

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"), or the securities laws of any state or other jurisdiction of the United States. Accordingly, these securities may not be offered, sold or delivered, directly or indirectly within the United States (as such term is defined in Regulation S under the U.S. Securities Act (the "United States")), except pursuant to transactions exempt from registration under the U.S. Securities Act and applicable securities laws of any state or other U.S. jurisdiction. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. 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 office of the Chief Legal Officer of the issuer at 1303 Yonge Street, Toronto, Ontario, Canada, M4T 2Y9, (416) 323-6600, and are also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM PROSPECTUS

New Issue

October 29, 2013



**CINEPLEX INC.**

**\$100,000,000**

**4.50% Extendible Convertible Unsecured Subordinated Debentures**

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**Price: \$1,000 per Debenture**

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This short form prospectus (the "**Prospectus**") of Cineplex Inc. ("**Cineplex**" or the "**Company**") qualifies for distribution \$100,000,000 aggregate principal amount of 4.50% extendible convertible unsecured subordinated debentures of the Company (the "**Debentures**") at a price of \$1,000 per Debenture (the "**Offering**").

Pursuant to an asset purchase agreement dated June 26, 2013 (the "**Purchase Agreement**") among Cineplex Entertainment Limited Partnership ("**CELP**"), a wholly-owned subsidiary of the Company, and Empire Theatres Limited ("**Empire**"), CELP agreed to purchase (the "**Acquisition**") 24 theatres (collectively, the "**Theatres**") from Empire for a purchase price of approximately \$194 million, subject to certain adjustments (the "**Purchase Price**"). The closing of the Acquisition (the "**Acquisition Closing**") occurred on October 24, 2013. See "*Details of the Acquisition*". As a result of the Acquisition Closing, the maturity date for the Debentures will be December 31, 2018 (the "**Final Maturity Date**").

The Debentures will bear interest at an annual rate of 4.50% payable in semi-annual payments in arrears on the last day in June and December in each year (or the immediately following business day if any interest payment date would not otherwise be a business day), commencing on December 31, 2013. The first interest payment on the Debentures will include accrued and unpaid interest for the period from, and including, the date of closing of the Offering to, but excluding, December 31, 2013.

	<u>Price to the Public</u>	<u>Underwriters' Fee<sup>(1)</sup></u>	<u>Net Proceeds to Cineplex<sup>(2)</sup></u>
Per Debenture .....	\$1,000	\$37.50	\$962.50
Total <sup>(3)</sup> .....	\$100,000,000	\$3,750,000	\$96,250,000

Notes:

- (1) The Underwriters' Fee is equal to 3.75% of the principal amount of the offered Debentures.
- (2) After deducting the Underwriters' Fee but before deducting expenses of the Offering estimated to be \$600,000.
- (3) The Company has granted to the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part at any time until the earlier of (i) the date that is 30 days following the date of the closing of the Offering and (ii) the Termination Date (as defined below) to purchase up to \$7,500,000 aggregate principal amount of Debentures on the same terms as set forth above solely to cover over-allocations, if any. If the Over-Allotment Option is exercised in full, the total Price to the Public, Underwriters' Fee and Net Proceeds to Cineplex (before deducting expenses of the Offering) will be \$107,500,000, \$4,031,250 and \$103,468,750, respectively. This Prospectus also qualifies the grant of the Over-Allotment Option and the issuance of Debentures on the exercise of the Over-Allotment Option and common shares issuable on the conversion, redemption or maturity of such Debentures. A purchaser who acquires Debentures forming part of the Underwriters' over-allocation position acquires those Debentures under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution*".

<u>Underwriters' Position</u>	<u>Maximum Size or Number of Debentures Available</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	\$7,500,000 aggregate principal amount of Debentures	At any time until the earlier of (i) 30 days following closing of the Offering and (ii) the Termination Date	\$1,000 per Debenture

**There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation.** See "*Risk Factors*". The Toronto Stock Exchange ("**TSX**") has conditionally approved the listing of the Debentures (including the Debentures issuable pursuant to the Over-Allotment Option) and the common shares of the Company (the "**Common Shares**") issuable upon the conversion, redemption or maturity of the Debentures (including the Common Shares issuable as a conversion premium in the event of a Cash Change of Control (as defined herein)). Listing is subject to the Company fulfilling all of the listing requirements of the TSX on or before January 22, 2014. The outstanding Common Shares are listed for trading on the TSX under the symbol "CGX". The price of the Common Shares on the TSX at the close of business on October 15, 2013 (the last trading day prior to the announcement of the Offering) was \$39.60 per Common Share. The price of the Common Shares on the TSX at the close of business on October 28, 2013 (the last trading day prior to the date of this Prospectus) was \$41.55 per Common Share.

#### **Debenture Conversion Privilege**

Each Debenture will be convertible into Common Shares at the option of the holder at any time after the Acquisition Closing and prior to the close of business on the earliest of (i) five business days prior to the Final Maturity Date or (ii) if called for redemption, five business days prior to the date specified by the Company for redemption of the Debentures, at a conversion price of \$56.00 per Common Share, being a conversion rate of approximately 17.8571 Common Shares for each \$1,000 principal amount of Debentures (the "**Conversion Price**"), subject to adjustment in certain events in accordance with the trust indenture governing the terms of the Debentures (the "**Indenture**"). Holders converting their Debentures will receive accrued and unpaid interest thereon for the period from, and including, the last interest payment date to, but excluding, the date of conversion. Notwithstanding the foregoing, no Debenture may be converted during the five business days preceding an Interest Payment Date (as defined herein). Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price upon the occurrence of certain events, are set out under "*Description of the Debentures — Conversion Privilege*".

The Debentures may not be redeemed by the Company prior to December 31, 2016, except in the event of the satisfaction of certain conditions after a Change of Control (as defined herein) has occurred. On and after December

31, 2016 and prior to December 31, 2017, the Debentures may be redeemed by the Company, in whole or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of redemption on not more than 60 days' and not less than 30 days' prior written notice, provided that the Current Market Price (as defined herein) on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after December 31, 2017 and prior to the Final Maturity Date, the Debentures may be redeemed in whole or in part from time to time at the option of the Company at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of redemption on not more than 60 days' and not less than 30 days' prior written notice.

Subject to any required regulatory approvals and provided that no Event of Default (as defined herein) has occurred and is continuing, the Company may, at its option, elect to satisfy its obligation to pay, in whole or in part, the principal amount of the Debentures that are to be redeemed or that have matured, on not more than 60 days' and not less than 30 days' prior notice, by issuing that number of freely-tradeable Common Shares obtained by dividing the principal amount of the Debentures that are to be redeemed or that have matured, as the case may be, by 95% of the Current Market Price on the date fixed for redemption or the Final Maturity Date, as applicable. See "*Description of the Debentures — Payment upon Redemption or Maturity*". In addition, subject to any required regulatory approvals and provided that no Event of Default has occurred and is continuing, freely-tradeable Common Shares may be issued to the Debenture Trustee (as defined herein) and sold, with the proceeds used to satisfy the Company's obligation to pay interest on the Debentures. See "*Description of the Debentures — Interest Payment Election*". The Interest Payment Election (as defined herein) will not be available for interest payable on or prior to the Initial Maturity Date (as defined herein).

Within 30 days following the occurrence of a Change of Control, the Company will be required to make an offer to purchase the Debentures for a price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon to, but excluding, the date of purchase. Holders of Debentures may accept this offer in whole or in part. See "*Description of the Debentures — Change of Control*".

The price of the Debentures offered under this Prospectus was determined by negotiation between the Company and Scotia Capital Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc. and TD Securities Inc. (collectively, the "**Underwriters**").

A bank affiliate of each of Scotia Capital Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc. and TD Securities Inc. is a lender to the Company and certain of its subsidiaries under the 2013 Credit Facility (as defined herein). Consequently, the Company may be considered a connected issuer of Scotia Capital Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc. and TD Securities Inc. under applicable Canadian securities laws. See "*Relationship between the Company and the Underwriters*".

The Underwriters, as principals, conditionally offer the Debentures, subject to prior sale, if, as and when created, sold and delivered by the Company and accepted by the Underwriters in accordance with the conditions of the Underwriting Agreement referred to under "*Plan of Distribution*" and subject to the approval of certain legal matters on Cineplex's behalf by Goodmans LLP and on behalf of the Underwriters by Torys LLP.

**After the Underwriters have made reasonable efforts to sell all of the Debentures at the Offering Price (as defined herein), such price may be decreased, and further changed from time to time, to an amount not greater than the Offering Price. Any such reduction will not affect the proceeds received by the Company. See "*Plan of Distribution*".**

There are certain risks inherent in an investment in the Debentures, in the Common Shares issuable on the conversion, redemption or maturity, as the case may be, of the Debentures, and in Cineplex's business. Prospective investors should carefully consider these risks before purchasing Debentures. See "*Risk Factors*".

Subscriptions for the Debentures will be received subject to rejection or allotment in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. The Debentures will be available in book-entry only form through the facilities of CDS Clearing and Depository Services Inc. ("**CDS**") as registered global securities and will be deposited with CDS on the closing of the Offering, which is expected to occur on November 5, 2013, or such other date as the Company and the Underwriters may agree, but in any event no

later than November 19, 2013. Holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures. See “*Plan of Distribution*”.

The Company’s head and registered office is located at 1303 Yonge Street, Toronto, Ontario, Canada, M4T 2Y9.

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## GENERAL MATTERS

**You should rely only on the information contained in or incorporated by reference in this Prospectus or to which we have referred you to. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. You should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the front of this Prospectus.**

In this Prospectus, unless the context otherwise indicates, references to “we”, “our” and the “Company” refer to Cineplex Inc. and references to “Cineplex” refer to the Company and its direct and indirect subsidiaries.

### PRESENTATION OF FINANCIAL INFORMATION

The Company publishes its consolidated financial statements in Canadian dollars. In this Prospectus, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars.

#### Caution Concerning Non-GAAP Financial Measures

Cineplex reports on certain non-GAAP measures that are used by management to evaluate the performance of Cineplex. In addition, non-GAAP measures are used in measuring compliance with debt covenants. Because non-GAAP measures do not have standardized meanings, securities regulations require that non-GAAP measures be clearly defined and qualified, and reconciled to their nearest GAAP measure. Our key performance measures include EBITDA, Adjusted EBITDA and Adjusted Free Cash Flow and are further discussed in detail in the Q2 MD&A (as defined herein).

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This 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 Cineplex’s objectives, goals and strategies to achieve those objectives and goals, as well as statements with respect to Cineplex’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. Cineplex cautions readers not to place undue reliance on these statements, as a number of important factors, many of which are beyond Cineplex’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.

Cineplex cautions purchasers that the foregoing list of factors that may affect future results is not exhaustive. When reviewing Cineplex’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 Prospectus, in the “Risk Factors” section of the AIF (as defined herein), and under “Risk Management” and elsewhere in Cineplex’s management discussion and analysis and in its other filings with Canadian securities regulators. Cineplex 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 Prospectus are made as of the date of the original document and have not been updated except as expressly provided herein.

## GLOSSARY

In this Prospectus, the following terms have the meanings set forth below, unless otherwise indicated. For a summary of the defined terms relating to the Debentures, see “*Description of the Debentures*”. Words importing the singular include the plural and vice versa and words importing any gender include all genders.

“**2011 Credit Facility**” means the fourth amended and restated credit agreement, dated as of September 28, 2011, pursuant to which a syndicate of lenders, including the Banks, made a senior secured credit facility available to the Company.

“**2013 Credit Facility**” means the fifth amended and restated credit agreement, dated as of October 24, 2013, pursuant to which a syndicate of lenders, including the Banks, made a senior secured credit facility available to the Company, as further described under “*Recent Developments*”.

“**Acquisition**” means the acquisition by CELP of the Theatres from Empire pursuant to the Purchase Agreement.

“**Acquisition Closing**” means the closing of the Acquisition (which occurred on October 24, 2013).

“**Adjustments**” has the meaning attributed thereto under the heading “*Consolidated Capitalization*”.

“**AIF**” means the Company’s annual information form for the financial year ended December 31, 2012, dated March 28, 2013.

“**allowable capital loss**” has the meaning attributed thereto under the heading “*Certain Canadian Federal Income Tax Considerations — Taxation of Capital Gains and Capital Losses*”.

“**Banks**” has the meaning attributed thereto under the heading “*Relationship Between the Company and the Underwriters*”.

“**Board of Directors**” or “**Board**” means the board of directors of the Company.

“**Canadian Holder**” has the meaning attributed thereto under the heading “*Certain Canadian Federal Income Tax Considerations — Holders Resident in Canada*”.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CELP**” means Cineplex Entertainment Limited Partnership, a subsidiary of the Company.

“**Change of Control**” means (i) the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over an aggregate of more than 50% of the outstanding Common Shares or (ii) the sale or other transfer of all or substantially all of the assets of the Company on a consolidated basis; but a “Change of Control” shall not include a sale, merger, reorganization, arrangement, combination or other similar transaction if the holders of Common Shares immediately prior to the completion of the transaction hold or have direction over at least 50% of the voting control or direction in such merged, reorganized, arranged, combined or other continuing entity (and in the case of a sale of all or substantially all of the assets, in the entity which has acquired such assets) immediately following the completion of such transaction.

“**Closing Date**” means the closing date of this Offering, which is expected to occur on or about November 5, 2013 or such other date as the Company and the Underwriters may agree, but in any event no later than November 19, 2013.

“**Common Shares**” means the common shares of the Company.

“**Company**” means Cineplex Inc., a corporation incorporated pursuant to the laws of the Province of Ontario.

“**Conversion Price**” has the meaning attributed thereto on the cover page of the Prospectus.

“**CRA**” means the Canada Revenue Agency.

“**Current Market Price**” means the volume weighted average price of the Common Shares on the TSX (or other applicable stock exchange) for the 20 consecutive trading days ending five trading days prior to the applicable date.

“**Debenture Trustee**” means BNY Trust Company of Canada, the debenture trustee for the Debentures.

“**Debentures**” means the 4.50% extendible convertible unsecured subordinated debentures of the Company.

“**Definitive Debentures**” means Debentures in registered and definitive form.

“**Distribution**” means the voluntary or involuntary liquidation, dissolution or winding-up of the Company, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs.

“**Effective Date**” has the meaning attributed thereto under the heading “*Description of the Debentures — Cash Change of Control*”.

“**EK3**” means EK3 Technologies Inc.

“**EK3 Acquisition**” means the indirect acquisition by Cineplex of all of the issued and outstanding shares of EK3 pursuant to a share purchase offer dated July 16, 2013.

“**Empire**” means Empire Theatres Limited.

“**Excess**” has the meaning attributed thereto under the heading “*Risk Factors — Risks Relating to the Debentures — Withholding Tax*”.

“**Extraordinary Resolution**” means a resolution passed at a meeting of the holders of Debentures by holders of not less than 66⅔% of the principal amount of the then outstanding 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 then outstanding Debentures.

“**Final Maturity Date**” means December 31, 2018.

“**First Party**” has the meaning attributed thereto under the heading “*Details of the Acquisition — Termination of the Acquisition*”.

“**Global Debentures**” means fully-registered global Debentures.

“**IFRS**” means International Financial Reporting Standards, as issued by the International Accounting Standards Board.

“**Indenture**” means the trust indenture to be entered into on the Closing Date between the Company and BNY Trust Company of Canada, as Debenture Trustee.

“**Initial Maturity Date**” means the Termination Date.

“**Interest Obligation**” means the Company’s obligation to pay interest on the Debentures.

“**Interest Payment Date**” means any date on which any portion of the Interest Obligation is payable under the Indenture.

“**Interest Payment Election**” has the meaning attributed thereto under the heading “*Description of the Debentures — Interest Payment Election*”.

“**Lead Underwriters**” means, collectively, Scotia Capital Inc. and RBC Dominion Securities Inc.

“**Marketing Materials**” has the meaning attributed thereto under the heading “*Documents Incorporated by Reference*”.

“**Non-Canadian Holder**” has the meaning attributed thereto under the heading “*Certain Canadian Federal Income Tax Considerations — Holders Not Resident in Canada*”.

“**Offer Price**” means an amount equal to 100% of the principal amount of the Debentures plus accrued and unpaid interest to, but excluding, the date of purchase.

“**Offer to Purchase**” means a required offer by the Company to purchase the Debentures for the Offer Price within 30 days following the occurrence of a Change of Control.

“**Offering**” means the offering of Debentures qualified under this Prospectus.

“**Offering Price**” means the price per Debenture sold pursuant to this Offering.

“**Over-Allotment Option**” means the option granted by the Company to the Underwriters exercisable in whole or in part at any time until the earlier of (i) the date that is 30 days from the Closing Date and (ii) the Termination Date, to purchase up to an additional \$7,500,000 aggregate principal amount of Debentures at the Offering Price to cover any over-allocations.

“**Proposed Amendments**” has the meaning attributed thereto under the heading “*Certain Canadian Federal Income Tax Considerations*”.

“**Prospectus**” means this short form prospectus of the Company.

“**Purchase Agreement**” means the asset purchase agreement made as of June 26, 2013 pursuant to which CELP agreed to acquire the Theatres from Empire, as it may be amended or supplemented from time to time.

“**Q2 MD&A**” means the management’s discussion and analysis for the interim consolidated financial statements of the Company and the notes thereto for the three and six months ended June 30, 2013 and 2012.

“**RRIF**” means registered retirement income fund.

“**RRSP**” means registered retirement savings plan.

“**Rule 144A**” means Rule 144A under the U.S. Securities Act.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval.

“**Stock Price**” has the meaning attributed thereto under the heading “*Description of the Debentures — Cash Change of Control*”;

“**Subject Securities**” has the meaning attributed thereto under the heading “*Plan of Distribution*”.

“**Substitute Property**” has the meaning attributed thereto under the heading “*Description of the Debentures — Anti-Dilution Provisions*”.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as such may be amended from time to time.

“**taxable capital gain**” has the meaning attributed thereto under the heading “*Certain Canadian Federal Income Tax Considerations — Taxation of Capital Gains and Capital Losses*”.

“**TCP Conditions**” has the meaning attributed thereto under the heading “*Certain Canadian Federal Income Tax Considerations — Other Disposition of Debentures*”.

“**Termination Date**” means the date upon which a Termination Event occurs.

“**Termination Event**” means the occurrence of any of the following: (i) the Acquisition Closing does not occur by 5:00 p.m. (Toronto time) on December 31, 2013, (ii) the Purchase Agreement is terminated prior to the Acquisition Closing, or (iii) the Company advises either of the Lead Underwriters, or announces to the public, that it does not intend to complete the Acquisition Closing.

“**TFSA**” means a tax-free savings account.

“**Theatres**” means the 24 theatres which CELP acquired from Empire on October 24, 2013, as described in the Purchase Agreement.

“**TSX**” means the Toronto Stock Exchange.

“**Underwriters**” means, collectively, Scotia Capital Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc. and TD Securities Inc.

“**Underwriting Agreement**” means the underwriting agreement dated October 22, 2013 between the Company and the Underwriters.

“**United States**” has the meaning given to such term in Regulation S under the U.S. Securities Act.

“**U.S. Securities Act**” means the *United States Securities Act of 1933*, as amended, and the rules and regulations promulgated thereunder.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Goodmans LLP, counsel to the Company, and Torys LLP, counsel to the Underwriters, based on the provisions of the Tax Act in force as of the date hereof, provided that the Common Shares are listed on a “designated stock exchange”, as defined in the Tax Act, which currently includes the TSX, the Debentures being offered pursuant to this Prospectus and the Common Shares issuable on the conversion, redemption or maturity of the Debentures, if issued on the date hereof, would be qualified investments under the Tax Act for trusts governed by registered retirement savings plans (a “**RRSP**”), registered education savings plans, registered retirement income funds (a “**RRIF**”), deferred profit sharing plans (except, in the case of the Debentures, a deferred profit sharing plan to which the Company, or an employer that does not deal at arm’s length with the Company, has made a contribution), registered disability savings plans and tax-free savings accounts (a “**TFSA**”).

Notwithstanding the foregoing, if the Debentures or Common Shares are a “prohibited investment” for a TFSA, RRSP or RRIF, the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. Debentures or Common Shares, as the case may be, will generally be a “prohibited investment” for a TFSA, RRSP or RRIF if the holder of a TFSA or the annuitant of a RRSP or RRIF, as the case may be, (i) does not deal at arm’s length with the Company for purposes of the Tax Act, (ii) has a “significant interest” (within the meaning of the Tax Act) in the Company or (iii) has a “significant interest” (within the meaning of the Tax Act) in a corporation, partnership or trust with which the Company does not deal at arm’s length for purposes of the Tax Act. Proposed amendments to the Tax Act contained in Bill C-4, which is currently proceeding through the legislative process, propose to delete the condition in (iii) above. Prospective purchasers who intend to hold Debentures or Common Shares in a TFSA, RRSP or RRIF are advised to consult their own tax advisors.

## DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this 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 Chief Legal Officer of Cineplex at 1303 Yonge Street, Toronto, Ontario, Canada, M4T 2Y9, telephone (416) 323-6600. In addition, copies of the documents incorporated by reference herein may be obtained electronically on SEDAR at [www.sedar.com](http://www.sedar.com).

The following documents, filed with the securities regulatory authorities in each of the provinces and territories of Canada, are specifically incorporated by reference in, and form an integral part of, this Prospectus:

- (a) the Company’s annual information form for the financial year ended December 31, 2012, dated March 28, 2013 (the “**AIF**”);
- (b) the Company’s audited comparative consolidated financial statements and the notes thereto for the financial years ended December 31, 2012 and 2011, together with the independent auditor’s report thereon;
- (c) the management’s discussion and analysis for the audited comparative consolidated financial statements referred to in paragraph (b) above;
- (d) the Company’s interim consolidated financial statements and the notes thereto for the three and six months ended June 30, 2013 and 2012;
- (e) the management’s discussion and analysis for the interim consolidated financial statements referred to in paragraph (d) above;
- (f) the Company’s management information circular dated March 28, 2013;
- (g) the Company’s material change report dated June 27, 2013 filed in connection with the announcement of the Acquisition;

- (h) the Company's material change report dated July 24, 2013 filed in connection with the announcement of the EK3 Acquisition;
- (i) the Company's material change report dated October 21, 2013 filed in connection with the announcement of the Offering and the 2013 Credit Facility; and
- (j) the template version of the extendible convertible unsecured subordinated debenture term sheet dated October 16, 2013, filed on SEDAR in connection with the Offering (the "**Marketing Materials**").

All documents of the Company of the type described in Section 11.1 of Form 44-101F1 – *Short Form Prospectus* which are required to be filed by the Company with the securities commissions or similar authorities in the provinces and territories of Canada after the date of this Prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference into this 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 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 is required to be stated or that is 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 Prospectus.**

## MARKETING MATERIALS

The Marketing Materials are not part of this Prospectus to the extent that the contents of the Marketing Materials have been modified or superseded by a statement contained in this Prospectus. Any template version of "marketing materials" (as defined in National Instrument 41-101 – *General Prospectus Requirements*) filed after the date of this Prospectus and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the Marketing Materials) is deemed to be incorporated into this Prospectus.

## THE COMPANY

The Company is governed by the *Business Corporations Act* (Ontario) pursuant to articles of arrangement dated January 1, 2011. The Company is a reporting issuer in each of the provinces and territories of Canada and the Common Shares are traded on the TSX under the stock symbol "CGX". The principal and head office of the Company and CELP is located at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

Cineplex is one of Canada's leading entertainment companies and operates one of the most modern and fully digitized motion picture theatre circuits in the world. Cineplex operates numerous businesses, including theatrical exhibition, food services, gaming, alternative programming (Front Row Centre Events), digital signage companies such as Cineplex Digital Networks and Cineplex Digital Solutions, along with Cineplex Media, and the online sale of home entertainment content through CineplexStore.com and on apps embedded in various electronic devices. Cineplex is also a joint venture partner in SCENE – Canada's largest entertainment loyalty program.

As at the date hereof, the Company indirectly owned, leased or had a joint venture interest in 161 theatres with 1,635 screens from British Columbia to Newfoundland, serving approximately 78 million guests annually through the following theatre brands: Cineplex Cinemas, Cineplex Odeon, Coliseum, Colossus, Famous Players, Galaxy, SilverCity, Cinema City and Scotiabank Theatre. Cineplex also owns and operates the UltraAVX, XSCAPE, Poptopia and Outtakes brands.

## DETAILS OF THE ACQUISITION

As a result of the Acquisition Closing, Cineplex now owns 24 theatres located in Atlantic Canada — 13 in Nova Scotia, six in New Brunswick, three in Newfoundland and two in Prince Edward Island. The 24 theatres added a total of 170 screens to the Cineplex circuit.

The Acquisition provided Cineplex with a national, coast-to-coast presence and is an excellent strategic fit for Cineplex, providing Cineplex with a presence in Atlantic Canada. Cineplex plans to invest in the Theatres and may add its proprietary UltraAVX auditoriums, VIP Cinemas and XSCAPE Entertainment Centres to certain locations. The Company intends to rebrand the Theatres under the Cineplex brand name.

The table below shows the locations of all theatres that are now operated by Cineplex:

	<u>Cineplex Theatres</u>	<u>Acquired Empire Theatres</u>	<u>Total Theatres</u>
Alberta .....	16	-	16
British Columbia .....	23	-	23
Manitoba .....	5	-	5
New Brunswick.....	-	6	6
Newfoundland.....	-	3	3
Nova Scotia.....	-	13	13
Ontario .....	65	-	65
Prince Edward Island .....	-	2	2
Quebec .....	22	-	22
Saskatchewan .....	6	-	6
<b>Total .....</b>	<b>137</b>	<b>24</b>	<b>161</b>

### *Purchase Agreement*

The following is a summary of the material terms and conditions of the Purchase Agreement. This summary is qualified in its entirety by reference to the provisions of the Purchase Agreement, which is available electronically on SEDAR.

### *Purchase Price*

CELP acquired the Theatres for total cash consideration of approximately \$194 million, subject to certain adjustments made at the Acquisition Closing. Pursuant to the terms of the Purchase Agreement, Cineplex deposited \$5 million in trust with Empire's legal counsel on June 26, 2013. Upon completion of the Acquisition, this amount was applied toward the cash consideration payable to Empire.

### *Representations and Warranties*

The Purchase Agreement includes representations and warranties which are customary in a transaction of this nature, including, with respect to Empire, incorporation and corporate power, authorization and enforceability of agreement, absence of conflicts, regulatory approvals, cash flow statements, absence of changes and unusual transactions, title to assets, compliance with laws, owned and leased real property, buildings and systems, environmental matters, employment matters, collective agreements, pension and other benefit plans, insurance, contracts, Canadian Digital Cinema Partnership contracts, litigation, records, tax matters, sufficiency of assets, no breach and other matters relating to Empire. The representations and warranties of Empire will survive for a period of one year following the Acquisition Closing, except for representations and warranties relating to owned real property, which will survive for three years, and representations and warranties relating to incorporation and corporate power, authorization and enforceability of agreement and the absence of conflicts which will survive indefinitely.

### *Covenants*

The parties to the Purchase Agreement made customary covenants relating to the Acquisition Closing and related matters. In particular, Empire agreed that, until the Acquisition Closing, its business would be conducted in

the ordinary course. Empire also agreed to ensure that its representations or warranties under the Purchase Agreement remain true and correct as of the Acquisition Closing and that the obligations and covenants under the Purchase Agreement have been complied with in all material respects. In addition, the Purchase Agreement provides that for a period of ten years, neither Empire nor its affiliates shall be involved in any manner in the ownership or operation of any motion picture theatre located within a 10 kilometre radius of any Theatre.

### ***Indemnities***

Empire has agreed to indemnify and save harmless CELP and its affiliates and CELP has agreed to indemnify and save harmless Empire and its affiliates 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, CELP has agreed to indemnify Empire for (i) claims which may arise out of or relate to the failure of CELP from and after the date of the Acquisition Closing to pay, keep, observe or perform any of the terms, conditions or obligations under any contract, and any amendments thereto or renewals or extensions thereof, (ii) certain claims relating to or arising out of the operation of the Theatres following the date of the Acquisition Closing, (iii) claims which relate to or arise from the failure of the tenant of any real property leases of Empire or its subsidiaries assumed by CELP to pay, keep, observe or perform the terms of such leases from and after the date of the Acquisition Closing and (iv) claims relating to the employment of any employee, or the termination of employment of any employee, on or after the date of the Acquisition Closing.

Empire has agreed to indemnify CELP for (i) non-compliance with applicable bulk sales legislation or retail sales tax legislation, (ii) claims relating to the operation of the Theatres or the employment of any employees up to the date of the Acquisition Closing, or the termination of employment of any employee before the Acquisition Closing, (iii) any construction lien claims filed against the real property within 45 days after the Acquisition Closing, (iv) the actual or alleged presence of any wastes or hazardous substances on any real property as of the date of the Acquisition Closing, the actual or alleged violation of any environmental law by the Theatres prior to the date of the Acquisition Closing, any claim or liability under any environmental law based on the conduct of the Theatres prior to the date of the Acquisition Closing, or any liability of any predecessor of Empire under any environmental law, existing prior to the date of the Acquisition Closing, that has been assumed by Empire or the Theatres by contract or is imposed upon any of them as a matter of law and (v) claims arising out of or pertaining to Empire's benefit plans.

The indemnity from each of Empire and CELP to the other party relating to breaches of covenants and representations and warranties is not required to be paid until the aggregate of such claims exceeds \$250,000. All claims for indemnification by a party under the Purchase Agreement are subject to an aggregate limit equal to 50% of the aggregate purchase price.

### ***No Action Letter***

On October 10, 2013, CELP received a no action letter from the Commissioner of Competition in respect of its proposal to acquire the Theatres, enabling CELP to proceed with the Acquisition pursuant to the terms of the Purchase Agreement.

### ***Completion of the Acquisition***

On October 24, 2013, the Company announced that it had completed the Acquisition.

## **RECENT DEVELOPMENTS**

### **2013 Credit Facility**

The Company announced on October 24, 2013 that it had entered into the 2013 Credit Facility, which facility replaced the 2011 Credit Facility in full. The 2013 Credit Facility includes an extended five-year term, increased revolving component, and additional flexibility in the permitted use of funds. The 2013 Credit Facility has a total availability of \$500 million and is comprised of a \$150 million five-year senior secured non-revolving term credit facility and a \$350 million five-year senior secured revolving credit facility. In addition, the 2013 Credit

Facility contains provisions allowing for the increase of the commitment amount by an additional \$150 million, if necessary, with the consent of the lenders. The Company drew upon the 2013 Credit Facility to fund the Acquisition.

As at June 30, 2013, Cineplex's leverage ratio (as calculated in accordance with the 2011 Credit Facility definition) was 0.87 times, as compared to a covenant of 3.50 times. On a *pro forma* basis, reflecting the completion of the Acquisition, the 2013 Credit Facility and the issuance of the Debentures, the Company's covenant leverage ratio (as calculated in accordance with the 2013 Credit Facility definition) is estimated to be 1.40 times, as compared to a covenant under the 2013 Credit Facility of 3.50 times, which leverage ratio specifically excludes the Debentures.

### **EK3 Acquisition**

On August 30, 2013, Cineplex completed the EK3 Acquisition. EK3 is a London, Ontario-based, market leading in-store digital merchandising provider, with operations in Canada, the United States and other countries. The initial purchase price was approximately \$40 million, subject to certain adjustments to be made at closing, plus a deferred payment, subject to an aggregate maximum purchase price of \$78 million for both payments. The amount of the deferred payment will be adjusted based on 2015 operating results and will be payable in early 2016 in the event certain targets are achieved.

### **USE OF PROCEEDS**

The estimated net proceeds of the Offering, after deducting the Underwriters' Fee payable to the Underwriters and the estimated expenses of the Offering, will be \$95,650,000. If the Over-Allotment Option is exercised in full, the net proceeds to be received from the Offering by the Company, after deducting the Underwriters' Fee payable to the Underwriters and the estimated expenses of the Offering, will be \$102,868,750.

The net proceeds of the Offering will be used by the Company to partially reduce bank indebtedness that was incurred under the 2013 Credit Facility in connection the Acquisition Closing.

### **CONSOLIDATED CAPITALIZATION**

Since June 30, 2013, there have been no material changes in the capitalization of the Company which have not been disclosed in this Prospectus or the documents incorporated by reference herein. The following table sets forth the consolidated capitalization of the Issuer as at the dates indicated before and after giving effect to, among other things, (i) completion of the Offering (assuming the Over-Allotment Option is not exercised), (ii) the Acquisition, (iii) the EK3 Acquisition and (iv) the 2013 Credit Facility (collectively, the "**Adjustments**"). This table should be read in conjunction with the financial statements of the Company (including the notes thereto) incorporated by reference into this Prospectus.

Designation	As at June 30, 2013	As at June 30, 2013 after giving effect to the Adjustments
	(unaudited)	(unaudited)
Term Loan <sup>(1)</sup> .....	\$150,000,000	\$150,000,000
Revolving Loan <sup>(1)</sup> .....	-	\$138,787,000
Debentures – Liability Component <sup>(2)</sup> .....	-	\$95,000,000
Debentures – Equity Component <sup>(3)</sup> .....	-	\$5,000,000
Common Shares .....	62,845,341	62,845,341

Notes:

(1) Excludes contra-liability amount of \$2.8 million relating to debt issuance costs.

(2) Excludes contra-liability amount of \$3.8 million relating to debt issuance costs.

(3) This amount will be recorded as shareholders' equity which will increase shareholders' equity from \$742.8 million to \$747.8 million.

## EARNINGS COVERAGE

The following earnings coverages and adjusted earnings coverages are calculated on a consolidated basis for the year ended December 31, 2012 and the twelve-month period ended June 30, 2013.

The earnings of the Company before interest and income tax expense for the twelve months ended December 31, 2012 and June 30, 2013 were approximately \$165,694,000 and approximately \$163,137,000, respectively. The interest requirements for each of the twelve-month periods ended December 31, 2012 and June 30, 2013 was \$12,585,000 and \$8,303,000 with an earnings coverage ratio of 13.2 times and 19.7 times, respectively.

After giving effect to (i) the Offering, before any exercise of the Over-Allotment Option, (ii) the Acquisition and (iii) the EK3 Acquisition, the *pro forma* interest requirements would have amounted to approximately \$23,025,000 and approximately \$18,743,000 with an earnings coverage ratio of 8.01 times and 9.68 times, for the twelve months ended December 31, 2012 and June 30, 2013, respectively.

Under IFRS, the Company will account for the Debentures as a compound instrument with the debt and equity components recorded within liabilities and shareholder's equity respectively in the consolidated balance sheet, and with certain embedded derivatives separated from the host liability contract. The interest expense and financing charges related to the host liability contract will be amortized using the effective interest method.

For purposes of the *pro forma* calculations above, interest expense has been calculated as though the Debentures (excluding Debentures issuable upon exercise of the Over-Allotment Option) had been accounted for in their entirety as debt, without consideration of the value of the equity component or any embedded derivatives. Also, for purposes of the calculation, interest expense does not include related financing charges (e.g. the amortization of debt issuance costs).

## TRADING PRICE AND VOLUME

The Common Shares are listed on the TSX and are quoted under the symbol "CGX". The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate trading volume of the Common Shares on the TSX, as reported by the TSX.

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Monthly Trading Volume</u>
	\$	\$	
<b>2012</b>			
October .....	31.00	28.71	2,091,230
November .....	31.49	29.62	2,676,500
December.....	32.23	30.02	3,567,949
<b>2013</b>			
January.....	32.72	30.92	2,443,245
February.....	34.03	32.13	3,248,984
March.....	34.60	33.15	2,178,798
April.....	34.62	33.27	2,792,170
May.....	34.99	33.77	2,666,440
June.....	37.35	33.53	2,995,587
July .....	38.80	36.75	2,794,763
August.....	40.49	37.07	2,656,602
September .....	39.55	37.74	3,503,913
October 1 to 28 .....	41.69	38.22	2,680,343

## PRIOR SALES

Other than as described below, the Company has not issued any Common Shares or securities convertible into Common Shares during the 12-month period prior to the date of this Prospectus.

Date of Issuance	Security Issued	Reason for Issuance	Number of Securities Issued	Price per Security (\$)
October 29, 2012	Common Shares	Debenture Conversion	640	18.75
October 30, 2012	Common Shares	Debenture Conversion	2,133	18.75
November 1, 2012	Common Shares	Debenture Conversion	2,026	18.75
November 9, 2012	Common Shares	Debenture Conversion	213	18.75
November 14, 2012	Common Shares	Debenture Conversion	213	18.75
November 15, 2012	Common Shares	Debenture Conversion	3,893	18.75
November 23, 2012	Common Shares	Debenture Conversion	1,600	18.75
November 23, 2012	Common Shares	Exercise of Options	552	30.80
November 26, 2012	Common Shares	Debenture Conversion	640	18.75
November 28, 2012	Common Shares	Debenture Conversion	10,826	18.75
November 29, 2012	Common Shares	Debenture Conversion	34,933	18.75
December 5, 2012	Common Shares	Debenture Conversion	800	18.75
December 5, 2012	Common Shares	Exercise of Options	550	30.41
December 13, 2012	Common Shares	Debenture Conversion	3,680	18.75
December 17, 2012	Common Shares	Debenture Conversion	35,680	18.75
December 18, 2012	Common Shares	Debenture Conversion	26,240	18.75
December 19, 2012	Common Shares	Debenture Conversion	2,400	18.75
December 19, 2012	Common Shares	Exercise of Options	275	31.26
December 20, 2012	Common Shares	Debenture Conversion	16,000	18.75
December 24, 2012	Common Shares	Debenture Conversion	97,333	18.75
December 28, 2012	Common Shares	Debenture Conversion	168,000	18.75
December 31, 2012	Common Shares	Debenture Conversion	300,906	18.75
February 12, 2013	Options	Grant of Options	385,834	33.49
February 20, 2013	Common Shares	Exercise of Options	1,157	33.22
February 21, 2013	Common Shares	Exercise of Options	4,773	33.35
February 22, 2013	Common Shares	Exercise of Options	6,759	33.30
February 26, 2013	Common Shares	Exercise of Options	838	33.38
February 28, 2013	Common Shares	Exercise of Options	5,493	33.10
March 1, 2013	Common Shares	Exercise of Options	2,865	33.44
March 4, 2013	Common Shares	Exercise of Options	22,410	33.56
March 5, 2013	Common Shares	Exercise of Options	5,039	33.66
March 6, 2013	Common Shares	Exercise of Options	639	34.03
March 8, 2013	Common Shares	Exercise of Options	9,191	34.25
March 13, 2013	Common Shares	Exercise of Options	555	33.61
March 22, 2013	Common Shares	Exercise of Options	481	33.47
March 26, 2013	Common Shares	Exercise of Options	956	33.94
May 17, 2013	Common Shares	Exercise of Options	1,183	34.19
August 15, 2013	Common Shares	Exercise of Options	3,679	39.31
August 19, 2013	Common Shares	Exercise of Options	2,927	39.94
September 3, 2013	Options	Grant of Options	20,000	39.12
September 25, 2013	Common Shares	Exercise of Options	633	38.01

## PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Company has agreed to create, issue and sell, and the Underwriters have agreed to purchase, on the Closing Date, subject to compliance with all necessary legal requirements and to the terms and conditions contained in the Underwriting Agreement, \$100,000,000 principal amount of Debentures at a price of \$1,000 per Debenture for aggregate gross proceeds of \$100,000,000, payable in cash to the Company against delivery of the Debentures. The Underwriting Agreement provides that the Company will pay to the Underwriters a fee of \$3,750,000 (\$37.50 per \$1,000 principal amount of Debentures) in consideration for their services in connection with the Offering. The distribution price of the Debentures was determined by negotiation between the Company and the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint and may be terminated at their discretion on the occurrence of certain stated events, as described in the Underwriting Agreement. If one or more Underwriters fail to purchase the Debentures that they have agreed to purchase, and such Debentures do not exceed 10% of the total principal amount of the Debentures, then the remaining Underwriters will be obligated to purchase such Debentures on a *pro rata* basis (or in such other proportion as the remaining Underwriters may mutually agree). If one or more Underwriters fail to purchase the Debentures that they have agreed to purchase, and such Debentures exceed 10% of the total principal amount of the Debentures, the other Underwriters may, but are not obligated to, purchase any Debentures. The Underwriters are, however, obligated to take up and pay for all of the Debentures if any are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under Canadian securities legislation.

The Company has granted the Underwriters an Over-Allotment Option, exercisable in whole or in part in the sole discretion of the Underwriters at any time until the earlier of (i) the date that is 30 days from the Closing Date and (ii) the Termination Date, to purchase up to an additional \$7,500,000 principal amount of Debentures on the same terms as set forth above solely to cover over-allocations, if any. If the Over-Allotment Option is exercised in full, the total price to the public will be \$107,500,000, the total Underwriters' Fee will be \$4,031,250 and the net proceeds to the Company (before deducting the expenses of the Offering) will be \$103,468,750. This Prospectus qualifies the grant of the Over-Allotment Option and the issuance of Debentures on the exercise of the Over-Allotment Option.

The Underwriters may not, throughout the period of distribution under this Prospectus, bid for or purchase Debentures other than pursuant to the Underwriting Agreement. This restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Underwriters may, subject to applicable laws, engage in market stabilization or market balancing activities on the TSX where the bid for or purchase of Debentures is for the purpose of maintaining a fair and orderly market in the Debentures, subject to prior limitations applicable to such bids or purchases. Such transactions, if commenced, may be discontinued at any time.

If any of the Debentures remain unsold after the Underwriters' have made reasonable efforts to sell all the Debentures at the Offering Price fixed in this Prospectus, the Underwriters reserve the right to decrease and thereafter change, from time to time, to an amount not greater than the Offering Price, the price at which the Debentures may be offered under this Prospectus. Any such reduction will not affect the proceeds received by the Company. If the Underwriters exercise such right, the Underwriters' compensation will decrease by the amount by which the aggregate price paid for the Debentures by the purchasers is less than the aggregate price paid by the Underwriters to the Company.

Pursuant to the Underwriting Agreement, the Company agreed that, without the prior written consent of the Lead Underwriters, on behalf of the Underwriters, such consent not to be unreasonably withheld, it will not, directly or indirectly, sell, agree or offer to sell, grant any option for the sale of, or otherwise dispose of any Common Shares or securities convertible or exchangeable into Common Shares for a period of 90 days from the Closing Date, except for the purposes of granting employee, consultant and director compensation and incentives and to satisfy currently outstanding instruments upon the conversion, redemption or maturity of any securities of the Company or the payment of interest thereon or contractual commitments including the Company's, stock option plan and directors' deferred share unit compensation plan.

The Debentures will be issued in "book-entry only" form and must be purchased or transferred through a CDS participant. At closing of the Offering, the Company will cause one or more global certificates representing the Debentures to be delivered to, and registered in the name of, CDS or its nominee. All rights of holders of Debentures 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 holder of Debentures holds such Debentures. Each person who acquires Debentures will typically receive only a customer confirmation of purchase from the Underwriter or registered dealer from or through which the Debentures are acquired in accordance with the practices

and procedures of the 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 Debentures. See “*Description of the Debentures — Book-Entry System.*”

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this Prospectus. The TSX has conditionally approved the listing of the Debentures (including the Debentures issuable pursuant to the Over-Allotment Option) and the Common Shares issuable upon the conversion, redemption or maturity of the Debentures (including the Common Shares issuable as a conversion premium in the event of a Cash Change of Control). Listing is subject to the Company fulfilling all of the listing requirements of the TSX on or before January 22, 2014.

Neither the Debentures nor the Common Shares issuable upon conversion, redemption or maturity of the Debentures (collectively, the “**Subject Securities**”), if any, have been or will be registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Subject Securities may not be offered, sold or delivered, directly or indirectly, within the United States, except pursuant to transactions exempt from registration under the U.S. Securities Act and applicable securities laws of any state or other U.S. jurisdiction. Except as permitted in the Underwriting Agreement, the Underwriters may not offer or sell the Debentures in the United States. The Underwriting Agreement permits the Underwriters to offer and resell the Debentures to “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act (“**Rule 144A**”)) in the United States, provided that such offers and sales are made in transactions exempt from the registration requirements of the U.S. Securities Act in accordance with Rule 144A. The Underwriting Agreement also provides that the Underwriters will offer and sell the Debentures outside the United States only in accordance with Regulation S under the U.S. Securities Act. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Subject Securities within the United States.

In addition, until 40 days after the commencement of this Offering, any offer or sale of the Subject Securities in the United States by any dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act.

## **DESCRIPTION OF THE DEBENTURES**

The following is a summary of the material attributes and characteristics of the Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the Indenture (as defined below) to be entered into on the closing of the Offering between the Company and the Debenture Trustee.

### **General**

The Debentures will be issued under the Indenture. The maximum aggregate principal amount of debentures authorized to be issued under the Indenture will be \$107,500,000.

The Debentures will be dated as of the Closing Date and will be issuable only in denominations of \$1,000 and integral multiples thereof. The Initial Maturity Date of the Debentures will be the Termination Date. If the Acquisition Closing occurs prior to a Termination Event, the maturity date of the Debentures will automatically be extended from the Initial Maturity Date to the Final Maturity Date. If the Acquisition Closing does not occur prior to the Termination Date, the Debentures will mature on the Initial Maturity Date. If the Debentures mature on the Initial Maturity Date, holders of the Debentures will receive, on the third business day following the Initial Maturity Date, an amount in lawful money equal to the principal amount thereof plus accrued and unpaid interest thereon.

If the Acquisition Closing occurs prior to the closing of the Offering, on closing of the Offering the Company will deliver to investors Debentures which only reflect the Final Maturity Date, instead of Debentures which reflect the Initial Maturity Date and the Final Maturity Date. In addition, in such a circumstance, the Indenture will not contain any reference to the Initial Maturity Date, Termination Events or any other matters relating to the extendible nature of the Debentures. If, however, the Acquisition Closing occurs after the closing of the Offering, on closing of the Offering the Company will deliver to investors Debentures which reflect the Initial

Maturity Date and the Final Maturity Date. As the Acquisition Closing occurred on October 24, 2013, the Company will deliver to investors Debentures which only reflect the Final Maturity Date.

At the Closing Date, the Debentures will be available for delivery in book-entry only form through the facilities of CDS. Holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures except under certain circumstances described under “— *Book-Entry System*”.

The Debentures will bear interest from the date of issue at a rate of 4.50% per annum, which will be payable in semi-annual payments in arrears on the last day of June and December in each year (or the immediately following business day if any interest payment date would not otherwise be a business day), commencing on December 31, 2013. The first interest payment on the Debentures will include accrued and unpaid interest for the period from, and including, the Closing Date to, but excluding, December 31, 2013.

The principal amount of the Debentures will be payable in lawful money of Canada or, at the option of the Company and subject to applicable regulatory approval and provided no Event of Default has occurred and is continuing, by delivery of freely-tradeable Common Shares to satisfy, in whole or in part, the obligations of the Company to repay the principal amount of the Debentures as further described under “— *Payment upon Redemption or Maturity*”, “— *Redemption and Purchase*” and “— *Change of Control*”. The interest on the Debentures will be payable in lawful money of Canada or, after the Acquisition Closing, at the option of the Company and subject to applicable regulatory approval, by delivering sufficient freely-tradeable Common Shares to the Debenture Trustee to sell for cash proceeds to satisfy the Interest Obligation in accordance with the Indenture as described under “— *Interest Payment Election*”. The Interest Payment Election will not be available for interest payable on or prior to the Initial Maturity Date.

The Debentures will be direct obligations of the Company and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of the Company as described under “— *Rank and Subordination*”. The Indenture will not restrict the Company or its subsidiaries from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging their real and personal property to secure any indebtedness.

The Debentures will be transferable and may be presented for conversion at the principal offices of the Debenture Trustee in Toronto, Ontario.

### **Conversion Privilege**

The Debentures will be convertible at the holder’s option into fully-paid, non-assessable and freely-tradeable Common Shares at any time after the Acquisition Closing and prior to the close of business on the earliest of (i) five business days prior to the Final Maturity Date or (ii) if called for redemption, five business days prior to the date specified by the Company for redemption of the Debentures, at the Conversion Price. The Conversion Price is subject to adjustment in certain circumstances to be set out in the Indenture. See “— *Anti-Dilution Provisions*”. No adjustment will be made for dividends on Common Shares issuable on conversions. Holders converting their Debentures will receive all accrued and unpaid interest to, but excluding, the date of conversion. Holders converting their Debentures shall become shareholders of record of Common Shares immediately after the close of business on the date upon which a Debenture is surrendered, or deemed surrendered in accordance with the provisions of the Indenture. Notwithstanding the foregoing, no Debenture may be converted during the five business days preceding an Interest Payment Date.

No fractional Common Shares will be issued on any conversion of the Debentures but, in lieu thereof, the Company shall satisfy fractional interests by a cash payment equal to the Current Market Price of such fractional interest.

### **Redemption and Purchase**

The Debentures will not be redeemable before December 31, 2016, except in the event of the satisfaction of certain conditions after a Change of Control has occurred as described below under “— *Change of Control*”. On and after December 31, 2016 and prior to December 31, 2017, the Debentures will be redeemable by the Company, in

whole or in part from time to time, at the option of the Company on not more than 60 days' and not less than 30 days' prior written notice, at a price equal to the principal amount of the Debentures plus accrued and unpaid interest to, but excluding, the date of redemption, provided that the Current Market Price on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after December 31, 2017 and prior to the Final Maturity Date, the Debentures will be redeemable by the Company, in whole or in part from time to time, at the option of the Company on not more than 60 days' and not less than 30 days' prior written notice, at a price equal to the principal amount of the Debentures plus accrued and unpaid interest to, but excluding, the date of redemption.

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 Company will have the right to purchase Debentures in the market, by tender or by private contract, subject to regulatory requirements, provided, however, that if an Event of Default (as described under “— *Event of Default*”) has occurred and is continuing, the Company will not have the right to purchase Debentures by private contract.

### **Payment upon Redemption or Maturity**

On redemption or at the applicable maturity date, the Company 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 to, but excluding, the redemption date or applicable maturity date, as the case may be. The Company may, at its option, on not more than 60 days' and not less than 30 days' prior notice and subject to applicable regulatory approval and provided that no Event of Default has occurred and is continuing and certain other conditions are satisfied, elect to satisfy its obligation to pay, in whole or in part, the principal amount of the Debentures that are to be redeemed or that have matured, as the case may be, by issuing freely-tradeable Common Shares to the holders of the Debentures. Any accrued and unpaid interest to, but excluding, the redemption date or Final Maturity Date, as the case may be, on the Debentures which are to be redeemed or which have matured, as the case may be, will be paid in cash. The number of Common Shares 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, as the case may be, by 95% of the Current Market Price on the date fixed for redemption or the Final Maturity Date, as the case may be. The Company will not be entitled to issue Common Shares to satisfy its payment obligations on the Initial Maturity Date.

No fractional Common Shares will be issued upon redemption or maturity of the Debentures but, in lieu thereof, the Company shall satisfy fractional interests by a cash payment equal to the Current Market Price of such fractional interest.

### **Change of Control**

Within 30 days following the occurrence of a Change of Control, the Company will be required to make an Offer to Purchase all of the Debentures at the Offer Price. Holders of Debentures may accept the Offer to Purchase in whole or in part.

If holders of 90% or more in aggregate principal amount of the Debentures outstanding on the date the Company delivers the Offer to Purchase to the Debenture Trustee accept the Offer to Purchase, the Company will have the right to redeem all the remaining Debentures at the Offer Price. Notice of such redemption must be given to the Debenture Trustee within 10 days following the date of purchase, and promptly thereafter, by the Debenture Trustee to the holders of the Debentures not tendered pursuant to the Offer to Purchase.

The Company will comply with the requirements of Canadian securities laws and regulations to the extent such laws and regulations are applicable in connection with the repurchase of the Debentures in the event of a Change of Control.

## Cash Change of Control

In addition to the requirement for the Company to make a Debenture Offer in the event of a Change of Control, if a Change of Control occurs on or before December 31, 2017 in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of: (i) cash (other than cash payments for fractional Common Shares and cash payments made in respect of dissenters' appraisal rights); (ii) equity securities, including trust units, limited partnership units or other participating equity securities of a trust, limited partnership or similar entity, that are not traded or intended to be traded immediately following such transactions on a recognized stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transactions on a recognized stock exchange, then subject to regulatory approvals, during the period beginning ten trading days before the anticipated date on which the Change of Control becomes effective and ending 30 days after the Debenture Offer is delivered, holders of Debentures will be entitled to convert their Debentures, subject to certain limitations, and receive, subject to and upon completion of the Change of Control, in addition to the number of Common Shares they would otherwise be entitled to receive as set out under “— *Conversion Privilege*” above, an additional number of Common Shares per \$1,000 principal amount of Debentures as set out below.

The number of additional Common Shares per \$1,000 principal amount of Debentures constituting the make-whole premium will be determined by reference to the table below and is based on the date on which the Change of Control becomes effective (the “**Effective Date**”) and the price (the “**Stock Price**”) paid per Common Share in the transaction constituting the Change of Control. If holders of Common Shares receive (or are entitled and able in all circumstances to receive), only cash in the transaction, the Stock Price will be the cash amount paid per Common Share. Otherwise, the Stock Price will be equal to the Current Market Price of the Common Shares immediately preceding the Effective Date of such transaction.

The following table shows what the make-whole premium would be for each hypothetical Stock Price and Effective Date set out below, expressed as additional Common Shares per \$1,000 principal amount of Debentures. For greater certainty, the Company will not be obliged to pay the make-whole premium other than by issuance of Common Shares upon conversion subject to the provision relating to adjustment of the Conversion Price in certain circumstances and following the completion of certain types of transactions described under “— *Conversion Privilege*” above.

Stock Price	Effective Date				
	November 5, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
<b>\$39.83</b>	7.250	7.250	7.250	7.250	7.250
<b>\$40.00</b>	7.166	7.143	7.143	7.143	7.143
<b>\$41.00</b>	6.692	6.533	6.533	6.533	6.533
<b>\$42.50</b>	6.040	5.709	5.672	5.672	5.672
<b>\$45.00</b>	5.091	4.729	4.365	4.365	4.365
<b>\$47.50</b>	4.291	3.904	3.512	3.196	3.196
<b>\$50.00</b>	3.615	3.211	2.813	2.426	2.143
<b>\$52.50</b>	3.045	2.628	2.235	1.820	1.220
<b>\$55.00</b>	2.564	2.140	1.760	1.338	0.544
<b>\$60.00</b>	1.816	1.390	1.056	0.669	0.000
<b>\$65.00</b>	1.285	0.869	0.597	0.279	0.000
<b>\$70.00</b>	0.912	0.513	0.307	0.070	0.000
<b>\$75.00</b>	0.651	0.274	0.131	0.000	0.000
<b>\$80.00</b>	0.471	0.121	0.035	0.000	0.000
<b>\$85.00</b>	0.347	0.033	0.002	0.000	0.000
<b>\$90.00</b>	0.262	0.002	0.000	0.000	0.000
<b>\$100.00</b>	0.163	0.000	0.000	0.000	0.000

The actual Stock Price and Effective Date may not be set out in the table, in which case:

- (a) if the actual Stock Price on the Effective Date is between two Stock Prices in the table or the actual Effective Date is between two Effective Dates in the table, the make-whole premium will be determined by a straight line interpolation between the make-whole premiums set out for the two Stock Prices and the two Effective Dates in the table based on a 365-day year, as applicable;

- (b) if the Stock Price on the Effective Date exceeds \$100.00 per Common Share, subject to adjustment as described below, the make-whole premium will be zero; and
- (c) if the Stock Price on the Effective Date is less than \$39.83 per Common Share, subject to adjustment as described below, the make-whole premium will be zero.

The Stock Prices set out in the table above will be adjusted as of any date on which the Conversion Price of the Debentures is adjusted. The adjusted Stock Prices will equal the Stock Prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Price as so adjusted and the denominator of which is the Conversion Price immediately prior to the adjustment giving rise to the Stock Price adjustment. The number of additional Common Shares set out in the table above will be adjusted in the same manner as the Conversion Price as set out above under “— *Conversion Privilege*”, other than by operation of an adjustment to the Conversion Price by adding the make-whole premium as described above. Holders of the Debentures will not be entitled to a make-whole premium in connection with any Cash Change of Control occurring after December 31, 2017.

### **Interest Payment Election**

Unless an Event of Default has occurred and is continuing, the Company may elect (an “**Interest Payment Election**”), at any time and from time to time, subject to applicable regulatory approval, to satisfy all or part of the Interest Obligation on an Interest Payment Date after the Acquisition Closing (i) in cash; (ii) by delivering Common Shares to the Debenture Trustee, for sale, to satisfy the interest obligations in accordance with the Indenture, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares or (iii) any combination of (i) and (ii) above. The Indenture will provide that, upon such election, the Debenture Trustee shall: (i) receive delivery of Common Shares from the Company; (ii) accept bids with respect to, and facilitate settlement of sales of, such Common Shares, each as the Company shall direct in its absolute discretion, through the investment banks, brokers or dealers identified by the Company in the notice to elect to satisfy all or any part of the Interest Obligation by delivering Common Shares to the Debenture Trustee; (iii) invest the proceeds of such sales on direction of the Company in short-term permitted government securities (to be 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 Common Shares not invested as aforesaid, to satisfy such Interest Obligation and (iv) subject to the prior consent of the Company, perform any other action necessarily incidental thereto.

Neither the Company’s making of an election to satisfy all or part of the Interest Obligation on an Interest Payment Date by delivering sufficient Common Shares to the Debenture Trustee, nor the facilitation of settlement of Common Shares will: (i) 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 (ii) entitle such holders to receive any Common Shares in satisfaction of the Interest Obligation. The Interest Payment Election will not be available for interest payable on or prior to the Initial Maturity Date.

### **Anti-Dilution Provisions**

Subject to the provisions thereof, the Indenture will provide for the adjustment of the Conversion Price in certain events including: (i) the subdivision or consolidation of the outstanding Common Shares; (ii) the issuance of Common Shares or securities convertible into or exchangeable for Common Shares to all or substantially all holders of Common Shares by way of a dividend or distribution or otherwise, other than an issue of Common Shares or securities convertible into or exchangeable for Common Shares by way of dividends paid in the ordinary course, provided such ordinary course dividends are no greater than \$0.12 per Common Share per calendar month; (iii) the issuance of options, rights or warrants to all or substantially all holders of Common Shares entitling them to acquire Common Shares or other securities convertible into or exchangeable for Common Shares at less than 95% of the then Current Market Price of the Common Shares and (iv) the distribution to all or substantially all holders of Common Shares of certain other securities or assets (including cash or debt securities) otherwise than by way of dividends paid in the ordinary course, provided such ordinary course dividends are no greater than \$0.12 per Common Share per calendar month. There will be no adjustment of the Conversion Price in respect of any event described in (ii), (iii) or (iv) 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. No adjustment will be made to the

Conversion Price upon the issuance from time to time of Common Shares pursuant to the Company's existing or future stock option plan, long-term incentive plan, deferred share unit plan, share purchase plan or any dividend reinvestment plan, or any similar plan, if any, as such plans may be amended or replaced from time to time. The Company 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 Common Shares or in the case of any consolidation, amalgamation, arrangement or merger of the Company with or into any other entity, or in the case of any sale or conveyance of the properties and assets of the Company as or substantially as an entirety to any other entity as a result of which the holders of Common Shares are entitled to receive shares, other securities or other property, or a liquidation, dissolution or winding-up of the Company, 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 and shall accept in lieu of Common Shares, the kind and amount of securities or property which the holder thereof would have been entitled to receive if, on the effective date thereof, it had been the holder of the number of Common Shares into which the Debenture was convertible on the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale, conveyance, liquidation, dissolution or winding-up ("**Substitute Property**"). Following any such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution or winding-up, any reference to "Common Shares" under the headings "*— Payment upon Redemption or Maturity*", "*— Change of Control*" or "*— Interest Payment Election*" shall be deemed to be a reference to Substitute Property.

Notwithstanding the foregoing, if holders of Debentures would otherwise be entitled to receive, upon conversion of the Debentures, any Substitute Property that would not constitute "prescribed securities" for the purposes of clause 212(1)(b)(vii)(E) of the Tax Act as it applied on December 31, 2007 ("**ineligible consideration**"), such holders shall not be entitled to receive such ineligible consideration but the Company or the successor or acquirer, as the case may be, shall have the right (at the sole option of the Company or the successor or acquirer, as the case may be) to deliver either such ineligible consideration or "prescribed securities" for the purposes of clause 212(1)(b)(vii)(E) of the Tax Act as it applied on December 31, 2007 with a market value (as conclusively determined by the board of directors of the Company) equal to the market value of such ineligible consideration. In general, prescribed securities would include the Common Shares and other shares which are not redeemable by the holder within five years of the date of issuance of the Debentures. Because of this, certain transactions may result in the Debentures being convertible into prescribed securities that are highly illiquid. This could have a material adverse effect on the value of the Debentures.

Subject to compliance with the terms of the Indenture and applicable law, no consent of holders of the Debentures will be required in connection with a reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale, conveyance, liquidation, dissolution or winding-up of the Company and the holders of the Debentures will have no voting or other approval rights with respect to any such transaction.

### **Cancellation**

All Debentures converted, redeemed or purchased as aforesaid will be cancelled and may not be reissued or resold.

### **Rank and Subordination**

The Debentures will be direct, subordinated, unsecured obligations of the Company and will rank equally with one another and subordinate to all liabilities of the Company (including all trade debt), except liabilities which by their terms rank in right of payment equally with or subordinate to the Debentures, will rank *pari passu* to all future unsecured subordinated debentures issued by the Company. The Indenture setting out the terms of the Debentures will not restrict the Company or its subsidiaries from incurring additional indebtedness or from mortgaging, pledging or charging its properties to secure any indebtedness or liabilities.

The payment of the principal of, premium, if any, and interest on, the Debentures will be subordinated in right of payment in the circumstances referred to below and more particularly, to be set forth in the Indenture, to the

prior payment in full of all Senior Indebtedness. “**Senior Indebtedness**” of the Company will be defined in the Indenture as the principal of and premium, if any, and interest on and other amounts payable in respect of all indebtedness (including any indebtedness to trade creditors) of the Company (whether outstanding as at the date of the Indenture or thereafter created, incurred, assumed or guaranteed), other than all other existing and future indebtedness of the Company which, by the terms of the instrument creating or evidencing such other existing and future indebtedness, is expressed to be *pari passu* with, or subordinate in the right of payment to, the Debentures or other indebtedness ranking *pari passu* with the Debentures.

The Indenture will provide that in the event of any dissolution, winding-up, liquidation, bankruptcy, insolvency, receivership, creditor enforcement or realization or other similar proceedings relating to the Company or any of its property, or any marshalling of the assets and liabilities of the Company, then holders of Senior Indebtedness 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 will provide that the Company will not make any payment, and the holders of the Debentures will not be entitled to demand, accelerate, institute proceedings for the collection of, or receive any payment or benefit (including without limitation by set-off, combination of accounts or otherwise in any manner whatsoever) on account of the Debentures if a default or event of default with respect to or under any Senior Indebtedness permitting acceleration of the same has occurred and is continuing.

The Debentures will also be effectively subordinate to claims of creditors (including trade creditors) of the Company’s subsidiaries except to the extent the Company is a creditor of such subsidiaries ranking at least *pari passu* with such creditors of the Company’s subsidiaries.

#### **Modification**

The rights of the holders of the Debentures 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 Extraordinary Resolutions binding on all holders of Debentures. Under the Indenture, the Debenture Trustee will have the right to make certain amendments to the Indenture in its discretion, without the consent of the holders of Debentures.

#### **Events of Default**

The Indenture will provide that an Event of Default in respect of the Debentures will occur if any one or more of the following described events has occurred with respect to the Debentures: (i) failure for 30 days to pay interest on the Debentures when due; (ii) failure to pay the principal or premium, if any, on the Debentures when due, whether at the maturity date, upon redemption, by declaration or otherwise and the continuance of such default for 30 days; (iii) material default in performing or observing any of the other covenants, agreements or obligations of the Company to be described in the Indenture and the continuance of such default for 60 days after the date on which the written notice of such default has been given to the Company by the Debenture Trustee or the holders of Debentures holding not less than 25% in principal amount of the outstanding Debentures and (iv) certain events of bankruptcy, insolvency or reorganization of the Company under bankruptcy or insolvency laws. 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 the Debentures then outstanding under the Indenture, declare the principal amount of, premium, if any, and interest on all Debentures then outstanding under the Indenture to be immediately due and payable. Certain Events of Default may be waived by written direction of the holders of at least 50% of the principal amount of the outstanding Debentures, by Extraordinary Resolution or by the Debenture Trustee in certain circumstances in accordance with the terms of the Indenture.

No holder of Debentures will have any right to pursue any remedy (including any action, suit or proceeding authorized or permitted by the Indenture or pursuant to applicable law) with respect to the Indenture or the Debentures unless: (i) the holder gives to the Debenture Trustee notice of a continuing Event of Default; (ii) the holders holding at least 25% in principal amount of outstanding Debentures make a request in writing to the Debenture Trustee to pursue the remedy; (iii) such holder or holders offer or provide to the Debenture Trustee security and indemnity in form satisfactory to the Debenture Trustee against any loss, liability or expense; (iv) the Debenture Trustee does not comply with the request within 30 days after receipt of such request and indemnity; and

(v) during such 30 day period the holders holding a majority in principal amount of outstanding Debentures do not give the Debenture Trustee any direction inconsistent with the request.

### **Compulsory Acquisition of Debentures**

The Indenture will contain provisions to the effect that if an offer is made for all the Debentures other than Debentures held by or on behalf of the offeror or an affiliate or associate of the offeror and not less than 90% of the Debentures (other than Debentures held 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.

### **Satisfaction and Discharge**

The Company may satisfy and discharge the Company's obligations under the Indenture in certain circumstances, including by delivering to the Debenture Trustee for cancellation all outstanding Debentures and/or by depositing with the Debenture Trustee, or the paying agent, if applicable, funds or property (including Common Shares (as applicable under the terms of the Indenture)) sufficient for, among other things, the payment of (i) the expenses of the Debenture Trustee under the Indenture and (ii) all principal, premium (if any), interest and other amounts due or to become due in respect of the Debentures.

### **Book-Entry System**

Debentures will be issued in the form of Global Debentures held by, or on behalf of, CDS as custodian for its participants. All Debentures will be represented in the form of Global Debentures registered in the name of CDS or its nominee. Purchasers of Debentures represented by Global Debentures will not receive Debentures in definitive form. Rather, the Debentures will be represented only in "book-entry only" form (unless the Company, in its sole discretion, elects to prepare and deliver Definitive Debentures). Beneficial interests in the Global Debentures, constituting ownership of the Debentures, will be represented through book-entry accounts of institutions (including the Underwriters) acting on behalf of beneficial owners, as direct and indirect participants of CDS. Each purchaser of a Debenture represented by a Global Debenture will typically receive a customer confirmation of purchase from the Underwriter or Underwriters from whom the Debenture is purchased in accordance with the practices and procedures of the selling Underwriter or Underwriters. The practices of the Underwriters may vary but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its participants having interests in Global Debentures.

All interests in the Debentures will be subject to the operations and procedures of CDS. The operations and procedures of each settlement system may be changed at any time. The Company is not responsible for those operations and procedures.

If: (i) the Company is required to do so by law; (ii) the "book-entry only" system ceases to exist; (iii) CDS notifies the Company that it is unwilling or unable to continue as depository in connection with the Global Debentures; (iv) at any time CDS ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the Company is unable to locate a qualified successor; (v) the Company elects, in its sole discretion, to terminate the book-entry only system for the Debentures; or (vi) in certain circumstances where an Event of Default has occurred, beneficial owners of Debentures represented by Global Debentures at such time will receive Definitive Debentures.

Neither the Company, the Debenture Trustee or the Underwriters will have any responsibility or obligation to participants, or the persons for whom they act as nominees, with respect to (i) the accuracy of the records of CDS, its nominee, or any participant, regarding any ownership interest in the securities or (ii) any payments, or the providing of notice, to participants or beneficial owners.

### **Transfer and Exchange of Debentures**

Transfers of beneficial ownership in Debentures represented by Global Debentures will be effected through records maintained by CDS for such Global Debentures or its nominees (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Unless the Company

elects, in its sole discretion, to prepare and deliver Definitive Debentures, beneficial owners who are not participants in CDS's book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Debentures, may do so only through participants in CDS's book-entry system.

The ability of a beneficial owner of an interest in a Debenture represented by a Global Debenture to pledge the Debenture or otherwise take action with respect to such owner's interest in a Debenture represented by a Global Debenture (other than through a participant) may be limited due to the lack of a physical certificate.

If Definitive Debentures are used instead of or in place of Global Debentures, registered holders of Definitive Debentures may transfer such Debentures upon payment of certain charges incidental thereto, if any, by executing and delivering a form of transfer together with the Debentures to the registrar for the Debentures at its principal offices in Toronto, Ontario or such other city or cities as may from time to time be designated by the Company whereupon new Debentures will be issued in authorized denominations in the same aggregate principal amount as the Debentures so transferred, registered in the names of the transferees.

## **Payments**

Payments of interest and principal on each Global Debenture will be made to CDS or its nominee, as the case may be, as the registered holder of the Global Debenture. As long as CDS or its nominee is the registered owner of a Global Debenture, CDS or its nominee, as the case may be, will be considered the sole legal owner of such Global Debenture for the purposes of receiving payments of interest and principal on the Debentures and for all other purposes under the Indenture and the Debentures. Interest payments on Global Debentures will be made by electronic funds transfer or other means acceptable to the Debenture Trustee prior to the day interest is payable and will be delivered to CDS or its nominee, as the case may be.

The Company understands that CDS or its nominee, upon receipt of any payment of interest or principal in respect of a Global Debenture, will credit participants' accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Global Debenture as shown on the records of CDS or its nominee. The Company also understands that payments of interest and principal by participants to the owners of beneficial interests in such Global Debenture held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such participants. The Company's responsibility and liability in respect of payments on Debentures represented by the Global Debenture is limited solely and exclusively, while the Debentures are registered in Global Debenture form, to making payment of any interest and principal due on such Global Debenture to CDS or its nominee.

If Definitive Debentures are issued instead of or in place of Global Debentures, payments of interest on each Definitive Debenture will be made by electronic funds transfer, cheque or other means acceptable to the Debenture Trustee at least three business days (a business day for this purpose being a day, other than a Saturday, Sunday or statutory holiday, on which Canadian chartered banks are open for business in Toronto, Ontario) preceding the applicable Interest Payment Date. The Debenture Trustee will forward such payments to the address of the holders appearing in the register maintained by the registrar for the Debentures at the close of business on the fifth business day prior to the Interest Payment Date. Payment of principal at maturity will be made at the principal office of the Debenture Trustee in the City of Toronto, Ontario (or in such other city or cities as may from time to time be designated by the Company) against surrender of the Definitive Debentures, if any. If the due date for payment of any amount of principal or interest on any Definitive Debenture is not, at the place of payment, a business day such payment will be made on the next business day and the holder of such Definitive Debenture shall not be entitled to any further interest or other payment in respect of such delay.

The Company or the Debenture Trustee will make any withholdings or deductions from all payments on the Debentures in respect of taxes required by law or by the interpretation or administration thereof and will remit the full amount withheld or deducted to the relevant taxing authority in accordance with applicable law.

## **Governing Law**

Each of the Indenture and the Debentures will be governed by, and construed in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein.

## DESCRIPTION OF THE COMMON SHARES

The Company is authorized to issue an unlimited number of Common Shares of which 62,852,580 are issued and outstanding as at the date hereof. Holders of Common Shares are entitled to one vote per share at meetings of shareholders of the Company, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series.

Subject to the preferences accorded to holders of preferred shares and any other shares ranking senior to the Common Shares with respect to the payment of dividends, holders of Common Shares are entitled to receive, if, as and when declared by the Board, such dividends as may be declared thereon by the Board from time to time in equal amounts per share on the Common Shares at the time outstanding.

In the event of the dissolution, liquidation or winding-up of the Company, whether voluntary or involuntary, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs (a “**Distribution**”), subject to the prior rights of the holders of any preferred shares and any other shares of the Company ranking senior to the Common Shares with respect to priority in a Distribution, holders of Common Shares are entitled to receive the remaining property of the Company.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP, counsel to the Company, and Torys LLP, counsel to the Underwriters, the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a holder (i) who acquires the Debentures pursuant to this Offering, (ii) who, for purposes of the Tax Act and at all relevant times, holds the Debentures, and will hold the Common Shares issuable on the conversion, redemption or maturity of the Debentures, as capital property, and (iii) who deals at arm’s length with the Company and the Underwriters and is not affiliated with the Company or the Underwriters. Generally, Debentures and Common Shares will be considered to be capital property to a holder provided the holder does not hold the Debentures or Common Shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain holders who are residents of Canada and who might not otherwise be considered to hold their Debentures or Common Shares as capital property may, in certain circumstances, be entitled to have the Debentures and Common Shares, and all other “Canadian securities” (as defined in the Tax Act) owned by such holders, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Canadian resident holders should consult their own tax advisors regarding this election.

This summary is not applicable to (i) a holder that is a “financial institution” (as defined in the Tax Act for the purposes of the mark-to-market rules), (ii) a holder an interest in which would be a “tax shelter investment” (as defined in the Tax Act), (iii) a holder that is a “specified financial institution” (as defined in the Tax Act) or (iv) a holder that has elected to report its “Canadian tax results” (as defined in the Tax Act) in a currency other than Canadian currency. In addition, this summary does not address the deductibility of interest by a holder of Debentures or Common Shares on funds borrowed or debt incurred to acquire the Debentures. Any such holder should consult its own tax advisor with respect to an investment in Debentures.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”) and counsel’s understanding of the current published administrative and assessing policies and practices of the CRA. This summary assumes the Proposed Amendments will be enacted in the form proposed, however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law, 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.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder or prospective holder of Debentures, and no representations with respect to the income tax consequences to any holder or prospective holder are made. Consequently, holders and prospective holders of Debentures should consult their own tax advisors for advice with respect to the tax**

**consequences to them of acquiring Debentures pursuant to this Offering, having regard to their particular circumstances.**

### **Holders Resident in Canada**

The following discussion applies to a holder of Debentures who, at all relevant times, for purposes of the Tax Act, is or is deemed to be resident in Canada (a “**Canadian Holder**”).

This summary does not apply to a Canadian Holder that is a corporation resident in Canada that is, or becomes, controlled by a non-resident corporation and for whom a non-resident subsidiary of the Company is, or becomes, a “foreign affiliate” (as defined in the Tax Act) of the Canadian Holder. Such Canadian Holders should consult their own tax advisors.

### **Taxation of Holders of Debentures**

#### *Taxation of Interest on Debentures*

A Canadian 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 (i) that accrues or that is deemed to accrue to it to the end of the particular taxation year, or (ii) that has become receivable by or is received by the Canadian Holder before the end of that taxation year, except to the extent that such interest was included in computing the Canadian Holder’s income for a preceding taxation year.

Any other Canadian Holder, including an individual, will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the Canadian Holder in that taxation year (depending upon the method regularly followed by the Canadian Holder in computing income), except to the extent that the interest was included in the Canadian 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 Canadian Holder, such Canadian Holder will be required to include in computing income for a taxation year any interest that accrues to the Canadian Holder on the Debenture up to the end of any “anniversary day” (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in the Canadian Holder’s income for that year or a preceding taxation year.

A Canadian Holder of Debentures that throughout the relevant taxation year is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay the refundable tax of 6<sup>2/3</sup>% on its “aggregate investment income”, which is defined in the Tax Act to include interest income.

As described in this short form prospectus under the heading “*Description of the Debentures — Interest Payment Election*”, the Company may, subject to certain conditions, elect to pay interest by issuing Common Shares to the Debenture Trustee for sale, in which event a Canadian Holder would be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares. If the Company were to pay interest in this manner, the Canadian federal income tax consequences to a Canadian Holder would generally be the same as those described above.

#### *Exercise of the Conversion Privilege*

Generally, a Canadian Holder that converts a Debenture into Common Shares pursuant to its right of conversion under the terms of the Debenture and only receives Common Shares upon such conversion (other than cash delivered in lieu of a fraction of a Common Share) will be deemed not to have disposed of the Debenture and, accordingly, will not be considered to realize a capital gain (or capital loss) upon such conversion.

Under the current administrative practice of the CRA, a Canadian Holder who, upon conversion of a Debenture, receives cash not in excess of \$200 in lieu of a fraction of a Common Share may either treat this amount as proceeds of disposition of a portion of the Debenture, thereby realizing a capital gain (or capital loss), or reduce the adjusted cost base of the Common Shares that the Canadian Holder receives upon conversion by the amount of the cash received.

The aggregate cost to a Canadian Holder of the Common Shares acquired upon conversion of a Debenture will generally be equal to the aggregate of the adjusted cost base to the Canadian Holder of the Debenture immediately before the conversion, minus any reduction of adjusted cost base for fractional shares discussed above. The adjusted cost base to a Canadian Holder of Common Shares at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Canadian Holder as capital property at such time.

Upon conversion of a Debenture, interest accrued thereon will be included in computing the income of the Canadian Holder as described above under “*Holders Resident in Canada — Taxation of Holders of Debentures — Taxation of Interest on Debentures*”.

#### ***Other Disposition of Debentures***

A disposition or deemed disposition of a Debenture by a Canadian Holder, including a redemption, payment on maturity or purchase for cancellation (but not including by the conversion of a Debenture solely into Common Shares pursuant to the Canadian Holder’s conversion privilege as described under “*Description of the Debentures — Conversion Privilege*”), will generally result in the Canadian Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition, net of any amount otherwise required to be included in the Canadian Holder’s income as interest, exceeds (or is less than) the aggregate of the adjusted cost base to the Canadian Holder thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under “*Holders Resident in Canada — Taxation of Holders of Common Shares — Taxation of Capital Gains and Capital Losses*”.

If the Company pays any amount upon the redemption, purchase or maturity of a Debenture by issuing Common Shares to the Canadian Holder (but not including by the conversion of a Debenture solely into Common Shares pursuant to the Canadian Holder’s conversion privilege as described above), the Canadian Holder’s proceeds of disposition of the Debenture will be equal to the fair market value, at the time of disposition of the Debenture, of the Common Shares and any other consideration so received (except consideration received in satisfaction of accrued interest). The cost base to the Canadian Holder of the Common Shares so received will be equal to the fair market value of such Common Shares. The adjusted cost base to a Canadian Holder of Common Shares at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Canadian Holder as capital property at such time.

Upon a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition will be included in computing the income of the Canadian Holder as described above under “*Holders Resident in Canada — Taxation of Holders of Debentures — Taxation of Interest on Debentures*”, and will be excluded in computing the Canadian Holder’s proceeds of disposition of the Debenture.

### **Taxation of Holders of Common Shares**

#### ***Disposition of Common Shares***

A disposition or a deemed disposition of a Common Share by a Canadian Holder (except to the Company) will generally result in the Canadian Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Common Share exceeds (or are less than) the aggregate of the adjusted cost base to the Canadian Holder thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under “*Holders Resident in Canada — Taxation of Holders of Common Shares — Taxation of Capital Gains and Capital Losses*”.

#### ***Taxation of Capital Gains and Capital Losses***

Generally, one-half of any capital gain (a “**taxable capital gain**”) realized by a Canadian Holder in a taxation year must be included in the Canadian Holder’s income for the year, and one-half of any capital loss (an “**allowable capital loss**”) realized by a Canadian Holder in a taxation year must be deducted from taxable capital gains realized by the Canadian Holder in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three preceding taxation years

or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Canadian Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of dividends received or deemed to be received by it on such Common Share (or on a share for which the Common Share has been substituted) to the extent and under the circumstances described by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or a trust.

A Canadian Holder that is, throughout the relevant taxation year, a Canadian-controlled private corporation may be liable to pay the refundable tax on its “aggregate investment income”, which is defined in the Tax Act to include taxable capital gains.

Capital gains realized by an individual (including certain trusts) may give rise to liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act. Canadian Holders who are individuals should consult their own tax advisors in this regard.

### ***Receipt of Dividends on Common Shares***

Dividends received or deemed to be received on Common Shares held by a Canadian Holder will be included in the Canadian Holder’s income for the purposes of the Tax Act.

Such dividends received by a Canadian Holder that is an individual (other than certain trusts) will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit in respect of dividends designated by the Company as “eligible dividends”. There may be limitations on the ability of the Company to designate dividends as “eligible dividends”.

Taxable dividends received by a Canadian Holder who is an individual (other than certain trusts) may result in such Canadian Holder being liable for alternative minimum tax under the Tax Act. Canadian Holders who are individuals should consult their own tax advisors in this regard.

A Canadian Holder that is a corporation will include such dividends in computing its income and generally will be entitled to deduct the amount of such dividends in computing its taxable income. A Canadian Holder that is a “private corporation” or “subject corporation” (as such terms are defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax of 33<sup>1</sup>/<sub>3</sub>% of dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing the Canadian Holder’s taxable income.

## **Holders Not Resident in Canada**

The following summary applies to a holder of Debentures who, at all relevant times, for purposes of the Tax Act, (i) is neither resident nor deemed to be resident in Canada, (ii) does not, and is not deemed to, use or hold Debentures, in carrying on a business in Canada and (iii) deals at arm’s length with any transferee that is resident in Canada and to whom the holder disposes of a Debenture (a “**Non-Canadian Holder**”). In addition, this discussion does not apply to: (i) an insurer who carries on an insurance business in Canada and elsewhere; or (ii) a Non-Canadian Holder that is, or does not deal at arm’s length with, a “specified shareholder” (as defined in subsection 18(5) of the Tax Act) of the Company. This summary assumes that no interest paid on the Debentures will be in respect of a debt or other obligation to pay an amount to a person with whom the Company does not deal at arm’s length for the purpose of the Tax Act.

## **Taxation of Holders of Debentures**

### ***Taxation of Interest on Debentures***

A Non-Canadian Holder will generally not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Company as, on account or in lieu of payment of, or

in satisfaction of, interest or principal on the Debentures, except as described below. See “*Risk Factors — Withholding Tax*”.

### ***Exercise of the Conversion Privilege***

Generally, a Non-Canadian Holder that converts a Debenture into Common Shares pursuant to its right of conversion under the terms of the Debenture and only receives Common Shares on such conversion (other than cash delivered in lieu of a fraction of a Common Share), will be deemed not to have disposed of the Debenture and, accordingly, will not be considered to realize a capital gain (or capital loss) upon such conversion. See “*Risk Factors — Withholding Tax*”.

Upon conversion of a Debenture, interest accrued thereon to the date of conversion will be subject to the Canadian federal tax considerations described above under “*Holdings Not Resident in Canada — Taxation of holders of Debentures — Taxation of Interest on Debentures*”.

### ***Other Disposition of Debentures***

On the disposition or deemed disposition of a Debenture (otherwise than on the conversion of a Debenture solely into Common Shares pursuant to the Non-Canadian Holder’s Conversion Privilege as described above), a Non-Canadian Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Canadian Holder, unless the Debenture constitutes “taxable Canadian property” (as defined in the Tax Act) of the Non-Canadian Holder at the time of disposition and the holder is not entitled to relief under an applicable income convention.

As long as the Common Shares are then listed on a designated stock exchange (which currently includes the TSX), the Debentures will generally not constitute taxable Canadian property of a Non-Canadian Holder, unless at any time during the 60-month period immediately preceding the disposition of the Debentures: (i) (a) the Non-Canadian Holder, (b) persons with whom the Non-Canadian Holder did not deal at arm’s length, (c) pursuant to certain Proposed Amendments, partnerships in which the Non-Canadian Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships, or (d) the Non-Canadian Holder together with such persons or partnerships, owned 25% or more of the issued shares of any class of the capital stock of the Company, and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of: (a) real or immovable property situated in Canada; (b) “Canadian resource property” (as defined in the Tax Act); (c) “timber resource property” (as defined in the Tax Act) and (d) options in respect of, or interests in or for civil law rights in, property described in (a) to (c) (the “**TCP Conditions**”). A Non-Canadian Holder contemplating a disposition of Debentures that may constitute taxable Canadian property should consult a tax advisor prior to such disposition.

## **Taxation of Holders of Common Shares**

### ***Disposition of Common Shares***

A Non-Canadian Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Canadian Holder on a disposition of a Common Share issuable pursuant to the terms of the Debentures, unless the Common Shares constitute taxable Canadian property of the Non-Canadian Holder at the time of disposition and the Non-Canadian Holder is not entitled to relief under an applicable income tax convention.

As long as the Common Shares are then listed on a designated stock exchange (which currently includes the TSX), Common Shares generally will not constitute taxable Canadian property of a Non-Canadian Holder, unless at any time during the 60-month period immediately preceding the disposition of the Common Shares the TCP Conditions are met. **A Non-Canadian Holder contemplating a disposition of Common Shares that may constitute taxable Canadian property should consult a tax advisor prior to such disposition.**

### ***Receipt of Dividends on Common Shares***

Any dividends paid or credited, or deemed to be paid or credited, on the Common Shares to a Non-Canadian Holder will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend

unless the rate is reduced under the provisions of an applicable income tax convention between Canada and the Non-Canadian Holder's country of residence. For instance, where the Non-Canadian Holder is a resident of the United States that is entitled to full benefits under the Canada-United States Income Tax Convention (1980), as amended, and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%.

## **RISK FACTORS**

An investment in the Debentures is subject to certain risks. Before deciding whether to invest in the Debentures, investors should consider carefully the risks relating to the Company set forth below and in the information incorporated by reference in this Prospectus. Specific reference is made to the section entitled "Risk Factors" in the AIF and to the sections entitled "Risk Management" in the Company's management's discussion and analysis of financial results for the year ended December 31, 2012 and in the Q2 MD&A, respectively, which documents are incorporated by reference in this Prospectus.

### **Risks Relating to the Debentures**

#### ***No Prior Public Market for the Debentures***

There is currently no market through which the Debentures may be sold and purchasers of Debentures may not be able to resell Debentures purchased under this Prospectus. This may affect the trading prices of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of Debentures, and the extent of issuer regulation. There can be no assurance that an active trading market will develop for the Debentures after the Offering or, if developed, that such market will be sustained. If an active market for the Debentures fails to develop or be sustained, the prices at which the Debentures trade may be adversely affected. The trading prices of the Debentures will depend on many factors, including liquidity of the Debentures, prevailing interest rates, the markets for similar securities, the market price of the Common Shares, general economic conditions and Cineplex's financial condition, financial performance and future prospects.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have a material adverse effect on the market price of the Debentures.

#### ***Credit Risk and Prior Ranking Indebtedness; Absence of Covenant Protection***

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial health of the Company and its creditworthiness. In addition, the Debentures are unsecured obligations of the Company and are subordinate in right of payment to all the Company's future Senior Indebtedness. Therefore, if the Company becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the Company's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its Senior Indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding. The Debentures are also effectively and structurally subordinate to claims of creditors (including trade creditors) of the Company's subsidiaries. The Indenture does not prohibit or limit the ability of the Company or its subsidiaries to incur additional debt or liabilities (including Senior Indebtedness) or to make distributions on the Common Shares. The Indenture will not contain any provision specifically intended to protect holders of Debentures in the event of a future leveraged transaction involving the Company.

#### ***Change of Control***

The Company will be required to offer to purchase all outstanding Debentures within 30 days following the occurrence of a Change of Control. However, it is possible that following a Change of Control, the Company will not have sufficient funds at that time to make the required purchase of outstanding Debentures or that restrictions contained in other indebtedness will restrict those purchases. The Company's failure to purchase the Debentures would constitute an Event of Default under the Indenture, which might constitute a default under the terms of the Company's other indebtedness, if any, at that time. See "*Description of the Debentures — Change of Control*".

If a holder of Debentures converts its Debentures in connection with a Cash Change of Control, the Company may, in certain circumstances, be required to increase the conversion rate as described under “*Description of the Debentures — Cash Change of Control*”. While the increased conversion rate is designed to compensate a holder of Debentures for the lost option time value of its Debentures as a result of a Cash Change of Control in certain circumstances, the increased conversion rate amount is only an approximation of such lost value and may not adequately compensate the holder for such loss.

#### ***Redemption Prior to Final Maturity Date***

The Debentures may be redeemed, at the option of the Company, on and after December 31, 2016 and prior to December 31, 2017, in whole or in part from time to time, provided that the Current Market Price on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after December 31, 2017 and prior to the Final Maturity Date, the Debentures may be redeemed, in whole or in part from time to time, at the option of the Company. Holders of Debentures should assume that this redemption option will be exercised if the Company is able to refinance at a lower interest rate or it is otherwise in the interest of the Company to redeem the Debentures.

#### ***Conversion Following Certain Transactions***

In the case of certain transactions, each Debenture may: (i) become convertible into the securities, cash or property receivable by a holder of Common Shares based on the number of Common Shares into which the Debenture was convertible immediately prior to the transaction; or (ii) become convertible into certain prescribed securities with limited liquidity. These changes could substantially reduce or eliminate the value of the conversion privilege associated with the Debentures in the future and result in the receipt of illiquid securities and thereby have a material adverse effect on the value of the Debentures. See “*Description of the Debentures — Anti-Dilution Provisions*”.

#### ***Prevailing Yields on Similar Securities***

Prevailing yields on similar securities will affect the market value of the Debentures. Assuming all other factors remain unchanged, the market value of the Debentures will decline as prevailing yields for similar securities rise, and will likely increase as prevailing yields for similar securities decline.

#### ***Possible Dilutive Effects on Holders of Common Shares***

The Company may determine to redeem outstanding Debentures for Common Shares or to repay outstanding principal amounts and interest owing thereunder at the Final Maturity Date of the Debentures by issuing additional Common Shares. Accordingly, holders of Common Shares may suffer dilution.

#### ***Investment Eligibility***

The Company will endeavour to ensure that the Debentures and the Common Shares continue to be qualified investments under the Tax Act for trusts governed by RRSPs, registered education savings plans, RRIFs, deferred profit sharing plans (except, in the case of the Debentures, a deferred profit sharing plan to which the Company, or an employer that does not deal at arm’s length with the Company, has made a contribution), registered disability savings plans and TFSAs, although there is no assurance that the conditions prescribed for such qualified investments will be adhered to at any particular time. The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments.

#### ***Shareholder Rights***

Holders of Debentures will not be entitled to any rights with respect to the Common Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Common Shares, other than extraordinary dividends that the Board of Directors designates as payable to the holders of the Debentures), but if a holder of Debentures subsequently converts its Debentures into Common Shares, such holder will be subject to all changes affecting the Common Shares. Rights with respect to the Common Shares will arise only if and when the Company delivers Common Shares upon conversion of a Debenture and, to a limited extent,

under the conversion rate adjustments applicable to the Debentures. For example, in the event that an amendment is proposed to the Company's constituting documents requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of Common Shares to a holder, such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes in the powers or rights of Common Shares that result from such amendment.

### ***Book-Entry System***

Unless and until certificated Debentures are issued in exchange for book-entry interests in the Debentures, owners of the book-entry interests will not be considered owners or holders of Debentures. Instead, the depository or its nominee will be the sole holder of the Debentures. Payments of principal, interest and other amounts owing on or in respect of the Debentures in global form will be made to the paying agent, which will make payments to CDS. Thereafter, such payments will be credited to CDS participants' accounts that hold book-entry interests in the notes in global form and credited by such participants to indirect participants. Unlike holders of the Debentures themselves, owners of book-entry interests will not have the direct right to act upon the Company's solicitations for consents or requests for waivers or other actions from holders of the Debentures. Instead, holders of beneficial interests in the Debentures will be permitted to act only to the extent such holders have received appropriate proxies to do so from CDS or, if applicable, a participant. There is no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of beneficial interests in the Debentures to vote on any requested actions on a timely basis.

### ***Withholding Tax***

Effective January 1, 2008, the Tax Act was amended to generally eliminate withholding tax on interest paid or credited to non-residents of Canada with whom the payor deals at arm's length. However, Canadian withholding tax continues to apply to payments of "participating debt interest" (as defined in the Tax Act). For purposes of the Tax Act, participating debt interest is generally interest that is paid or payable on an obligation where all or any portion of such interest is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any similar criterion.

Under the Tax Act, when a debenture or other debt obligation issued by a person resident in Canada is assigned or otherwise transferred by a non-resident person to a person resident in Canada (which would include a conversion of the obligation or payment on maturity), the amount, if any, by which the price for which the obligation was assigned or transferred exceeds the price for which the obligation was issued is deemed to be a payment of interest on that obligation made by the person resident in Canada to the non-resident (an "Excess"). In certain circumstances, the Excess may be treated by the CRA as "participating debt interest". The deeming rule does not apply in respect of certain "excluded obligations". The Debentures are intended to qualify as "excluded obligations".

In the event that the CRA takes the position that the deeming rule applies and that the Excess is participating debt interest, the Indenture will not contain a requirement that the Company increase the amount of interest or other payments to holders of Debentures should it be required to withhold amounts in respect of income or similar taxes on payments of interest or other amounts on the Debentures.

## **Risks Related to the Acquisition and the Company**

### ***Risks Relating to the Integration of the Theatres***

The operations of the Company and the Theatres (by Empire) have been conducted as separate and distinct businesses, each with its own management team, team of professionals and operations. While management believes that the operations of the Company and the Theatres can be successfully integrated, there can be no assurance that this will be the case. The Company 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 Company's operating plan. Further, the integration may require substantial attention from, and place substantial demands upon, senior management of the Company, as well as require the cooperation of employees. Moreover, there can be no assurance that the Company's customers, suppliers and landlords will look upon the Acquisition favourably. Failure to successfully integrate the operations of the Company

and the Theatres could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

There can be no assurance that the Company 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 Company and the Theatres or that the Company 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 Company fails to or is unable to discover in its due diligence prior to consummation of the Acquisition, and the Company 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 Company's business, financial condition and results of operations.

#### **Additional Risks**

##### ***Stock Exchange Prices***

The stock market experiences significant price and volume volatility that may affect the market price of the Debentures and the Common Shares for reasons unrelated to the Company's performance. The value of the Debentures and the Common Shares is also subject to market fluctuations based upon factors which influence the Company's operations, such as legislative or regulatory developments, competition, technological change and global capital market activity.

##### ***Dilution***

The Company may undertake additional offerings of Common Shares and of securities convertible into Common Shares in the future. The increase in the number of Common Shares issued and outstanding and the possibility of sales of such Common Shares may depress the price of the Common Shares. In addition, as a result of the issuance such additional Common Shares, the voting power of the Company's existing holders of Common Shares will be diluted.

##### ***Dividends***

Holders of Common Shares do not have a right to dividends on such shares unless declared by the Board of Directors. The declaration of dividends is at the discretion of the Board of Directors even if the Company has sufficient funds, net of its liabilities, to pay such dividends.

The Company may not declare or pay a dividend if there are reasonable grounds to believe that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due or (ii) the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities. Liabilities of the Company will include those arising in the ordinary course of business and indebtedness.

#### **RELATIONSHIP BETWEEN THE COMPANY AND THE UNDERWRITERS**

A bank affiliate of each of Scotia Capital Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc. and TD Securities Inc. (the "**Banks**") is a lender to the Company under the 2013 Credit Facility. Consequently, the Company may be considered a connected issuer of Scotia Capital Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc. and TD Securities Inc. under applicable Canadian securities laws. As at the date of this Prospectus, \$412,000,000 has been drawn under the 2013 Credit Facility and the Company is in compliance with all material terms of the agreement governing the 2013 Credit Facility. Since the execution of the agreement governing the 2013 Credit Facility, the lender has not waived a breach thereunder. The financial position of the Company has not changed in any material manner since the 2013 Credit Facility was entered into. Indebtedness under the 2013 Credit Facility is secured by certain assets of the Company and guarantees provided by certain subsidiaries of the Company.

The decision to distribute the Debentures offered hereunder and the determination of the terms of the distribution were made through negotiations between the Company and the Underwriters. The Banks did not have any involvement in such decision or determination but have been advised of the issuance and terms thereof. As a consequence of this issuance, each of Scotia Capital Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc. and TD Securities Inc. will receive its respective share of the Underwriters' Fee referred to under "Plan of Distribution".

### **LEGAL MATTERS**

Certain legal matters in connection with the Offering are being reviewed on behalf of the Company by Goodmans LLP and on behalf of the Underwriters by Torys LLP. As of the date hereof, the respective partners and associates of each firm beneficially owned, directly or indirectly, less than one percent of the securities of the Company and its associates and affiliates.

### **AUDITORS**

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants, Toronto, Ontario.

PricewaterhouseCoopers LLP is independent of the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

### **TRANSFER AGENT, REGISTRAR AND DEBENTURE TRUSTEE**

The transfer agent and registrar for the Common Shares is CST Trust Company at its principal office located in Toronto, Ontario.

The Debenture Trustee, registrar and transfer agent for the Debentures is BNY Trust Company of Canada at its principal office located in Toronto, Ontario.

### **AGENT FOR SERVICE OF PROCESS**

Joan Dea, a director of the Company, resides outside of Canada and has appointed the following agent for service of process:

	<u><b>Name and Address of Agent</b></u>
Joan Dea .....	Cineplex Inc. 1303 Yonge Street Toronto, Ontario M4T 2Y9

### **PURCHASER'S STATUTORY AND CONTRACTUAL RIGHTS**

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 and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions to the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions to the price 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.

In an offering of convertible securities, such as the Debentures, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the Prospectus is limited, in certain provincial and

territorial securities legislation, to the price at which the convertible security is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces and territories, if the purchaser pays additional amounts upon conversion of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces and territories. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of this right of action for damages or consult with a legal advisor.

By virtue of their purchase of Debentures under this Prospectus, original purchasers of Debentures will have a contractual right of rescission against the Company following the conversion thereby of such Debentures as follows. The contractual right of rescission will entitle such original purchasers to receive the amount paid for such Debentures upon surrender of the Common Shares issued to such purchaser upon conversion of such Debentures, in the event that this Prospectus (as amended) contains a misrepresentation, provided that the right of rescission is exercised within 180 days of the date of the purchase of the Debentures under this short form prospectus (as amended). This contractual right of rescission will be consistent with the statutory right of rescission described under section 130 of the *Securities Act* (Ontario) or otherwise at law. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of this statutory right of action for damages, or consult with a legal advisor.

**CERTIFICATE OF THE COMPANY**

Date: October 29, 2013

This short form prospectus, together with the documents incorporated 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.

By: (Signed) ELLIS JACOB  
Chief Executive Officer

By: (Signed) GORD NELSON  
Chief Financial Officer

On behalf of the Board of Directors

By: (Signed) PHYLLIS YAFFE  
Director

By: (Signed) ROBERT STEACY  
Director

**CERTIFICATE OF THE UNDERWRITERS**

Date: October 29, 2013

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated 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.

**SCOTIA CAPITAL INC.**

By: (Signed) MICHAEL MCKENNA

**RBC DOMINION SECURITIES INC.**

By: (Signed) JAMES MCKENNA

**BMO NESBITT BURNS INC.**

By: (Signed) ASHISH P. MATHUR

**CIBC WORLD MARKETS INC.**

By: (Signed) KEVIN LI

**NATIONAL BANK FINANCIAL INC.**

By: (Signed) ROB SAINSBURY

**TD SECURITIES INC.**

By: (Signed) WILL HUTCHINS