

*A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces and territories of Canada but has not yet become final for the purposes of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and, accordingly, will not be offered or sold within the United States or to U.S. persons (as defined herein) unless the securities are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available and thereafter may only be reoffered or resold in the United States or to a U.S. person pursuant to the registration requirements of the U.S. Securities Act and applicable state securities laws or an exemption therefrom. See "Plan of Distribution".*

*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 the secretary of Cineplex Entertainment Corporation at 1303 Yonge Street, Toronto, Ontario M4T 2Y9 telephone (416) 323-6600, and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## PRELIMINARY SHORT FORM PROSPECTUS

Secondary Offering

April 3, 2009



### CINEPLEX GALAXY INCOME FUND

**\$184,635,611**

**12,956,885 Units**

This short form prospectus qualifies the distribution (the "Offering") of 12,956,885 Units (the "Offered Units") of Cineplex Galaxy Income Fund (the "Fund") at a price of \$14.25 per Unit, which are being sold by the Selling Unitholders (as defined herein). The Fund will not receive any of the proceeds of this Offering. See "Selling Unitholders" and "Plan of Distribution". The Fund's head office is located at 1303 Yonge Street, Toronto, Ontario M4T 2Y9.

The issued and outstanding units of the Fund ("Units") are listed on the Toronto Stock Exchange (the "TSX") under the trading symbol "CGX.UN". On March 27, 2009, the last trading day prior to the public announcement of the Offering, the closing price of the Units on the TSX was \$15.40 per Unit. The terms of the Offering were determined by negotiation between the Selling Unitholders and RBC Dominion Securities Inc., National Bank Financial Inc., Scotia Capital Inc., Thomas Weisel Partners Canada Inc., GMP Securities L.P. and UBS Securities Canada Inc. (collectively, the "Underwriters").

**Price: \$14.25 per Unit**

	<u>Price to the Public</u>	<u>Underwriters' Fee<sup>(1)</sup></u>	<u>Net Proceeds to the Selling Unitholders<sup>(2)</sup></u>
Per Unit.....	\$14.25	\$0.6056	\$13.6444
Total.....	\$184,635,611.25	\$7,847,013.48	\$176,788,597.77

Notes:

- (1) The Underwriters' Fee will be paid by the Selling Unitholders.
- (2) Excluding the expenses of the Offering of approximately \$400,000 which will be paid by Cineplex Entertainment Limited Partnership in accordance with an agreement between Cineplex Entertainment Limited Partnership and the Selling Unitholders.

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 holders of Units ("Unitholders"), these cash distributions are not

assured. The actual amount distributed will depend on numerous factors, including the financial performance, debt covenants and obligations, and fluctuations in working capital and future capital requirements of the Fund and its related entities. The market value of the Units may deteriorate if the Fund is unable to meet its cash distribution targets in the future, and that deterioration may be material.

On June 22, 2007, Bill C-52, an Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007, received Royal Assent. Bill C-52 included legislative provisions providing for a tax on certain income earned by a “specified investment flow-through” (“SIFT”) trust or partnership, as well as generally treating the taxable distributions received by purchasers in such entities as taxable dividends (the “SIFT Rules”). The SIFT Rules do not apply to an income trust, the units of which were publicly listed as of October 31, 2006, such as the Fund, until 2011, subject to compliance with the Normal Growth Guidelines (as discussed further herein). See “Principal Canadian Federal Income Tax Considerations – SIFT Rules” and “Risk Factors – SIFT Rules”.

The after-tax return for any Units by holders which are subject to Canadian income tax and are Canadian residents will depend, in part, on the composition for tax purposes of distributions paid by the Fund. Distributions can be made up of both a “return on” and a “return of” capital. That composition may change over time, thus affecting a Unitholder’s after-tax return. Subject to the application of the SIFT Rules discussed under the heading “Principal Canadian Federal Income Tax Considerations”, returns on capital are generally taxed as ordinary income or capital gains in the hands of a Unitholder while returns of capital are generally tax-deferred (and reduce the Unitholder’s cost base in the Unit for tax purposes). Distributions of income and returns of capital to a Unitholder who is not resident in Canada for purposes of the Tax Act or is a partnership that is not a “Canadian partnership” for purposes of the Tax Act may be subject to Canadian withholding tax. Prospective Unitholders should consult their own tax advisors with respect to the Canadian income tax considerations in their circumstances.

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, “Industry Risk”, “Technology Risk” and “Customer Risk” under the heading “Risk Factors” in the AIF (as defined herein) incorporated by reference herein. That section of the AIF and the section entitled “Risk Factors” herein also describe the Fund’s assessment of risk factors, as well as the potential consequences to an investor if a risk should materialize.

The Underwriters, as principals, conditionally offer the Offered Units, subject to prior sale, if, as and when sold and delivered by the Selling Unitholders 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 Selling Unitholders and 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., National Bank Financial Inc. and Scotia Capital Inc. is a lender to affiliates of the Fund under existing credit facilities. Consequently, the Fund may be considered a connected issuer of such Underwriters. In addition, Cineplex Entertainment Limited Partnership and an affiliate of Scotia Capital Inc. co-own certain entities which operate SCENE, an entertainment loyalty program. 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 Units at levels other than those which might otherwise prevail on the open market. The Underwriters may offer the Offered Units at a price lower than that stated above. See “Plan of Distribution”.

**The Fund is not a trust company and is not 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 Offered Units 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 Offered Units will be issued in registered form to CDS Clearing and Depository Services Inc. (“CDS”) or its nominee as registered global securities and will be deposited with CDS on the date of issue of the Offered Units, which is expected to occur on or about April 21, 2009. Unitholders will not be entitled to receive physical certificates representing their ownership. See “Plan of Distribution”.

Subscribers who purchase Offered Units hereunder and who hold such Units on the relevant record date will be eligible to receive distributions commencing with the distribution expected to be paid on May 29, 2009, the record date for which will be April 30, 2009.

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
DOCUMENTS INCORPORATED BY REFERENCE .....	1	INTEREST OF EXPERTS .....	10
FORWARD LOOKING STATEMENTS .....	2	PRINCIPAL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS .....	10
CINEPLEX GALAXY INCOME FUND.....	3	RISK FACTORS .....	15
CONSOLIDATED CAPITALIZATION OF THE FUND .....	5	ELIGIBILITY FOR INVESTMENT.....	16
PRIOR SALES .....	5	MATERIAL CONTRACTS.....	17
PRICE RANGE AND TRADING VOLUME OF UNITS AND DEBENTURES .....	6	AUDITORS, TRANSFER AGENT AND REGISTRAR.....	17
SELLING UNITHOLDERS.....	7	STATUTORY RIGHTS OF RESCISSION AND WITHDRAWAL .....	17
USE OF PROCEEDS .....	7	AUDITORS' CONSENT .....	A-1
DESCRIPTION OF UNITS .....	7	CERTIFICATE OF THE FUND .....	C-1
PLAN OF DISTRIBUTION.....	8	CERTIFICATE OF THE UNDERWRITERS.....	C-2

### 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 the Secretary of Cineplex Entertainment Corporation, at 1303 Yonge Street, Toronto, Ontario M4T 2Y9, telephone (416) 323-6600. 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](http://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, 2009 (the “AIF”);
- (b) management information circular of the Fund dated March 31, 2009 prepared in connection with the annual meeting of Unitholders to be held on May 13, 2009;
- (c) annual consolidated financial statements of the Fund for the financial year ended December 31, 2008, together with the notes thereto and the auditors’ report thereon; and
- (d) management’s discussion and analysis of the Fund for the financial year ended December 31, 2008 (the “MD&A”).

Any documents of the type referred to above and any material change reports (excluding confidential reports), business acquisition reports or interim financial statements 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.**

### **FORWARD LOOKING STATEMENTS**

This short form prospectus, including the documents incorporated by reference, includes forward-looking statements within the meaning of certain securities laws, including the “safe harbour” provisions of the *Securities Act* (Ontario) and other provincial securities law in Canada. These forward-looking statements include, among others, statements with respect to the Fund’s objectives, goals and strategies to achieve those objectives and goals, as well as statements with respect to the Fund’s beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words “may”, “will”, “could”, “should”, “would”, “suspect”, “outlook”, “believe”, “plan”, “anticipate”, “estimate”, “expect”, “intend”, “forecast”, “objective” and “continue” (or the negative thereof), and words and expressions of similar import, are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. The Fund cautions readers not to place undue reliance on these statements, as a number of important factors, many of which are beyond the Fund’s control, could cause actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to risks relating to industry, competition, customer, legal, taxation and accounting matters.

The Fund cautions that the foregoing list of factors that may affect future results is not exhaustive. When reviewing the Fund’s forward-looking statements, purchasers and others should carefully consider the foregoing factors and other uncertainties and potential events. Additional information about factors that may cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements, may be found in the “Risk Factors” section of this short form prospectus, in the “Risk Factors” section of the AIF, and under “Risk Management” and elsewhere in the MD&A and in the Fund’s other filings with Canadian securities regulators. The Fund does not undertake to update any forward-looking statements, except as required by applicable Canadian securities law; such statements speak only as of the date made. Forward-looking statements made in a document incorporated by reference in this short form prospectus are made as of the date of the original document and have not been updated except as expressly provided herein.

## CINEPLEX GALAXY INCOME FUND

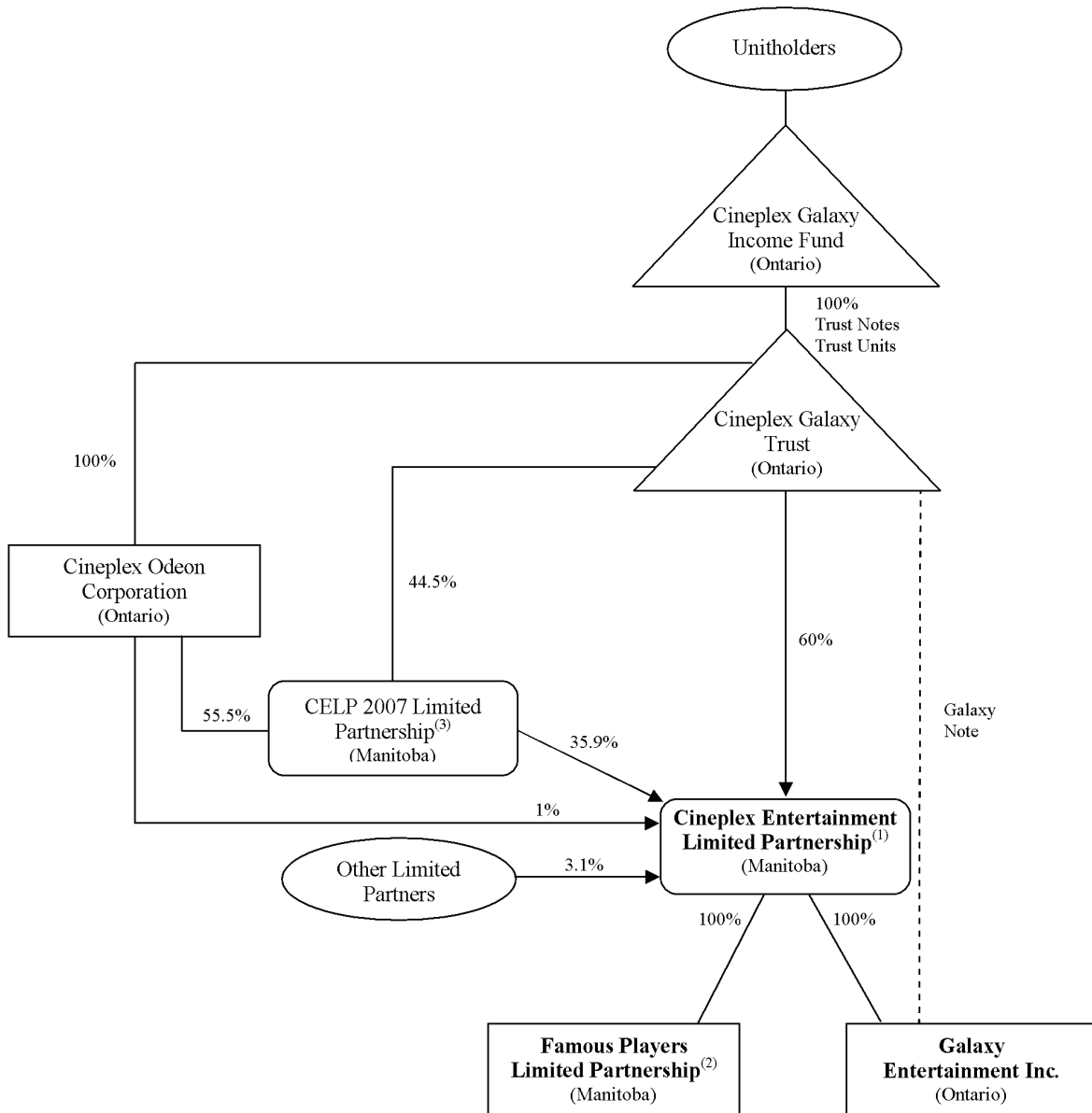
The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario that indirectly owns limited partnership units (“**LP Units**”) of Cineplex Entertainment Limited Partnership (“**Cineplex Entertainment LP**”), representing approximately 97% of the outstanding LP Units (excluding the Class C LP Units that are designed to indirectly fund payments on the convertible unsecured subordinated debentures of the Fund), and approximately 77% of the outstanding shares of Cineplex Entertainment Corporation (“**Cineplex Entertainment GP**”). The remaining LP Units and outstanding shares of Cineplex Entertainment GP are held, directly or indirectly, by Onex Corporation (“**Onex**”) and the former shareholders of Galaxy Entertainment Inc. (“**GEI**”). Following the completion of the Offering, the Fund will indirectly own approximately 98% of the outstanding shares of Cineplex Entertainment GP.

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

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

Cineplex Entertainment LP, together with its general partner and subsidiaries is the leading film exhibition company in Canada. As at April 2, 2009, Cineplex Entertainment LP owned, leased or had a joint venture interest in 130 theatres with 1,331 screens in six provinces. Cineplex Entertainment LP operates theatres under the following eight brands: Cineplex Odeon, Coliseum, Colossus, Famous Players, Galaxy, SilverCity, Cinema City and Scotiabank Theatre.

The following chart illustrates the structure of the Fund and its principal subsidiaries as of April 2, 2009 (including jurisdiction of establishment/incorporation of the various entities).



Notes:

- (1) Ownership percentages of Cineplex Entertainment LP exclude unconverted Class C LP Units held by Cineplex Galaxy Trust (the “Trust”). Cineplex Entertainment Corporation is the sole general partner of Cineplex Entertainment LP.
- (2) Famous Player Co. is the sole general partner of Famous Players Limited Partnership.
- (3) CELP 2007 Inc. is the sole general partner of CELP 2007 Limited Partnership.

## CONSOLIDATED CAPITALIZATION OF THE FUND

On January 5, 2009, Onex and certain affiliates exchanged a portion of their Class B LP Units for Units (the “**Onex Exchange**”). Following the Onex Exchange, Onex and certain affiliates owned or controlled, directly or indirectly, an aggregate of 14,180,494 Units or LP Units exchangeable for Units, representing approximately 23% of the Units that are outstanding on a fully-diluted basis (assuming the exchange of all outstanding LP Units and the conversion of all outstanding convertible unsecured subordinated debentures of the Fund (the “**Debentures**”). The following table sets forth the consolidated capitalization of the Fund as at December 31, 2008, before giving effect to the Offering and the Onex Exchange, and as at December 31, 2008 after giving effect to the Offering and the Onex Exchange. The Offering does not affect the Fund’s capitalization except to the extent that Onex will exchange 1,466,369 Class B LP Units for 1,466,369 Units prior to the closing of the Offering. This table should be read in conjunction with the financial statements incorporated by reference herein.

<b>Designation</b>	<b>As at December 31, 2008 before giving effect to the Offering and the Onex Exchange</b>	<b>As at December 31, 2008 after giving effect to the Offering and the Onex Exchange</b>
	<i>(dollar amounts in thousands)</i>	
Convertible Debentures – Liability Component ...	\$ 99,834	\$ 99,834
Unitholders’ Equity <sup>(1)</sup> .....	469,372	620,608
Total Capitalization .....	\$ 569,206	\$ 720,442
Number of Units <sup>(1)(2)</sup> .....	43,414,217	56,866,404

Notes:

- (1) The amounts as at December 31, 2008 after giving effect to the Offering and the Onex Exchange also reflect the exchange by Onex of its remaining 1,466,369 Class B LP Units which are exchangeable on a one-for-one basis into Units which will occur immediately prior to the closing of the Offering. The value of the exchange is based on historic amounts of the exchanged LP Units as contained in the Fund’s non-controlling interests as at December 31, 2008 adjusted for future income taxes attributable to the exchanged LP Units.
- (2) Sufficient Units are reserved for issuance to satisfy the Fund’s obligations to issue Units in connection with (i) the Debentures that are convertible, at the option of the holder, into Units of the Fund, and (ii) the exchange rights granted to the holders of Class B LP Units. As of April 2, 2009, 1,750,652 Class B LP Units remain exchangeable for an aggregate of 1,750,652 Units of which 1,466,369 will be exchanged by Onex prior to the closing of the Offering.

## PRIOR SALES

Over the past 12 months, 11,985,818 Units were issued in connection with the Onex Exchange for no additional consideration.

## PRICE RANGE AND TRADING VOLUME OF UNITS AND DEBENTURES

The Units are listed and posted for trading on the TSX under the trading symbol “CGX.UN”. The Debentures are also listed for trading on the TSX under the symbol CGX.DB. The following tables show the monthly range of high and low prices per Unit and per Debenture and total monthly volumes on the TSX during the period from March 2008 to March 2009 and the two-day period from April 1 to April 2, 2009.

### Units

Month	Price per Unit (\$) Monthly High	Price per Unit (\$) Monthly Low	Units Total Monthly Volume
March 2008	\$ 17.57	\$ 15.75	2,185,205
April 2008	\$ 17.71	\$ 16.06	1,438,439
May 2008	\$ 16.99	\$ 15.75	2,537,316
June 2008	\$ 16.53	\$ 14.56	2,769,900
July 2008	\$ 15.81	\$ 13.51	1,354,097
August 2008	\$ 15.72	\$ 14.00	1,224,054
September 2008	\$ 15.97	\$ 14.61	1,425,800
October 2008	\$ 14.90	\$ 11.10	2,838,873
November 2008	\$ 15.16	\$ 12.73	2,365,640
December 2008	\$ 14.47	\$ 12.76	2,483,602
January 2009	\$ 14.64	\$ 12.05	2,565,055
February 2009	\$ 14.66	\$ 13.05	2,332,403
March 2009	\$ 15.78	\$ 13.61	4,166,980
April 1 to April 2, 2009	\$ 14.14	\$ 14.01	170,661

On March 27 2009, 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 \$15.40.

### Debentures

Month	Price per Debenture (\$) Monthly High	Price per Debenture (\$) Monthly Low	Debentures Total Monthly Volume
March 2008	\$ 101.50	\$ 98.00	57,470
April 2008	\$ 102.25	\$ 99.53	10,830
May 2008	\$ 101.97	\$ 99.51	24,340
June 2008	\$ 101.50	\$ 100.00	48,710
July 2008	\$ 100.80	\$ 99.50	32,720
August 2008	\$ 100.75	\$ 100.00	16,690
September 2008	\$ 100.45	\$ 92.00	36,700
October 2008	\$ 95.00	\$ 80.00	34,360
November 2008	\$ 95.00	\$ 82.00	13,970
December 2008	\$ 90.00	\$ 85.00	15,060
January 2009	\$ 92.00	\$ 88.00	18,960
February 2009	\$ 98.00	\$ 90.00	73,080
March 2009	\$ 98.98	\$ 94.00	20,760
April 1 to April 2, 2009	\$ 96.00	\$ 95.25	3,130



## SELLING UNITHOLDERS

Onex and COC Holdings Limited Partnership (collectively, the “**Selling Unitholders**”) are selling the Offered Units under this prospectus. COC Holdings Limited Partnership is indirectly controlled by Onex.

The following information, including the information in the table below, is presented on a *pro forma*, fully-diluted basis assuming the exchange of outstanding Class B LP Units which are exchangeable for Units (including the Class B LP Units owned or controlled by Onex) and the conversion of all of the Debentures into Units. In connection with the Offering, Onex will exchange 1,466,369 Class B LP Units for 1,466,369 Units.

Onex and its affiliates presently own, control or direct approximately 23% of the outstanding Units and following completion of this Offering will own, control or direct approximately 2% of the Units on a fully diluted basis. The following table sets out information concerning the Selling Unitholders ownership of Units as of the close of business on April 2, 2009, and as adjusted as of that date to give effect to the Offering.

<u>Selling Unitholder</u>	<u>Units owned on April 2, 2009</u>	<u>Units sold pursuant to the Offering</u>	<u>Units owned on completion of the Offering</u>
	#/%	#/%	#/%
Onex Corporation .....	2,822,853 <sup>(2)</sup> /4.50	2,822,853 <sup>(2)</sup> /4.50	Nil/- <sup>(1)</sup>
COC Holdings Limited Partnership .....	10,134,032/16.15	10,134,032/16.15	Nil/-

Notes:

- (1) In addition to the Units owned directly by Onex, affiliates of Onex own, control or direct 1,223,609 Class B LP Units and Units representing approximately 2% of the outstanding Units on a fully diluted basis.
- (2) Includes 1,466,369 Class B LP Units that will be exchanged for 1,466,369 Units in connection with the Offering.

## USE OF PROCEEDS

The net proceeds from the sale of the Offered Units to be received by the Selling Unitholders under this short form prospectus are estimated to be \$176,788,597.77 after the deduction of the Underwriters’ Fee of \$7,847,013.48. The Fund will not receive any of the proceeds of this Offering. See “Plan of Distribution”.

## DESCRIPTION OF UNITS

As at April 2, 2009 there were 55,400,035 Units outstanding. An unlimited number of Units are issuable pursuant to the amended and restated declaration of trust of the Fund dated November 26, 2003 (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.

The board of trustees of the Fund 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 15 to 31 of the AIF.

## PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated April 3, 2009 between the Fund, the Selling Unitholders and the Underwriters (the “**Underwriting Agreement**”), the Selling Unitholders have agreed to sell and the Underwriters have agreed to purchase 12,956,885 Units on the closing date, being on or about April 21, 2009 or any other date as may be agreed upon by the Selling Unitholders and the Underwriters, subject to the conditions stipulated in the Underwriting Agreement, at a price of \$14.25 per Unit for total gross consideration of \$184,635,611.25 against delivery. The Units are being offered to the public in all of the provinces and territories of Canada and, on a private placement basis, in the United States. The offering price of the Units was determined by negotiation between the Selling Unitholders and the Underwriters. The Underwriting Agreement provides that the Selling Unitholders will pay the Underwriters’ fee of \$0.6056 per Unit sold for an aggregate fee payable by the Selling Unitholders of \$7,847,013.48 in consideration for their services in connection with the Offering. The Underwriters have agreed in the Underwriting Agreement that no more than 75% of the Offered Units will be sold to non-residents of Canada without the prior written consent of the Fund, not to be unreasonably withheld or delayed.

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. If an Underwriter fails to purchase the Units which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase any Units. The Underwriters are, however, obligated to take up and pay for all Units if any securities are purchased under the Underwriting Agreement.

The Underwriters propose to offer the Units to the public at the Offering price of \$14.25 per Unit. After the Underwriters have made a reasonable effort to sell all of the Units at that price, the offering price to the public may be decreased and may be further changed from time to time to an amount not greater than \$14.25 per Unit, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Units is less than the price paid by the Underwriters to the Selling Unitholders.

Each of the Canadian chartered bank affiliates of RBC Dominion Securities Inc., National Bank Financial Inc. and Scotia Capital Inc., is a lender to Cineplex Entertainment LP under existing credit facilities. Consequently, the Fund may be considered a connected issuer of such Underwriters under applicable securities laws in certain Canadian provinces and territories. As at December 31, 2008, approximately \$235 million was outstanding under the credit facilities entered into in connection with the second amended and restated credit agreement dated July 25, 2007 (the “**Credit Facilities**”) and Cineplex Entertainment LP was in compliance in all material respects with the terms and conditions thereof. The Fund’s principal subsidiaries have granted security over all of their assets to the lenders under the Credit Facilities. For further information on the Credit Facilities, please see “Business of the Partnership - Credit Facility” in the AIF. The decision to purchase the Offered Units by the Underwriters was made independently of their affiliated lenders under the Credit Facilities, and those lenders had no influence as to the determination of the terms of the distribution of the Offered Units. The offering price of the Offered Units and the other terms and conditions of this Offering were established through negotiations between the Selling Unitholders and the Underwriters, without involvement of their affiliated lenders under the Credit Facilities. In addition to the foregoing, Cineplex Entertainment LP and an affiliate of Scotia Capital Inc. co-own certain entities which operate SCENE, an entertainment loyalty program. For more information on the SCENE program, please see “Business of the Partnership – Business Strategy” in the AIF.

Pursuant to policy statements of certain securities regulators, Underwriters may not, throughout the period of distribution, bid for or purchase Units. 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 Units. 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 Units 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 Units unless the Units 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 not be engaged in for the purpose of creating actual or apparent active trading, in or raising the price of, the Units. 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 Units at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Each of the Fund, the Selling Unitholders and certain senior executives of Onex have agreed with the Underwriters that, subject to certain exceptions, they will not create, issue or sell, or make any announcement of an intention to create, issue or sell, any Units or any securities convertible, exchangeable or exercisable into Units (except for Units issuable pursuant to incentive plans, on the conversion, redemption and maturity of the Fund’s issued and outstanding convertible unsecured subordinated debentures or the exchange of Class B LP Units), without the prior written consent of RBC Dominion Securities Inc., National Bank Financial Inc. and Scotia Capital Inc., on behalf of the Underwriters, which consent may not be unreasonably withheld, in the case of the Fund, for a period of 90 days subsequent to the closing date of the Offering, or in the case of the Selling Unitholders and the executives of Onex, for a period of 60 days after the closing date of the Offering.

The Offered Units 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 registered under the U.S. Securities Act or exempt from the registration requirements of the U.S. Securities Act. The Underwriters have agreed pursuant to the terms of the Underwriting Agreement that they will not offer or sell the Units within the United States except to Qualified Institutional Buyers (as such term is defined in Rule 144A of the U.S. Securities Act) and/or to a limited number of institutional accredited investors (as that term is defined in the Underwriting Agreement) that execute and deliver to the Underwriters and the Fund the U.S. Purchaser’s Letter in the form provided to them by the Underwriters in transactions that are exempt from the registration requirements under the U.S. Securities Act, and, in each case, in compliance with applicable state securities laws. In addition, until 40 days after the closing date, an offer or sale of Units within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A or another applicable exemption from registration under the U.S. Securities Act. All sales of Units in the United States will be made by U.S. registered broker/dealers. The Underwriting Agreement provides further that the Underwriters will not take any actions that would make the safe harbour provided under Regulation S of the United States federal securities laws unavailable in connection with the offering and sale of Units; such regulation provides an exemption from registration requirements under such laws in connection with the initial offer and sale of such shares outside the United States.

The Offered Units 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 Units to be delivered to, and registered in the name of, CDS or its nominee. All rights of Unitholders 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 holds such Units. Each person who acquires Units will receive only a customer confirmation of purchase from the Underwriter or registered dealer from or through which the Units 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 Units.

## INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Goodmans LLP, on behalf of the Fund and the Selling Unitholders, and by Torys LLP, on behalf of the Underwriters. 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.

## PRINCIPAL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP, counsel to the Fund and the Selling Unitholders, and Torys LLP, counsel to the Underwriters, the following is, as of the date of this short form prospectus, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a prospective purchaser who acquires Units pursuant to the Offering and who, for purposes of the Tax Act, is or is deemed to be resident in Canada, deals at arm's length and is not affiliated with the Fund and holds the Units as capital property. Generally, Units will be considered to be capital property to a purchaser provided that the purchaser does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain purchasers who might not otherwise be considered to hold their Units as capital property may be entitled to have their Units and all other "Canadian securities" (as defined in the Tax Act) held by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such purchasers should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to: (i) a purchaser that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules); (ii) a purchaser that is a "specified financial institution" (as defined in the Tax Act); (iii) a purchaser an interest in which is a "tax shelter investment" (as defined in the Tax Act); or (iv) a purchaser who has elected to have the "functional currency" reporting rules under the Tax Act apply. Any such purchaser should consult its own tax advisor with respect to an investment in Units. In addition, this summary does not address the deductibility of interest by a purchaser who has borrowed money to acquire Units.

This summary is based upon the facts set out in this short form prospectus, the provisions of the Tax Act and the regulations under the Tax Act in force at the date of this short form prospectus, counsel's understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency ("CRA") and a certificate from the Fund as to certain factual matters. This summary takes into account all specific proposals to amend the Tax Act and the regulations under the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this short form prospectus. There can be no assurance that any tax proposals will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this short form prospectus.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the purchaser's particular circumstances, including the province or territory or provinces or territories in which the purchaser resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units. Purchasers should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units based on their particular circumstances.

### Status of the Fund

This summary is based on the assumption that the Fund qualifies as a "mutual fund trust" as defined in the Tax Act 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 adversely and materially different.

## Taxation of the Fund

The taxation year of the Fund is the calendar year. Subject to the SIFT Rules, 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 units of the Trust ("**Trust Units**") and all interest on the trust notes of the Trust ("**Trust Notes**") issued pursuant to the note indenture dated November 26, 2003 between the Trust and CIBC Mellon Trust Company that accrues to the Fund to the end of the year, or that becomes receivable or is received by the Fund 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). Returns of capital received from the Trust will generally reduce the adjusted cost base of the Trust Units to the Fund. Where the adjusted cost base of the Trust Units would otherwise be a negative amount, the Fund will be deemed to realize a capital gain in such amount at that time and its adjusted cost base of the Trust Units will then be nil.

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 (less the accrued interest, if any, on the Trust Notes so disposed of, which interest will generally be included in the Fund's income in the year of disposition to the extent it was not included in the Fund's income in a previous year). The Fund will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition exceed (or are exceeded by) the adjusted cost base of the relevant property and any reasonable costs of disposition. Any such income or capital gain may, at the discretion of the trustee, be treated as having been designated and paid to the redeeming Unitholder so that, subject to the SIFT Rules, the Fund will not be taxable on such income or capital gain.

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 Fund 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 income, subject to the SIFT Rules. Losses incurred by the Fund cannot be allocated to Unitholders but may be deducted by the Fund in future years in accordance with the Tax Act.

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 Fund 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 trustees, 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, subject to the SIFT Rules. 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. Counsel has been advised that, subject to the SIFT Rules, 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. Counsel can provide no opinion in this regard.

Once the Fund becomes subject to the SIFT Rules (which is anticipated to be, subject to any “undue expansion”, the Fund’s taxation year which begins on January 1, 2011), the Fund will no longer be able to deduct any part of the amounts payable to Unitholders in respect of its “non-portfolio earnings”. In general “non-portfolio earnings” of the Fund include: (i) income (other than taxable dividends) from businesses carried on by it in Canada or from its “non-portfolio properties” (exceeding any losses for the taxation year from businesses carried on by it in Canada or non-portfolio properties); and (ii) taxable capital gains from dispositions of “non-portfolio properties” (exceeding allowable capital losses from the disposition of such properties). For this purpose, “non-portfolio properties” include: (i) certain Canadian real and resource properties if the total fair market value of such properties is greater than 50% of the equity value of the SIFT trust itself; (ii) property that the SIFT trust (or a non-arm’s length person or partnership) uses in the course of carrying on a business in Canada; and (iii) “securities” of a “subject entity” (other than a “portfolio investment entity”) if the SIFT trust holds securities of the subject entity that have a total fair market value that is greater than 10% of the subject entity’s equity value or if the SIFT trust holds securities of the subject entity which, together with all securities held of affiliates of the subject entity, have a total fair market value that is greater than 50% of the SIFT trust’s equity value. A “subject entity” includes corporations resident in Canada, trusts resident in Canada, and “Canadian resident partnerships” (as defined in the Tax Act) and a “portfolio investment entity” is an entity that does not hold any non-portfolio property. Under the SIFT Rules, “securities” of a subject entity which is a trust includes liabilities of, and income and capital interests in, such trust. It is expected that the Trust Notes and Trust Units will be non-portfolio properties for this purpose. Such income will be subject to tax in the SIFT trust at rates of tax similar to the combined federal and provincial corporate tax rate. The SIFT Rules do not change the tax treatment of distributions that are in excess of the Fund’s taxable income.

## **SIFT Rules**

On June 22, 2007, Bill C-52, an Act to implement certain provisions of the budget tabled on March 19, 2007, received Royal Assent. Bill C-52 included the SIFT Rules, which significantly change the taxation of most publicly-traded trusts and partnerships, including income trusts such as the Fund, and distributions and allocations from these entities to their Unitholders. No assurance can be given that Canadian federal income tax law respecting the taxation of SIFTs will not be further changed in a manner that adversely affects the Fund and its Unitholders.

The SIFT Rules apply a tax on certain income (other than taxable dividends) earned by a SIFT trust, and would treat the taxable distributions of such income received by unitholders of a SIFT trust as dividends from a taxable Canadian corporation. Pursuant to the SIFT Rules, the Fund will constitute a SIFT trust and, as a result, the Fund and its Unitholders will be subject to the SIFT Rules. Transitional relief is provided such that the SIFT Rules generally do not apply until the 2011 taxation year for income trusts, such as the Fund, that would have been SIFT trusts on October 31, 2006 had the definition been in force and applied to the trust on that date. However, the SIFT Rules will apply commencing January 1st of a taxation year ending after 2006 if the SIFT trust does not comply in that taxation year with the normal growth guidelines released by the Department of Finance (Canada) on December 15, 2006, as amended on December 4, 2008 and as may be further amended from time to time (the “**Normal Growth Guidelines**”), unless the excess growth arose as a result of a prescribed transaction.

The Normal Growth Guidelines provide guidance as to how much an income trust can grow without jeopardizing its transitional relief. The Normal Growth Guidelines indicate that the deferral until 2011 will not be rescinded in respect of a SIFT trust whose equity capital grows as a result of issuances of new equity before 2011 by an amount that does not exceed the greater of \$50 million and an objective “safe harbour” amount that is based on a percentage of the SIFT trust’s market capitalization on October 31, 2006. Market capitalization, for these purposes, is to be measured in terms of the value of the SIFT trust’s issued and outstanding publicly-traded units. The Normal Growth Guidelines provide that a SIFT trust’s “safe harbour” will be 40% of the October 31, 2006 market capitalization for the period from November 1, 2006 until the end of 2007 and will be 60% of that benchmark for the remaining period until the end of 2010. These safe harbour growth limits are cumulative such that any unused limit for a given period is carried over to the next period until the end of 2010 (while the \$50 million annual growth limit for each period is not cumulative). For these purposes, new equity will generally include units, debt that is convertible into units and potentially other substitutes for such equity, but will generally not include new non-

convertible debt or Units that are issued on the exercise by a holder of exchange rights (applicable to exchangeable securities) that were in place on October 31, 2006.

Management has advised counsel that the total amount of all previous equity issuances and all currently contemplated issuances, determined in accordance with the Normal Growth Guidelines, should not cause the Fund to exceed the “safe harbour” amounts. It is assumed, for the purposes of this summary, that the Fund currently will not be subject to the SIFT Rules. However, in the event that the Fund issues additional Units or convertible debentures (or other equity substitutes) before 2011, the Fund may become subject to the SIFT Rules prior to its 2011 taxation year. No assurance can be given that the SIFT Rules will not apply to the Fund prior to its 2011 taxation year.

## **Taxation of Unitholders**

### *Fund distributions*

Subject to the SIFT Rules, 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 (and the Fund deducts in computing its income), 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. Once the Fund becomes subject to the SIFT Rules (which is anticipated to be, subject to any “undue expansion”, the Fund’s taxation year which begins on January 1, 2011), taxable distributions from the Fund received by Unitholders and paid from the Fund’s after tax income would generally be deemed to be received as taxable dividends from a taxable Canadian corporation. Such dividends will be subject to the gross-up and dividend tax credit provisions in respect of Unitholders who are individuals. Under the SIFT Rules, such dividends will be “eligible dividends” and a Canadian resident individual recipient should therefore benefit from the enhanced gross-up and dividend tax credit rules of the Tax Act.

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 earned (or deemed to be earned) 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 (or in the case of eligible dividends, the enhanced) gross-up and dividend tax credit provisions will be applicable in respect of Unitholders who are individuals (other than trusts), 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 benefits of an individual (other than a trust) or related group of individuals (other than trusts) and the deduction in computing taxable income will be available to Unitholders that are corporations. An additional refundable 6 2/3% tax will be payable by Unitholders that are throughout a taxation year “Canadian-controlled private corporations” (as defined in the Tax Act) on certain investment income.

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 (other than as proceeds in respect of the redemption of Units) generally will not be included in the Unitholder’s income for the year. However, where such an amount is paid or payable to a Unitholder, 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 exceeded by) 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 or income 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 Series 2 Trust Notes and Series 3 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.**

### *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 or in respect of which a net taxable capital gains designation is made by the Fund. One-half of any capital loss (an "**allowable capital loss**") realized by a Unitholder on a disposition or deemed disposition of Units must be deducted from taxable capital gains of the Unitholder in the year of disposition. Allowable capital losses in excess of taxable capital gains for a taxation year may be carried back and deducted against net taxable capital gains realized in the three preceding taxation years or carried forward and deducted against net taxable capital gains realized in any subsequent taxation year in accordance with the provisions of the Tax Act.

Unitholders that are throughout a taxation year "Canadian-controlled private corporations" (as defined in the Tax Act) will be liable for an additional refundable 6 2/3% tax in respect of taxable capital gains realized on a disposition of Units and in respect of net taxable capital gains designated by the Fund to such Unitholders.

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 certain type of trust 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.

### **RISK FACTORS**

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

#### **Risks Related to an Investment in Units and the Offering**

##### *Canadian federal income tax matters*

Canadian federal income tax laws may be changed in a manner that could adversely affect the amount of cash available to be distributed to Unitholders. There can be no assurance that Canadian federal income tax laws 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 may be materially and adversely different.

On October 31, 2003, the Department of Finance (Canada) released, for public comment, proposed amendments to the Tax Act that related 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 or property in a year if in the year it is not reasonable to expect that the taxpayer will realize a cumulative profit from that business or property for the period in which the taxpayer has carried on, and can reasonably be expected to carry on, that business, or has held, and can reasonably be expected to hold, that property. Management believes that these proposed amendments will not have a material effect on its tax position. As part of the 2005 Federal Budget, the Minister of Finance (Canada) announced that an alternative proposal to replace the proposed amendments would be released for comment at an early opportunity. No such alternative proposal has been released to date.

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 I 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. The Fund's ability to reduce its taxable income to zero through distributions will be affected by the SIFT Rules once these rules apply to the Fund.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-resident persons or partnerships that are not Canadian partnerships unless all or substantially all of its property is property other than taxable Canadian property, as defined in the Tax Act. On September 16, 2004, the Department of Finance (Canada) released draft amendments under which a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. If the draft amendments are enacted as proposed, and if, at any

time, more than 50% of the aggregate fair market value of the Units were held by non-residents and partnerships other than Canadian partnerships, the Fund would thereafter cease to qualify as a mutual fund trust. If the Fund ceases to qualify as a mutual fund trust under the Tax Act, then the income tax considerations described herein would be materially and adversely different in certain respects. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status. The issue of ownership of units of mutual fund trusts by non-resident persons and partnerships other than Canadian partnerships has not been addressed in any subsequent Federal Budget or proposed changes to the Tax Act. The Department of Finance (Canada) has suspended implementation of these draft amendments pending further consultation with interested parties.

#### *SIFT Rules*

No assurance can be given that Canadian federal income tax law respecting the taxation of income trusts and other flow through entities will not be further changed in a manner that adversely affects Unitholders and the Fund.

Management has advised counsel that the total amount of all previous equity issuances and all currently contemplated issuances, determined in accordance with the Normal Growth Guidelines, should not cause the Fund to exceed its available growth such that the Fund should not currently be subject to the SIFT Rules. However, in the event that the Fund issues additional Units or convertible debentures (or other equity substitutes) before 2011, the Fund may become subject to the SIFT Rules prior to its 2011 taxation year. No assurance can be given that the SIFT Rules will not apply to the Fund prior to its 2011 taxation year.

There is some uncertainty concerning whether the SIFT Rules could be applied to a non-publicly traded subsidiary partnership or trust in an income fund structure. On March 12, 2009, Bill C-10 – Budget Implementation Act 2009, which further modifies the SIFT Rules, received Royal Assent. Bill C-10 exempts from the SIFT Rules a subsidiary partnership or trust that is not publicly traded and that is wholly-owned by a SIFT trust or partnership, a taxable Canadian corporation, a real estate investment trust, an “excluded subsidiary entity” or a combination of these entities. Each of the Trust and CELP 2007 Limited Partnership should be within this exemption. However, the new rules do not exempt a partnership which has individual partners. Notwithstanding that Cineplex Entertainment LP and Famous Players Limited Partnership will not be within this exemption, the Fund believes that Cineplex Entertainment LP and Famous Players Limited Partnership will not be subject to tax under the SIFT Rules prior to January 2011, assuming compliance with the Normal Growth Guidelines.

#### *Investment eligibility*

There can be no assurance that the Units offered pursuant to this short form prospectus will continue to be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified, prohibited or ineligible investments. Series 2 Trust Notes and Series 3 Trust Notes received as a result of a redemption of Units may not be a qualified investment 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.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Goodmans LLP, counsel to the Fund and the Selling Unitholders, and Torys LLP, counsel to the Underwriters, the Offered Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts, each as defined in the Tax Act, (collectively, the “Plans”) provided: (i) the Offered Units are listed on the TSX (or another designated stock exchange); or (ii) the Fund qualifies as a “mutual fund trust”, as defined in the Tax Act. Notwithstanding the foregoing, if the Offered Units are “prohibited investments” for purposes of a tax-free savings account, a holder will be subject to a penalty tax as set out in the Tax Act. Holders are advised to consult their own tax advisors in this regard.

## **MATERIAL CONTRACTS**

The only material contract entered into by the Fund and/or its affiliates in connection with the Offering is the Underwriting Agreement referred to under “Plan of Distribution”. A copy of the Underwriting Agreement is available at [www.sedar.com](http://www.sedar.com) or may be inspected during regular business hours at the offices of the Fund, at 1303 Yonge Street, Toronto, Ontario M4T 2Y9, 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 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 RIGHTS OF RESCISSION AND 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.

## AUDITORS' CONSENT

We have read the short form prospectus of Cineplex Galaxy Income Fund (the "**Fund**") dated April 3, 2009 relating to the offering of units of the Fund by Onex Corporation and COC Holdings Limited Partnership. 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 our report to the unitholders of the Fund on the consolidated balance sheets of the Fund as at December 31, 2008 and 2007 and the consolidated statements of operations, unitholders' equity and comprehensive income and cash flows for the years then ended. Our report is dated February 11, 2009.

Toronto, Canada  
April 3, 2009

(Signed) PRICEWATERHOUSECOOPERS LLP  
Chartered Accountants, Licensed Public Accountants

**CERTIFICATE OF THE FUND**

Dated: April 3, 2009

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.

**CINEPLEX GALAXY INCOME FUND**

by its attorney  
Cineplex Entertainment Corporation

(Signed) ELLIS JACOB  
Chief Executive Officer

(Signed) GORD NELSON  
Chief Financial Officer

On behalf of the Board of Directors  
of Cineplex Entertainment Corporation

(Signed) JOAN DEA  
Director

(Signed) PHYLLIS YAFFE  
Director

**CERTIFICATE OF THE UNDERWRITERS**

Dated: April 3, 2009

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.

RBC DOMINION SECURITIES INC.

NATIONAL BANK FINANCIAL INC.

SCOTIA CAPITAL INC.

By: (Signed) JAMES W. MCKENNA

By: (Signed) PETER JELLEY

By: (Signed) SARAH B. KAVANAGH

THOMAS WEISEL PARTNERS CANADA INC.

By: (Signed) ROB MAGWOOD

GMP SECURITIES L.P.

UBS SECURITIES CANADA INC.

By: (Signed) JASON ROBERTSON

By: (Signed) JAMES E. KOFMAN