harmless Viacom and Viacom Canada with respect to claims or losses relating to, among other matters: (i) the non-fulfillment or breach of any covenant or agreement, and (ii) any misrepresentation or the breach of any representation or warranty contained in the Purchase Agreement. In addition, Cineplex Galaxy LP has agreed to indemnify Viacom and Viacom Canada for (i) claims related to any failure of FP Partnership, from and after the closing date of the Acquisition, to pay, keep, observe or perform the terms of contracts transferred to it by the Famous Players division, (ii) matters relating to or arising out of operation of Famous Players after the closing date of the Acquisition (including employment-related claims), (iii) claims which relate to or arise from the tenant under any real property leases transferred in connection with the Acquisition and after the Acquisition to pay, keep, observe or perform the terms of such leases from and after the closing date of the Acquisition as such leases may be extended, renewed, amended, assigned, sold or otherwise transferred, and (iv) claims arising out of certain letters of credit issued by Viacom or its affiliates in connection with the Famous Players business as a result of acts or occurrences after the date of closing of the Acquisition. Viacom has agreed to indemnify Cineplex Galaxy LP for (i) certain claims relating to gift cards of Famous Players, and (ii) certain transfer taxes. The indemnity from Viacom relating to breaches of covenants and representations and warranties is not required to be paid until the aggregate of such claims exceed $3 million, and all claims for indemnification by Cineplex Galaxy LP under the Purchase Agreement are subject to an aggregate limit equal to 50% of the aggregate purchase price, except that liability for Viacom's representation regarding its right and ability to sell the FP Partnership and its general partner, Famous Players Co., which is limited to of 100% of the purchase price. In addition, concurrently with the execution of the Purchase Agreement, Cineplex Galaxy LP agreed to indemnify Viacom Canada for certain tax matters relating to the Acquisition.

Closing Conditions

The obligation of the parties to complete the Acquisition is subject to customary closing conditions including: (i) the representations and warranties made by the parties in the Purchase Agreement being true in all material respects as at closing and material compliance by the parties with all of their obligations provided for in the Purchase Agreement; (ii) the absence of any proceedings prohibiting the closing of the Acquisition; (iii) the pre-closing reorganization involving the FP Partnership being completed; (iv) receipt of all regulatory consents and approvals required to be obtained to permit the closing of the Acquisition; (v) receipt of all customary closing documentation; (vi) receipt of resignations of the Famous Players' subsidiaries directors; and (vii) receipt of Viacom and its affiliates from Cineplex Galaxy LP of evidence of certain replacement letters of credit.

Termination of the Acquisition

The Purchase Agreement may be terminated, and each party will be released from its obligations under the Purchase Agreement prior to the closing of the Acquisition (i) by Cineplex Galaxy LP upon a breach of any representation, warranty, covenant or agreement on the part of Viacom Canada or Viacom, or if any representation or warranty of Viacom or Viacom Canada shall become inaccurate such that the conditions set out in the Purchase Agreement would not be satisfied, unless such breach or inaccuracy can be cured prior to the closing of the Acquisition and after receiving notice, the breaching party proceeds in good faith to cure such breach or inaccuracy as promptly as practicable, (ii) by Viacom upon a breach of any representation, warranty, covenant or agreement on the part of Cineplex Galaxy LP, or if any representation or warranty of Cineplex Galaxy LP shall become inaccurate such that the conditions set out in the Purchase Agreement would not be satisfied, unless such breach or inaccuracy can be cured prior to the closing of the Acquisition and after receiving notice, the breaching party proceeds in good faith to cure such breach or inaccuracy as promptly as practicable, (iii) by mutual consent of Cineplex Galaxy LP, Viacom and Viacom Canada, or (iv) by any of Cineplex Galaxy LP, Viacom or Viacom Canada if the Acquisition has not been completed within 180 days of June 10, 2005 (or such other time as the parties may agree).

New Credit Facility

On the closing of the Acquisition, the Partnership, as borrower, will enter into a credit agreement (the "New Credit Agreement") with a syndicate of lenders pursuant to which the lenders will make available to the Partnership: (i) a 364-day $50 million extendible senior secured revolving credit facility, (ii) a four-year $315 million senior secured non-revolving term credit facility, (iii) a four-year $60 million senior secured revolving credit facility, and (iv) possibly a $300 million senior secured non-revolving second lien bridge facility (collectively, the "New Credit Facility").

The New Credit Facility will replace the Existing Credit Facilities. Approximately $141 million was outstanding under the Existing Credit Facilities as at June 30, 2005.

It is expected that approximately $340 million of the New Credit Facility will be drawn down at closing of the Acquisition, assuming completion of the RioCan Transaction on or before the closing of the Acquisition. No amounts are anticipated to be drawn down under the Bridge Facility, although management may elect to draw down amounts under that facility if this Offering fails to close by the anticipated date of closing of the Acquisition.

The following is a summary of the material terms and conditions to be contained in the New Credit Facility. This summary is qualified in its entirety by reference to the provisions of the credit agreement relating to the New Credit Facility, which shall contain a complete statement of those terms and conditions.

Summary of Facilities

The New Credit Facility includes the following:

Revolving Facilities: Two senior secured revolving credit facilities, one in the principal amount of $50 million (the "Working Capital Facility") and the other in the principal amount of $60 million (the "Development Facility"). The Working Capital Facility is to repay and cancel the Partnership's existing $20 million revolving credit facility and for general corporate purposes, including up to $15 million to stabilize monthly cash distributions to be paid by the Partnership throughout the year. Up to $40 million of the Working Capital Facility may be used to pay the purchase price of the Acquisition. The Working Capital Facility is a 364 day extendible facility and will convert into a two-year, non-revolving facility if not extended on or before the 364th day. The Development Facility is to be used for the development or acquisition of theatre projects approved by the Trustees of the Fund. The Development Facility has a term of four years and is payable in full at maturity. These revolving credit facilities are available to be drawn down by way of prime rate loans, bankers' acceptances and letters of credit, and shall bear interest at a floating rate based on the Canadian dollar prime rate or on the banker's acceptance rates plus, in each case, an applicable margin to those rates based on the Partnership's ratio of total debt to *pro forma* Adjusted EBITDA from time to time.

Term Facility: The term facility is a senior secured facility in the amount of up to $315 million (the "Term Facility"). The Term Facility has a term of four years and is payable in full at maturity, with no scheduled repayments of principal required prior to maturity. The Term Facility is to finance the purchase price of the Acquisition and to repay and cancel the existing $110 million term facility and the existing $40 development facility under the Existing Credit Facilities. The Term Facility is available to be drawn down by way of prime rate loans, bankers' acceptances and letters of credit, and shall bear interest at a floating rate based on the Canadian dollar prime rate or on the banker's acceptance rates plus, in each case, an applicable margin to those rates based on the Partnership's ratio of total debt to *pro forma* Adjusted EBITDA from time to time.

Bridge Facility: The Partnership has also obtained a commitment for a senior secured bridge facility in the amount of $300 million (the "Bridge Facility"). The Bridge Facility has a term of one year and is payable in full at maturity, with no scheduled repayments of principal prior to maturity. The Bridge Facility is to finance the purchase price of the Acquisition and to repay a portion of the Existing Credit Facilities. The Bridge Facility bears interest at a floating rate based on the Canadian dollar prime rate or on the banker's acceptance rates plus, in each case, an applicable margin to those rates based on the duration for which the Bridge Facility has been outstanding. If this Offering is completed, the Partnership does not expect to draw down any amounts under the Bridge Facility.

Security and Guarantees

The obligations under the New Credit Agreement, other than in the case of the Bridge Facility, will be secured by a first ranking charge over all of the personal property and all of the real property, owned by Cineplex Galaxy LP, GEI, the FP Partnership and their subsidiaries (collectively, the "New Credit Agreement Security"). The obligations under the Bridge Facility will be secured by a second ranking charge over such assets. The obligations of Cineplex Galaxy LP under the New Credit Agreement will be guaranteed by the Trust.

Covenants

The New Credit Agreement contains customary affirmative, reporting and negative covenants.

Pursuant to the terms of the New Credit Facility, the Partnership will be required to maintain, on a rolling four quarter basis, (i) a prescribed ratio of total debt (excluding the Debentures) to *pro forma* Adjusted EBITDA, (ii) a prescribed ratio of EBITDAR (Adjusted EBITDA plus rent expense for such quarter) to fixed charges (the sum of taxes, maintenance capital expenditures and debt service and rent expense for such quarter). In addition, the New Credit Agreement will impose restrictions on the ability of the Partnership to incur additional debt, make liens, dispose of assets, consolidate, merge or acquire other businesses, pay dividends and interest or make other distributions and amend or terminate material contracts. These covenants restrict numerous aspects of the business of the Partnership.

Events of Default

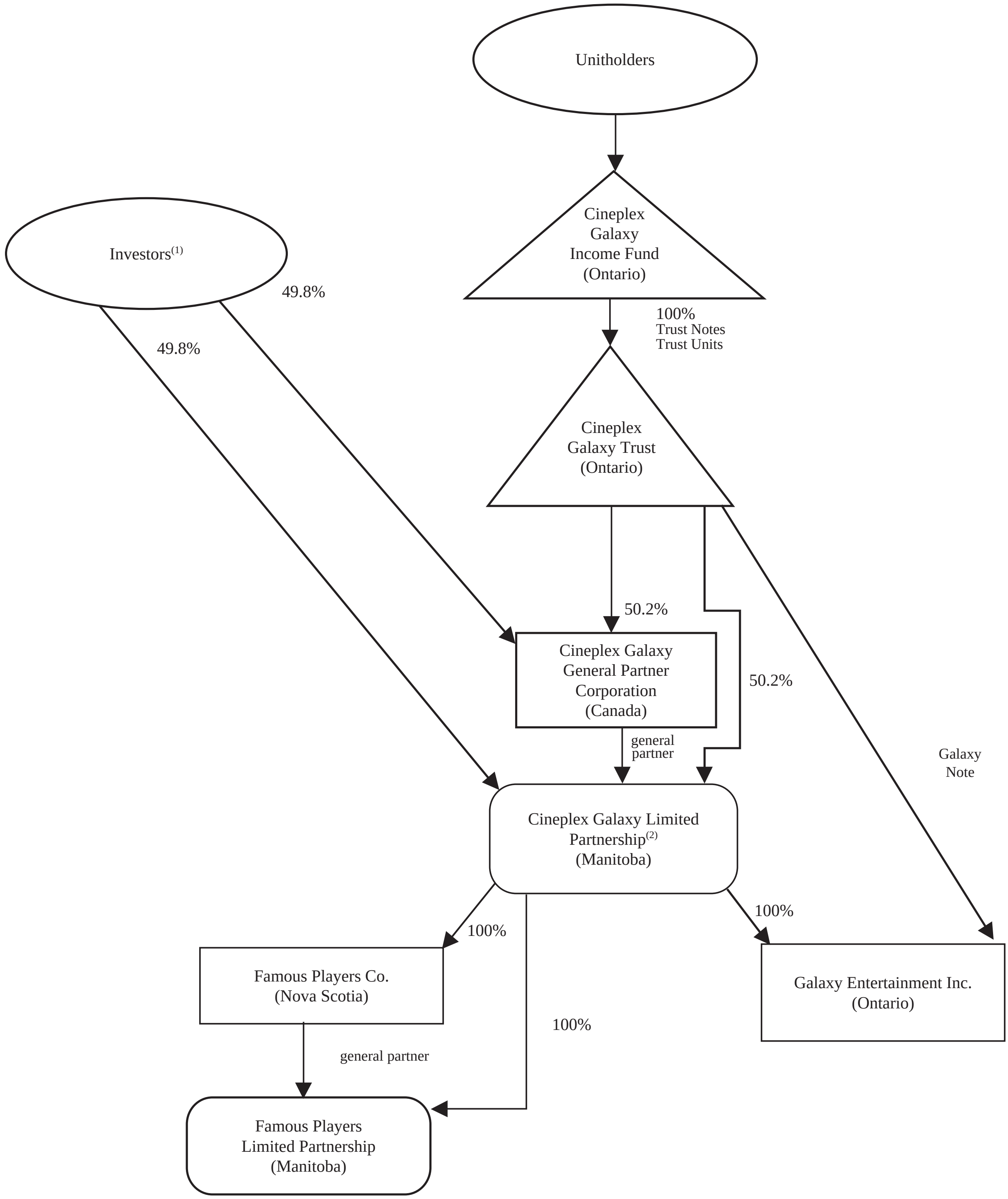
The New Credit Agreement will contain customary events of default, including an event of default upon a Change of Control (as defined in the New Credit Agreement).

Failure to comply with the terms of the New Credit Facility would entitle the lenders to accelerate all amounts outstanding under the New Credit Facility, and upon such acceleration, the lenders would be entitled to begin enforcement of security granted to the lenders by the Partnership or the Trust to recover assets of the Partnership or the Trust, including accounts receivable, inventory, equipment and material contracts. The lenders would then be repaid from the proceeds of such security, using all available assets. Only after such repayment and the payment of any other secured and unsecured creditors would the holders of Units receive any proceeds from the liquidation of the Partnership's assets.

The New Credit Facility will in certain circumstances restrict the Fund's, the Trust's, the Partnership's and their subsidiaries ability to make payments in respect their securities, including the Units, unless sufficient funds are available for the repayment of indebtedness and the payment of interest, expenses and taxes.

Structure of the Fund Following the Acquisition

The following chart illustrates, on a simplified basis, the structure of the Fund (including jurisdiction of establishment/incorporation of the various entities) following the Acquisition and completion of the transactions described under "The Acquisition — Structure of the Fund".



Notes:

(1) The Investors hold their interest in Cineplex Galaxy LP and Cineplex Galaxy GP directly and indirectly.
(2) Includes the Cineplex Odeon assets.

Consent Agreement

On May 27, 2005, Cineplex Galaxy LP entered into a consent agreement (the "Consent Agreement") with The Commissioner of Competition (the "Commissioner") in respect of its proposal to acquire Famous Players.

Under the terms of the Consent Agreement, Cineplex Galaxy LP agreed to divest 34 specified theatres within a specified period of time on the terms and conditions set out in the Consent Agreement and, as a result, the Commissioner agreed to consent to the Acquisition. The theatres to be sold generated theatre level income of approximately $12 million for the year ended December 31, 2004 and are a combination of theatres currently owned by the Partnership and Famous Players. In addition, the Partnership and Movie Distribution Income Fund intend to sell the Alliance Atlantis brand theatres. Cineplex Galaxy LP has the right to substitute the sale of certain theatres with other similar theatres in certain circumstances. If Cineplex Galaxy LP is unable to divest all of such theatres in that period, a divestiture trustee appointed under the agreement would be entitled to divest certain theatres on the terms and conditions set out in the Consent Agreement. Until the Divestitures are completed, Cineplex Galaxy LP is required to take such steps as are reasonable and necessary to maintain the competitive viability of the theatres to be sold.

Under the terms of the Consent Agreement, Cineplex Galaxy LP is required to allow the purchaser of any of the theatres to be divested an opportunity to employ the persons employed directly in relation to those theatres on the terms set out in the Consent Agreement. In addition, the Commissioner is required to approve each divestiture.

The Consent Agreement also provides that Cineplex Galaxy LP shall, for a period of five years from May 27, 2005, provide the Commissioner with prior written notice of any acquisition by it of any non-Cineplex Galaxy theatre or assumption of a lease in respect of an operating non-Cineplex Galaxy theatre where the remaining term of the lease exceeds two years. Cineplex Galaxy LP also may not, during this time, re-acquire any of the divested theatres without the prior approval of the Commissioner.

Cineplex Galaxy intends to complete the Divestitures during the third quarter of fiscal 2005. All proceeds from the Divestitures are expected to be used to pay down debt.

The foregoing is a summary of the material terms and conditions contained in the Consent Agreement. This summary is qualified in its entirety by reference to the provisions of the Consent Agreement, which contains further information about those terms and conditions. See "Material Contracts".

Fees

Cineplex Galaxy LP intends to pay to certain of its executives a fee upon closing of the Acquisition in recognition of their contribution to the successful completion of the Acquisition. The fee will be satisfied by the issuance of an aggregate of 500,000 units of a new class of units of Cineplex Galaxy LP (the "Fee Units") which are not exchangeable for Units of the Fund and which will be entitled to receive distributions on substantially the same basis as the Class B LP Units.

In addition, Cineplex Galaxy LP has agreed to pay Onex Corporation a transaction fee of $4 million in connection with advisory services rendered by Onex Corporation in connection with the Acquisition, the Offering and the negotiation of the New Credit Facility. This fee will be satisfied by the issuance of 248,447 Fee Units to Onex Corporation upon the completion of the Acquisition.

At the next meeting of Unitholders of the Fund, Unitholders will be asked to approve a resolution which would make the Fee Units exchangeable for Units of the Fund (or Class B LP Units).

CONSOLIDATED CAPITALIZATION OF THE FUND

The following table sets forth the consolidated capitalization of the Fund as at December 31, 2004 and March 31, 2005, before giving effect to the Offering, the Acquisition, the Divestitures and the RioCan Transaction and as at March 31, 2005 after giving effect to the Offering, the Acquisition, the RioCan Transaction and before the Divestitures.

	As at December 31, 2004 before giving effect to the Offering and Acquisition and the Divestitures	As at March 31, 2005 before giving effect to the Offering and Acquisition and the Divestitures	As at March 31, 2005 after giving effect to the Offering and Acquisition and before the Divestitures
Cash and Cash Equivalents	$ 1,179	$ 1,183	$ 1,183
Convertible Extendible Unsecured Subordinated Debentures	—	—	96,454
Unitholders' Equity	198,057	195,777	314,367
Total Capitalization	$ 199,236	$ 196,960	$ 412,004
Number of units	20,023,689	20,178,345	27,013,345

CONSOLIDATED CAPITALIZATION OF CINEPLEX GALAXY LP

The following table sets forth the consolidated capitalization of Cineplex Galaxy LP as at December 31, 2004 and March 31, 2005, before giving effect to the Offering, the Acquisition, the Divestitures and the RioCan Transaction and as at March 31, 2005 after giving effect to the Offering, the Acquisition, the RioCan Transaction and before the Divestitures.

	As at December 31, 2004 before giving effect to the Offering and Acquisition and the Divestitures	As at March 31, 2005 before giving effect to the Offering and Acquisition and the Divestitures	As at March 31, 2005 after giving effect to the Offering and Acquisition and before the Divestitures
Cash and Cash Equivalents	$ 38,663	$ 24,143	$ 43,449
Debt			
Working Capital Facility	—	—	25,000
Term Facility	110,000	110,000	315,000
Development Facility	15,500	16,500	—
Due to Cineplex Galaxy Trust	100,000	100,000	100,000
Other	64	51	51
Class C LP Units — liability component	—	—	96,454
Unitholders equity	(43,263)	(53,781)	39,288
Total Capitalization	$ 220,964	$ 196,913	$ 619,242
Number of units			
Class A	19,400,000	19,400,000	26,235,000
Class B	28,166,974	28,166,974	28,166,974
Class C	—	—	5,600,000
Fee Units	—	—	748,447
	47,566,974	47,566,974	60,750,421

SELECTED FINANCIAL DISCLOSURE

Summary of Distributable Cash of the Fund

Management believes that, following the completion of the Acquisition, the Divestitures, the RioCan Transaction and the Offering, the Partnership will incur charges to interest and taxes, which charges are not accounted for in the historical financial statements of Cineplex Galaxy LP and Famous Players that are included or incorporated by reference in this short form prospectus. Although the Partnership does not have firm commitments for all of these additional expenses and, accordingly, the complete financial effects thereof are not objectively determinable, Management has estimated such additional expenses in preparing the following analysis. The following financial information has been prepared by Management to assist a reader of this short form prospectus and is derived from audited or unaudited financial statements included or incorporated by reference into this short form prospectus and other information available to Management. The following is not a forecast or projection of future results of the Partnership and has been prepared as of March 31, 2005 on a *pro forma* basis as if the Acquisition, the Offering, the Divestitures and the RioCan Transaction had occurred on January 1, 2004. The actual results of operations of the Partnership for any period following completion of the Acquisition, the Divestitures, the Offering and the RioCan Transaction will vary from the amounts set forth below, and such variations may be material.

Summary of *Pro Forma* Distributable Cash
(Unaudited)

	Cineplex Galaxy LP	Famous Players		Pro forma
	12 Months Ended March 31, 2005	12 Months Ended March 31, 2005	Adjustments	12 Months Ended March 31, 2005
Net income (loss)	$25,848	$(14,065)	$(17,760) (8)	$ (5,977)
Less: income from discontinued operations	—	—	(6,116) (8)	(6,116)
Income from continuing operations	25,848	(14,065)	(23,876)	(12,093)
Adjustments to Income from continuing operations				
Amortization	24,825	50,636	(7,666) (8)	67,795
Interest on long-term debt	8,485	8,805	12,649 (8)	29,939
Interest on loan from Cineplex Galaxy Trust	14,000	—	—	14,000
Interest income	(497)	—	(303)	(800)
Income taxes	(1,130)	4,916	(4,916) (8)	(1,130)
EBITDA	71,531	50,292		97,711
Adjustments to EBITDA				
Foreign exchange gain/loss	—	(9,365)	9,365 (8)	—
Non-controlling interests	—	2,973	—	2,973
Gain on disposal of theatre assets	(105)	(3,094)	— (8)	(3,199)
Lease shutdown costs	—	3,900	—	3,900
Adjusted EBITDA	71,426	44,706		101,385
Interest on long-term debt(1)	(8,485)			(29,939)
Interest income	497			800
Current income taxes(3)	(423)			(423)
Non-cash items(4)	(4,476)			6,449
Maintenance capital expenditures(5)	(3,769)			(9,500)
Other cash disbursements(6)				(2,078)
Distributable cash — basic	54,770			66,694
Interest on Class C LP Units(2)				6,321
Distributable cash — fully diluted				73,015
Number of units — basic	47,567		7,583 (7)	55,150
Number of units — fully diluted			13,183 (7)	60,750
Distributable cash per unit — basic	$1.1514			$ 1.2093
Accretion — basic				5.0%
Distributable cash per unit — fully diluted				$ 1.2019
Accretion — fully diluted				4.4%

(1) Consisting of estimated interest expense on the New Credit Facility described under "The Acquisition — New Credit Facility", assuming drawings of $340 million, interest on Class C LP Units, accretion charge on the Class C LP Units, amortization of deferred financing charges on the New Credit Facility and interest on capital leases, net of interest related to carrying properties held for disposition.

(2) Adjustment to remove interest expense on Class C LP Units to present distributable cash on a fully-diluted basis.

(3) Represents large corporations tax on incorporated subsidiaries.

(4) Non-cash items include the following: (a) adjustments to reflect the amortization of tenant inducement and rent averaging liabilities, (b) non-cash amounts charged under the Viacom stock-based compensation plan, (c) amortization of deferred financing charges and (d) the accretion charge related to the Class C LP Units.

(5) Estimated maintenance capital expenditures for the combined business.

(6) Includes the principal component of capital lease payments and estimated distributions to non-controlling interests.

(7) Adjustment represents 6,835,000 units issued in connection with the completion of the Acquisition, the issuance of 500,000 units to executives to satisfy a fee paid on the closing of the Acquisition and the issuance of 248,447 units to Onex Corporation to satisfy a transaction fee of $4 million. Fully-diluted includes 5,600,000 units issued on the conversion of $105,000,000 principal amount of Debentures at a conversion price of $18.75 per unit.

(8) Pro forma adjustments are described in the Pro Forma Consolidated Statement of Income for the twelve-month period ended March 31, 2005.

Reconciliation of Non-GAAP Measures

The following financial information is derived from unaudited financial statements included or incorporated by reference into this short form prospectus.

Cineplex Galaxy Limited Partnership

	12 Months Ended March 31, 2005 (expressed in thousands of dollars)
Total Revenue	$352,958
Total Expenses	281,532
Income before undernoted	71,426
Amortization	24,825
Gain on disposal of theatre assets	(105)
Interest on long-term debt	8,485
Interest on loan from Cineplex Galaxy Trust	14,000
Interest income	(497)
Income Taxes	(1,130)
Net Income	25,848
Add:	
Amortization	24,825
Interest on long-term debt	8,485
Interest on loan from Cineplex Galaxy Trust	14,000
Interest income	(497)
Income tax expense	(1,130)
EBITDA(1)	71,531
Gain on disposal of theatre assets	(105)
Adjusted EBITDA(1)	$ 71,426

(1) See "Definitions of Non-GAAP Measures".

Famous Players

	12 Months Ended March 31, 2005
	(expressed in thousands of dollars)
Total Revenue	$506,764
Cost of Sales	203,226
Gross Profit	303,538
Operating, general and administrative	257,799
Stock based compensation[(2)]	1,033
Depreciation and writedowns of property, equipment and leaseholds	50,636
Gains on property sales	(3,094)
Lease shutdown costs	3,900
Interest expense — net	8,805
Foreign exchange gain	(9,365)
Provision for income taxes	4,916
Non-controlling interest	2,973
Net Loss	(14,065)
Add:	
Depreciation and writedowns of property, equipment and leaseholds	50,636
Interest expense — net	8,805
Provision for Income taxes	4,916
EBITDA[(1)]	50,292
Stock based compensation	1,033
Gains on property sales	(3,094)
Lease shutdown costs	3,900
Foreign exchange gain	(9,365)
Non-controlling interest	2,973
Adjusted EBITDA[(1)]	$ 45,739

(1) See "Definitions of Non-GAAP Measures".

(2) Includes adjustment for stock-based compensation for the year ended December 31, 2004 to present financial information in accordance with generally accepted accounting principles for public companies.

EARNINGS COVERAGE RATIO

The Fund's *pro forma* interest requirements, after giving effect to the Offering and the Acquisition and the Divestitures, amount to $7.4 million for the year ended December 31, 2004 and $7.4 million for the 12 months ended March 31, 2005. The Fund's *pro forma* earnings before interest and income tax for the year ended December 31, 2004 and for the 12 months ended March 31, 2005 was approximately $1.2 million and $9.1 million, respectively, which is 0.2 and 1.2 times, respectively, the Fund's *pro forma* interest requirements for the period.

Cineplex Galaxy LP's *pro forma* interest requirements, after giving effect to the Offering and the Acquisition and the Divestitures, but excluding the intercompany interest on the amounts due to Cineplex Galaxy Trust, amount to $29.9 million for the year ended December 31, 2004 and $29.9 million for the 12 months ended March 31, 2005. Cineplex Galaxy LP's *pro forma* earnings before interest and income tax for the year ended December 31, 2004 and for the 12 months ended March 31, 2005 was approximately $20.8 million and $36.8 million, respectively, which is 0.7 and 1.2 times, respectively, Cineplex Galaxy LP's *pro forma* interest requirements for the period.

The *pro forma* earnings coverage ratios set forth above have been prepared in accordance with Canadian disclosure requirements, using financial information which was prepared in accordance with GAAP. Earnings coverage ratio is not a recognized measure under GAAP. The *pro forma* earnings assume that there are no additional earnings derived from the net proceeds of the Debentures. Earnings coverage is equal to net income before interest expense and income taxes.

PRICE RANGE AND TRADING VOLUME OF UNITS

The Units are listed and posted for trading on the TSX under the trading symbol "CGX.UN". The following tables show the monthly range of high and low prices per Unit and total monthly volumes and average daily volumes traded on the TSX during the year ended December 31, 2004 and for the period from January 1, 2005 to June 30, 2005.

Month	Price per Unit Monthly High	Price per Unit Monthly Low	Total Monthly Volume (Units)	Average Daily Volume (Units)
January 2004	$12.00	$ 9.98	2,627,460	132,102
February 2004	$11.69	$10.65	1,988,080	103,098
March 2004	$11.54	$10.50	957,704	43,065
April 2004	$10.85	$ 9.82	667,287	32,836
May 2004	$10.25	$ 9.00	569,706	28,799
June 2004	$11.19	$ 9.85	1,546,146	73,583
July 2004	$11.27	$10.40	670,205	33,701
August 2004	$12.25	$11.18	1,958,864	99,937
September 2004	$12.85	$12.00	1,619,515	77,955
October 2004	$12.75	$12.25	877,315	48,200
November 2004	$14.72	$12.72	1,459,860	68,589
December 2004	$15.40	$14.20	1,820,007	91,940
January 2005	$15.80	$14.15	1,827,263	91,363
February 2005	$15.45	$14.85	1,264,983	63,249
March 2005	$16.00	$14.20	814,100	37,004
April 2005	$15.06	$13.81	535,244	25,488
May 2005	$14.66	$13.50	983,943	46,854
June 2005	$16.25	$13.90	1,631,571	74,162

On June 10, 2005, being the last day on which the Units traded prior to the public announcement of the Acquisition, the closing price of the Units on the TSX was $14.20. On June 28, 2005, being the last day on which the Units traded prior to the public announcement of the Offering, the closing price of the Units on the TSX was $16.10.

RECORD OF CASH DISTRIBUTIONS

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

Period	Payment Date	Per Unit Amount	Total[(2)]
November 26 to December 31, 2003	January 30, 2004	$0.1118[(1)]	$5,318,000
January 2004	February 27, 2004	$0.0958	$4,557,000
February 2004	March 31, 2004	$0.0958	$4,557,000
March 2004	April 30, 2004	$0.0958	$4,557,000
April 2004	May 31, 2004	$0.0958	$4,557,000
May 2004	June 30, 2004	$0.0958	$4,557,000
June 2004	July 30, 2004	$0.0958	$4,557,000
July 2004	August 31, 2004	$0.0958	$4,557,000
August 2004	September 30, 2004	$0.0958	$4,557,000
September 2004	October 29, 2004	$0.0958	$4,557,000
October 2004	November 30, 2004	$0.0958	$4,557,000
November 2004	December 30, 2004	$0.0958	$4,557,000
December 2004	January 31, 2005	$0.0958	$4,557,000
January 2005	February 28, 2005	$0.0958	$4,557,000
February 2005	March 31, 2005	$0.0958	$4,557,000
March 2005	April 30, 2005	$0.0958	$4,557,000
April 2005	May 31, 2005	$0.0958	$4,557,000
May 2005	June 30, 2005	$0.0958	$4,557,000

Notes:

(1) Includes distributions for the period from November 26, 2003, the IPO Closing, to December 31, 2003.

(2) Includes distributions to holders of Class B LP Units of Cineplex Galaxy LP in respect of the periods set out above. For the period January 2004 to December 2004, the total reflected above also includes $691,416.17 per month in escrow distributions in respect of Class B LP Units, series 2, which were subsequently released to the holders of such units.

Historical distribution payments of the Fund may not be reflective of future distribution payments, which will be subject to review by the Board of Directors taking into account the prevailing financial circumstances of the Partnership at the relevant time. The actual amount distributed, if any, is at the discretion of the Board of Directors. The Fund's ability to pay distributions is dependent on the financial performance of the Partnership.

USE OF PROCEEDS

The proceeds to the Fund from the Offering together with the net borrowings under the New Credit Facility and the proceeds of the RioCan Transaction will be used, directly and indirectly, to fund the Acquisition, refinance existing indebtedness, pay certain expenses of the Acquisition and this Offering and for general corporate purposes, including a $25 million reserve for integration and restructuring costs associated with the Acquisition. If the RioCan Transaction is completed after the closing of the Acquisition, the Fund will draw down additional amounts under the New Credit Facility in order to fund the Acquisition. See "The Acquisition — Structure of the Acquisition" and "Plan of Distribution".

DESCRIPTION OF UNITS

Units

As at June 30, 2005 there were 20,857,843 Units outstanding. An unlimited number of Units are issuable pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. The Units are not subject to future calls or assessments, and entitle the holder thereof to one vote for each whole Unit held at all meetings of Unitholders.

Cash Distributions

The board of Trustees intends for the Fund to make monthly cash distributions to Unitholders of record on the last business day of each month, based upon cash receipts of the Fund less estimated cash amounts required for expenses and other obligations of the Fund and cash redemptions of Units and any tax liability, to be paid within 30 days following the end of each month.

For additional information respecting the Units, including restrictions on non-resident Unitholders, the redemption right attached to the Units, meetings of Unitholders and amendments to the Declaration of Trust, see "Description of the Fund" at pages 13 to 24 of the AIF.

Rights of Unitholders

The Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies as an investor would have as a shareholder of a corporation governed by the *Canada Business Corporations Act* ("CBCA"), but there do exist significant differences.

The Declaration of Trust includes provisions intended to limit the liability of Unitholders for liabilities and other obligations of the Fund, although no statutory provisions historically confirmed the limited liability status of Unitholders in a manner comparable to shareholders of a CBCA corporation. However, on December 16, 2004, the *Trust Beneficiaries' Liability Act*, 2004, a new Ontario statute included in Bill 106, received Royal Assent. That statute provides that Unitholders of the Fund are not liable, as beneficiaries of a trust, for any act, default, obligation or liability of the Fund or the Trustees, arising after December 16, 2004. That statute has not yet been judicially considered and it is possible that reliance on the statute by a Unitholder could be successfully challenged on jurisdictional or other grounds. See "Risk Factors — Risks Related to the Structure of the Fund — Unitholder Liability".

Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of a CBCA corporation and to elect trustees and auditors. The Declaration of Trust also includes provisions dealing with the calling and holding of meetings of Unitholders and trustees, the quorum for and procedures at such meetings and the right of investors to participate in the decision-making process where certain fundamental actions are proposed to be undertaken. The matters in respect of which Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation but effectively extend to certain fundamental actions that may be undertaken by the Fund's subsidiary entities as described under "Description of the Fund — Exercise of Certain Voting Rights Attached to the Securities of the Trust, Cineplex Galaxy GP and Cineplex Galaxy LP" on page 22 of the AIF. These Unitholder approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are "reporting issuers" or the equivalent or listed on the TSX.

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

Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting (i) the business or businesses that the corporation can carry on, or (ii) the issue, transfer or ownership of shares). As an alternative, Unitholders seeking to terminate their investment in the Fund are entitled to receive, subject to certain conditions and limitations, their *pro rata* share of the Fund's net assets through the exercise of the redemption rights provided by the Declaration of Trust, as described above under "— Redemption at the Option of Unitholders". Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregarding the interests of securityholders and certain other parties.

Shareholders of a CBCA corporation may also apply to a court to order the liquidation and dissolution of the corporation in those circumstances, whereas Unitholders could rely only on the general provisions of the Declaration of Trust which permit the winding up of the Fund with the approval of a Special Resolution of the Unitholders. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Declaration of Trust allows Unitholders to pass resolutions appointing an inspector to investigate the Trustees' performance of their responsibilities and duties, but this process would not be subject to court oversight or include the other investigative procedures, rights and remedies available under the CBCA. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right of the Unitholders to commence or participate in legal proceedings with respect to the Fund.

DESCRIPTION OF THE SUBSCRIPTION RECEIPTS

Subscription Receipts

The following is a summary of the material attributes and characteristics of the Subscription Receipts. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the Subscription Receipt Agreement.

At closing, a certificate representing the Subscription Receipts will be issued in registered form to CDS or its nominee, CDS & Co., and will be deposited with CDS on the closing date of the Offering pursuant to the Book-Entry System. Unless the Book-Entry System is terminated, and except in certain limited circumstances, owners of beneficial interests in Subscription Receipts shall not receive a certificate for Subscription Receipts or for the Units issuable pursuant to the Subscription Receipts. Beneficial interests in Subscription Receipts will generally be represented solely through the Book-Entry System and such interests will be evidenced by customer confirmations from the Underwriters or the registered dealer which is a CDS Participant and from or through which such Subscription Receipts are held.

The Escrowed Funds will be delivered to and held by the Escrow Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada or a province or a Canadian chartered bank, as directed by the Fund, provided such obligation is rated at least R1 (middle) by DBRS or an equivalent rating service pending the closing of the Acquisition or the occurrence of the Termination Time. Provided that the closing of the Acquisition occurs by 5:00 p.m. (Toronto time) on August 31, 2005, the Escrowed Funds will be released to the Fund and the Units will be issued to holders of Subscription Receipts who will receive, without payment of additional consideration or further action, one Unit for each Subscription Receipt held.

Forthwith upon the closing of the Acquisition, the Fund will execute and deliver to the Escrow Agent a notice thereof, and will issue and deliver the Units to the Escrow Agent. Contemporaneously with the delivery of such notice, the Fund will issue a press release specifying that the Units have been issued.

If the closing of the Acquisition does not take place by the Termination Time, the Escrow Agent will return to the holders of Subscription Receipts, commencing on the third business day following the Termination Time, an amount equal to the full subscription price therefor and their *pro rata* entitlements to interest actually earned on such amount.

If the closing of the Acquisition takes place prior to the Termination Time and holders of Subscription Receipts become entitled to receive Units pursuant to the Subscription Receipt Agreement, such holders will be entitled to receive an amount per Subscription Receipt equal to the amount per Unit of any cash distributions for which record dates have occurred during the period from the date of closing of the offering of the Subscription Receipts to the date immediately preceding the date the Units are issued pursuant to the Subscription Receipts. If holders of Subscription Receipts become entitled to receive Units, the Escrow Agent and the Fund will pay such amounts to holders of Subscription Receipts on the date the Subscription Receipts are exchanged for Units on the later of (i) the date the Units are issued and (ii) the date such distribution(s) is paid to Unitholders. For greater certainty, if the closing of the Acquisition takes place on a date that is a Unit distribution record date, holders of Subscription Receipts on such date shall not be entitled as such to receive a payment in respect of the cash distribution for such record date but shall instead be deemed to be holders of record of Units on such date and will be entitled as Unitholders to receive such monthly distribution.

Accordingly, if the Acquisition closes on or before July 29, 2005, as currently contemplated, holders of Subscription Receipts will become holders of Units on or before July 29, 2005 and will be entitled, provided they remain holders of record of Units received pursuant to the Subscription Receipts on July 29, 2005, to receive the monthly distribution expected to be paid on August 30, 2005 to Unitholders of record on July 29, 2005. If the closing of the Acquisition occurs after July 29, 2005, but on or before August 31, 2005, holders of Subscription Receipts on such date will be entitled to receive a payment equivalent to the distribution that will be paid by the Fund to Unitholders of record on July 29, 2005.

If the former holder of Subscription Receipts' share of interest earned on the Escrowed Funds is less than the amount to which such holder is entitled in respect of such per Unit distribution, the Fund will pay the amount of any such shortfall to the former Subscription Receipt holder, provided however that in no event shall the aggregate amount paid to a former Subscription Receipt holder in respect of a Subscription Receipt exceed the amount of such per Unit distribution. The Fund will treat such shortfall as a purchase price adjustment.

In the event that the closing date of the Acquisition occurs prior to or concurrent with the closing date of the Offering, investors in the Offering will receive Units on the closing date of the Offering instead of Subscription Receipts.

Holders of Subscription Receipts are not Unitholders. Holders of Subscription Receipts are entitled only to receive Units on surrender of their Subscription Receipts to the Escrow Agent or to a return of the subscription price for the Subscription Receipts together with any payments in lieu of interest or distributions, as applicable, as described above.

DESCRIPTION OF THE DEBENTURES

The Debentures will be issued under an indenture, to be dated as of the closing of the Offering (the "Indenture"), between the Fund and the Debenture Trustee. The following is a description of the terms of the Indenture, a copy of the form of which will be filed with the Canadian securities regulatory authorities. Capitalized terms used in this "Description of Debentures" section and not otherwise defined have the meanings set forth in the Indenture. The following summary of certain provisions of the Indenture is subject to, and is qualified in its entirety by reference to, all the provisions of the Indenture.

General

The Debentures will be issued under the Indenture. The Debentures authorized for issue immediately will be limited in aggregate principal amount to $105,000,000. The Fund may, however, from time to time, without the consent of the holders of the Debentures but subject to the limitations described herein, issue additional debentures of the same series or of a different series under the Indenture, in addition to the Debentures offered hereby. The Debentures will be issuable only in denominations of $1,000 and integral multiples thereof.

The Debentures will be dated as of the date of closing of the Offering. The Debentures have an initial maturity of the earlier of the closing date of the Acquisition and August 31, 2005. If the closing of the Acquisition takes place by the Termination Time, the maturity date will be automatically extended from the Initial Maturity Date to the Final Maturity Date. If closing of the Acquisition does not take place by the Termination Time, the Debentures will mature on the Initial Maturity Date.

The Debentures will bear interest from the date of issue at 6.0% per annum, which will be payable semi-annually in arrears on June 30 and December 31 in each year, commencing December 31, 2005. The first interest payment will include interest accrued from the date of closing of the Offering to but excluding December 31, 2005.

The principal amount of the Debentures will be payable in lawful money of Canada or, at the option of the Fund and subject to applicable regulatory approval, by payment of Units. See "— Payment upon Redemption or Maturity" and "Redemption and Purchase". The interest on the Debentures will be payable in lawful money of Canada including, at the option of the Fund and subject to applicable regulatory approval, in accordance with the Unit Interest Payment Election as described under "— Interest Payment Option". Payments to non-resident beneficial owners of Debentures, whether paid in cash or Units, will be subject to Canadian withholding tax.

The Debentures will be direct obligations of the Fund and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to all other indebtedness, liabilities and obligations of the Fund. See "— Subordination". The Indenture will not restrict the Fund from incurring additional indebtedness for borrowed money or other liabilities or from mortgaging, pledging or charging its properties to secure any indebtedness.

Conversion Privilege

Each Debenture will be convertible at the holder's option into fully paid and non-assessable Units at any time after the Initial Maturity Date and prior to the close of business on the Final Maturity Date or, if called for redemption, on the Business Day immediately preceding the date specified by the Fund for redemption of the Debentures, at a conversion price of $18.75 per Unit (the "Conversion Price"), being a conversion rate of approximately 53.3333 Units for each $1,000 principal amount of Debentures. No adjustment will be made to the record dates for distributions on the Units issuable upon conversion of, or for interest accrued on, Debentures surrendered for conversion; however, holders converting their Debentures will receive all accrued and unpaid interest thereon to the date of conversion. Holders converting their Debentures shall become holders of record of Units of the Fund on the Business Day immediately after the conversion date. Notwithstanding the foregoing, no Debentures may be converted during the five Business Days preceding June 30 and December 31, in each year, commencing December 31, 2005, as the registers of the Debenture Trustee will be closed during such periods.

Subject to the provisions thereof, the Indenture will provide for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Units; (b) the distribution of Units to holders of Units by way of distribution or otherwise, other than an issue of securities to holders of Units who have elected to receive distributions in securities of the Fund in lieu of receiving cash distributions paid in the ordinary course and other than in the case of a reconsolidation of Units; (c) the issuance of options, rights or warrants to holders of Units entitling them to acquire Units or other securities convertible into Units at less than 95% of the then current market price (as defined below) of the Units; and (d) the distribution to all holders of Units of any securities or assets (other than cash distributions and equivalent distributions in securities paid in lieu of cash distributions in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (b), (c) or (d) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Fund will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the conversion price by at least 1%.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Units or in the case of any consolidation, arrangement, amalgamation or merger of the Fund with or into any other entity, or in the case of any sale or conveyance of the properties and assets of the Fund as, or substantially as, an entirety to any other entity, or a liquidation, dissolution or winding-up of the Fund, the terms of the conversion privilege shall be adjusted so that each holder of a Debenture shall, after such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution or winding-up, be entitled to receive the number of securities such holder would be entitled to receive if on the effective date thereof, it had been the holder of the number of securities into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution or winding-up.

No fractional Units will be issued on any conversion but in lieu thereof the Fund shall satisfy fractional interests by a cash payment equal to the current market price of any fractional interest.

The term "current market price" will be defined in the Indenture to mean the volume weighted average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event.

Redemption and Purchase

The Debentures will not be redeemable on or prior to December 31, 2008. After December 31, 2008 and on or prior to December 31, 2010, the Debentures will be redeemable in whole or in part from time to time at the option of the Fund on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume weighted average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the day prior to the date upon which the notice of redemption is given is at least 125% of the Conversion Price. After December 31, 2010, the Debentures will be redeemable prior to Maturity in whole or in part from time to time at the option of the Fund on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable.

The Fund or any of its affiliates will have the right to purchase Debentures in the market, by tender or by private contract, provided however, that if an event of default under the Indenture has occurred and is continuing, the Fund or any of its affiliates will not have the right to purchase Debentures by private contract.

Payment upon Redemption or Maturity

On redemption or at maturity, the Fund will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured, together with accrued and unpaid interest thereon. The Fund may, at its option, on not more than 60 and not less than 30 days prior notice and subject to applicable regulatory approval, elect to satisfy its obligation to pay the principal amount of the Debentures which are to be redeemed or the principal amount of the Debentures which are due on the Maturity Date, as the case may be, by issuing freely tradeable Units to the holders of the Debentures. Any accrued and unpaid interest thereon will be paid in cash. The number of Units to be issued will be determined by dividing the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured by 95% of the current market price on the date fixed for redemption or the Maturity Date, as the case may be. No fractional Units will be issued on redemption or maturity but in lieu thereof the Fund shall satisfy fractional interests by a cash payment equal to the current market price of any fractional interest.

Subordination

The payment of the principal and premium, of any of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness. "Senior Indebtedness" of the Fund will be defined in the Indenture as the principal of and premium, if any, and interest on and other amounts in respect of all indebtedness, liabilities and obligations of the Fund (whether outstanding as of the date of the Indenture or thereafter created, incurred, assumed or guaranteed) and including, for greater certainty, claims of trade and other creditors, other than indebtedness evidenced by the Debentures and all other existing and future debentures or other instruments of the Fund which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be *pari passu* with each other debenture, and with all other present and future subordinated and unsecured indebtedness of the Fund except for sinking provisions (if any) applicable to different series of debentures or similar types of obligations of the Fund.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Fund, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Fund, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Fund, then those holders of Senior Indebtedness, including trade creditors of the Fund, will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Indenture also provides that the Fund will not make any payment, and the holders of Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including without any limitation by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures (a) in any manner inconsistent with the terms (as they exist on the date of issue) of the Debenture or (b) at any time where an event of default has occurred under the Senior Indebtedness and is continuing and notice of such event has been given by or on behalf of the holders of Senior Indebtedness to the Fund, unless the Senior Indebtedness has been repaid in full.

The Debentures will also be effectively subordinate to claims of creditors of the Fund's subsidiaries except to the extent the Fund is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. Specifically, the Debentures will be effectively subordinated in right of payment to the prior payment in full of all indebtedness under the New Credit Facility.

Priority Over Distributions

The Declaration of Trust provides that certain expenses of the Fund must be deducted in calculating the amount to be distributed to Unitholders. Accordingly, the funds required to satisfy the interest payable on the Debentures, as well as the amount payable upon redemption or maturity of the Debentures or upon an Event of Default (as defined below), will be deducted and withheld from the amounts that would otherwise be payable as distributions to Unitholders.

Change of Control of the Fund

Upon the occurrence of a change of control of the Fund involving the acquisition of voting control or direction over 70% or more of the Units (on a fully-diluted basis, including assuming the exchange of all Class B LP Units) (a "Change of Control") by any person or group of persons acting jointly or in concert, each holder of Debentures may require the Fund to purchase, on the date which is 30 days following the giving of notice of the Change of Control as set out below (the "Put Date"), the whole or any part of such holder's Debentures at a price equal to 101% of the principal amount thereof (the "Put Price") plus accrued and unpaid interest to the Put Date. The Indenture will contain notification provisions requiring to the following effect: (i) the Fund will promptly give written notice to the Debenture Trustee of the occurrence of a Change of Control and the Debenture Trustee will thereafter give to the holders of Debentures notice of the Change of Control, the repayment right of the holders of Debentures and the right of the Fund to redeem untendered Debentures under certain circumstances, and (ii) a holder of Debentures, to exercise the right to require the Fund to purchase its Debentures, must deliver to the Debenture Trustee, not less than five Business Days prior the Put Date, written notice of the holder's exercise of such right, together with the Debentures with respect to which the right is being exercised, duly endorsed for transfer.

If 90% or more in aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered for purchase on the Put Date, the Fund will have the right to redeem all the remaining Debentures on such date at the Put Price, together with accrued and unpaid interest to such date. Notice of such redemption must be given by the Fund to the Debenture Trustee prior to the Put Date, and as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered for purchase.

Interest Payment Option

The Fund may elect, from time to time, to satisfy its obligation to pay interest on the Debentures (the "Interest Obligation"), on the date it is payable under the Indenture (an "Interest Payment Date"), by delivering sufficient Units to the Debenture Trustee to satisfy all or any part of the Interest Obligation in accordance with the Indenture (the ''Unit Interest Payment Election''). The Indenture will provide that, upon such election, the Debenture Trustee shall (a) accept delivery from the Fund of Units, (b) accept bids with respect to, and consummate sales of, such Units, each as the Fund shall direct in its absolute discretion, (c) invest the proceeds of such sales in short-term permitted government securities (as defined in the Indenture) which mature prior to the applicable Interest Payment Date, and use the proceeds received from such permitted government securities, together with any proceeds from the sale of Units not invested as aforesaid, to satisfy the Interest Obligation, and (d) perform any other action necessarily incidental thereto.

The Indenture will set forth the procedures to be followed by the Fund and the Debenture Trustee in order to effect the Unit Interest Payment Election. If a Unit Interest Payment Election is made, the sole right of a holder of Debentures in respect of interest will be to receive cash from the Debenture Trustee out of the proceeds of the sale of Units (plus any amount received by the Debenture Trustee from the Fund attributable to any fractional Units) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the Fund in respect of the Interest Obligation.

Neither the Fund's making of the Unit Interest Payment Election nor the consummation of sales of Units will (a) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date, or (b) entitle such holders to receive any Units in satisfaction of the Interest Obligation.

Events of Default

The Indenture will provide that an event of default (''Event of Default'') in respect of the Debentures will occur if any one or more of the following described events, among others, has occurred and is continuing with respect to the Debentures: (a) failure for 15 days to pay interest on the Debentures when due; (b) failure to pay principal or premium, if any, when due on the Debentures, whether at maturity, upon redemption, by declaration or otherwise; (c) certain events of bankruptcy, insolvency or reorganization of the Fund under bankruptcy or insolvency laws; or (d) default in the observance or performance of any material covenant or condition of the Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Debenture Trustee to the Fund specifying such default and requiring the Fund to rectify the same. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall upon request of holders of not less than 25% in principal amount of Debentures, declare the principal of and interest on all outstanding Debentures to be immediately due and payable. In certain cases, the holders of a majority of the principal amount of the Debentures then outstanding may, on behalf of the holders of all Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Offers for Debentures

The Indenture will contain provisions to the effect that if an offer is made for the Debentures which is a take-over bid for Debentures within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by the holders of Debentures who did not accept the offer on the terms offered by the offeror.

Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain certain provisions which will make binding on all debenture holders resolutions passed at meetings of the holders of debentures by votes cast thereat by holders of not less than 66⅔% of the principal amount of the debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the debentures. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of debentures of each particularly affected series.

Limitations on Non-Resident Ownership

The Fund shall not be established nor at any time maintained primarily for the benefit of non-residents and the Fund shall inform the Debenture Trustee and the transfer agent and registrar of the Units of this restriction. The Debenture Trustee may, upon receipt of written direction of the Fund, require declarations as to the jurisdictions in which beneficial owners of Debentures are resident. If the Fund becomes aware as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of 40% or more of the Units then outstanding on a fully diluted basis, assuming conversion of the Debentures for Units are, or may be, non-residents or that such a situation is imminent, the Fund may make a public announcement thereof and shall notify the Debenture Trustee in writing and the Debenture Trustee shall not accept a subscription for Debentures from or issue or register a transfer of Debentures to a person unless the person provides a declaration in the form and content satisfactory to the Fund that the person is not a non-resident. If, notwithstanding the foregoing, the Fund determines that more than 40% of the Units, on a fully diluted basis, assuming conversion of the Debentures for Units, are held by non-residents, the Fund may send a notice to non-resident holders of Debentures or Units, chosen in inverse order to the order of acquisition or registration of the Debentures and Units or in such other manner as the Fund may consider equitable and practicable, requiring them to sell their Debentures or Units or a portion thereof within a specified period of not more than 30 days. If the Debentureholders or Unitholders receiving such notice have not sold the specified number of Debentures or Units or provided the Fund with satisfactory evidence that they are not non-residents within such period, the Fund may on behalf of such Debentureholder or Unitholder sell such Debentures or Units, as the case may be, and, in the interim, shall suspend the rights attached to such Debentures or Units, as the case may be. Upon such sale, the affected holders shall cease to be holders of the relevant Debentures or Units as the case may be, and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates representing such Debentures or Units. The Fund may direct the Debenture Trustee and/or the transfer agent and registrar of the Units to do any of the forgoing.

Book-Entry System for Debentures

The Debentures will be issued in "book-entry only" form and must be purchased or transferred through a CDS Participant. On the closing date of the Offering, the Debenture Trustee will cause the Debentures to be delivered to CDS and registered in the name of its nominee. The Debentures will be evidenced by a single book-entry only certificate. Registration of interests in and transfers of the Debentures will be made only through the depository service of CDS.

Except as described below, a purchaser acquiring a beneficial interest in the Debentures (a "Beneficial Owner") will not be entitled to a certificate or other instrument from the Debenture Trustee or CDS evidencing that purchaser's interest therein, and such purchaser will not be shown on the records maintained by CDS, except through a CDS Participant. Such purchaser will receive a confirmation of purchase from the Underwriter or other registered dealer from whom Debentures are purchased.

Neither the Fund nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its CDS Participants. The rules governing CDS provide that it acts as the agent and depositary for the CDS Participants. As a result, CDS Participants must look solely to CDS and Beneficial Owners must look solely to CDS Participants for the payment of the principal and interest on the Debentures paid by or on behalf of the Fund to CDS.

As indirect holders of Debentures, investors should be aware that they (subject to the situations described below): (a) may not have Debentures registered in their name; (b) may not have physical certificates representing their interest in the Debentures; (c) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Debentures as security.

The Debentures will be issued to Beneficial Owners in fully registered and certificate form (the "Debenture Certificates") only if: (a) the Fund is required to do so by applicable law; (b) the Book-Entry System ceases to exist; (c) the Fund or CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depositary with respect to the Debentures and the Fund is unable to locate a qualified successor; (d) the Fund, at its option, decides to terminate the Book-Entry System through CDS; or (e) after the occurrence of an Event of Default (as defined herein), provided that Participants acting on behalf of Beneficial Owners representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a Book-Entry System through CDS is no longer in their best interest provided the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Indenture. Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify CDS, for and on behalf of Participants and Beneficial Owners, of the availability through CDS of Debenture Certificates. Upon surrender by CDS of the single certificate representing the Debentures and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Debenture Certificates and thereafter the Fund will recognize the holders of such Debenture Certificates as debentureholders under the Indenture. Interest on the Debentures will be paid directly to CDS while the Book-Entry System is in effect. If Debenture Certificates are issued, interest will be paid by cheque drawn on the Fund and sent by prepaid mail to the registered holder or by such other means as may become customary for the payment of interest. Payment of principal, including payment in the form of Units if applicable, and the interest due, at maturity or on a redemption date, will be paid directly to CDS while the Book-Entry System is in effect. If Debenture Certificates are issued, payment of principal, including payment in the form of Units if applicable, and interest due, at maturity or on a redemption date, will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Indenture.

PLAN OF DISTRIBUTION

Pursuant to a Underwriting Agreement, the Fund has agreed to issue and sell and the Underwriters have agreed to purchase on the closing date, being July 21, 2005 or any other date as may be agreed upon by the Fund and the Underwriters, but in any event not later than August 31, 2005, subject to the conditions stipulated in the Underwriting Agreement, all but not less than all of the 6,835,000 Subscription Receipts offered hereby at a price of $16.10 per Subscription Receipt for total gross consideration of $110,043,500 and all but not less than all of the $105,000,000 principal amount of the Debentures offered hereby at a price of $1,000 per Debenture, payable in cash to the Escrow Agent in the case of the Subscription Receipts and to the Fund in the case of the Debentures against delivery by the Fund of certificate(s) evidencing the Subscription Receipts and the Debentures. The prospectus also qualifies for distribution the Units issuable pursuant to the Subscription Receipts. The Securities are being offered to the public in all of the provinces and territories of Canada. The offering price of the Securities was determined by negotiations between the Fund and the Underwriters. The Underwriting Agreement provides that the Fund will pay the Underwriters' fee of $0.805 per Subscription Receipt for Subscription Receipts issued and sold by the Fund and $40 per Debenture for Debentures issued and sold by the Fund, for an aggregate fee payable by the Fund of $9,702,175, in consideration for their services in connection with the Offering. The Underwriters' fee in respect of the Subscription Receipts is payable as to 50% upon closing of the Offering and 50% upon closing of the Acquisition. If the Acquisition is not completed by August 31, 2005, the Underwriters' fee in respect of the Subscription Receipts will be reduced to the amount payable upon closing of the Offering. The Underwriters' fee in respect of the Debentures is payable on closing of the Offering. In the event that the closing date of the Acquisition occurs prior to or concurrent with the closing date of the Offering, investors in the Offering will receive Units on the closing date of the Offering instead of Subscription Receipts and the Underwriters' fee in respect of the Subscription Receipts will be payable as to 100% on the closing of the Offering. This prospectus also qualifies the distribution of such Units.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint and may be terminated at their discretion upon the occurrence of certain stated events. The obligations of the Fund and the Underwriters under the Underwriting Agreement to complete the purchase and sale of the Subscription Receipts and Debentures will terminate automatically if the Acquisition is terminated or the Fund has advised the Underwriters or announced to the public that it does not intend to proceed with the Acquisition. If an Underwriter fails to purchase the Securities which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase any Securities. The Underwriters are, however, obligated to take up and pay for all Securities if any securities are purchased under the Underwriting Agreement.

Each of the Canadian chartered bank affiliates of RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc. and BMO Nesbitt Burns Inc. is a lender to affiliates of the Fund under the Existing Credit Facilities. The Canadian chartered bank affiliate of each of RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc. and BMO Nesbitt Burns Inc. will be a lender to affiliates of the Fund under the New Credit Facility upon the closing of the Acquisition (see "The Acquisition — New Credit Facility"). A portion of such facility will be used to partially finance the Acquisition, to refinance the Existing Credit Facilities and to pay related expenses. Consequently, the Fund may be considered a connected issuer of RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc. and BMO Nesbitt Burns Inc. under applicable securities laws in certain Canadian provinces and territories.

Pursuant to policy statements of certain securities regulators, Underwriters may not, throughout the period of distribution, bid for or purchase Securities. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Securities. These exceptions include bids or purchases permitted under the Universal Market Integrity Rules for Canadian Marketplaces of Market Regulation Services Inc. relating to market stabilization and passive market-making activities and bids or purchases made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first-mentioned exception, in connection with this Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Securities at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be interrupted or discontinued at any time.

Pursuant to Ontario Securities Commission Rule 48-501, the Underwriters may not, beginning two days prior to the date that the offering price was determined and throughout the period of distribution under this short form prospectus (the "Restricted Period"), bid for or purchase Securities unless the Securities have traded during a 60-day period ending not earlier than 10 days prior to the commencement of the Restricted Period (i) an average of 100 times per trading day and (ii) with an exchange trading value of at least $1,000,000 per trading day. The foregoing restriction is subject to certain exceptions. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market-making activities, provided that the bid or purchase does not exceed the lesser of the offering price and the last independent sale price at the time of the entry of the bid or order to purchase, and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading, in or raising the price of, the Securities. Pursuant to the first mentioned exception, in connection with this Offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Securities at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

There is currently no market through which the Subscription Receipts or Debentures may be sold and investors may not be able to resell the Subscription Receipts or Debentures purchased under this short form prospectus.

The Fund has been advised by the Underwriters that, in connection with the Offering, the Underwriters may, subject to applicable laws, effect transactions which stabilize or maintain the market price of the Subscription Receipts, Debentures or Units at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Fund has agreed with the Underwriters that, subject to certain exceptions, each of the Fund, COC and Cineplex Odeon (Quebec) Inc. will not offer or issue, or enter into an agreement to offer or issue, Units or any securities convertible, exchangeable or exercisable into Units (except for Units issuable pursuant to the Subscription Receipts, warrants and incentive plans and on the conversion, redemption and maturity of the Debentures) for a period of 90 days subsequent to the closing date of the Offering without the prior written consent of RBC Dominion Securities Inc. on behalf of the Underwriters, which consent may not be unreasonably withheld.

The Securities have not been and will not be registered under the *U.S. Securities Act*, or any state securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the *U.S. Securities Act*) except in transactions exempt from the registration requirements of the *U.S. Securities Act*.

The Securities are issued in "book-entry only" form and must be purchased or transferred through a CDS Participant. The Fund will cause a global certificate or certificates representing any Securities delivered to, and registered in the name of, CDS or its nominee. All rights of holders of Subscription Receipts, Unitholders or Debentureholders must be exercised through, and all payments or other property to which such holder is entitled will be made or delivered by, CDS or the CDS Participant through which the Unitholder or Debentureholder holds such Securities. Each person who acquires Securities will receive only a customer confirmation of purchase from the Underwriter or registered dealer from or through which the Securities are acquired in accordance with the practices and procedures of that Underwriter or registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book-entry accounts for its CDS Participants having interests in the Securities. See "Description of Subscription Receipts" and "Description of the Debentures — Book Entry System for Debentures".

INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Goodmans LLP, on behalf of the Fund, and by Torys LLP, on behalf of the Underwriters. No person or company whose profession or business gives authority to a statement made by such person or company and who is named in this short form prospectus or in a document that is specifically incorporated by reference into this short form prospectus as having prepared or certified a part of this short form prospectus has received or shall receive a direct or indirect interest in the property of the Fund or of any associate or affiliate of the Fund. As at the date hereof, the partners and associates of each of the foregoing firms beneficially own, directly or indirectly, less than one percent of the securities of the Fund and its associates and affiliates. In addition, none of the aforementioned persons or companies, nor any director, partner, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a trustee, officer or employee of the Fund or of any associates or affiliates of the Fund.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP, counsel to the Fund, and Torys LLP, counsel to the Underwriters, the following summary describes, as of the date of this short form prospectus, the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a prospective purchaser of the Subscription Receipts, the Debentures and the Units issued pursuant to the Subscription Receipts or on the conversion, redemption or repayment of the Debentures (collectively, the "Fund Securities") who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, holds the Fund Securities as capital property and deals at arm's length with the Fund and is not affiliated with the Fund. Generally, Fund Securities will be considered to be capital property to an investor provided the investor does not hold the Fund Securities in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain investors who might not otherwise be considered to hold their Fund Securities as capital property may, in certain circumstances, be entitled to have their Units or Debentures treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to an investor that is a "financial institution" for purposes of the mark-to-market rules, to an investor an interest in which is a "tax shelter investment" or to an investor that is a "specified financial institution", all within the meaning of the Tax Act.

This summary is based upon the facts set out in the short form prospectus, the current provisions of the Tax Act and the regulations thereunder (the "Regulations"), counsel's understanding of the current published administrative and assessing practices of the CRA, the specific proposals to amend the Tax Act or the Regulations announced by the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments") and certificates of the Fund and the Underwriters as to certain factual matters. This summary is not exhaustive of all possible Canadian federal income tax consequences and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law or in the administrative or assessing policies of the CRA, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein. No assurance can be given that the Proposed Amendments will be enacted as currently proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Fund Securities. Moreover, the income and other tax consequences of acquiring, holding or disposing of the Fund Securities will vary depending on the investor's particular circumstances, including the province or provinces in which the investor resides or carries on business. Accordingly, this summary is not intended to be, nor should it be construed to be, legal or tax advice to any prospective purchaser of Fund Securities. Consequently, prospective purchasers of Fund Securities should consult their own tax advisors for advice with respect to the tax consequences to them of an investment in Fund Securities based on their particular circumstances.

This summary does not address any Canadian federal income tax considerations applicable to non-residents of Canada, and non-residents should consult their own tax advisors regarding the tax consequences of acquiring, holding and disposing of Fund Securities. Distributions on Units and all payments to non-residents of interest (or amounts deemed to be interest, including on a conversion or repayment of Debentures), whether paid in cash or Units, will be paid net of any applicable withholding taxes.

Mutual Fund Trust

This summary, and the opinions expressed below under "Eligibility for Investment", are based on the assumption that the Fund will qualify as a "mutual fund trust" as defined in the Tax Act at the time of the offering of Subscription Receipts and Debentures, and will thereafter continuously qualify as a mutual fund trust at all relevant times. If the Fund were not to qualify as a mutual fund trust, the income tax considerations described below would, in some respects, be materially different.

Taxation of Holders of Subscriptions Receipts

Exchange of Subscription Receipts

No gain or loss will be realized by a holder on the issuance of a Unit pursuant to a Subscription Receipt. This opinion is based upon the interpretation of counsel that a Subscription Receipt is an agreement to acquire a Unit on the satisfaction of certain conditions. No advance income tax ruling has been requested from the CRA, and counsel is not aware of any judicial consideration of this interpretation. The initial cost of a Unit received pursuant to a Subscription Receipt will be the subscription price thereof, less (in the event the Acquisition closes after July 29, 2005 but on or before August 31, 2005) the amount paid by the Fund as a reduction in the purchase price of a Unit, as described below. The cost of any Units acquired must be averaged with the adjusted cost base of any other Units held as capital property by the holder to determine the adjusted cost base of each Unit held.

Other Dispositions of Subscription Receipts

A disposition or deemed disposition by a holder of a Subscription Receipt, other than on the exchange thereof for a Unit, will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the holder's adjusted cost base thereof and any reasonable costs of disposition.

One-half of any capital gain realized by the holder will be included in the holder's income under the Tax Act for the year of disposition as a taxable capital gain. One-half of any capital loss realized on a disposition of a Subscription Receipt may be deducted against taxable capital gains realized by the holder in the year of disposition, in the three preceding taxation years or in any subsequent taxation year, to the extent and under the circumstances described in the Tax Act. A capital gain realized by a holder who is an individual or trust (other than certain trusts) may give rise to a liability for alternative minimum tax. A holder that is throughout a taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6⅔% on certain investment income, including interest and taxable capital gains.

Amounts Received by Holders of Subscription Receipts

If the Acquisition closes on or before July 29, 2005 Subscription Receipts will be exchanged for Units on or before July 29, 2005 and holders of Subscription Receipts will be entitled as Unitholders to receive distributions from the Fund commencing with the distribution to be paid on August 30, 2005 to Unitholders of record on July 29, 2005. The tax treatment of such distributions will be as described below under "Fund Distributions".

If the Acquisition closes after July 29, 2005 but at or before 5:00 p.m. (Toronto time) on August 31, 2005 Subscription Receipts will be exchanged for Units upon such closing and a holder of a Subscription Receipt will be entitled to receive a Unit plus an amount (the "distribution equivalent") that is equal to the amount of distributions that such holder would have received if the holder had been a holder of such Unit from the date of the closing of the offering of Subscription Receipts until the date of closing of the Acquisition. The distribution equivalent will include the holder's share of interest earned on the Escrowed Funds. The amount of such interest will be included in computing the holder's income as described below. If the amount of this interest is less than the distribution equivalent, the Fund will pay to the holder the amount of any shortfall as a reduction in the purchase price of the holder's Units. A holder will not be required to include in income the amount of any such purchase price reduction; however, any such amount will reduce the cost to the holder of the holder's Units acquired on the exchange of the Subscription Receipts.

Repayment of Issue Price and Interest

If the Acquisition does not close at or before 5:00 p.m. (Toronto time) on August 31, 2005 a holder will receive the issue price paid for the Subscription Receipt and the holder's share of interest earned on the Escrowed Funds. The holder will not generally realize any income, gain or loss on the repayment to the holder of the issue price.

Where a holder is entitled to receive the holder's share of interest earned on the Escrowed Funds, a holder that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing income for a taxation year any interest on the Escrowed Funds that accrues to the holder to the end of that holder's taxation year, or that is receivable or received by the holder before the end of that taxation year, except to the extent that such interest was included in computing the holder's income for a preceding taxation year. Any other holder that is entitled to receive the holder's share of interest earned on the Escrow Funds will be required to include in computing income for a taxation year all interest on the Escrowed Funds that is received or receivable by the holder in that taxation year (depending on the method regularly followed by the holder in computing income), except to the extent that the interest was included in computing the holder's income for a preceding taxation year.

Taxation of Debentureholders

Taxation of Interest on Debentures

A holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues to the holder to the end of that taxation year or that is receivable or received by the holder before the end of that taxation year, except to the extent that such interest was included in computing the holder's income for a preceding taxation year.

Any other holder will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the holder in that taxation year (depending upon the method regularly followed by the holder in computing income), except to the extent that the interest was included in the holder's income for a preceding taxation year.

In addition, if at any time a Debenture should become an "investment contract" (as defined in the Tax Act) in relation to a holder, such holder will be required to include in computing income for a taxation year any interest that accrues to the holder on the Debenture up to any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in computing the holder's income for that year or a preceding year.

A holder of Debentures that is throughout a taxation year a "Canadian–controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6⅔% on certain investment income, which generally includes interest income.

Upon a conversion, repayment or other disposition or deemed disposition of a Debenture, any interest accrued on the Debenture to the date of disposition will be included in the holder's income, except to the extent that the interest was otherwise included in the holder's income, and will be excluded in computing the holder's proceeds of disposition of the Debenture.

Exercise of the Conversion Privilege

A holder of a Debenture who exchanges the Debenture for Units pursuant to the conversion privilege will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Units so acquired at the time of the exchange and the amount of any cash received in lieu of fractional Units. The holder may realize a capital gain or capital loss computed as described below under "Other Dispositions of Debentures".

The cost to the holder of the Units so acquired will also be equal to the fair market value thereof at the time of the exchange, and must be averaged with the adjusted cost base of all other Units held as capital property by the holder for the purpose of calculating the adjusted cost base of each Unit.

Redemption or Repayment of Debentures

If the Fund redeems a Debenture prior to Maturity or repays a Debenture upon Maturity and the holder does not exercise the conversion privilege prior to such redemption or repayment, the holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the holder (other than the amount received or deemed to be received as interest) on such redemption or repayment. If the holder receives Units on redemption or repayment, the holder will be considered to receive proceeds of disposition equal to the fair market value of the Units at that time and the amount of any cash received in lieu of fractional Units. The holder may realize a capital gain or capital loss computed as described below under "Other Dispositions of Debentures". The cost to the holder of the Units so acquired will also be equal to the fair market value thereof at the time of the redemption or repayment, and must be averaged with the adjusted cost base of all other Units held as capital property by the holder for the purpose of calculating the adjusted cost base of each Unit.

Other Dispositions of Debentures

A disposition or deemed disposition by a holder of a Debenture will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of accrued interest, are greater (or less) than the aggregate of the holder's adjusted cost base thereof immediately before the disposition or deemed disposition and any reasonable costs of disposition. One-half of any capital gain realized by a holder will be included in the holder's income under the Tax Act for the year of disposition as a taxable capital gain. One-half of any capital loss realized may be deducted against taxable capital gains realized by the holder in the year of disposition, and in the three preceding taxation years or any subsequent taxation year, to the extent and under the circumstances described in the Tax Act. A capital gain realized by a holder who is an individual or trust (other than certain trusts) may give rise to a liability for alternative minimum tax. A holder that is throughout a taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6⅔% on certain investment income, including interest and taxable capital gains.

Taxation of the Fund

The taxation year of the Fund is the calendar year. In each taxation year, the Fund will be subject to tax under Part I of the Tax Act on its income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Fund or if the Unitholder is entitled in that year to enforce payment of the amount.

The Fund will include in its income for each taxation year such amount of the Trust's income for tax purposes, including net taxable capital gains, as is paid or becomes payable to the Fund in the year in respect of the Trust Units and all interest on the Trust Notes that accrues to the Fund to the end of the year, or that becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding year. The Fund will not be subject to tax on any amount received as a payment of principal in respect of the Trust Notes or any amount received as a return of capital from the Trust (provided that the capital returned, if any, does not exceed the cost amount of the Trust Units held by the Fund).

A distribution by the Fund of its property upon a redemption of Units will be treated as a disposition by the Fund of the property so distributed for proceeds of disposition equal to its fair market value. The Fund will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition. In computing its income, the Fund may deduct reasonable administrative costs, interest and other expenses, if any, incurred by it for the purpose of earning income.

Under the Declaration of Trust, an amount equal to all of the income (including taxable capital gains) of the Fund (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the non-taxable portion of any net capital gain realized by the Fund, but excluding capital gains arising in connection with a distribution *in specie* on redemption of Units which are designated by the Fund to redeeming Unitholders, and capital gains the tax on which may be offset by capital losses carried forward from prior years or is recoverable by the Fund, will be payable in the year to Unitholders by way of cash distributions, subject to the exceptions described below. Where the income of the Fund in a taxation year exceeds the monthly cash distributions for that year, such excess income will be distributed to Unitholders in the form of additional Units. Income of the Fund payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Fund in computing its taxable income.

The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Fund's tax liability for that taxation year arising in connection with the distribution of its property on the redemption of Units. The Declaration of Trust provides that all or a portion of any income or taxable capital gain realized by the Fund as a result of that redemption may, at the discretion of the Trustee, be treated as income or taxable capital gain paid to, and designated as income or taxable capital gain of, the redeeming Unitholders, and will be deductible by the Fund in computing its income. In addition, accrued interest on Trust Notes distributed to a redeeming Unitholder may be treated as an amount paid to the Unitholder and will be deductible by the Fund.

Tax counsel has been advised that the Fund intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Fund will generally not be liable in that year for income tax under Part I of the Tax Act. Tax counsel can provide no opinion in this regard.

Taxation of Unitholders

Fund Distributions

A Unitholder will generally be required to include in income for a particular taxation year the portion of the net income for tax purposes of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable to the Unitholder in the particular taxation year, whether that amount is received in cash, additional Units or otherwise. The after-tax return to Unitholders subject to Canadian federal income tax from an investment in Units will depend, in part, on the composition for tax purposes of distributions paid by the Fund, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital, which are not included in a Unitholder's income but which reduce the adjusted cost base of the Units to the Unitholder, as described below. The composition for tax purposes of these distributions may change over time, thus affecting the after-tax return to such Unitholders.

Provided that appropriate designations are made by the Fund and the Trust, that portion of their taxable dividends, if any, received (or deemed to be received) from taxable Canadian corporations, net taxable capital gains and foreign source income as is paid or payable to a Unitholder and the amount of foreign taxes paid or deemed to be paid by the Fund and the Trust, if any, will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations (including GEI), the normal gross-up and dividend tax credit provisions will be applicable in respect of Unitholders who are individuals, the refundable tax under Part IV of the Tax Act will be payable by Unitholders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals and the deduction in computing taxable income will be available to Unitholders that are corporations. An additional refundable 6⅔% tax will be payable by Unitholders that are throughout a taxation year Canadian-controlled private corporations (as defined in the Tax Act) in certain circumstances.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in that year will not generally be included in the Unitholder's income for the year. However, where such an amount is paid or payable to a Unitholder (other than as proceeds in respect of the redemption of Units), the Unitholder will be required to reduce the adjusted cost base of the Units by that amount. To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Unitholder will then be nil. The taxation of capital gains is described below.

Dispositions of Units

On the disposition or deemed disposition of a Unit, whether on a redemption or otherwise, the Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Fund that is otherwise required to be included in the Unitholder's income, including any capital gain realized by the Fund in connection with a redemption which has been designated by the Fund to the redeeming Unitholder. The taxation of capital gains and capital losses is described below.

The adjusted cost base of a Unit to a Unitholder will include all amounts paid or payable by the Unitholder for the Unit, with certain adjustments. The cost to a Unitholder of additional Units received in lieu of a cash distribution of income will be the amount of income distributed by the issue of those Units. For the purpose of determining the adjusted cost base to a Unitholder of Units, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by Unitholder as capital property immediately before that acquisition.

Where Units are redeemed and the redemption price is paid by the delivery of Series 2 Trust Notes and Series 3 Trust Notes to the redeeming Unitholder, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the Series 2 Trust Notes and Series 3 Trust Notes so distributed less any income or capital gain realized by the Fund in connection with the redemption of those Units which has been designated by the Fund to the Unitholder. Where any income or capital gain realized by the Fund in connection with the distribution of Series 2 Trust Notes and Series 3 Trust Notes on the redemption of Units has been designated by the Fund to a redeeming Unitholder, the Unitholder will be required to include in income the income or taxable portion of the capital gain so designated. The redeeming Unitholder will be required to include in income, interest on any Series 2 Trust Notes and Series 3 Trust Notes acquired (including interest that accrued prior to the date of the acquisition of such notes by the Unitholder that is designated as income to the Unitholder by the Fund) in accordance with the provisions of the Tax Act. The cost of any Series 2 Trust Notes and Series 3 Trust Notes distributed by the Fund to a Unitholder upon a redemption of Units will be equal to the fair market value of those Trust Notes at the time of the distribution less any accrued interest on such Trust Notes. The Unitholder will thereafter be required to include in income interest on the Series 2 Trust Notes and Series 3 Trust Notes, in accordance with the provisions of the Tax Act. To the extent that the Unitholder is required to include in income any interest accrued to the date of the acquisition of the Series 2 Trust Notes and

Series 3 Trust Notes by the Unitholder, an offsetting deduction may be available. **Unitholders are advised to consult their own tax advisors prior to exercising their redemption rights.**

The consolidation of Units of the Fund will not be considered to result in a disposition of Units by Unitholders. The aggregate adjusted cost base to a Unitholder of all of the Unitholder's Units of the Fund will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Capital Gains and Capital Losses

One-half of any capital gain realized by a Unitholder on a disposition or deemed disposition of Units and the amount of any net taxable capital gains designated by the Fund in respect of a Unitholder will generally be included in the Unitholder's income as a taxable capital gain in the taxation year in which the disposition occurs or in respect of which a net taxable capital gains designation is made by the Fund. One-half of any capital loss realized by a Unitholder on a disposition or deemed disposition of Units may generally be deducted against taxable capital gains of the Unitholder in the year of disposition, in the three preceding taxation years or in any subsequent taxation year, to the extent and under circumstances described in the Tax Act.

Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, the Unitholder's capital loss from the disposition will generally be reduced by the amount of dividends previously designated by the Fund to the Unitholder except to the extent that a loss on a previous disposition of a Unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

Alternative Minimum Tax

In general terms, net income of the Fund paid or payable to a Unitholder who is an individual or a trust (other than certain trusts) that is designated as taxable dividends or capital gains, and capital gains realized on the disposition of Units, may increase the Unitholder's liability for alternative minimum tax.

Budget Proposals

Under the 2004 Budget Proposals, a "designated taxpayer" would be subject to a penalty tax in respect of each month ending after 2004 where, at the end of that month, the designated taxpayer holds "restricted investment property" and, in general terms, the cost amount to the designated taxpayer of all such property exceeds 1% of the cost amount of all of the designated taxpayer's properties. The monthly tax would be 1% of such excess. For this purpose, restricted investment property includes units and debt of a "business income trust" (other than an "exempt trust") and interests in (or debts of) partnerships, trusts, mutual fund corporations, investment corporations or mortgage investment corporations (each as defined in the Tax Act) where the cost amount to such entity of all of its restricted investment property exceeds 1% of the cost amount of all of the entity's properties.

The 2004 Budget Proposals also proposed to subject a designated taxpayer to a penalty tax in respect of each month ending after 2004 where, in general terms, at the end of that month the designated taxpayer, and entities with which it does not deal at arm's length, hold units of any class of a business income trust with a fair market value in excess of 5% of the fair market value of all units of such class. The monthly tax payable by a particular designated taxpayer would be 1% of its share (as determined under the 2004 Budget Proposals) of the excess holding of units by the designated taxpayer and such non-arm's length entities.

For the purposes of the 2004 Budget Proposals, the Fund would be a "business income trust" other than an "exempt trust" and Units would constitute "restricted investment property". A "designated taxpayer" includes trusts governed by registered pension plans and various tax-exempt pension corporations (but does not include trusts governed by a Plan).

On May 18, 2004, the Minister of Finance (Canada) announced that the 2004 Budget Proposals would be suspended to allow consultation with interested parties. The Minister of Finance (Canada) indicated that, following such consultations, the Government would announce further legislative proposals. In the 2005 Budget Proposals, the Minister of Finance (Canada) announced that the Department of Finance would release a consultation paper after February 23, 2005 on tax issues related to business income trusts and that further initiatives, if any, would follow consultations. **Prospective purchasers of Units who are "designated taxpayers", or an entity an interest in which (or debt of which) may become "restricted investment property" as a result of holding Units, should consult their own tax advisors regarding the potential application of the 2004 Budget Proposals as a result of an acquisition of Units.**

RISK FACTORS

An investment in securities of the Fund involves a number of risks in addition to those described under "Special Note Regarding Forward Looking Statements". Before investing, prospective investors should carefully consider, in light of their own financial circumstances, the factors set out below, as well as other information contained or incorporated by reference in this short form prospectus.

Risks Related to the Acquisition and the Partnership

Risks Relating to the Integration of the Combined Business

The operations of the Partnership and Famous Players have been conducted as separate and distinct businesses, each with its own management team and operations. While Management believes that the operations of the Partnership and Famous Players can be successfully integrated, there can be no assurance that this will be the case. The Partnership could face impediments in its ability to implement its integration strategy. In addition, there can be no assurance that unforeseen costs and expenses or other factors will not offset, in whole or in part, the expected benefits of the Partnership's integration and operating plans. Further, the integration may require substantial attention from, and place substantial demands upon, senior management of the Partnership, as well as require the cooperation of employees. Moreover, there can be no assurance that the Partnership's customers, suppliers and landlords will look upon the Acquisition favourably. Failure to successfully integrate the operations of the Partnership and Famous Players could have a material adverse effect on the Partnership's business, financial condition, liquidity and results of operations.

The successful integration and management of integrating the businesses involves numerous risks that could adversely affect the Partnership's growth and profitability, including: (i) the risk that management may not be able to successfully manage the Famous Players operations and the integration may place significant demands on management, diverting their attention from existing operations; (ii) the risk that the Partnership's operational, financial and management systems may be incompatible with or inadequate to effectively integrate and manage acquired systems; (iii) the risk that the Acquisition may require substantial financial resources that otherwise could be used in the development of other aspects of the business; and (iv) the risk that customers and suppliers may not be retained following the Acquisition, which could be significant to the Partnership's operations. The successful integration of the Acquisition is also subject to the risk that personnel from the Famous Players business and the existing business may not be able to work together successfully, which could affect the operation of the combined business.

There can be no assurance that the Partnership will be able to successfully integrate the Acquisition or that it will be able to realize expected operating and economic efficiencies from the integration of the businesses of the Partnership and Famous Players or that the Partnership will achieve and maintain this level of profitability in the future.

Potential Undisclosed Liabilities Associated with the Acquisition

There may be liabilities and contingencies that the Fund and the Partnership did not discover in their due diligence prior to consummation of Acquisition, and the Fund and the Partnership may not be indemnified for some or all of these liabilities and contingencies. The discovery of any material liabilities or contingencies could have a material adverse effect on the Fund's business, financial condition and results of operations.

Possible Failure to Complete the Acquisition

The completion of the Acquisition is subject to normal commercial risk. If closing of the Acquisition does not take place by the Termination Time, (i) the Escrow Agent and the Fund will repay to holders of Subscription Receipts, commencing on or before the third Business Day following the Termination Time, an amount equal to the issue price therefor plus a *pro rata* share of the interest actually earned on the Escrowed Funds and (ii) the Debentures will mature on the Initial Maturity Date.

Possible Failure to Complete the Divestitures

The Consent Agreement requires that certain prescribed theatres be divested by the Partnership within a prescribed time period following closing of the Acquisition. There can be no assurance that the Divestitures will be completed on terms satisfactory to the Partnership or the Commissioner or at all. If the Divestitures do not take place within the prescribed period, a divestiture trustee may be appointed to dispose of certain theatres. If the Partnership or the divestiture trustee is unable to dispose of these theatres on terms satisfactory to the Partnership, the business, financial condition and results of operations of the Partnership may be materially adversely affected.

Alternative Film Delivery Methods and Other Forms of Entertainment

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

Unauthorized Copying and Viewing of Films

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

These technological advances and illegal distribution of films pose a threat to the film exhibition business and may have an adverse effect on the Partnership's business.

Reliance on Film Production and Performance

The Partnership's ability to operate successfully depends upon the availability, diversity and appeal of films, the ability of the Partnership to license films and the performance of these films in the Partnership's markets. The Partnership and Famous Players license first-run films, the success of which is dependent upon their quality, as well as on the marketing efforts of film studios and distributors. Poor performance of these films, or any disruption in the production or release of films, including by reason of a strike or threat of a strike, or a reduction in the marketing efforts of film studios and distributors, would have a negative effect on film attendance and adversely affect the Partnership's business and results of operations. The Partnership's reliance each year on a small number of very successful films is a risk which all film exhibitors face. From 2000 to 2004, revenues (assuming completion of the Acquisition and Divestitures at the commencement of the relevant period) from six films in each year accounted for between 17.9% and 22.9% of the Partnership's *pro forma* revenues in each such year. In 2004, approximately 21.7% of the Partnership's *pro forma* revenues (assuming completion of the Acquisition and Divestitures at the commencement of the relevant period) were from six films.

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

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

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

Reliance on Key Personnel

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

The Acquisition and Development of New Theatre Sites

The acquisition and development of new theatre sites to be operated by the Partnership is dependent on the ability of the Partnership to identify, acquire and develop suitable sites for potential theatre locations in both new and existing markets. The cost to develop a new theatre is substantial, but its success is not assured. While the Partnership is careful in selecting sites for new theatres, the significant time lag from identifying a new site to theatre opening can result in a change in local market circumstances and could negatively impact the theatre's chance of success.

In addition, the Consent Agreement provides that Cineplex Galaxy LP shall, for a period of five years from May 27, 2005, provide the Commissioner with prior written notice of any acquisition by it of any non-Cineplex Galaxy theatre or assumption of a lease in respect of an operating non-Cineplex Galaxy theatre where the remaining term of the lease exceeds two years. Cineplex Galaxy LP also may not, during this time, re-acquire any of the divested theatres without the prior approval of the Commissioner.

Impact of New Theatres

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

Rising Insurance Costs

The terrorist attacks on the United States in 2001 resulted in significant increases in the cost of property and liability insurance. Some insurance coverage is available only on unfavourable terms or not at all and there have been significant increases in the deductible amounts for liability insurance. Future increases in insurance costs, coupled with the increase in deductibles, will result in higher theatre operating costs and increased risk.

Labour

Following completion of the Acquisition, approximately 87% of the employees of the Partnership are hourly workers whose compensation is based on the prevailing provincial minimum wages. Any increase in these minimum wages will increase employee related costs.

Certain of the Partnership's employees are subject to collective bargaining agreements. There can be no assurance that the Partnership will be able to successfully renegotiate its collective agreements or renegotiate them on terms satisfactory to the Partnership as their terms expire. In addition, there can be no assurance that a strike or other disruption by its unionized employees will not occur. The Partnership could suffer adverse effects from any such labour disruption.

Occupancy Costs

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

Ability to Generate Additional Ancillary Revenue

Management intends to continue to pursue ancillary revenue opportunities such as advertising, games, promotions and alternative uses of its theatres during non-peak hours. The Partnership's ability to achieve its business objectives may depend in part on its ability to successfully increase these revenue streams.

Competitive Environment

The Partnership competes in each of its local markets with other national and regional circuits and independent film exhibitors, particularly with respect to film licensing, attracting patrons and acquiring and developing new theatre sites and acquiring existing theatres. Following completion of the Acquisition, the Partnership's primary competitor for first run movie exhibition will be AMC.

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

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

Relationships with Major Film Distributors

In 2004, eight major film distributors accounted for approximately 90% of the Partnership's *pro forma* EDI box office revenues (assuming completion of the Acquisition and the Divestitures at the commencement of such period), which is consistent with industry standards. The Partnership depends on maintaining good relations with these distributors, as this affects its ability to negotiate commercially favourable licensing terms for first-run films or to obtain licenses at all. A deterioration in the Partnership's relationships with any of the major film distributors could affect its ability to negotiate film licenses on favourable terms or its ability to obtain commercially successful films, which could adversely affect the Partnership's business and results of operations.

Relationships with Primary Concession Suppliers

Immediately after the Acquisition, substantially all of the Partnership's beverage concessions will be products of two major beverage companies. If these relationships were disrupted, the Partnership may be forced to negotiate a substitute arrangement that could be less favourable to the Partnership than the current arrangements. Any such disruptions could therefore increase the cost of concessions and harm the Partnership's operating margins, which would adversely affect its business and results of operations. In addition, following completion of the Acquisition, the Partnership intends to assess whether purchasing beverages from a single beverage supplier may be more advantageous. If the Partnership determines to source beverages from a single supplier, any disruption of that supplier could adversely affect the Partnership's financial condition and results of operations.

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

Landlord Lease Termination Rights

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

The Partnership may also continue to be liable for obligations under theatre leases in respect of divested theatres. If the transferee of such theatres fails to satisfy the obligations under such leases, the Partnership may be adversely affected.

In addition, the assignment of certain of the leases in connection with the Acquisition requires the consent of certain landlords. To the extent that any such consents cannot be obtained, or cannot be obtained on commercially reasonable terms, the business and financial condition of the Partnership may be materially and adversely impacted.

Reliance on Consumer Spending

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

Litigation and Other Proceedings

Since 2003, three complaints have been filed with the Ontario Human Rights Commission against the Partnership and Famous Players alleging discrimination against hearing-impaired individuals for not providing sufficient technology to accommodate for their disability. Similar complaints were filed against, Alliance Atlantis, AMC Theatres, Universal Studios Canada and Rainbow Cinemas. All complaints have been referred to the Human Rights Tribunal and have been joined together for hearing. The matter is scheduled for mediation in September 2005. There is the potential for a mediated resolution that could occur on a shorter time frame. Were the Human Rights Tribunal to rule against the Partnership or Famous Players and force the maximum provision of technology to the complainants, the Partnership could face a substantial financial burden. The Partnership has been and will continue to research changing technologies to make a determination about how it can best accommodate the hearing impaired community. The Partnership is also in contact with groups that represent both the hearing- and-vision impaired communities in an effort to reach consensus on what technology each respective community prefers.

The Fund, the Partnership and Famous Players are threatened from time to time with, or are named as a defendant in, various legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damages claims, in the ordinary course of conducting its business. A significant judgment against the Fund, the Partnership or Famous Players, or the imposition of a significant fine or penalty, as a result of a finding that the Fund, the Partnership or Famous Players failed to comply with laws or regulations, or being named as a defendant on multiple claims could have a material adverse effect on the Fund, the Partnership's and Famous Players' business, financial condition, liquidity and results of operations.

Risks Related to the Structure of the Fund

Dependence on the Trust and the Partnership

The Fund is an unincorporated open-ended, limited purpose trust which is entirely dependent on the operations and assets of the Partnership through the Trust's current ownership of 43.8% of the Class A LP Units and Class B LP Units (50.2% after giving effect to the issuance of Units pursuant to the Subscription Receipts and the transactions description under "The Acquisition — Fees" and 54.8% assuming the conversion of all Debentures offered hereby into Units). Cash distributions to Unitholders and principal and interest payments on the Debentures are dependent on, among other things, the ability of the Trust to pay interest on debt payable to the Fund, including the Trust Notes, and to make cash distributions in respect of the Trust Units, which, in turn, is dependent on the Partnership making cash distributions and the ability of GEI to pay interest on the Galaxy Notes. The ability of the Partnership, GEI or the Trust to make cash distributions or other payments or advances is subject to applicable laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of those entities.

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

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

Nature of Units

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

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

Distribution of Securities on Redemption or Termination of the Fund

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

Unitholder Liability

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

In December, 2004, a new statute, *The Trust Beneficiaries' Liability Act* (Ontario), was enacted to create a statutory limitation on the liability of Unitholders of Ontario income trusts such as the Fund. The legislation provides that a Unitholder will not, as beneficiary, be liable for any act, default, obligation or liability of the trust or any of its trustees after the legislation comes into force. However, this legislation does not address potential liabilities arising before the date the legislation came into force. In addition, this legislation has not been judicially considered and it is possible that reliance on the legislation by a Unitholder could be successfully challenged on jurisdictional or other grounds.

Dilution of Existing Unitholders and Limited Partnership Unit Holders

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

Price Fluctuation

Units of publicly traded income funds do not necessarily trade at values determined solely by reference to the underlying value of its assets. One of the factors that may influence the market price of the Units is the annual yield of the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield and thus could adversely affect the market price of the Units. In addition, the market price of the Units may be affected by changes in general market conditions, fluctuations in the market for equity or debt securities and numerous other factors outside the Fund's control.

Control of the Partnership

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

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

Leverage and Restrictive Covenants

The ability of the Fund and the Partnership to make distributions, pay dividends or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those entities (including the Partnership's credit facilities and the Indenture). The degree to which each of the Partnership and the Fund is leveraged could have important consequences to the Unitholders including: the Partnership's and the Fund's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; a significant portion of the Partnership's or the Fund's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; certain of the Partnership's borrowings are at variable rates of interests, which exposes the Partnership to the risk of increased interest rates; and the Partnership may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors may increase the sensitivity of distributable cash to interest rate variations. The Partnership's current credit facilities contain numerous restrictive covenants that limit the discretion of the Partnership's management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of the Partnership to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, such credit facilities contain a number of financial covenants that require the Partnership to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the Partnership's credit facilities could result in a default which, if not cured or waived, could result in a termination of distributions by the Partnership and permit acceleration of the relevant indebtedness. If the indebtedness under the Partnership's current credit facilities were to be accelerated, there can be no assurance that the assets of the Partnership would be sufficient to repay in full that indebtedness. In addition, the Partnership's current credit facilities mature no later than the third anniversary thereof. There can be no assurance that future borrowings or equity financing will be available to the Fund or the Partnership, or available on acceptable terms, in an amount sufficient to fund the Fund's or the Partnership's needs.

Future Sales of Units by the Investors

The Investors currently hold in aggregate approximately 56.2% of the outstanding Class A LP Units and Class B LP Units of Cineplex Galaxy LP (49.8% after giving effect to the issuance of Units pursuant to the Subscription Receipts and the transactions described under "The Acquisition — Fees" and 45.2% assuming the conversion of all Debentures offered hereby into Units) which can be exchanged at any time, subject to certain conditions, thereby causing the issuance of additional Units. The Investors have also been granted certain registration rights by the Fund. If the Investors sell substantial amounts of Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

Investment Eligibility

There can be no assurance that the Fund Securities will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and registered education savings plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments. See "Eligibility for Investment".

Income Tax Matters

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Units. If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations described herein under the heading "Certain Canadian Federal Income Tax Considerations" and "Eligibility for Investment" would be materially and adversely different in certain respects.

The Department of Finance has indicated that it will continue to evaluate the development of the income trust market as part of its ongoing monitoring and assessment of Canadian financial markets and the Canadian tax system. Accordingly, further changes in this area, in addition to the 2004 Budget Proposals, are possible.

Such changes could result in the income tax considerations described under "Certain Canadian Federal Income Tax Considerations" being materially different.

Interest on the Trust Notes accrues at the Fund level for Canadian federal income tax purposes, whether or not actually paid. The Declaration of Trust provides that a sufficient amount of the Fund's net income and net realized capital gains will be distributed each year to Unitholders in order to eliminate the Fund's liability for tax under Part 1 of the Tax Act. Where such amount of net income (including interest on the Trust Notes) and net realized capital gains of the Fund in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, in circumstances when they do not directly receive a cash distribution. As a result of the Divestitures and the RioCan Transaction, Cineplex Galaxy LP and the FP Partnership may realize income or gain for income tax purposes. The proceeds from these transactions will not be distributed to Unitholders. Accordingly, the composition of distributions received by Unitholders for income tax purposes may be affected by these transactions.

In addition, the acquisition agreements under which (i) COC transferred all of its business assets to Cineplex Galaxy LP, (ii) Cineplex (Odeon) Quebec Inc. transferred all of its business assets to Cineplex Galaxy LP, (iii) certain of the Investors transferred the shares of Cineplex Galaxy Acquisition Inc. to Cineplex Galaxy LP and (iv) Viacom Canada will transfer the assets of its film exhibition business to the FP Partnership; provide that elections will be made under the Tax Act (and equivalent provincial tax legislation) to transfer certain of the transferred assets on a fully or partially tax-deferred basis. The adjusted cost base to Cineplex Galaxy LP or the FP Partnership of the assets so transferred (where such elections are made) may be less than fair market value, such that any gain or income inclusion realized by Cineplex Galaxy LP or the FP Partnership on the future disposition of those assets may also include an amount which reflects the vendor's deferral of taxation on the initial transfer.

Income fund structures generally involve a significant amount of inter-company or similar debt, generating substantial interest expense, wish serves to reduce earnings and therefore income tax payable. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed against GEI, it could materially adversely affect the amount of distributable cash available. Management believes that the interest expense inherent in the structure of the Fund is supportable and reasonable in light of the terms of the Galaxy Note. On October 31, 2003 the Department of Finance released, for public comment, proposed amendments to the Tax Act that relate to the deductibility of interest and other expenses for income tax purposes for taxation years commencing after 2004. In general, the proposed amendments may deny the realization of losses in respect of a business if there is no reasonable expectation that the business will produce a cumulative profit over the period that the business can reasonably be expected to be carried on. As part of the 2005 Federal Budget release, the Department of Finance stated that it will seek to respond to concerns with these proposals by developing a more modest legislative initiative, which would be released for comment at an early opportunity. In any event, Management believes that it is reasonable to expect the business of Cineplex Galaxy LP and GEI to produce a cumulative profit over the expected period that each business will be carried on by Cineplex Galaxy LP and GEI, respectively.

Restrictions on Potential Growth

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

Restrictions on Certain Unitholders and Liquidity of Units

The Declaration of Trust imposes various restrictions on Unitholders. Non-resident Unitholders are prohibited from beneficially owning more than 49.9% of Units (on a non-diluted and a fully-diluted basis). The Indenture also contains restrictions on beneficial ownership of Debentures and Units issuable pursuant to the Debentures by non-resident holders. These restrictions may limit (or inhibit the exercise of) the rights of certain Unitholders and Debentures, including non-residents of Canada and U.S. persons, to acquire Units and

Debentures, to exercise their rights as Unitholders and Debentures and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and holders of Debentures and thereby adversely affect the liquidity and market value of the Units and Debentures held by the public.

Risks Related Specifically to the Securities

Market for Securities

There is currently no market through which the Subscription Receipts or the Debentures may be sold. There can be no assurance that an active trading market will develop for the Subscription Receipts or the Debentures after the Offering, or if developed, that such a market will be sustained at the price level of the Offering.

Prior Ranking Indebtedness

The Debentures will be subordinate to all Senior Indebtedness. The Debentures will also be effectively subordinate to claims of the Fund creditors of the direct or indirect subsidiaries of the Fund except to the extent the Fund is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. See "Description of Debentures — Rank".

Absence of Covenant Protection

The Indenture will not restrict the Fund or any of its subsidiaries from incurring additional indebtedness or from mortgaging, pledging or charging its assets to secure any indebtedness. The Indenture will not contain any provisions specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Fund or any of its subsidiaries.

Redemption Prior to Maturity

The Debentures may be redeemed, at the option of the Fund, on and after December 31, 2008 and prior to the Maturity Date at any time and from time to time, at the redemption prices set forth in this short form prospectus, together with any accrued and unpaid interest. Holders of Debentures should assume that this redemption option will be exercised if the Fund is able to refinance at a lower interest rate or it is otherwise in the interest of the Fund to redeem the Debentures.

Inability of Fund to Purchase Debentures

The Fund will be required to offer to purchase all outstanding Debentures upon the occurrence of a Change of Control. However, it is possible that following a Change of Control, the Fund will not have sufficient funds at that time to make the required purchase of outstanding Debentures or that restrictions contained in other indebtedness (including the New Credit Facility) will restrict those purchases. See "Description of Debentures — Change of Control".

Dilutive Effects on Holders of Units

The Fund may issue Units in connection with the Subscription Receipts or on the conversion, redemption or repayment of the Debentures. Accordingly, holders of Units may suffer dilution.

Conversion Right Following Certain Transactions

In the event of certain transactions, pursuant to the terms of the Indenture, each Debenture will become exchangeable for securities, cash or property receivable by a holder of Units in the kind and amount of securities, cash or property into which the Debenture was exchangeable immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future.

ELIGIBILITY FOR INVESTMENT

In the opinion of Goodmans LLP, counsel to the Fund and of Torys LLP, counsel to the Underwriters, the Subscription Receipts and the Units, if issued on the date hereof, would be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plan, each as defined in the Tax Act (the "Plans"), provided that, in the case of the Subscription Receipts, each person who is an annuitant, a beneficiary, an employer or subscriber under the particular Plan deals at arm's length with the Fund. The Debentures will be qualified investments for Plans (other than a deferred profit sharing plan to which contributions are made by the Fund or a corporation that does not deal at arm's length with the Fund) provided that the Units are listed on the TSX. If the Fund ceases to qualify as a mutual fund trust, the Fund Securities will cease to be qualified investments for those Plans.

Trust Notes received as a result of a redemption of Units may not be qualified investments for a Plan, and this could give rise to adverse consequences to the Plan or the annuitant under the Plan. Accordingly, Plans that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units.

The foreign property restrictions in the Tax Act were eliminated effective January 1, 2005 pursuant to Bill C-43, which received royal assent on June 28, 2005.

MATERIAL CONTRACTS

The material contracts entered into or to be entered into by the Fund and/or its affiliates in connection with the Offering are as follows:

(a) the Underwriting Agreement referred to under "Plan of Distribution";

(b) the Subscription Receipt Agreement referred to under "Description of Subscription Receipts";

(c) the Indenture referred to under "Description of the Debentures";

(d) the Purchase Agreement referred to under "The Acquisition — Purchase Agreement";

(e) the Consent Agreement referred to under "The Acquisition — Consent Agreement"; and

(f) the New Credit Agreement referred to under "The Acquisition — New Credit Facility".

Copies of each of the foregoing agreements may be inspected during regular business hours at the offices of the Fund, at 1303 Yonge Street, Toronto, Ontario M4T 2Y7, until the expiry of the 30-day period following the date of the final short form prospectus.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund and Cineplex Galaxy LP are PricewaterhouseCoopers LLP, Chartered Accountants, Suite 3000, Royal Trust Tower, TD Centre, Toronto, Ontario.

The transfer agent and registrar for the Units is CIBC Mellon Trust Company at its principal office in Toronto, Ontario.

STATUTORY AND CONTRACTUAL RIGHTS OF RESCISSION AND STATUTORY RIGHTS OF WITHDRAWAL

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some provinces and territories, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

GLOSSARY OF TERMS

"**2004 Budget Proposals**" means proposed amendments to the Tax Act announced by the Minister of Finance (Canada) on March 23, 2004, to restrict direct and indirect investment in certain "business income trusts" (as defined in the proposals) by certain tax exempt investors including trusts governed by registered pension plans and pension corporations.

"**2005 Budget Proposals**" means proposed amendments to the Tax Act announced by the Minister of Finance (Canada) on February 23, 2005.

"**Acquisition**" means the indirect acquisition by the Fund of the FP Partnership pursuant to the Purchase Agreement.

"**Adjusted EBITDA**" means EBITDA adjusted to exclude income from discontinued operations, foreign exchange gain (loss), the effects of non-controlling interests, gain (loss) on disposed of theatre assets, lease shutdown costs and stock-based compensation.

"**AIF**" means the annual information form of the Fund dated March 31, 2005.

"**Board of Directors**" means the board of directors of Cineplex Galaxy GP.

"**Book-Entry System**" means a book-based system administered by CDS.

"**CDS**" means The Canadian Depository for Securities Limited.

"**CDS Participant**" means a participant in the CDS depository service.

"**Cineplex Galaxy GP**" means Cineplex Galaxy General Partner Corporation, a corporation established under the federal laws of Canada.

"**Cineplex Galaxy LP**" means Cineplex Galaxy Limited Partnership, a limited partnership established under the laws of the Province of Manitoba pursuant to the Cineplex Galaxy LP Partnership Agreement.

"**Cineplex Galaxy LP Partnership Agreement**" means the Cineplex Galaxy LP amended and restated limited partnership agreement dated November 26, 2003, as the same may be amended, supplemented or restated from time to time.

"**Class A LP Units**" means the Class A limited partnership units of Cineplex Galaxy LP.

"**Class B LP Units**" means the Class B limited partnership units of Cineplex Galaxy LP.

"**Class C LP Units**" means the Class C limited partnership units of Cineplex Galaxy LP.

"**COC**" means Cineplex Odeon Corporation.

"**Code**" means the United States Internal Revenue Code of 1986, as amended.

"**Consent Agreement**" means the consent agreement dated May 27, 2005 between Cineplex Galaxy LP and the Commissioner of Competition.

"**Conversion Price**" means the price at which holders of Debentures may, at the holder's option, convert the Debentures into fully-paid Units at any time after the Initial Maturity Date and prior to the close of business on the Final Maturity Date or, if called for redemption, on the Business Day immediately preceding the date specified by the Fund for redemption of Debentures, being a price of $18.75 per Unit, subject to adjustment or the occurrence of certain events.

"**CRA**" means the Canada Revenue Agency.

"**DBRS**" means Dominion Bond Rating Service Limited.

"**Debenture Trustee**" means the trustee or its successor as trustee under the Indenture.

"**Debentures**" means the 6.0% convertible extendible unsecured subordinated debentures of the Fund issued pursuant to the Indenture as of the date of closing of the Offering, and "**Debenture**" means one of them.

“**Debentureholders**” means the holders of Debentures, and “**Debentureholder**” means any one of them.

“**Declaration of Trust**” means the declaration of trust of the Fund dated October 3, 2002, as amended, and restated on November 26, 2003, as the same may be amended, supplemented or restated from time to time.

“**Divestitures**” means the divestiture of the 34 theatres prescribed by the Consent Agreement as described under “The Acquisition — Consent Agreement”.

“**EBITDA**” means earnings before interest, taxes, depreciation and amortization.

“**Escrow Agent**” means CIBC Mellon Trust Company, or its successor entity under the Subscription Receipt Agreement.

“**Escrowed Funds**” means the proceeds from the sale of the Subscription Receipts.

“**Existing Credit Facilities**” means the Partnership’s existing credit facilities, which are comprised of revolving credit facilities and a term credit facility in the aggregate amount of up to $170 million, which Canadian financial institutions, including affiliates of certain of the Underwriters, have made available the Partnership pursuant to a credit agreement dated November 26, 2003, as amended.

“**Famous Players**” means the film exhibition and distribution business currently conducted by Viacom Canada through its Famous Players division and previously conducted by its predecessors under the Famous Players brand name and to be conducted, immediately prior to closing of the Acquisition, by the FP Partnership.

“**Final Maturity Date**” means the date by which the Debentures will mature if the Acquisition is completed by the Termination Time, being August 31, 2012.

“**FP Media**” means Famous Players Media, a joint venture of Famous Players and Phamous Characters Inc.

“**FP Partnership**” means the limited partnership which will acquire substantially all of the assets and liabilities of the Famous Players division of Viacom Canada.

“**Fund**” means Cineplex Galaxy Income Fund, a trust established under the laws of the Province of Ontario and governed by the Declaration of Trust.

“**Fund Assets**” mean the assets of the Fund including the Trust Notes and Trust Units.

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

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

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

“**GEI**” means Galaxy Entertainment Inc., a corporation amalgamated under the laws of the Province of Ontario and its predecessors.

“**Indenture**” means the trust indenture dated as of the closing of the Offering between the Fund, and the Debenture Trustee, governing the terms of the Debenture.

“**Initial Maturity Date**” means the earlier of the closing date of the Acquisition and August 31, 2005.

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

“**IPO Closing**” means the closing of the Fund’s initial public offering of Units on November 26, 2003.

“**IRS**” means the United States Internal Revenue Service.

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

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

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

"**Loews Cineplex**" or "**LCE**" means Loews Cineplex Entertainment Corporation.

"**LP Units**" means the limited partnership units of Cineplex Galaxy LP, including the Class A LP Units and the Class B LP Units.

"**Management**" means senior management of the Partnership.

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

"**New Credit Facility**" means the non-revolving term loan and revolving operating facilities provided by a syndicate of lenders to the Partnership in the aggregate amount of approximately $425 million (excluding the Bridge Facility).

"**Offering**" means the offering of Securities pursuant to this short form prospectus.

"**Partnership**" means Cineplex Galaxy LP, together with its general partner and subsidiaries, and includes, for the periods subsequent to closing of the Acquisition, FP Partnership, including Famous Players, to be acquired by Cineplex Galaxy LP in connection with the Acquisition, together with its respective subsidiaries and predecessors.

"**person**" means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, governmental authority, and where the context requires, any of the foregoing when they are acting as trustee, executor, administrator or other legal representative.

"**Plans**" means registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, each as defined in the Tax Act.

"**Purchase Agreement**" means the Purchase Agreement made as of June 10, 2005 between Cineplex LP, Viacom and Viacom Canada pursuant to which Cineplex Galaxy LP agreed to purchase the FP Partnership and its general partner, Famous Players Co., as the same may be amended, supplemented or restated from time to time.

"**Redemption Price**" means the price at which the Debentures may be redeemed.

"**Revolving Facilities**" means senior revolving credit facilities in an aggregate principal amount of up to $90 million pursuant to the New Credit Facilities.

"**RioCan**" means RioCan Real Estate Investment Trust.

"**RioCan Transaction**" means the sale of the Partnership's real estate interests in four theatre locations for $67 million to RioCan Real Estate Investment Trust pursuant to a letter of intent dated June 29, 2005.

"**Securities**" means collectively the Subscription Receipts and Debentures offered pursuant to this short form prospectus.

"**Securityholders Agreement**" means the unanimous shareholders agreement entered into on November 26, 2003 between the Fund, the Trust, Cineplex Galaxy LP, Cineplex Galaxy GP and certain of the Investors, as the same may be amended, supplemented or restated from time to time.

"**Senior Indebtedness**" means the principal and premium, if any, and interest on and other amounts in respect of all indebtedness, liabilities and obligations of the Fund (whether outstanding as at the date of the Indenture or thereafter created, incurred, assumed or guaranteed), and including, for greater certainty, claims of trade and other creditors, other than indebtedness evidenced by the Debentures and all other existing and future debentures or other instruments of the Fund which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be *pari passu* with, or subordinated in any right of payment to, the Debentures.

"**Series 1 Trust Notes**" means the series 1 notes of the Trust issued under the Trust Note Indenture.

"**Series 2 Trust Notes**" means the series 2 notes of the Trust issued under the Trust Note Indenture.

"**Series 3 Trust Notes**" means the series 3 notes of the Trust issued under the Trust Note Indenture.

"**Special Resolution**" means a resolution passed by the affirmative vote of the holders of not less than 66⅔% of the Units who voted in respect of that resolution at a meeting at which a quorum was present or a resolution or instrument signed in one or more counterparts by the holders of not less than 66⅔% of the Units entitled to vote on such resolution.

"**Subscription Receipt Agreement**" means the agreement to be dated the date of closing of the Offering among the Fund, the Underwriters and the Escrow Agent governing the terms of the Subscription Receipts.

"**Subscription Receipts**" means the subscription receipts of the Fund offered pursuant to this short form prospectus.

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1 (5th Supp), as amended, including the regulations promulgated thereunder.

"**Termination Time**" means the earliest to occur of (i) 5:00 p.m. (Toronto time) on August 31, 2005 if the Acquisition has not become effective by that time, (ii) the time and date, if any, upon which the Purchase Agreement or any amendment thereto is terminated and (iii) the time and date, if any, upon which the Trust advises the Underwriters or announces to the public that it does not intend to proceed with the Acquisition.

"**Term Facility**" means the senior term loan facility in an aggregate amount of up to $325 million pursuant to the New Credit Facility.

"**Trustees**" means the trustees of the Fund pursuant to the Declaration of Trust.

"**Trust**" means Cineplex Galaxy Trust.

"**Trust Declaration of Trust**" means the amended and restated declaration of trust dated November 26, 2003 pursuant to which the Trust was established, as the same may be amended, supplemented or restated from time to time.

"**Trust's Trustees**" means the trustees of the Trust.

"**Trustee**" or "**Trustees**" means the trustees of the Fund or any one of them.

"**Trust Note Indenture**" means the note indenture entered into between the Trust and CIBC Mellon Trust Company on November 26, 2003 governing the Trust Notes as the same may be amended, supplemented or restated from time to time.

"**Trust Notes**" means, collectively, the Series 1 Trust Notes, Series 2 Trust Notes and Series 3 Trust Notes of the Trust.

"**Trust Units**" means units of the Trust.

"**TSX**" means the Toronto Stock Exchange.

"**Underwriters**" means, collectively, RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc., TD Securities Inc., Westwind Partners Inc., Wellington West Capital Inc., Genuity Capital Markets and Raymond James Ltd.

"**Underwriting Agreement**" means the agreement dated July 4, 2005 between the Fund and the Underwriters, among others, in respect of the Offering.

"**Unitholders**" means the holders from time to time of Units and includes, while the Units are registered in the Book-Entry System, the beneficial owners of Units.

"**Units**" means the trust units of the Fund, each unit representing an equal undivided beneficial interest therein.

"**U.S. Securities Act**" means the *United States' Securities Act of 1933*, as amended.

"**Viacom**" means Viacom Inc., a corporation established under the laws of the State of Delaware.

"**Viacom Canada**" means Viacom Canada Inc., a corporation established under the laws of Canada.

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

AUDITORS' CONSENT

We have read the prospectus of Cineplex Galaxy Income Fund dated July 4, 2005 relating to the issue and sale of subscription receipts and convertible extendible unsecured subordinated debentures of Cineplex Galaxy Income Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above mentioned prospectus of (i) our report dated January 21, 2005 to the unitholders of Cineplex Galaxy Income Fund on the consolidated balance sheets of Cineplex Galaxy Income Fund, as at December 31, 2004 and 2003 and the consolidated statements of earnings, unitholders' equity and cashflows for the years ended December 31, 2004 and 2003 and (ii) our report dated January 21, 2005 (except as to note 23 which is as of February 10, 2005) to the directors of Cineplex Galaxy General Partner Corporation, as general partner of Cineplex Galaxy Limited Partnership on the consolidated balance sheets of Cineplex Galaxy Limited Partnership as at December 31, 2004 and 2003 and the consolidated statements of income, partners' deficiency and cashflows for the years ended December 31, 2004 and 2003.

Toronto, Canada
July 4, 2005

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

AUDITORS' CONSENT

We have read the prospectus of Cineplex Galaxy Income Fund dated July 4, 2005 relating to the issue and sale of subscription receipts and convertible extendible unsecured subordinated debentures of Cineplex Galaxy Income Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above mentioned prospectus of our report dated March 4, 2005 to the board of directors of Viacom Canada Inc. on the combined balance sheets of the Famous Players' Division as at December 31, 2004 and 2003 and the combined statements of operations, deficiency in divisional equity and cashflows for each of the years in the three year period ended December 31, 2004.

Toronto, Canada
July 4, 2005

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS

The accompanying notes are an integral part of these interim financial statements

COMPILATION REPORT
PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

To the Trustees of
Cineplex Galaxy Income Fund

We have read the accompanying unaudited pro forma consolidated balance sheet of the Cineplex Galaxy Income Fund (the "Fund") as at March 31, 2005 and the unaudited pro forma consolidated statements of earnings (loss) for the three-month period ended March 31, 2005, the twelve-month period ended March 31, 2005 and the twelve-month period ended December 31, 2004, and have performed the following procedures:

1. Compared the figures in the columns captioned "Historical" in the unaudited pro forma consolidated balance sheet to the unaudited consolidated balance sheet of the Fund as at March 31, 2005, and found them to be in agreement.

2. Compared the figures in the columns captioned "Historical" in the unaudited pro forma consolidated statement of earnings (loss) for the three-month period ended March 31, 2005 and twelve-month period ended December 31, 2004 to the unaudited consolidated statement of earnings for the three-month period ended March 31, 2005 and the audited consolidated statement of earnings for the twelve-month period ended December 31, 2004, and found them to be in agreement.

3. Made enquiries of certain officials of the Fund who have responsibility for financial and accounting matters about:

   (a) the basis for determination of the pro forma adjustments; and

   (b) whether the unaudited pro forma consolidated financial statements comply as to form in all material respects with requirements of the Ontario Securities Commission.

   The officials:

   (a) described to us the basis for determination of the pro forma adjustments; and

   (b) stated that the unaudited pro forma consolidated financial statements comply as to form in all material respects with the requirements of the Ontario Securities Commission.

4. Read the notes to the unaudited pro forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.

5. Recalculated the column captioned "Pro forma" in the pro forma consolidated balance sheet as at March 31, 2005 and the column captioned "Pro forma" in the pro forma consolidated statement of earnings (loss) for the three-month period ended March 31, 2005, the twelve-month period ended December 31, 2004 and found the amounts in the columns captioned "Pro forma" to be arithmetically correct.

6. Recalculated the column captioned "Historical" in the pro forma consolidated statement of earnings (loss) for the twelve-month period ending March 31, 2005, which has been calculated from the audited consolidated statement of earnings for the twelve-month period ended December 31, 2004, and the unaudited consolidated statement of earnings for the three-month period ended March 31, 2005 and 2004, and found the amounts in the column captioned "Historical" to be arithmetically correct.

7. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned "Historical" as at March 31, 2005 and for each of the pro forma consolidated statements of earnings (loss) for the three-month period ended March 31, 2005, the twelve-month period ended March 31, 2005 and the twelve-month period ended December 31, 2004 and found the amounts in the columns captioned "Pro forma" to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments, which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the unaudited pro forma consolidated financial statements, and we, therefore, make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

July 4, 2005	(Signed) PricewaterhouseCoopers LLP
Toronto, Ontario	Chartered Accountants

CINEPLEX GALAXY INCOME FUND

PRO FORMA CONSOLIDATED BALANCE SHEET

As at March 31, 2005
(in thousands of Canadian dollars)
(unaudited — see compilation report)

	Historical	Pro forma adjustments	Pro forma
		(note 3)	
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,183	$ —	$ 1,183
Distributions receivable	766	—	766
	1,949	—	1,949
Due from Galaxy Entertainment Inc.	100,000	—	100,000
Investment in Cineplex Galaxy Limited Partnership	95,763	215,044	310,807
Investment in Cineplex Galaxy General Partner Corporation	2	—	2
	$197,714	$215,044	$412,758
LIABILITIES			
Current liabilities			
Distributions payable	$ 1,933	—	$ 1,933
Due to Cineplex Galaxy Limited Partnership	4	—	4
	1,937	—	1,937
Convertible Debentures — liability component	—	96,454	96,454
	1,937	96,454	98,391
Unitholders' Equity	195,777	118,590	314,367
	$197,714	$215,044	$412,758

CINEPLEX GALAXY INCOME FUND

PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS (LOSS)

For the three-month period ended March 31, 2005
(in thousands of Canadian dollars)
(unaudited — see compilation report)

	Historical	Pro forma adjustments	Pro forma
		(notes 4 and 5)	
Share of income of Cineplex Galaxy Limited Partnership	$(2,354)	$(12,837)	$(15,191)
Interest Expense		(1,860)	(1,860)
Interest income	3,504	1,580	5,084
Net earnings (loss)	$ 1,150	$(13,117)	$(11,967)

CINEPLEX GALAXY INCOME FUND

PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS

For the twelve-month period ended March 31, 2005
(in thousands of Canadian dollars)
(unaudited — see compilation report)

	Historical	Pro forma adjustments	Pro forma
		(notes 4 and 5)	
Share of income of Cineplex Galaxy Limited Partnership	$ 1,510	$(12,769)	$(11,259)
Interest Expense	—	(7,439)	(7,439)
Interest income	14,013	6,321	20,334
Net earnings	$15,523	$(13,887)	$ 1,636

CINEPLEX GALAXY INCOME FUND

PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS (LOSS)

For the twelve-month period ended December 31, 2004
(in thousands of Canadian dollars)
(unaudited — see compilation report)

	Historical	Pro forma adjustments	Pro forma
		(notes 4 and 5)	
Share of income of Cineplex Galaxy Limited Partnership	$ 3,258	$(22,352)	$(19,094)
Interest Expense		(7,439)	(7,439)
Interest income	14,009	6,321	20,330
Net earnings (loss)	$17,267	$(23,470)	$ (6,203)

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated balance sheet as at March 31, 2005 and the unaudited pro forma consolidated statements of earnings (loss) for the three-month period and twelve-month period ended March 31, 2005 and the twelve-month period ended December 31, 2004 of the Cineplex Galaxy Income Fund (the "Fund") have been prepared by management of the Fund.

The pro forma consolidated financial statements give effect to the offering in relation to Cineplex Galaxy Limited Partnership's ("Cineplex Galaxy LP") acquisition of Famous Players (a division of Viacom Canada Inc.) ("Famous Players") and should be read in conjunction with the description of the acquisition disclosed elsewhere in the short form prospectus (the "Prospectus").

The pro forma consolidated balance sheet has been prepared from and should be read in conjunction with the unaudited consolidated balance sheet of the Fund as at March 31, 2005 and the pro forma consolidated balance sheet of Cineplex Galaxy LP as at March 31, 2005. The pro forma consolidated statements of earnings (loss) have been derived from and should be read in conjunction with the unaudited consolidated statement of earnings of the Fund for the three-months ended March 31, 2005 and March 31, 2004 and the audited consolidated statement of earnings of the Fund for the twelve-month period ended December 31, 2004 and the pro forma consolidated statements of income of Cineplex Galaxy LP for the three-month period ended March 31, 2005, the twelve-month period ended March 31, 2005 and the twelve-month period ended December 31, 2004.

The pro forma consolidated financial statements have been prepared by management of the Fund using the adjustments and assumptions outlined below. In the opinion of management, the pro forma consolidated financial statements include all adjustments necessary for the fair presentation of the proposed Transactions (as defined herein) in accordance with Canadian generally accepted accounting principles.

The pro forma consolidated financial statements are not necessarily indicative of the results of operations or financial position which would have occurred had the Transactions occurred on the dates indicated and, therefore, may not be representative of the operating results or financial condition of future periods.

THE FUND

The Fund accounts for its investment in Cineplex Galaxy LP using the equity method of accounting whereby the investment is initially recorded at cost and the carrying value adjusted thereafter will include the Fund's pro rata share of post acquisition earnings of Cineplex Galaxy LP, computed using the purchase valuation adjustments as described in Note 5. Distributions received or receivable from the Cineplex Galaxy LP reduce the carrying value of the investment.

2. THE TRANSACTION

The accompanying pro forma consolidated financial statements of the Fund have been prepared to effect the following proposed transactions (collectively the "Transactions"):

i) The Fund will issue 6,835,000 Units for proceeds of $110,044 and 6% Convertible Extendible Unsecured Subordinated Debentures ("Convertible Debentures") for proceeds of $105,000 on closing of the offering (the "Closing").

ii) The Fund will indirectly purchase an additional 5.1% interest in Cineplex Galaxy LP for cash proceeds of $215,044 and 5.1% of the common shares of Cineplex Galaxy GP for a nominal amount. The additional investment in Cineplex Galaxy LP will be comprised of an investment of $110,044 in Class A LP Units, and an investment of $105,000 in Class C LP Units. Upon closing, the Fund will have a 48.9% interest in Cineplex Galaxy LP and a 48.9% interest in Cineplex Galaxy GP.

These pro forma financial statements only reflect the issuance of Units and Convertible Debentures to the public. The pro forma consolidated financial statements of Cineplex Galaxy LP, contained elsewhere in the Prospectus, give effect to the acquisition of Famous Players. The transactions described above should be read in conjunction with the description of these transactions disclosed elsewhere in the Prospectus.

3. PRO FORMA CONSOLIDATED BALANCE SHEET OF THE FUND

The unaudited pro forma consolidated balance sheet of the Fund as at March 31, 2005 gives effect to the Transactions as if they had occurred on March 31, 2005. The following assumptions and adjustments have been made to the unaudited pro forma consolidated balance sheet of the Fund.

i) The issuance of 6,835,000 Units for proceeds of $110,044.

(in thousands of Canadian dollars)

3. PRO FORMA CONSOLIDATED BALANCE SHEET OF THE FUND (Continued)

ii) The issuance of Convertible Debentures for proceeds of $105,000. The Convertible Debentures have an anticipated final maturity date of December 31, 2012, are convertible to Fund Units at the option of the holder and bear interest at a rate of 6% per annum. The Convertible Debentures cannot be redeemed by the Fund prior to December 31, 2008, but are redeemable thereafter on terms further described in the Prospectus. The Convertible Debentures have characteristics of both debt and equity and as such $96,454 has been classified as a liability and the remainder, $8,546, recorded in equity. As a result, interest expense will include a charge for interest as well as accretion of the liability to the final maturity date.

iii) The indirect purchase of 6,835,000 Class A LP Units for cash consideration of $110,044 and 5,600,000 Class C LP Units of Cineplex Galaxy LP for cash consideration of $105,000. The Class C LP Units are redeemable by the Fund under certain conditions and are entitled to a priority distribution of cash at a rate of 6.02% to fund the interest on the Convertible Debentures issued by the Fund. Distributions are only required to be made when there is sufficient cash in Cineplex Galaxy LP.

iv) The indirect purchase of 12,935,000 shares of Cineplex Galaxy GP for nominal cash consideration.

4. PRO FORMA CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) OF THE FUND

The pro forma consolidated statements of earnings (loss) of the Fund for the three-month period ended March 31, 2005 and the twelve-month periods ended March 31, 2005 and December 31, 2004 are based on the statements of earnings of the Fund adjusted for the Fund's pro forma share of the limited partnership income (loss) of Cineplex Galaxy LP, for each respective period, after giving effect to the Transactions referred to in note 5 and the adjustments for the excess purchase price as further described in note 5. The pro forma consolidated statements of earnings (loss) also reflect interest expense in the amounts of $1,575, $6,300 and $6,300, plus accretion on the Convertible Debentures of $285, $1,139, and $1,139 for the three-month period and twelve-month period ended March 31, 2005 and the twelve-month period ended December 31, 2004, respectively, arising on the Convertible Debentures issued as described in Note 3.

The pro forma consolidated statement of earnings (loss) also reflects interest income earned by the Fund on the Class C LP Units in the amount of $1,580, $6,321, and $6,321 for the three-month period and twelve-month period ended March 31, 2005 and the twelve-month period ended December 31, 2004, respectively.

5. INVESTMENT IN CINEPLEX GALAXY LP

Upon completion of the Transactions described in note 3, the Fund indirectly will own 48.9% of Cineplex Galaxy LP and 48.9% of Cineplex Galaxy GP. The pro forma net income (loss) of the Fund, representing its pro forma proportionate share of Cineplex Galaxy LP income (loss) and its pro forma proportionate share of Cineplex Galaxy GP income following the equity method of accounting for the three-month period ended March 31, 2005, the twelve-month period ended March 31, 2005 and the twelve-month period ended December 31, 2005, is as follows:

	Three month period ended March 31, 2005	Twelve month period ended March 31, 2005	Twelve month period ended December 31, 2004
Cineplex Galaxy LP Consolidated pro forma loss	$(26,762)	$ (5,977)	$(21,973)
Adjustment for Catch-up Payment from Partnership to Class B LP Unitholders	(3,646)	(14,581)	(14,582)
Remaining loss to be allocated to Class A LP unitholders	(30,408)	(20,558)	(36,555)
Fund's proportionate % share	(14,894)	(10,070)	(17,905)
Adjustments for excess of purchase price over net assets acquired	(297)	(1,189)	(1,189)
	$(15,191)	$(11,259)	$(19,094)

The pro forma statements of earnings (loss) have been adjusted to reflect the Fund's increased share of amortization of the excess purchase price over net assets acquired of Cineplex Galaxy LP determined based on managements' best estimate of fair value.

The above estimates are preliminary and may change as management completes its final evaluation upon closing of the Transaction.

COMPILATION REPORT
PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

To the Directors of
Cineplex Galaxy General Partner Corporation, as general partner of Cineplex Galaxy Limited Partnership

We have read the accompanying unaudited pro forma consolidated balance sheet at March 31, 2005 and pro forma consolidated statements of income (loss) of Cineplex Galaxy Limited Partnership (“Cineplex Galaxy LP”) for the three-month period ended March 31, 2005, the twelve-month period ended March 31, 2005 and the twelve-month period ended December 31, 2004, and have performed the following procedures:

1. Compared the figures in the column captioned “Cineplex Galaxy Limited Partnership Historical” in the pro forma consolidated balance sheet to the unaudited consolidated financial statements of Cineplex Galaxy Limited Partnership for the three-month period ended March 31, 2005, and found them to be in agreement.

2. Compared the figures in the column captioned “Famous Players (a Division of Viacom Canada Inc.) Historical” in the pro forma consolidated balance sheet to the unaudited combined financial statements of Famous Players, a Division of Viacom Canada Inc. for the three-month period ended March 31, 2005, and found them to be in agreement.

3. Compared the figures in the column captioned “Cineplex Galaxy Limited Partnership Historical” in the pro forma consolidated statements of income (loss) for three-month period ended March 31, 2005 and twelve-month period ended December 31, 2004 to the unaudited consolidated financial statements for the three-month period ended March 31, 2005 and the audited consolidated financial statements for the year ended December 31, 2004, and found them to be in agreement.

4. Compared the figures in the column captioned “Famous Players (a Division of Viacom Canada Inc.) Historical” in the pro forma consolidated statement of income (loss) for three-month period ended March 31, 2005 and the twelve-month period ended December 31, 2004 to the unaudited combined financial statements for the three-month period ended March 31, 2005 and the audited combined financial statements for the year ended December 31, 2004, and found them to be in agreement.

5. Made enquiries of certain officials of Cineplex Galaxy LP who have responsibility for financial and accounting matters about:

   a) the basis for determination of the pro forma adjustments;

   b) the basis for determination of the adjustments included in the column captioned “Discontinued Operations”; and

   c) whether the unaudited pro forma consolidated financial statements comply as to form in all material respects with the requirements of the Ontario Securities Commission.

   The officials:

   a) described to us the basis for determination of the pro forma adjustments;

   b) described to us the basis for determination of the adjustments included in the column captioned “Discontinued Operations”; and

   c) stated that the unaudited pro forma consolidated financial statements comply as to form in all material respects with the requirements of the Ontario Securities Commission.

6. Read the notes to the unaudited pro forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments and the adjustments for discontinued operations.

7. Recalculated the column captioned “Combined” in the pro forma consolidated balance sheet as at March 31, 2005 and the pro forma consolidated statements of income (loss) for the three-month period

ended March 31, 2005, the twelve-month period ended March 31, 2005 and the twelve-month period ended December 31, 2004 and found the amounts in the column labelled "Combined" to be arithmetically correct.

8. Recalculated the application of the adjustments to reflect discontinued operations and pro forma adjustments to the aggregate of the amounts in the column captioned "Combined" in the pro forma consolidated balance sheet as at March 31, 2005 and the found the amounts in the column captioned "Pro forma Consolidated" to be arithmetically correct.

9. Recalculated the column captioned "Cineplex Galaxy Limited Partnership Historical" in the pro forma consolidated statement of income (loss) for the twelve-month period ended March 31, 2005, which has been calculated from the audited consolidated financial statements for the year ended December 31, 2004, and the unaudited interim consolidated financial statements for the three-months ended March 31, 2005 and 2004 and found the amounts in the column to be arithmetically correct.

10. Recalculated the column captioned "Famous Players (a Division of Viacom Canada Inc.) Historical" in the pro forma consolidated statement of income (loss) for the twelve-month period ended March 31, 2005, which has been calculated from the audited combined financial statements for the year ended December 31, 2004, and the unaudited interim combined financial statements for the three-months ended March 31, 2005 and 2004 of Famous Players (a Division of Viacom Canada Inc.), and found the amounts in the column to be arithmetically correct.

11. Recalculated the application of the adjustments to reflect discontinued operations and pro forma adjustments to the aggregate of the amounts in the column captioned "Combined" in the unaudited pro forma consolidated statements of income (loss) for the three-month period ended March 31, 2005, the twelve-month period ended March 31, 2005 and the twelve-month period ended December 31, 2004, and the found the amounts in the column captioned "Pro forma Consolidated" to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments, which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the unaudited pro forma consolidated financial statements, and we, therefore, make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

July 4, 2005
Toronto, Ontario

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants

CINEPLEX GALAXY LIMITED PARTNERSHIP
PRO FORMA CONSOLIDATED BALANCE SHEET
As at March 31, 2005
(in thousands of Canadian dollars)
(unaudited — see compilation report)

	Cineplex Galaxy Limited Partnership Historical	Famous Players (a Division of Viacom Canada Inc.) Historical	Combined	Discontinued Operations	Pro forma adjustments		Pro forma Consolidated
				(note 3)	(note 4)		
ASSETS							
Current assets							
Cash and cash equivalents	$ 24,143	$ 2,747	$ 26,890	$ (133)	$ 16,692	a,e,f,g,h	$ 43,449
Accounts receivable	7,439	6,705	14,144	—	275	i	14,419
Inventories	1,870	2,709	4,579	(525)	—		4,054
Prepaid expenses and other current assets	3,437	2,002	5,439	(58)	3,749	i	9,130
Mortgage receivable	—	2,600	2,600	—	(2,600)	i	—
Income taxes recoverable	—	1,149	1,149	—	(1,149)	i	—
Assets held for sale — current	—	—	—	716	—		716
Due from related parties	10	275	285	—	(275)	i	10
	36,899	18,187	55,086	—	16,692		71,778
Property, equipment and leaseholds	233,539	400,756	634,295	(60,947)	(62,216)	h,g	511,132
Assets held for sale — long term	—	—	—	75,749	—		75,749
Goodwill	22,942	—	22,942	(14,802)	134,596	d,g	142,736
Future income taxes	1,615	—	1,615	—	—		1,615
Net pension asset	—	3,592	3,592	—	(3,592)	g	—
Deferred charges and other intangibles	3,668	—	3,668	—	84,362	a,b,f,g	88,030
	$298,663	$ 422,535	$ 721,198	$ —	$ 169,842		$891,040
LIABILITIES							
Current liabilities							
Accounts payable and accrued expenses	$ 24,280	$ 8,354	$ 32,634	$ (874)	$ 34,422	i,e	$ 66,182
Accrued liabilities	—	29,784	29,784	—	(29,784)	i	—
Distributions payable	3,390	—	3,390	—	—		3,390
Due to related parties	—	466,259	466,259	—	(466,259)	g	—
Income taxes payable	119	—	119	—	—		119
Deferred revenue	8,721	25,919	34,640	—	—		34,640
Current portion of capital lease obligation	—	695	695	—	350	h	1,045
Current portion of lease shutdown accrual	—	638	638	—	(638)	i	—
Liabilities held for sale — current	—	—	—	874	—		874
Current portion of long-term debt	51	—	51	—	25,000	a	25,051
	36,561	531,649	568,210	—	(436,909)		131,301
Long-term debt	126,500	—	126,500	—	188,500	a	315,000
Capital lease obligation — long term	—	34,995	34,995	—	10,778	h	45,773
Due to Cineplex Galaxy Trust	100,000	—	100,000	—	—		100,000
Accrued pension liability	559	—	559	—	6,226	g	6,785
Future income taxes	—	100	100	—	—		100
Lease shutdown accrual — long term	—	1,960	1,960	—	(1,960)	i	—
Accrued rent equalization	—	52,283	52,283	—	(52,283)	i	—
Liabilities held for sale — long term	—	—	—	16,844	—		16,844
Other liabilities	88,824	1,976	90,800	(16,844)	64,625	h,i,j	138,581
	352,444	622,963	975,407	—	(221,023)		754,384
Non-controlling interest	—	914	914	—	—		914
Class C Units — liability component	—	—	—	—	96,454	f	96,454
	352,444	623,877	976,321	—	(124,569)		851,752
Deficiency in Divisional Equity	—	(201,342)	(201,342)	—	201,342	g	—
Partners' (deficit) equity	(53,781)	—	(53,781)	—	93,069	b,c,d,e,f,h,j	39,288
	$298,663	$ 422,535	$ 721,198	$ —	$ 169,842		$891,040

CINEPLEX GALAXY LIMITED PARTNERSHIP

PRO FORMA CONSOLIDATED STATEMENT OF INCOME (LOSS)

For the three-month period ended March 31, 2005
(in thousands of Canadian dollars)
(unaudited — see compilation report)

	Cineplex Galaxy Limited Partnership Historical	Famous Players (a Division of Viacom Canada Inc.) Historical	Combined	Discontinued Operations	Pro forma adjustments		Pro forma Consolidated
				(note 3)	(note 5)		
Revenue							
Box office	$51,398	$ 66,655	$118,053	$(16,661)	—		$101,392
Concessions	21,626	29,060	50,686	(6,685)	—		44,001
Media advertising	—	3,774	3,774	—	$ (3,774)	a	—
Other	5,235	3,742	8,977	(542)	3,774	a	12,209
	78,259	103,231	181,490	(23,888)	—		157,602
Expenses							
Film cost	25,897	32,973	58,870	(8,191)	—		50,679
Cost of concessions	4,445	5,245	9,690	(1,298)	—		8,392
Occupancy	13,933	—	13,933	(7,807)	31,776	a,k	37,902
Other theatre operating expenses	16,969	1,008	17,977	(6,458)	32,225	a	43,744
General and administrative	4,894	—	4,894	—	9,256	a	14,150
Management fee	153	—	153	—	—		153
Media production	—	580	580	—	(580)	a	—
Advertising	—	960	960	—	(960)	a	—
Operating, general and administrative	—	65,502	65,502	—	(65,502)	a	—
Stock-based compensation	—	1,380	1,380	—	(1,380)	a	—
Lease shutdown costs	—	3,900	3,900	—	(3,900)	a	—
	66,291	111,548	177,839	(23,754)	935		155,020
Income (loss) before undernoted	11,968	(8,317)	3,651	(134)	(935)		2,582
Amortization	6,524	13,085	19,609	—	(2,276)	f,g,j,m	17,333
Gain on disposal of theatre assets	—	(33)	(33)	—	—		(33)
Interest on long-term debt	2,206	2,349	4,555	(1,009)	3,938	a,c,l,n,o,p,r,t	7,484
Interest on loan from Cineplex Galaxy Trust	3,500	—	3,500	—	—		3,500
Interest income	(118)	—	(118)	—	(79)	a	(197)
Foreign exchange loss	—	1,343	1,343	—	(1,343)	d	—
Loss before income taxes	(144)	(25,061)	(25,205)	875	(1,175)		(25,505)
Provision for income taxes							
Current	55	773	828	—	(773)	e	55
Future	—	—	—	—	—		—
	55	773	828	—	(773)		55
Income (loss) before non-controlling interests	(199)	(25,834)	(26,033)	875	(402)		(25,560)
Non-controlling interests	—	(327)	(327)	—	—		(327)
Income (loss) from continuing operations	(199)	(26,161)	(26,360)	875	(402)		(25,887)
Loss from discontinued operations	—	—	—	(875)	—		(875)
Net loss for the period	$ (199)	$(26,161)	$(26,360)	$ —	$ (402)		$(26,762)

CINEPLEX GALAXY LIMITED PARTNERSHIP

PRO FORMA CONSOLIDATED STATEMENT OF INCOME (LOSS)

For the twelve-month period ended March 31, 2005
(in thousands of Canadian dollars)
(unaudited — see compilation report)

	Cineplex Galaxy Limited Partnership Historical	Famous Players (a Division of Viacom Canada Inc.) Historical	Combined	Discontinued Operations	Pro forma adjustments		Pro forma Consolidated
				(note 3)	(note 5)		
Revenue							
Box office	$233,009	$326,574	$559,583	$ (83,635)	—		$475,948
Concessions	95,973	138,555	234,528	(33,040)	—		201,488
Media advertising	—	25,133	25,133	—	$ (25,133)	a	—
Other	23,976	16,502	40,478	(3,066)	25,133	a	62,545
	352,958	506,764	859,722	(119,741)	—		739,981
Expenses							
Film cost	120,533	166,011	286,544	(42,216)	—		244,328
Cost of concessions	19,148	24,716	43,864	(6,350)	—		37,514
Occupancy	53,934	—	53,934	(33,090)	126,166	a,k	147,010
Other theatre operating expenses	71,669	5,114	76,783	(27,934)	117,784	a	166,633
General and administrative	15,610	—	15,610	—	30,763	a,q	46,373
Management fee	638	—	638	—	—		638
Media production	—	3,547	3,547	—	(3,547)	a	—
Advertising	—	3,838	3,838	—	(3,838)	a	—
Operating, general and administrative	—	257,799	257,799	—	(257,799)	a	—
Stock-based compensation	—	1,033	1,033	—	(1,033)	a	—
Lease shutdown costs	—	3,900	3,900	—	(3,900)	a	—
	281,532	465,958	747,490	(109,590)	4,596		642,496
Income (loss) before undernoted	71,426	40,806	112,232	(10,151)	(4,596)		97,485
Amortization	24,825	50,636	75,461	—	(7,666)	f,g,j,m	67,795
Gain on disposal of theatre assets	(105)	(3,094)	(3,199)	—	—		(3,199)
Interest on long-term debt	8,485	8,805	17,290	(4,035)	16,684	a,c,l,n,o, p,r,t	29,939
Interest on loan from Cineplex Galaxy Trust	14,000	—	14,000	—	—		14,000
Interest income	(497)	—	(497)	—	(303)	a	(800)
Foreign exchange gain	—	(9,365)	(9,365)	—	9,365	d	—
Income (loss) before income taxes	24,718	(6,176)	18,542	(6,116)	(22,676)		(10,250)
Provision for (recovery of) income taxes							
Current	423	4,916	5,339	—	(4,916)	e	423
Future	(1,553)	—	(1,553)	—	—		(1,553)
	(1,130)	4,916	3,786	—	(4,916)		(1,130)
Income (loss) before non-controlling interests	25,848	(11,092)	14,756	(6,116)	(17,760)		(9,120)
Non-controlling interests	—	(2,973)	(2,973)	—	—		(2,973)
Income (loss) from continuing operations	25,848	(14,065)	11,783	(6,116)	(17,760)		(12,093)
Income from discontinued operations	—	—	—	6,116	—		6,116
Net income (loss) for the period	$ 25,848	$(14,065)	$ 11,783	$ —	$ (17,760)		$ (5,977)

CINEPLEX GALAXY LIMITED PARTNERSHIP

PRO FORMA CONSOLIDATED STATEMENT OF INCOME (LOSS)

For the twelve-month period ended December 31, 2004
(in thousands of Canadian dollars)
(unaudited — see compilation report)

	Cineplex Galaxy Limited Partnership Historical	Famous Players (a Division of Viacom Canada Inc.) Historical	Combined	Discontinued Operations	Pro forma adjustments		Pro forma Consolidated
				(note 3)	(note 5)		
Revenue							
Box office	$235,446	$337,796	$573,242	$ (85,893)	—		$487,349
Concessions	95,478	141,310	236,788	(33,403)	—		203,385
Media advertising	—	25,098	25,098	—	(25,098)	a	—
Other	22,814	16,280	39,094	(3,033)	25,098	a	61,159
	353,738	520,484	874,222	(122,329)	—		751,893
Expenses							
Film cost	121,276	171,723	292,999	(43,122)	—		249,877
Cost of concessions	18,983	25,561	44,544	(6,304)	—		38,240
Occupancy	53,238	—	53,238	(32,661)	125,929	a,k	146,506
Other theatre operating expenses	71,077	5,306	76,383	(28,299)	115,137	a	163,221
General and administrative	13,983	—	13,983	—	38,635	a,q,s	52,618
Management fee	650	—	650	—	—		650
Media production	—	3,390	3,390	—	(3,390)	a	—
Advertising	—	4,538	4,538	—	(4,538)	a	—
Operating, general and administrative	—	259,005	259,005	—	(259,005)	a	—
Stock-based compensation	—	—	—	—	—		—
Lease shutdown costs	—	4	4	—	(4)	a	—
	279,207	469,527	748,734	(110,386)	12,764		651,112
Income before undernoted	74,531	50,957	125,488	(11,943)	(12,764)		100,781
Amortization	23,736	50,258	73,994	—	(7,231)	f,g,j,m	66,763
(Gain) loss on disposal of theatre assets	(111)	(3,133)	(3,244)	—	18,287	i	15,043
Loss on Extinguishment of Debt	—	—	—	—	3,877	h,b	3,877
Interest on long-term debt	8,280	9,191	17,471	(4,035)	16,503	a,c,l,n,o, p,r,t	29,939
Interest on loan from Cineplex Galaxy Trust	14,000	—	14,000	—	—		14,000
Interest income	(473)	—	(473)	—	(269)	a	(742)
Foreign exchange gain	—	(10,232)	(10,232)	—	10,232	d	—
Income (loss) before income taxes	29,099	4,873	33,972	(7,908)	(54,163)		(28,099)
Provision for (recovery of) income taxes							
Current	404	4,871	5,275	—	(4,871)	e	404
Future	(1,553)	—	(1,553)	—	—		(1,553)
	(1,149)	4,871	3,722	—	(4,871)		(1,149)
Income (loss) before non-controlling interests	30,248	2	30,250	(7,908)	(49,292)		(26,950)
Non-controlling interests	—	(2,932)	(2,932)	—	—		(2,932)
Income (loss) from continuing operations	30,248	(2,930)	27,318	(7,908)	(49,292)		(29,882)
Income from discontinued operations	—	—	—	7,908	—		7,908
Net (loss) income for the period	$ 30,248	$ (2,930)	$ 27,318	$ —	$ (49,292)		$(21,974)

CINEPLEX GALAXY LIMITED PARTNERSHIP

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2005 and for the three-month period ended March 31, 2005, the twelve-month period ended March 31, 2005 and the twelve-month period ended December 31, 2004 (in thousands of Canadian dollars, unless otherwise noted) (Unaudited — see compilation report)

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated balance sheet as at March 31, 2005 and the unaudited pro forma consolidated statements of income (loss) for the three-month period ended March 31, 2005, the twelve-month period ended March 31, 2005 and the twelve-month period ended December 31, 2004 of Cineplex Galaxy Limited Partnership ("Cineplex Galaxy LP") have been prepared by management of Cineplex Galaxy LP.

The pro forma consolidated financial statements give effect to the acquisition of certain assets and liabilities of Famous Players (a division of Viacom Canada Inc.) ("Famous Players") and other related transactions as outlined in the short form prospectus (the "Prospectus") and should be read in conjunction with the description of this acquisition disclosed elsewhere in the Prospectus.

The pro forma consolidated balance sheet has been prepared from and should be read in conjunction with the unaudited consolidated balance sheet of Cineplex Galaxy LP as at March 31, 2005 and the unaudited combined balance sheet of Famous Players as at March 31, 2005. The pro forma consolidated statements of income (loss) have been derived from the unaudited consolidated statements of income of Cineplex Galaxy LP for the three-month period ended March 31, 2005 and March 31, 2004, the audited consolidated statement of income of Cineplex Galaxy LP for the twelve-month period ended December 31, 2004, the unaudited combined statements of operations of Famous Players for the three-month period ended March 31, 2005 and March 31, 2004 and the audited combined statement of operations of Famous Players for the twelve-month period ended December 31, 2004.

The pro forma consolidated financial statements do not reflect any "normalized" adjustments for the integration of Famous Players with Cineplex Galaxy LP or potential synergies from the acquisition by Cineplex Galaxy LP of Famous Players. Certain of the accounting policies adopted by Cineplex Galaxy LP and Famous Players may not be consistent. The pro forma consolidated balance sheet and statements of income (loss) have not been adjusted to reflect the differences in accounting policies.

The pro forma consolidated financial statements have been prepared by management of Cineplex Galaxy LP using the adjustments and assumptions outlined below. In the opinion of management, the pro forma consolidated financial statements include all adjustments necessary for the fair presentation of the proposed Transactions (as defined herein) in accordance with Canadian generally accepted accounting principles.

The pro forma consolidated financial statements are not necessarily indicative of the results of operations or financial position which would have occurred had the Transactions occurred on the dates indicated and, therefore, may not be representative of the operating results or financial condition of future periods.

2. THE TRANSACTION

The unaudited pro forma consolidated financial statements give effect to the following transactions (collectively, the "Transactions"):

i) The subscription by Cineplex Galaxy Income Fund (the "Fund") for notes and units of Cineplex Galaxy Trust.

ii) The issuance of 6,835,000 Class A units of Cineplex Galaxy LP (the "Class A LP Units") to Cineplex Galaxy Trust, in exchange for cash consideration of $110,044.

iii) The issuance of 5,600,000 Class C units of Cineplex Galaxy LP (the "Class C LP Units") to Cineplex Galaxy Trust in exchange for cash consideration of $105,000. The Class C LP Units are redeemable by the Trust and are entitled to a priority distribution of cash at a rate of 6.02% to fund the interest on the Convertible Debentures issued by the Fund. Distributions are only required to be made when there is sufficient cash in Cineplex Galaxy LP.

iv) Cineplex Galaxy LP pays a fee to Onex Corporation, a related party, for advisory services in the amount of $4,000 through the issuance of 248,447 of a new class of units of Cineplex Galaxy LP (the "Fee LP Units") for $4,000. Fee LP Units are entitled to distributions in the same manner as Class B LP Units. These new units are not exchangeable for units of the Fund.

v) Cineplex Galaxy LP issues 500,000 Fee LP Units to be distributed to certain management and employees of Cineplex Galaxy LP for past employment services rendered.

vi) Cineplex Galaxy LP enters into an agreement with RioCan Real Estate Investment Trust, a related party, to sell and lease back four properties for total proceeds of $67,000.

vii) Cineplex Galaxy LP will use the proceeds of the sale of its Class A LP Units and Class C LP Units and proceeds from the sale-leaseback transaction described in note 2(vi) together with the funds from the New Credit Facilities, (described further in note 4) to (i) pay certain acquisition costs; (ii) repay its existing credit facilities; (iii) acquire the limited partnership interests of Famous Players and the shares of Famous Players General Partner. The transactions described above should be read in conjunction with the description of these transactions disclosed elsewhere in the Prospectus.

3. DISCONTINUED OPERATIONS

Cineplex Galaxy LP reclassifies assets and liabilities held for sale for all of the theatre level assets and liabilities of the 35 theatres required to be disposed of as outlined in the Consent Agreement with the Commissioner of Competition discussed elsewhere in the Prospectus.

4. PRO FORMA CONSOLIDATED BALANCE SHEET OF CINEPLEX GALAXY LP

The unaudited pro forma consolidated balance sheet of Cineplex Galaxy LP as at March 31, 2005 gives effect to the Transactions as if they had occurred on March 31, 2005. The following assumptions and adjustments have been made to the unaudited pro forma consolidated balance sheet of Cineplex Galaxy LP.

a) Cineplex Galaxy LP borrows $25,000 under New Credit Facility A and $315,000 under New Credit Facility B using $126,500 to repay the prior credit facility. For purposes of the pro forma, the new debt has been assumed to be a senior secured term facility maturing in four years after closing with no scheduled repayments of principal required prior to maturity at an estimated annual rate of interest of 5.38%. A financing fee of $5,150 incurred on the new financing arrangement has been included in deferred charges and other assets and is being amortized over four years.

b) Deferred financing costs of $1,488 on its existing credit facility have been written off to income.

c) Cineplex Galaxy LP issues 500,000 Fee LP Units with an estimated fair value of $8,050 and distributes the units to management in respect of past employment services. This amount has been recorded as management compensation expense (note 5s).

d) Cineplex Galaxy LP pays a related party, Onex Corporation, $4,000 for advisory services provided through the issuance of 248,447 Fee LP Units (see note 4g).

e) Cineplex Galaxy LP issues 6,835,000 Class A LP Units for net proceeds of $104,542 after reimbursing the Fund for underwriters' fees of $5,502 and then incurs estimated offering expenses of $4,000.

f) Cineplex Galaxy LP issues 5,600,000 Class C LP Units for proceeds of $105,000. The Class C LP Units are redeemable by the Trust and as such the Class C LP Units have characteristics of both debt and equity. As a result a total amount of $96,454 has been classified as a liability and the remainder of $8,546 recorded in equity. Distributions and accretion on the Class C LP Units is included in interest expense. Cineplex Galaxy reimbursed the Fund for underwriters' fees in the amount of $4,200, which have been recorded as deferred charges. This amount will be amortized over 3.5 years.

g) Cineplex Galaxy LP acquires limited partnership units of Famous Players Partnership and the shares of Famous Players General Partner for total cash consideration of $464,000. The Famous Players amounts due to related parties are not acquired by Cineplex Galaxy LP as part of the Transaction. The acquisition by Cineplex Galaxy LP of Famous Players has been accounted for by the purchase method. The purchase price has been allocated to the estimated fair value of the net assets acquired. Based on management's best estimates, the purchase price has been allocated to the assets and liabilities of Famous Players as follows (table in millions of Canadian dollars):

Assets and liabilities acquired	
Property, plant and equipment	$403
Advertising contracts	32
Trademarks and tradenames	44
Goodwill	135
Net pension liability	(6)
Net working capital deficiency	(47)
Other liabilities	(57)
Capital leases	(36)
Total Purchase Price	$468

Consideration given	
Cash paid for acquisition of Famous Players	$464
Transactions costs associated with the acquisition (note 4d)	4
	$468

(in thousands of Canadian dollars, unless otherwise noted)

4. PRO FORMA CONSOLIDATED BALANCE SHEET OF CINEPLEX GALAXY LP (Continued)

The above allocation of purchase price is preliminary. The actual calculation and allocation of the purchase price will be based on the estimated fair value of the assets acquired and liabilities assumed at the effective date of the acquisition. Accordingly, the purchase price will be adjusted subsequently upon completion of the transaction and the final purchase price allocation process; variations may be material.

h) Sale of four theatre properties to Riocan Real Estate Investment Trust in the amount of $67,000 under a sale-leaseback arrangement for properties with a net book value of $75,149. A loss was immediately recognized on three of the four properties in the amount of $18,287 and a net deferred gain on one property of $8,549 which will be amortized into income over the remaining life of the leased assets. All new leases are classified as operating leases with the exception of one which meets the criteria of a capital lease. As a result, property, equipment and leaseholds and the capital lease obligation increases by the present value of the minimum lease payments of $11,128. A total of $350 of the capital lease is classified as a current liability.

i) Certain amounts from the Famous Players balance sheet have been reclassified to conform to the Cineplex Galaxy LP presentation.

j) An accrual in the amount of $1,833 of the estimated mark-to-market adjustment on the existing interest rate swap agreement as a result of the extinguishment of the prior credit facility.

5. PRO FORMA CONSOLIDATED STATEMENTS OF INCOME (LOSS) OF CINEPLEX GALAXY LP

The unaudited pro forma consolidated statements of income (loss) of Cineplex Galaxy LP for the three-month period ended March 31, 2005 and the twelve-month periods ended March 31, 2005 and December 31, 2004 gives effect to the transactions as if they had occurred on January 1, 2004. The assumptions and adjustments made to the unaudited pro forma consolidated statements of income of Cineplex Galaxy LP are summarized in the following table including the amount of the adjustment to net income:

		Three months ended March 31, 2005	Twelve months ended March 31, 2005	Twelve months ended December 31, 2004
(a)	Reclassification of certain amounts to conform to the Cineplex Galaxy LP presentation	$ —	$ —	$ —
(b)	Recognition of a loss on extinguishment of debt for the write-off of deferred financing fees under the prior credit facility	—	—	2,377
(c)	Amortization of financing fees related to Class C LP Units	300	1,200	1,200
(d)	Elimination of foreign exchange (gain) loss to reflect Famous Players will no longer have foreign currency denominated intercompany balances due to its parent company	1,343	(9,365)	(10,232)
(e)	Elimination of Famous Players current income taxes to reflect the new partnership structure	773	4,916	4,871
(f)	Amortization expense on new intangibles and the fair value increments on property, equipment and leaseholds reflecting the acquisition of Famous Players	900	3,601	3,601
(g)	Reduction in amortization expense on assets held for sale to reflect the impact of discontinued operations	2,277	8,498	8,338
(h)	Recognition of estimated mark-to-market adjustment on the existing interest rate swap agreements as a result of the extinguishment of debt (see related note 5r)	—	—	1,500
(i)	Loss on disposition of theatre properties to reflect sale-leaseback transactions entered with related party, Riocan Real Estate Investment Trust	—	—	18,287

(in thousands of Canadian dollars, unless otherwise noted)

5. PRO FORMA CONSOLIDATED STATEMENTS OF INCOME (LOSS) OF CINEPLEX GALAXY LP (Continued)

	Three months ended March 31, 2005	Twelve months ended March 31, 2005	Twelve months ended December 31, 2004
(j) Reduction in amortization expense to reflect sale of theatre properties to Riocan Real Estate Investment Trust	884	2,709	2,434
(k) Increase in occupancy expense to reflect lease of three theatres sold to RioCan Real Estate Investment Trust and subsequently leased back	935	3,741	3,741
(l) Increase in interest expense to reflect capital lease treatment of one theatre in the sale-leaseback transaction with RioCan Real Estate Investment Trust	116	465	465
(m) Net decrease in amortization expense to reflect capital lease treatment of one theatre in the sale-leaseback transaction with RioCan Real Estate Investment Trust net of amortization of the deferred gain on sale	15	60	60
(n) Reduction in interest expense related to the liability extinguished on the sale-leaseback transaction	60	240	240
(o) Increase in interest expense arising on issuance of Class C LP Units and accretion of associated Class C LP Unit liability	2,191	8,763	8,763
(p) Increase in interest expense to reflect New Credit Facilities net of interest expense related to the extinguishment of the prior credit facility	1,084	5,280	5,133
(q) Increase in general and administrative expenses to reflect public company accounting standards related to the Famous Players stock compensation plan	—	2,006	973
(r) Decrease in interest expense to reflect amortization of mark-to-market swap adjustment written off as a result of the extinguishment of the existing long term debt (see note 5h)	94	375	375
(s) Recognition of the issuance of 500,000 Fee LP Units to management as management compensation for past employment services rendered	—	—	8,050
(t) Amortization of deferred financing fees related to New Credit Facility	$ 322	$ 1,288	$ 1,288

AUDITORS' REPORT

To the Directors of Viacom Canada Inc.

We have audited the combined balance sheets of **Famous Players (a Division of Viacom Canada Inc.)** as at December 31, 2004 and 2003 and the combined statements of operations, deficiency in divisional equity and cash flows for each of the years in the three-year period ended December 31, 2004. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of Famous Players (a Division of Viacom Canada Inc.) as at December 31, 2004 and 2003 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2004 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
March 4, 2005

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

FAMOUS PLAYERS
(a Division of VIACOM CANADA INC.)

COMBINED BALANCE SHEETS

(expressed in thousands of Canadian dollars)

	At December 31, 2004	At December 31, 2003
ASSETS		
Current assets		
Cash	$ 1,440	$ 1,805
Accounts receivable	8,483	10,888
Inventories	3,280	3,912
Mortgage receivable (Note 4)	2,600	—
Prepaid expenses and other current assets	1,782	1,584
Income taxes recoverable	588	—
	18,173	18,189
Property, equipment and leaseholds — net (Note 3)	410,309	448,554
Net pension asset (Note 7)	4,236	6,160
Mortgage receivable (Note 4)	—	2,600
	$ 432,718	$ 475,503
LIABILITIES AND DEFICIENCY IN DIVISIONAL EQUITY		
Current liabilities		
Accounts payable	$ 14,389	$ 22,734
Accrued liabilities	34,952	35,998
Deferred revenue	33,463	31,554
Capital lease obligation — current portion (Note 5)	660	1,995
Lease shutdown accrual — current portion	528	5,607
Income taxes payable	—	470
Due to related parties (Note 6)	432,577	460,404
	516,569	558,762
Capital lease obligation — long-term portion (Note 5)	35,186	34,464
Future income taxes	100	35
Accrued rent equalization	52,429	47,643
Lease shutdown accrual-long-term	2,116	3,386
Other	2,048	3,123
	608,448	647,413
Commitments and contingencies (Notes 5,6 and 12)		
Non-controlling interest	831	1,721
Deficiency in divisional equity	(176,561)	(173,631)
	$ 432,718	$ 475,503

(Signed) ROBB S. CHASE
President & Chief Executive Officer
Famous Players, a Division of Viacom Canada Inc.

(Signed) MICHAEL BORYS
Executive Vice President & Chief Financial Officer
Famous Players, a Division of Viacom Canada Inc.

The accompanying notes are an integral part of these combined financial statements

FAMOUS PLAYERS
(a Division of VIACOM CANADA INC.)
COMBINED STATEMENTS OF OPERATIONS
(expressed in thousands of Canadian dollars)

	Year Ended December 31,		
	2004	2003	2002
Revenue			
Theatre admissions	$337,796	$355,829	$370,680
Concession sales	141,310	146,654	153,464
Media advertising	25,098	22,882	12,818
Other	16,280	15,179	14,186
	520,484	540,544	551,148
Cost of sales			
Film rentals (Note 6)	171,723	184,938	193,288
Concessions	25,561	26,327	25,895
Media production	3,390	3,181	1,359
Other	5,306	4,662	5,640
Advertising	4,538	6,461	9,294
	210,518	225,569	235,476
Gross profit	309,966	314,975	315,672
Operating expenses			
Operating, general and administrative	259,005	263,419	265,243
Depreciation and writedowns of property, equipment and leaseholds	50,258	52,619	59,627
Gains on property sales	(3,133)	(1,744)	(2,722)
Lease shutdown costs	4	6,037	8,345
	306,134	320,331	330,493
Operating income (loss)	3,832	(5,356)	(14,821)
Interest expense — net	9,191	13,784	14,249
Foreign exchange (gain)	(10,232)	(31,320)	(1,518)
Gain on sale of investment	—	—	(1,341)
Income (loss) before Income taxes and non-controlling interest	4,873	12,180	(26,211)
Provision for income taxes (Note 8)	(4,871)	(4,213)	(3,225)
Non-controlling interest	(2,932)	(2703)	(1,861)
Net income (loss) for the year	$ (2,930)	$ 5,264	$ (31,297)

The accompanying notes are an integral part of these combined financial statements

FAMOUS PLAYERS
(a Division of VIACOM CANADA INC.)

COMBINED STATEMENTS OF DEFICIENCY IN DIVISIONAL EQUITY

(expressed in thousands of Canadian dollars)

	Year Ended December 31,		
	2004	2003	2002
Deficiency in divisional equity, beginning of year	$(173,631)	$(178,895)	$(147,598)
Net income (loss) for the year	(2,930)	5,264	(31,297)
Deficiency in divisional equity, end of year	$(176,561)	$(173,631)	$(178,895)

The accompanying notes are an integral part of these combined financial statements

FAMOUS PLAYERS
(a Division of VIACOM CANADA INC.)

COMBINED STATEMENTS OF CASH FLOWS

(expressed in thousands of Canadian dollars)

	Year Ended December 31,		
	2004	2003	2002
Cash provided by (used in)			
Operating activities			
Net income (loss) for the year	(2,930)	5,264	(31,297)
Items not requiring an outlay of cash			
Depreciation and writedowns of property, equipment and leaseholds	50,258	52,619	59,627
Foreign exchange (gains)	(10,232)	(31,320)	(1,518)
Gains on property sales	(3,133)	(1,744)	(2,722)
Gain on sale of investment	—	—	(1,341)
Non-controlling interest	2,932	2,703	1,861
Future income taxes	65	34	1
Pension expense (credit)	1,924	808	(564)
Rent equalization	4,786	5,664	5,780
Changes in non-cash items related to operations (Note 11)	(11,959)	1,536	17,905
	31,711	35,564	47,732
Investing activities			
Proceeds from property sale	7,598	11,021	26,644
Proceeds from sale of investment	—	—	4,171
Purchase of property, equipment and leaseholds	(15,551)	(15,148)	(22,448)
	(7,953)	(4,127)	8,367
Financing activities			
Cash distribution to non-controlling interest	(3,822)	(1,764)	(1,079)
Advances from (payments to) related parties	(17,595)	13,412	13,174
Payment of capital lease obligation	(2,706)	(42,707)	(65,880)
Preference share redemption	—	—	(2,413)
	(24,123)	(31,059)	(56,198)
Increase (decrease) in cash during the year	(365)	378	(99)
Cash — Beginning of year	1,805	1,427	1,526
Cash — End of year	$ 1,440	$ 1,805	$ 1,427

Supplemental Information (Note 11)

The accompanying notes are an integral part of these combined financial statements

1. DESCRIPTION OF BUSINESS

Famous Players, a Division of Viacom Canada Inc. (formerly Famous Players Inc.) was founded in 1920. Famous Players Inc. was formed in November 1987 to hold the entire portfolio of Viacom Inc. theatrical exhibition assets in Canada. Principal revenue sources for Famous Players Division consist of theatrical exhibition, concession sales and media advertising. At December 31, 2004, Famous Players operated 795 screens in 84 theatres, including joint venture operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These combined financial statements present the assets, liabilities, revenues and expenses of the theatre exhibition operations of Viacom Canada Inc. and predecessor entities ('Famous Players" or the "Division") on a carve-out basis and are presented in accordance with Canadian generally accepted accounting principles ("GAAP"). The Division includes the theatre exhibition operations of Viacom Canada Inc., its investment in Famous Players Media Inc. on a consolidated basis and its joint venture investments in Alliance Atlantis Cinemas and IMAX Paramount Toronto on a proportionate consolidated basis. Amounts due to or from Viacom Canada Inc. and its affiliates have been included in the Divisional assets and liabilities. The financial information included herein may not reflect the financial position, operating results, changes in Divisional equity and cash flows in the future or what they would have been had the Division been a separate, stand-alone entity during the years presented. On July 1, 2002, Famous Players Inc. was amalgamated with Viacom Canada Inc., which also included Viacom Outdoor Canada Division and Paramount Canada's Wonderland Division.

The Division has significant balances due to its affiliates. While the parent company has indicated that it intends to provide financial support to the Division, there is no assurance that such support will be available in the future. These combined financial statements do not include any adjustments that might result from the Division's inability to secure intercompany or alternative financing.

Cash

The Division considers all operating funds and petty cash held by theatres and district offices to be cash. Cash held in financial institutions is part of a Viacom Canada Inc. cash pool, which is swept on a daily basis to Viacom International Canada Ltd.

Revenue recognition

Admission revenue is recognized on the date of commercial exhibition. Revenue from advance ticket sales is deferred and recognized in the period earned. Concession revenue is recognized at the time of sale.

Revenue from the sale of gift certificates is deferred and recognized when redeemed. A percentage of gift certificate sales, representing the estimated unredeemed portion, is recognized on a straight-line basis over the life of the certificate. This percentage is based on historical redemption patterns.

Revenue from slide screen advertising is recognized at the time the advertising is displayed or aired. Mural and billboard advertising revenue is recognized over the exhibition term of the related arrangement.

Membership fees are recognized as revenue proportionately over the related term of the membership, which does not exceed one year.

Film rental costs

Film rental costs are recorded based upon the terms of the respective film licence agreements. In some cases, the film cost is dependent upon the ultimate duration of the film play, and until this is known, management uses its best estimates of the ultimate settlement of these film costs. Film costs and the related film costs payable are adjusted to the final film settlement in the period in which the Division settles with the distributors. Actual settlement of film costs accrued could differ from those estimates.

Inventories

Inventories, principally concessions and theatre supplies, are stated at the lower of cost and net realizable value. Cost is determined by the standard cost method, approximating actual cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, equipment and leaseholds

Property, equipment and leaseholds (including assets under capital leases) are carried at cost less accumulated depreciation, adjusted for recognized impairments. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings — 40 years
Buildings under capital lease — lesser of 40 years and term of lease
Leasehold improvements, general — term of the lease
Leasehold improvements, contract and millwork — lesser of 15 years and term of the lease
Equipment, general — 3 to 10 years
Equipment, IMAX projection systems — 20 years

Normal repairs and maintenance are expensed as incurred.

Impairment of long-lived assets

The Division assesses its long-lived assets for impairment based on events or changes in circumstances, which indicate that the carrying value of an asset may not be recoverable. Assets are evaluated for impairment at the theatre level.

The carrying value of a long-lived asset is considered not recoverable if the carrying amount exceeds the sum of undiscounted cash flows expected to result from its use through the remainder of a theatre's lease term. In such cases, an impairment loss is recognized based on the amount the carrying value exceeds fair value. Fair value is determined based on discounted estimated future cash flows. Management judgement is necessary to estimate future cash flows and, accordingly, actual results may vary significantly from such estimates.

Leases

Leases that transfer substantially all of the risks and benefits of ownership to the Division and meet the criteria for capital leases set out in The Canadian Institute of Chartered Accountants Handbook Section 3065 are capitalized. Related buildings and equipment are depredated on a straight-line basis over the term of the lease.

The Division has various non-cancellable operating lease agreements. Theatre leases generally provide for the payment of fixed monthly rentals, property taxes, common area maintenance, insurance and repairs. Certain of these leases provide for escalating lease payments over the terms of the leases. Certain leases also include contingent rental fees based on a percentage of net admission revenues. For financial reporting purposes, the total amount of base rentals over the term of the leases is charged to expense on a straight-line method over the lease terms. Rental expense in excess of lease payments is recorded as accrued rent equalization.

Theatre shutdown and lease buy-outs

Theatre lease costs and other closure expenses are recognized at the time a theatre closes. A provision is taken based on estimated expected future payments related to the contractual and ongoing maintenance of the property and adjusted for any negotiated termination of the lease obligation. Provisions are classified as current or long-term based on management's intention to settle the obligation within one year.

Supplier rebates

The Division enters into a number of supplier agreements that allow for various rebates or refunds. Where the receipt of funds is contingent on fulfilling a condition, reduction of the associated cost is deferred until the condition is met.

Financial Instruments

(a) Foreign currency risk

The Division is exposed to foreign currency risk primarily as a result of its borrowings from related parties in US dollars (note 6).

(expressed in thousands of Canadian dollars, except for per share amount)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Interest rate risk

The Division is exposed to interest rate risk primarily as a result of its fixed rate mortgage receivable (note 4) and variable rate borrowings from related parties (note 6). Interest rate risk is the risk that the fair value of the financial instrument will fluctuate due to changes in market interest rates.

(c) Fair value of financial instruments

Cash, accounts receivable, accounts payable and accrued liabilities are reflected in the financial statements at carrying values, which approximate fair values because of the short-term maturity of these financial instruments. The mortgage receivable is reflected at carrying value and the associated accrued interest is included in accounts receivable. The fair value of amounts due to related parties is not readily determinable given the variable interest and repayment terms associated with these balances.

Stock-based compensation

Certain employees of the Division participate in the stock-based compensation plan of the ultimate parent company, Viacom Inc. No compensation cost has been recognized for these plans.

The following table reflects the effect on net income (loss) if the Division had applied the fair value recognition provisions to stock-based employee compensation. These pro forma effects may not be representative of future amounts since the estimated fair value of stock options on the date of grant is amortized to expense over the vesting period and additional options may be granted in future years. The fair value of each option is estimated at the date of grant using the Black-Scholes option pricing model.

	Year ended December 31,		
	2004	2003	2002
Net income (loss)	$(2,930)	$ 5,264	$(31,297)
Pro forma impact of stock options	(973)	(1,545)	(1,442)
Pro forma Net income (loss)	$(3,903)	$ 3,719	$(32,739)

Foreign currency translation

The combined financial statements have been presented in Canadian dollars because it is the currency of the primary economic environment in which the Division conducts its operations.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end rates. Exchange gains and losses arising from translation are included in the combined statement of operations.

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates relate to the assessment of asset impairments, recoverability of future income tax assets, gift certificate non-redemption revenue and accrued film costs. Actual results could differ from those estimates.

Income taxes

Income taxes have been reported as though the Division was a separate tax-paying entity. The Division uses the asset and liability method of accounting for income taxes. Accordingly, future income tax assets and liabilities are recognized for the future income tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In addition, the effect of future income tax assets and liabilities of a change in income tax rates is recognized in income in the year that includes enactment or substantive enactment. Valuation allowances are provided against future tax assets to limit the recognized amount of future income tax assets to the amount that is more likely than not to be realized.

(expressed in thousands of Canadian dollars, except for per share amount)

3. PROPERTY, EQUIPMENT AND LEASEHOLDS

	At December 31, 2004		
	Cost	Accumulated Depreciation and Writedowns	Net Book Value
Land	$ 16,723	$ —	$ 16,723
Buildings	133,597	41,000	92,597
Buildings under capital lease	28,730	6,486	22,244
Equipment	346,583	234,613	111,970
Equipment under capital lease	8,848	1,724	7,124
Leasehold improvements	302,070	147,257	154,813
Construction-in-progress	4,838	—	4,838
	$841,389	$431,080	$410,309

	At December 31, 2003		
	Cost	Accumulated Depreciation and Writedowns	Net Book Value
Land	$ 17,015	$ —	$ 17,015
Buildings	133,011	39,093	93,918
Buildings under capital lease	28,730	5,049	23,681
Equipment	340,789	211,772	129,017
Equipment under capital lease	19,655	13,570	6,085
Leasehold improvements	309,965	136,503	173,462
Construction-in-progress	5,376	—	5,376
	$854,541	$405,987	$448,554

Depreciation of property, equipment and leaseholds for the year ended December 31, 2004 includes $12,185 (2003 — $12,216; 2002 — $11,827) related to assets under capital leases. Impairment losses of $796 in 2004 (2003 — $2,239; 2002 — $9,010, of which $1,644 represents land writedowns) are included in depreciation of property, equipment and leaseholds. Impairment charges are primarily related to a reassessment of expected future cash flows at a theatre level.

4. MORTGAGE RECEIVABLE

The Division holds a mortgage receivable from Plaza Recreation Group Ltd. in the amount of $2,600 as at December 31, 2004 and 2003. The principal and accrued interest is due on the earlier of (i) the date on which the Division is obligated to make its first rental payment pursuant to lease of the new Paramount Theatre in Vancouver (the opening of which is scheduled for April 2005) and (ii) November 30, 2005. Interest is charged at 6% per annum until May 29, 2004 and 10% per annum thereafter.

5. LEASE AND OTHER COMMITMENTS

The Division has commitments under non-cancellable operating leases for theatres and equipment for various periods, including renewal options. Certain of the leases require the Division to pay additional rent, at varying amounts, contingent upon revenue of the theatres in each lease year, and to pay all business and property taxes and a portion of landlord's operating costs in respect of the leased premises.

(expressed in thousands of Canadian dollars, except for per share amount)

5. LEASE AND OTHER COMMITMENTS (Continued)

Future minimum payments, by year and in the aggregate, under non-cancellable operating leases and other commitments and capital leases were as follows at December 31, 2004:

	Operating Leases and Other Commitments	Capital Leases
2005	$ 78,569	$ 4,912
2006	72,942	4,974
2007	72,486	4,974
2008	71,960	4,974
2009	63,854	4,987
Thereafter	838,450	56,673
Total minimum lease payments	$1,198,261	81,494
Less amounts representing interest		(45,648)
Present value of future minimum lease payments		35,846
Less current maturities		(660)
Long-term obligations		$ 35,186

Rental expense under operating leases for the year ended December 31, 2004 amounted to $78,960 (2003 — $79,424; 2002 — $81,074).

Interest expense on capital lease obligations for the year ended December 31, 2004 amounted to $4,456 (2003 — $7,685; 2002 — $9,436).

6. RELATED PARTY TRANSACTIONS

In the normal course of business, the Division enters into transactions with certain affiliated companies principally for the supply of motion pictures for exhibition. These costs, included in film rentals, totalling $13,657 for the year ended December 31, 2004 (2003 — $15,167; 2002 — $14,286) are recorded at the exchange amount, which is the amount of consideration agreed to by related parties. At December 31, 2004, the amount due to related parties in respect of film rental was $3,164 (2003 — $2,706), which was included in accounts payable and accrued liabilities. The Division participates in a cash management pool with affiliated companies whereby cash is deposited with or borrowed from the pool leader, Viacom International Canada Ltd. ("VICL").

The Division has significant intercompany loans payable to two affiliated companies: 176309 Canada Inc. and Paramount Pictures Canada Inc. The amounts outstanding at the end of the year on intercompany notes and other intercompany transactions are as follows:

	At December 31, 2004	At December 31, 2003
Viacom International Canada Ltd. (a)	$200,514	$218,476
176309 Canada Inc. (b)	96,308	96,308
Paramount Pictures Canada Inc. (c)	133,111	143,088
Other	2,644	2,532
Total	$432,577	$460,404

(a) Interest is charged at rates approximating VICL's cost of borrowing or interest earned. The average interest rate for 2004 was approximately 2.0% (2003 — 2.4%; 2002 — 1.9%).

(b) Loan was advanced in June 1993 and is due on demand. Annual interest is variable and based on the lesser of notional taxable income for the year and a maximum yield amount calculated as a cumulative return to the lender of 8% per annum from the date of advance of the loan to the end of such interest period. No interest expense has been incurred for 2002, 2003 and 2004.

(c) US$110,549 promissory note was advanced in December 1999 under a loan agreement extending to December 23, 2009. The note is due on demand. Annual interest expense is variable and based on the lesser of notional taxable income for the year and a maximum yield amount calculated as a cumulative return to the lender of LIBOR plus 0.3% per annum from the date of advance of the note to the end of such interest period. No interest expense has been incurred to December 31, 2004. The lender may

6. RELATED PARTY TRANSACTIONS (Continued)

demand payment of principal plus interest for the period the note has been outstanding determined at a commercially reasonable rate; however, lender has agreed not to demand note as long as the Division is a division of Viacom Canada Inc. No liability for this potential payment is carried in the financial statements.

7. PENSION AND OTHER POST-RETIREMENT BENEFITS

Pension Plan

The Division maintains a defined benefit registered pension plan (“RPP”), “Pension Fund of the Retirement Plan for Salaried Employees of Famous Players Inc.”. The pension plan does not require employee contributions but allows for voluntary employee contributions to be made to a defined contribution provision of the plan to enhance ancillary benefits from the pension plan. The most recent actuarial valuation of the pension plan for funding purposes was at January 1, 2002. The next actuarial valuation of the pension plan will be due with a valuation date no later than January 1, 2005. The Division also sponsors an unfunded defined benefit retirement excess plan (“REP”), “Retirement Excess Plan of Viacom international Canada Ltd. and Participating Affiliates”, which was introduced in 1996 to pay retirement income benefits accrued for service from April 1, 1996 above the maximum permitted under the *Income Tax Act* (Canada).

For reporting purposes, assets and liabilities are measured at December 31.

The accrued benefit obligations for the defined plan have been determined using the projected unit credit method pro-rated on services, including the impact of future salary escalation, based on management’s best estimate of discount rates and salary escalation. For pension expense purposes, a market value of assets and management’s best estimate of long-term investment returns has been used to determine the expected return on plan assets.

Actuarial gains and losses to both assets and liabilities, past service costs and transitional assets are amortized on a straight-line basis over the expected average remaining lifetime of the membership.

The RPP is funded by the Division in a trust fund to support the actuarial based pension benefits. The RPP provisions provide benefits based on members’ earnings and service.

The assets and liabilities of the RPP and the pension plans of certain affiliates of Famous Players are held in a master trust account, which is administered by The Royal Trust Corporation of Canada.

(expressed in thousands of Canadian dollars, except for per share amount)

7. PENSION AND OTHER POST-RETIREMENT BENEFITS (Continued)

Information about Famous Players' RPP and REP for financial disclosure purposes is presented in the table below.

	At December 31,					
	2004		2003		2002	
	RPP	REP	RPP	REP	RPP	REP
Components of net periodic pension cost						
Service cost	$ 1,612	$ 51	$ 1,395	$ 74	$ 1,284	$ 78
Interest cost	1,936	42	1,824	46	1,753	44
Expected return on plan assets	(2,000)	—	(2,003)	—	(2,393)	—
Amortization of transition obligation	—	—	(1,267)	—	(1,290)	—
Amortization of unrecognized prior service cost	97	—	97	—	97	—
Recognized actuarial (gains) losses	539	(24)	527	(13)	216	(10)
Net periodic pension cost	**$ 2,184**	**$ 69**	**$ 573**	**$ 107**	**$ (333)**	**$112**
Change in benefit obligation						
Projected benefit obligation — beginning of year	$29,078	$ 612	$26,498	$ 684		
Service cost	1,612	51	1,395	74		
Interest cost	1,936	42	1,824	46		
Actuarial (gains) losses	3,009	143	1,160	(171)		
Benefits paid	(2,111)	(33)	(1,799)	(21)		
Projected benefit obligation — end of year	**$33,524**	**$ 815**	**$29,078**	**$ 612**		
Change in plan asset						
Fair value of plan asset — beginning of year	$27,561	$—	$26,846	$—		
Actual return on plan asset	2,663	—	2,514	—		
Employer contribution	—	33	—	21		
Benefits paid	(2,111)	(33)	(1,799)	(21)		
Fair value of plan asset — end of year	**$28,113**	**$—**	**$27,561**	**$—**		
Funded status	$ (5,411)	$(815)	$ (1,517)	$(612)		
Unrecognized transition obligation	—	—	—	—		
Unrecognized prior service cost	473	—	570	—		
Unrecognized net actuarial gain (loss)	10,107	(118)	8,080	(361)		
Net asset (liability) amount recognized	**$ 5,169**	**$(933)**	**$ 7,133**	**$(973)**		

	2004	2003	2002
Actuarial Assumptions			
For disclosure at December 31:			
Discount rate	6.00%	6.50%	6.75%
Compensation increase	4.00%	4.50%	4.75%
For net periodic pension cost:			
Discount rate	6.50%	6.75%	7.00%
Expected rate of return on plan assets	7.50%	7.75%	8.00%
Compensation increase	4.50%	4.75%	5.00%

The determination of pension and future benefits obligation and expense is dependent on the assumptions used in calculating these amounts. These assumptions include the discount rate, the rate of compensation increase and the expected long-term rate of return on plan assets. The assumptions are of a long-term nature, consistent with the character of the employee future benefits.

(expressed in thousands of Canadian dollars, except for per share amount)

7. PENSION AND OTHER POST-RETIREMENT BENEFITS (Continued)

Health and welfare post-retirement benefits

In addition to pension plans, the Division sponsors health and welfare plans that provide certain post-retirement benefits to eligible retirees. These benefits are funded by the Division as claims are incurred and are available to a fixed group of retirees. Current employees will not be eligible for participation in the plans upon retirement as these post-retirement benefits have been phased out. A liability of $401 (2003 — $427) is included in other non-current liabilities for this obligation. The expense, included in operating, general and administrative for the year ended December 31, 2004 was $26 (2003 — $23; 2002 — $9).

8. INCOME TAXES

Famous Players operates as a division of Viacom Canada Inc. and is allocated tax charges based on its operations. No future income tax asset has been recognized in the combined financial statements of the Division for the excess of Division future income tax assets over future income tax liabilities.

Significant components of the provision for income taxes are as follows:

	Year ended December 31,		
	2004	2003	2002
Current income tax expense:			
Subsidiaries	$3,246	$3,167	$1,842
Division — Large Corporations Tax and Corporate Minimum	1,560	1,012	919
Division — provincial income tax and other	—	—	463
	4,806	4,179	3,224
Future income tax expense:			
Subsidiaries	65	34	1
	$4,871	$4,213	$3,225

The significant components of future income tax assets (liabilities) are as follows:

	At December 31,	
	2004	2003
Tax benefit of loss carry-forwards	$ 17,417	$ 35,513
Property, equipment and leaseholds	1,019	(18,747)
Capital lease obligations	12,595	13,280
Unrealized foreign exchange on amount due to related parties	(45)	1,770
Other	(767)	584
	30,219	32,400
Valuation allowance	(30,319)	(32,435)
	$ (100)	$ (35)

9. STOCK OPTION PLAN

Policy and conditions on stock option plans

The parent company, Viacom Inc. (the "Company"), has Long-Term Incentive Plans under which options are issued. The purpose of the Plan is to benefit and advance the interests of the Company by rewarding certain key employees for their contributions to the financial success of the Company and thereby motivating them to continue to make such contributions in the future. The Viacom Plan provides for fixed grants of equity-based interests pursuant to awards of stock options, subject to certain limits, on their appreciation in value over stated periods of time. The stock options vest over a four year period from the date of grant and expire ten years after the date of grant. The Company has reserved shares of Viacom Inc. Class B common stock for future exercise of stock options as of December 31, 2004.

(expressed in thousands of Canadian dollars, except for per share amount)

9. STOCK OPTION PLAN (Continued)

The following table summarizes the status of stock options granted to certain of the Division's employees to purchase shares of the Division's parent company, Viacom Inc.:

	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1, 2002	177,500	US $42.00
Granted	60,500	US $39.50
Exercised	(2,500)	US $41.94
Forfeited/cancelled	(18,000)	US $44.88
Outstanding at December 31, 2002	217,500	US $41.07
Granted	61,000	US $39.33
Exercised	(46,875)	US $16.55
Forfeited/cancelled	(10,625)	US $44.61
Outstanding at December 31, 2003	221,000	US $45.62
Granted	43,500	US $40.39
Exercised	—	—
Forfeited/cancelled	(103,000)	US $43.61
Outstanding at December 31, 2004	161,500	US $45.49
Options exercisable at:		
December 31, 2002	89,041	US $32.22
December 31, 2003	84,583	US $48.94
December 31, 2004	69,750	US $51.48

The following table summarizes information about stock options granted to certain of the Division's employees to purchase shares of the Division's parent company, Viacom Inc. that are outstanding and exercisable at December 31, 2004:

	Outstanding at December 31, 2004	Weighted Average Remaining Contractual Life (years)	Exercisable at December 31, 2004
Range of exercise prices			
US $30 to $39.99	66,000	7.62	24,000
US $40 to $49.99	53,500	8.23	10,000
US $50 to $59.99	25,000	6.08	18,750
US $70 to $79.99	17,000	5.58	17,000
	161,500		69,750

10. JOINT VENTURES

The Division currently participates in two joint ventures with other parties and accounts for its interests using the proportionate consolidation method. The Division's joint ventures are as follows:

- 49% of Alliance Atlantis Cinemas
- 50% of IMAX Paramount Toronto

(expressed in thousands of Canadian dollars, except for per share amount)

10. JOINT VENTURES (Continued)

The following is a summary of the Division's proportionate share of its joint ventures:

	Year Ended December 31,		
	2004	2003	2002
Revenues	$7,967	$ 8,064	$8,816
Expenses	7,802	8,140	8,674
Net income (loss)	$ 165	$ (76)	$ 142

	At December 31,	
	2004	2003
Total assets	$2,416	$ 3,585
Total liabilities	$ (95)	$(1,489)

11. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31,		
	2004	2003	2002
Changes in non-cash items related to operations			
Accounts receivable	$ 2,405	$ 459	$ (2,062)
Inventories	632	3,171	1,532
Prepaid expenses and other current assets	(198)	2,588	(1,618)
Accounts payable	(8,346)	10,645	3,380
Accrued liabilities	121	(7,642)	1,091
Deferred revenue	1,909	(749)	6,809
Lease shutdown accrual	(6,349)	(6,144)	6,486
Other non-current liabilities	(1,075)	(933)	368
Income taxes recoverable	(588)	—	—
Income taxes payable	(470)	141	1919
	$(11,959)	$ 1,536	$17,905
Non-cash investing activities			
Capital asset purchases financed by capital leases	$ 2,094	$ —	$ —
Capital asset purchases financed by accrued liabilities	$ —	$ —	$ 1,852
Other			
Interest paid	$ 9,460	$14,009	$14,282
Income taxes paid	$ 5,864	$ 4,111	$ 2,821

12. COMMITMENTS AND CONTINGENCIES

Legal Matters

The Division offers Rear Window Captioning ("RWC") services for Deaf and Hard of Hearing Guests at selected theatres. Complaints currently before the Human Rights Tribunal of Ontario (Tribunal) could potentially result in a directive to install additional RWC systems in the Division's theatres. The date for hearing of these complaints, to be consolidated with similar complaints against other exhibitors and certain distributors, has not yet been set and cannot be predicted at present, given that aforesaid consolidation process has not yet been completed. At the present time, management is not able to assess the magnitude of any potential judgment from the Tribunal.

12. COMMITMENTS AND CONTINGENCIES (Continued)

The Division is involved in ordinary and routine litigation incidental to its business. Management believes that any ultimate liability resulting from such actions or claims will not have a material adverse effect on the Division's results of operations, financial position or cash flows.

Guarantees

At December 31, 2004, the Division had outstanding letters of credit totalling $2,230 (2003 — $5,805).

On the transfer of lease properties to joint ventures and on certain property sales, the Division remains contingently liable for lease payments on operating leases under the provisions of the assignment arrangements. Minimum lease payments are approximately $2,008 per annum and leases extend to 2019. The Division does not expect any claims with respect to these provisions and has therefore not recorded any related liability.

FAMOUS PLAYERS
(a Division of VIACOM CANADA INC.)

INTERIM COMBINED BALANCE SHEETS

(expressed in thousands of Canadian dollars)

	March 31, 2005 (Unaudited)	December 31, 2004
ASSETS		
Current assets		
Cash	$ 2,747	$ 1,440
Accounts receivable	6,705	8,483
Inventories	2,709	3,280
Mortgage receivable	2,600	2,600
Prepaid expenses and other current assets	2,002	1,732
Income taxes recoverable	1,149	588
Due from related parties	275	50
	18,187	18,173
Property, equipment and leaseholds — net	400,756	410,309
Net pension asset	3,592	4,236
	$422,535	$ 432,718
LIABILITIES AND DEFICIENCY IN DIVISIONAL EQUITY		
Current liabilities		
Accounts payable	$ 8,354	$ 14,389
Accrued liabilities	29,784	36,283
Deferred revenue	25,919	33,463
Current portion of capital lease obligation	695	660
Current portion of lease shutdown accrual	638	528
Due to related parties	466,259	432,577
	531,649	517,900
Capital lease obligation — long-term portion	34,995	35,186
Future income taxes	100	100
Accrued rent equalization	52,283	51,098
Lease shutdown accrual-long-term portion	1,960	2,116
Other liabilities	1,976	2,048
	622,963	608,448
Non-controlling interest	914	831
Deficiency in Divisional Equity	(201,342)	(176,561)
	$422,535	$ 432,718

Commitments and contingencies (note 4)

The accompanying notes are an integral part of these interim combined financial statements

FAMOUS PLAYERS
(a Division of VIACOM CANADA INC.)
INTERIM COMBINED STATEMENTS OF OPERATIONS
(Unaudited)
(expressed in thousands of Canadian dollars)

	Three months ended March 31, 2005	Three months ended March 31, 2004
Revenue		
Theatre admissions	$ 66,655	$ 77,877
Concessions	29,060	31,815
Media advertising	3,774	3,739
Other	3,742	3,520
	103,231	116,951
Cost of sales		
Film rentals	32,973	38,685
Concessions	5,245	6,090
Media production	580	423
Other	1,008	1,200
Advertising	960	1,660
	40,766	48,058
Gross profit	62,465	68,893
Operating expenses		
Operating, general and administrative	65,502	66,708
Stock-based compensation	1,380	347
Depreciation and writedowns of property, equipment and leaseholds	13,085	12,707
Gains on property sales	(33)	(72)
Lease shutdown costs	3,900	4
	83,834	79,694
Operating loss	(21,369)	(10,801)
Interest expense — net	2,349	2,735
Foreign exchange loss	1,343	476
Loss before income taxes and non-controlling interest	(25,061)	(14,012)
Provision for income taxes	(773)	(728)
Non-controlling interest	(327)	(286)
Net loss for the period	$ (26,161)	$ (15,026)

The accompanying notes are an integral part of these interim combined financial statements

FAMOUS PLAYERS
(a Division of VIACOM CANADA INC.)

INTERIM COMBINED STATEMENTS OF DEFICIENCY IN DIVISIONAL EQUITY

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three months ended March 31, 2005	Three months ended March 31, 2004
Deficiency in divisional equity — Beginning of period	$(176,561)	$(173,631)
Credit for stock-based compensation (note 2)	1,380	347
Net loss for the period	(26,161)	(15,026)
Deficiency in divisional equity — End of period	$(201,342)	$(188,310)

The accompanying notes are an integral part of these interim combined financial statements

FAMOUS PLAYERS
(a Division of VIACOM CANADA INC.)

INTERIM COMBINED STATEMENTS OF CASH FLOWS

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three months ended March 31, 2005	Three months ended March 31, 2004
Cash provided by (used in)		
Operating Activities		
Net loss for the period	$(26,161)	$(15,026)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and writedowns of property, equipment and leaseholds	13,085	12,707
Foreign exchange loss	1,343	476
Gain on property sales	(33)	(72)
Non-controlling interest	327	286
Future income taxes	—	35
Pension expense	644	321
Rent equalization	1,185	626
Stock-based compensation	1,380	347
Changes in non-cash items related to operations (note 3)	(19,121)	(27,321)
	(27,351)	(27,621)
Investing activities		
Proceeds from property sales	28	3
Purchase of property, equipment and leaseholds	(3,309)	(2,519)
	(3,281)	(2,516)
Financing activities		
Cash distribution to non-controlling interest	(244)	(587)
Advances from related parties	32,339	32,877
Payment of capital lease obligation	(156)	(824)
	31,939	31,466
Increase in cash during the period	1,307	1,329
Cash — Beginning of period	1,440	1,805
Cash — End of period	$ 2,747	$ 3,134

Supplemental information (note 3)

The accompanying notes are an integral part of these interim combined financial statements

1. DESCRIPTION OF BUSINESS

Famous Players, a Division of Viacom Canada Inc. (formerly Famous Players Inc.) was founded in 1920. Famous Players Inc. was formed in November 1987 to hold the entire portfolio of Viacom Inc. theatrical exhibition assets in Canada. Principal revenue sources for Famous Players Division consist of theatrical exhibition, concession sales and media advertising. As at March 31, 2005, Famous Players operated 786 screens in 82 theatres, including joint venture operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These interim combined financial statements present the assets, liabilities, revenues and expenses of the theatre exhibition operations of Viacom Canada Inc. and predecessor entities ("Famous Players" or the "Division") on a carve-out basis and are presented in accordance with Canadian generally accepted accounting principles ("GAAP"). The Division includes the theatre exhibition operations of Viacom Canada Inc., its investments in Famous Players Media Inc. on a consolidated basis and its joint venture investments in Alliance Atlantis Cinemas and IMAX Paramount Toronto on a proportionate consolidated basis. Amounts due to or from Viacom Canada Inc. and its affiliates have been included in the Divisional assets and liabilities. The financial information included herein may not reflect the financial position, operating results, changes in Divisional equity and cash flows in the future or what they would have been had the Division been a separate, stand-alone entity during the periods presented. On July 1, 2002, Famous Players Inc. was amalgamated with Viacom Canada Inc., which also included Viacom Outdoor Canada Division and Paramount Canada's Wonderland Division.

The Division has significant balances due to its affiliates. While the parent company has indicated that it intends to provide financial support to the Division, there is no assurance that such support will be available in the future. These interim combined financial statements do not include any adjustments that might result from the Division's inability to secure intercompany or alternative financing.

The interim combined financial statements are prepared in accordance with Canadian GAAP. The disclosures contained in these interim combined financial statements do not include all requirements of Canadian GAAP for annual financial statements and should be read in conjunction with the audited combined financial statements for the year ended December 31, 2004.

The unaudited interim combined financial statements follow the same accounting policies and methods of application as the audited combined financial statements for the year ended December 31, 2004, except as disclosed herein.

Changes in accounting policy

Variable interest entities

In June 2003, The Canadian Institute of Chartered Accountants ("CICA") issued Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG 15"). In November 2004, the CICA amended AcG 15 to make it effective for annual and interim periods beginning on or after November 1, 2004. AcG 15 addresses the consolidation of business enterprises to which the usual condition (ownership of a majority voting interest) of consolidation does not apply. This interpretation focuses on controlling financial interests that may be achieved through arrangements that do not involve voting interests. It concludes that in the absence of clear control through voting interests, a company's exposure (variable interest) to the economic risks and potential rewards from the variable interest entity's ("VIE's") assets and activities is the best evidence of control. If an enterprise holds a majority of the variable interests of an entity by either absorbing the majority of the VIE's expected losses or receiving the majority of the VIE's expected residual returns, or both, it would be considered the primary beneficiary. Upon consolidation, the primary beneficiary is generally required to include assets, liabilities and non-controlling interests at fair value and, subsequently, account for the variable interest as if it were consolidated based on the majority voting interest.

Famous Players has interests in two joint ventures, through which it holds investments in 24 screens in 6 theatres. The joint ventures were determined not to be VIEs and, accordingly, they continue to be accounted for using proportionate consolidation.

Stock-based compensation

Certain employees of the Division participate in the stock-based compensation plan of the ultimate parent company, Viacom Inc. In accordance with the provisions of CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments," prior to January 1, 2005, no compensation expense was recognized for stock options issued under theses plans. Effective January 1, 2005, the

(expressed in thousands of Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Division has adopted the fair value based method of accounting for compensation expense associated with employee stock options on a retroactive basis with restatement of prior periods for comparative purposes. This change resulted in an increase in net loss for the three months ended March 31, 2004 of $347. During the quarter ended March 31, 2005, the Division recorded a non-cash compensation charge of $1,380 related to stock-based compensation.

3. SUPPLEMENTAL CASH FLOWS INFORMATION

	Three months ended March 31, 2005	Three months ended March 31, 2004
Changes in non-cash items related to operations		
Accounts receivable	$ 1,778	$ 2,159
Inventories	571	541
Prepaid expenses and other current assets	(270)	(663)
Income taxes recoverable	(561)	(1,079)
Due from related parties	(225)	(182)
Accounts payable	(6,035)	(9,280)
Accrued liabilities	(6,717)	(4,250)
Deferred revenue	(7,544)	(7,970)
Lease shut-down accrual	(46)	(5,979)
Other non-current liabilities	(72)	(193)
Income taxes payable	—	(470)
	$(19,121)	$(27,321)
Non-cash investing activities		
Capital assets purchases financed by accrued liabilities	$ 218	$ —
Other		
Interest paid	$ 2,328	$ 1,820
Income taxes paid	$ 1,300	$ 1,806

4. COMMITMENTS AND CONTINGENCIES

Legal matters

The Division offers Rear Window Captioning (“RWC”) services for Deaf and Hard of Hearing Guests at selected theatres. Complaints currently before the Human Rights Tribunal of Ontario (Tribunal) could potentially result in a directive to install additional RWC systems in the Division’s theatres. The date for hearing of these complaints, to be consolidated with similar complaints against other exhibitors and certain distributors, has not yet been set and cannot be predicted at present, given that aforesaid consolidation process has not yet been completed. At the present time, management is not able to assess the magnitude of any potential judgement from the Tribunal.

The Division is involved in ordinary and routine litigation incidental to its business. Management believes that any ultimate liability resulting from such actions or claims will not have a material adverse effect on the Division’s results of operations, financial position or cash flows.

Guarantees

As at March 31, 2005, the Division had outstanding letters of credit totalling $2,756 (December 31, 2004 — $2,728).

On the transfer of lease properties to joint ventures and on certain property sales, the Division remains contingently liable for lease payments on operating leases under the provisions of the assignment arrangements. Minimum lease payments are approximately $2,008 per annum and leases extend to 2019. The Division does not expect any claims with respect to these provisions and has therefore not recorded any related liability.

5. SEASONAL FLUCTUATIONS

The Division's business is seasonal. Consequently, the results of operations and cash flows for the three months ended March 31, 2005 and 2004 are not necessarily indicative of the results to be expected for the full year, although film studios have expanded the historical summer and holiday release windows and increased the number of heavily marketed films released during traditionally weaker periods.

6. PENSION AND OTHER POST-RETIREMENT BENEFITS

Famous Players recorded pension expense of $644 for the three months ended March 31, 2005 (2004 — $321).

7. COMPARATIVE AMOUNTS

Certain comparative amounts in these interim combined financial statements have been reclassified to conform with the current period's interim combined financial statement presentation.

8. SUBSEQUENT EVENT

On June 13, 2005, Cineplex Galaxy LP announced that it has agreed to purchase Famous Players from Viacom Inc. for $500,000. The transaction is expected to close during the third quarter ended September 30, 2005.

CERTIFICATE OF THE FUND

Dated: July 4, 2005

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

CINEPLEX GALAXY INCOME FUND
by its attorney
Cineplex Galaxy General Partner Corporation

(Signed) ELLIS JACOB
Chief Executive Officer

(Signed) GORD NELSON
Chief Financial Officer

On behalf of the Board of Directors
of Cineplex Galaxy General Partner Corporation

(Signed) JOHN BAILEY
Director

(Signed) TIMOTHY A.R. DUNCANSON
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: July 4, 2005

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

RBC Dominion Securities Inc.	Scotia Capital Inc.	National Bank Financial Inc.
By: (Signed) Daniel R. Coholan	By: (Signed) Robert J. Ellis	By: (Signed) Peter Jelley

BMO Nesbitt Burns Inc.

By: (Signed) Ashish P. Mathur

TD Securities Inc.

By: (Signed) Bill McGill

Westwind Partners Inc.

By: (Signed) George Fowlie

Wellington West Capital Inc.

By: (Signed) Jeff Reymer

Genuity Capital Markets

By: (Signed) James Merkur

Raymond James Ltd.

By: (Signed) John D. Grant

CINEPLEX GALAXY

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