CINEPLEX INC.

ANNUAL INFORMATION FORM

March 28, 2012

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CINEPLEX INC.

ANNUAL INFORMATION FORM

EXPLANATORY NOTES

The information in this Annual Information Form is stated as of December 31, 2011, unless otherwise indicated.

For an explanation of the capitalized terms and expressions, please refer to the "Glossary of Terms" at the end of this Annual Information Form. Unless otherwise indicated or the context otherwise requires, "Corporation" refers to Cineplex Inc., "Cineplex" refers to the Corporation and its subsidiaries, "Fund" refers to Cineplex Galaxy Income Fund, "Trust" refers to Cineplex Galaxy Trust, "Cineplex Entertainment GP" refers to Cineplex Entertainment Corporation and "Cineplex Entertainment LP" or the "Partnership" refers to Cineplex Entertainment Limited Partnership. Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to "$" are to Canadian dollars.

Certain statements in this Annual Information Form may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Cineplex, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this Annual Information Form, such statements use words such as "may", "will", "expect", "believe", and other similar terms. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this Annual Information Form. Forward-looking statements involve significant risk and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including but not limited to, the factors discussed under "Risk Factors". Although the forward-looking statements contained in this Annual Information Form are based upon what management of Cineplex believes are reasonable assumptions, Cineplex cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of the Annual Information Form, and Cineplex assumes no obligation to update or revise them to reflect new events or circumstances.

CORPORATE STRUCTURE

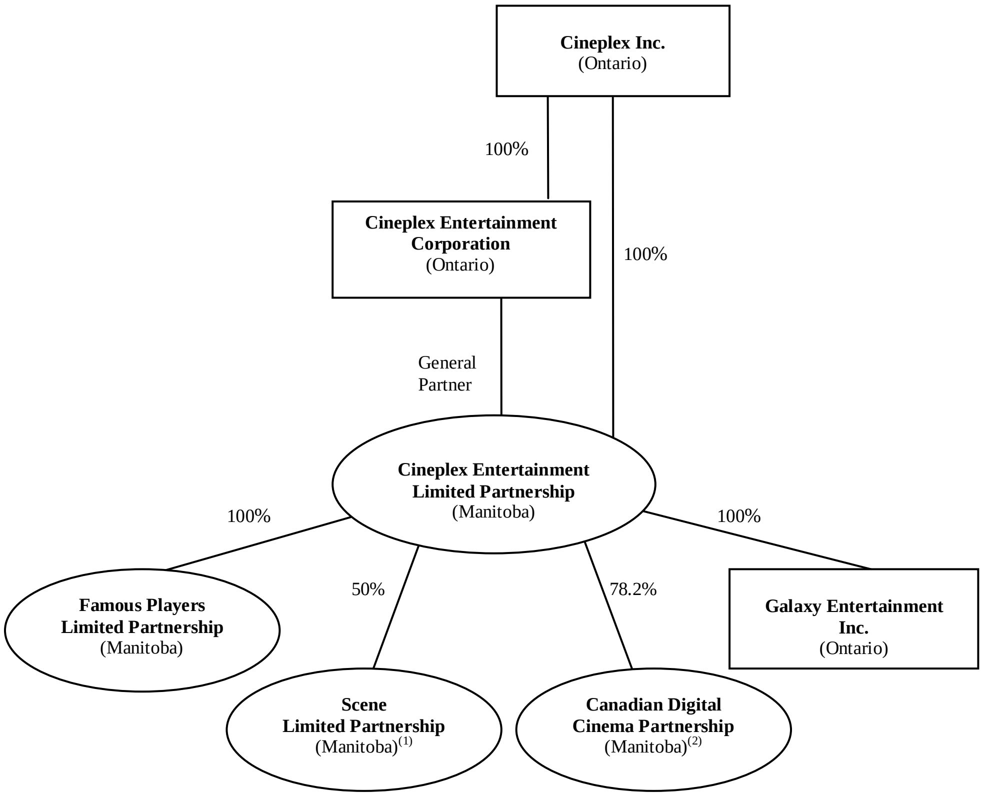
Cineplex Inc. (the "**Corporation**") is governed by the *Business Corporations Act* (Ontario) (the "**OBCA**") pursuant to articles of arrangement dated January 1, 2011 (the "**Articles**"). The Corporation is a reporting issuer and its common shares are traded on the TSX under the stock symbol "CGX". The convertible debentures of the Corporation are publicly traded on the TSX under the stock symbol "CGX.DB". The principal and head office of the Corporation, Cineplex Entertainment LP and Cineplex Entertainment GP is located at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

The Corporation is the successor of Cineplex Galaxy Income Fund (the "**Fund**"), which was an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario. On January 1, 2011, the Fund completed a conversion pursuant to a plan of arrangement (the "**Arrangement**") under the OBCA, involving, among others, the Corporation and the Fund. As a result of the completion of the Arrangement and related transactions, the Corporation owns, directly and indirectly, subsidiaries which own and operate the businesses which were owned and operated by the Fund and its subsidiaries prior to the completion of the Arrangement. Following completion of the Arrangement, on January 1, 2011, each of the Fund and the Trust were wound up and dissolved. See "General Development of the Business – The Conversion of the Fund to the Corporation". For a description of the Fund and the Trust, please see the Fund's annual information form dated March 31, 2010 which was filed under the Fund's profile on SEDAR at www.sedar.com.

Cineplex Entertainment LP is a limited partnership formed under the laws of the Province of Manitoba. Cineplex Entertainment LP was created in 2003 to acquire and hold substantially all of the theatre business assets previously owned by Cineplex Odeon Corporation ("**COC**") the shares of Galaxy Entertainment Inc. ("**Galaxy**").

Cineplex is the leading film exhibition company in Canada. As at December 31, 2011, the Corporation indirectly owned, leased or had a joint venture interest in 130 theatres with 1,352 screens in six provinces. Cineplex operates theatres under the following eight brands: Cineplex Odeon, Coliseum, Colossus, Famous Players, Galaxy, SilverCity, Cinema City and Scotiabank Theatre.

The chart below illustrates the structure of the Corporation and its principal subsidiaries as at the date hereof (including jurisdiction of establishment/incorporation of the various entities):



(1) General partner, Scene Corporation, owned 50% by Cineplex Entertainment Limited Partnership and 50% by The Bank of Nova Scotia.

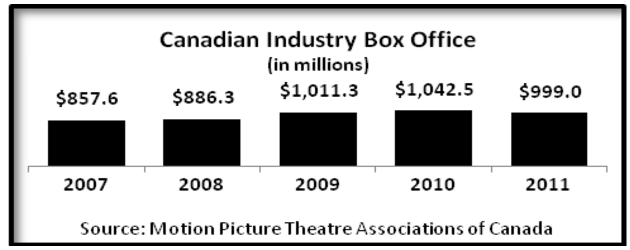
(2) General partner, CDCP GP Inc., owned 50% by Cineplex Entertainment Limited Partnership and 50% by Empire Theatres Limited.

INDUSTRY OVERVIEW

The motion picture industry consists of three principal activities: production, distribution and exhibition. Production involves the development, financing and creation of feature-length motion pictures. Distribution involves the promotion and exploitation of motion pictures in a variety of different channels. Theatrical exhibition is the primary channel for new motion picture releases. Management of Cineplex believes that the following market trends are important factors in the growth of the film exhibition industry in Canada:

Importance of Theatrical Success in Establishing Movie Brands and Subsequent Movies

Theatrical exhibition is the initial and most important channel for new motion picture releases. A successful theatrical release which "brands" a film is often the determining factor in its popularity and value in "downstream" distribution channels, such as DVD, Blu-ray, download to own ("**DTO**"), video on demand ("**VoD**"), pay-per-view, network and syndicated television.



Continued Supply of Successful Films

Studios are increasingly producing film franchises, such as *Harry Potter*, *Transformers*, *Pirates of the Caribbean* and *Twilight*. Additionally, new franchises continue to be developed, such as *Sherlock Holmes* and *The Hangover*. When the first film in a franchise is successful, subsequent films in the franchise benefit from existing public awareness and anticipation. The result is that such features typically attract large audiences and generate strong box office revenues. The success of a broader range of film genres also benefits film exhibitors. The expansion of 3D technology has created interest in the marketplace for the re-release of certain films that were originally presented in 2D in the 3D format, such as *The Lion King* that was re-released in 2011 in 3D.

Looking forward to 2012, the studios are releasing a strong slate of franchise films to be released in 3D, such as *Men in Black III, Ice Age: Continental Drift, The Avengers, The Amazing Spider-Man, The Hobbit: An Unexpected Journey*, as well as highly anticipated films such as *The Dark Knight Rises, The Hunger Games*, *The Bourne Legacy* and *The Twilight Saga: Breaking Dawn Part 2*. Classic films set for re-release in 3D during 2012 include *Beauty and the Beast, Star Wars Episode 1: The Phantom Menace* and *Titanic*.

Convenient and Affordable Form of Out-of-Home Entertainment

The Corporation's average box office revenue per patron ("**BPP**") was $8.74 and $8.67 in 2011 and 2010, respectively. The movie-going experience continues to provide value and compares favourably to alternative forms of out-of-home entertainment in Canada such as professional sporting events or live theatre. The increased prevalence of 3D films has contributed to this increase in BPP as 3D films are priced at a premium over regular ticket prices. The Corporation increased its number of 3D screens from 366 at December 31, 2010 to 396 at December 31, 2011 in order to capitalize on the release of the 40 3D films presented by The Corporation in 2011 and the more than 35 films scheduled for 3D release in 2012. In response to the increased demand for premium entertainment experiences, the Corporation added 12 UltraAVX auditoriums and five VIP auditoriums during 2011, bringing the circuit total to 23 UltraAVX and 15 VIP auditoriums at the end of the year. As at December 31, 2011, the Corporation's UltraAVX, VIP and IMAX auditoriums represented 3.8% of the Corporation's total screens, and generated 6.1% of the Corporation's box office revenue during 2011.

Reduced Seasonality of Revenues

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

Diversification of Revenue Streams

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

GENERAL DEVELOPMENT OF THE BUSINESS

History of the Fund and the Partnership

The Fund and Cineplex Entertainment LP were formed in November 2003 to acquire substantially all of the Canadian theatre assets of COC and all of the shares of Galaxy. Prior to the acquisition of the Famous Players circuit in 2005, the Partnership operated theatres under the "Cineplex Odeon" brand, which has enjoyed an established urban market presence in Canada, and the "Galaxy" brand, which has a reputation as a primary entertainment destination in mid-sized communities.

On July 22, 2005 the Partnership completed the acquisition of the movie exhibition assets of Famous Players, a division of Viacom Canada Inc. (the "**FP Acquisition**"). The FP Acquisition combined Canada's two leading theatre exhibition companies; Famous Players theatres include the "Coliseum", "Colossus", "Famous Players" and "SilverCity" brands.

The Conversion of the Fund to the Corporation

Effective January 1, 2011, the Fund converted from an income trust structure to a corporate structure pursuant to the Arrangement under the provisions of the OBCA. Pursuant to the Arrangement, all holders of Units and LP Units received one Common Share of the Corporation for each Fund or LP Unit held on the effective date. Additionally, the Fund and Trust were dissolved. The Corporation directly and indirectly owns and operates the businesses that were previously owned and operated by the Fund and its subsidiaries. The Corporation also fully owns, directly and indirectly, the Partnership. The management and trustees of the Fund are the management and directors of Cineplex.

The Corporation's dividend policy is similar to the distribution policy of the Fund prior to the conversion (See "Capital Structure – Dividend Policy"). During May 2011, Cineplex increased its dividend rate from $0.105 per month to $0.1075 effective for the May distribution paid in June 2011.

Other Recent Developments

During the third quarter of 2011, the Corporation amended and restated its credit facilities, with the new facilities maturing in September 2016 (see "Business of Cineplex – Credit Facility"). Also during the third quarter, the Corporation announced that it had received regulatory approval from the TSX to carry out a normal course issuer bid ("**NCIB**") to purchase up to 5,600,000 of its Common Shares in the twelve-month period following August 19, 2011, the effective date of the NCIB. The Shares that Cineplex intends to acquire pursuant to the NCIB will be cancelled. The Board has concluded that the market price of Cineplex's Shares, from time to time, may not reflect the inherent value of Cineplex and purchases of Shares pursuant to the NCIB may represent an appropriate and desirable use of funds. During 2011, the Corporation purchased and cancelled 137,400 Shares for $3.4 million.

The following describes certain key business initiatives undertaken during 2011 in each of the Corporation's core business areas:

THEATRE EXHIBITION

- Recorded record annual BPP of $8.74 during 2011, up $0.07 over the previous record of $8.67 set in 2010.
- Opened two new theatres: Cineplex Odeon Westshore Cinemas in Langford, British Columbia, a suburb of Victoria, featuring seven screens; and the Galaxy Chatham Cinemas in Chatham, Ontario, featuring seven screens.
- Converted five regular auditoriums to VIP auditoriums at SilverCity Coquitlam Cinemas in Coquitlam, British Columbia.
- Announced the construction of five new theatres: an 8 screen theatre in Guelph, Ontario and an 11 screen theatre featuring three VIP screens in Edmonton, Alberta, both scheduled to open in 2012; an 11 screen theatre featuring three VIP screens in Abbotsford, British Columbia and a 13 screen theatre featuring three VIP screens in Markham, Ontario, both scheduled to open in 2013; and an 11 screen theatre featuring three VIP screens in Vancouver, British Columbia, scheduled to open in 2014.
- Completed the financing transactions of Canadian Digital Cinema Partnership ("**CDCP**"), a joint venture between Cineplex and Empire Theatres Limited ("**Empire**"), for the deployment of digital projection systems to approximately 1,600 of the partners' movie theatre screens across Canada. This financial support will enable Canada's two largest motion picture theatre exhibitors to complete the roll out of digital projectors into each of their circuits during 2012.
- Installed 476 digital projectors and 30 RealD 3D systems during 2011, bringing the circuit totals to 891 digital projectors and 396 RealD 3D systems in 121 theatres.
- Installed 12 UltraAVX auditoriums during the year, bringing the circuit total at December 31, 2011 to 23 UltraAVX screens in 23 theatres.
- Installed five new IMAX digital systems across the circuit, bringing the number of IMAX projectors in Cineplex's circuit to 14.
- Installed D-BOX MFX seats in eight Cineplex theatres during the year, increasing the number of Cineplex's theatres which offer D-BOX MFX seats to eleven at December 31, 2011.

MERCHANDISING

- Recorded record annual concession revenue per patron ("**CPP**") of $4.41 during 2011, up $0.14 over the previous record set in 2010.
- Completed the acquisition of New Way Sales Games Limited ("**NWS**"), one of the largest distributors and suppliers of arcade games to the amusement industry in Canada. Prior to the acquisition, NWS provided games for all Cineplex Odeon and Galaxy Cinemas, representing over half of the locations within the Cineplex circuit. NWS, continued to offer these services to Cineplex and other third parties following the acquisition.
- Opened two new XSCAPE Entertainment Centres, at the SilverCity Oakville and VIP Cinemas and at the SilverCity St. Vital Cinemas in Winnipeg, Manitoba, during the year, bringing the total number of XSCAPE centres in the circuit to four.

MEDIA

- Media revenues during 2011 were a record annual total of $91.2 million for Cineplex, increasing 11.1% compared to the prior year.
- Rebranded Digital Display and Communications Inc., an award-winning implementer of digital signage networks and associated products and services, as Cineplex Digital Solutions ("**Digital Solutions**"). The Digital Solutions business is included as part of Cineplex Digital Media Inc. ("**CDM**").
- Increased CDM revenues by $5.9 million as it continued to expand its customer base, delivering equipment installations and deployment to new and existing customers during the year.
- Launched a pilot program with TimePlay Inc. **("Timeplay")**, to implement TimePlay's social mobile platform for interactive on-screen branded entertainment, allowing for Cineplex and TimePlay to work with customers to create customized big screen experiences that guests can interact with using their mobile phones.

ALTERNATIVE PROGRAMMING

- Continued the highly successful Metropolitan Opera series at Cineplex's theatres, through live showings in the first and fourth quarters as well as encore presentations in the second and third quarters.
- Presented the Wimbledon tennis finals live in 3D at select theatres across Canada, representing the first live sporting event to be presented in 3D by Cineplex.
- Hosted a launch party and gaming tournament for the highly anticipated video game release of *Mortal Kombat* in select theatres.
- Distributed and presented the faith-based, family-focused film *Courageous* in select theatres.
- Other alternative programming during 2011 included the Classic Film Series, live events such as World Wrestling Entertainment, concerts including Placido Domingo and the BBC Proms 2011, and broadcasts of performances by the National Theatre from London and the Bolshoi Ballet from Moscow, as well as the Los Angeles Philharmonic.

INTERACTIVE MEDIA

- Continued the development of Cineplex's website, www.cineplex.com, including the addition of competitor theatre show times and ticket sales, as well as movie archive data. The website recorded a monthly average of 2.8 million unique visits during 2011, up 11% from 2010.
- Increased popularity of Cineplex's mobile application ("**app**"), which was ranked by ComScore MobiLens as one of the most popular mobile brands in Canada, reaching approximately 7% of the Canadian mobile phone market. As at December 31, 2011, the app had been downloaded 2.3 million times and had recorded 36.8 million total app sessions, consistently ranking in the top ten in the 'Top Free Entertainment' category in respective app stores during 2011.
- Expanded the digital content offerings at the online Cineplex Store through an increase in the number of titles available for DVD, VoD and DTO offerings by adding more studios to the Store's movie catalogue.
- Launched the Cineplex movie download application for Samsung televisions and Blu-Ray players.
- Strategically worked with Facebook and Twitter to implement deep social integration with all Cineplex properties.

- Launched a new video player portal with enhanced search functionality.

LOYALTY

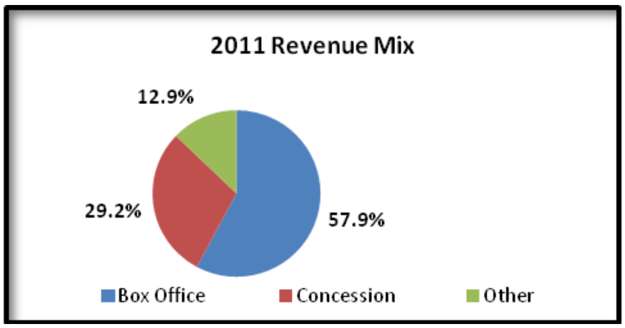
- Increased membership in the SCENE loyalty program to approximately 3.3 million members, an increase of approximately 0.6 million members during 2011.
- Participated in joint promotions with numerous partners during the year, including Cara Foods, Adidas, Pizza Pizza restaurants, Telus, Sirius Satellite Radio, Samsung and the Ottawa Senators.
- Expanded opportunities for SCENE members to earn SCENE points, such as when they purchase concession combos at participating Cineplex theatres (in addition to the 10% discount they receive on concession purchases).

BUSINESS OF CINEPLEX

Cineplex Revenues

Cineplex's revenues are primarily generated from box office and concession sales, which in turn are driven by attendance and price levels. In addition, other revenues from sources such as advertising and promotions are an increasingly important component of Cineplex's overall revenues and future growth.

Box Office and Concessions



Box office revenues accounted for approximately 57.9% of the Corporation's revenues for the year ended December 31, 2011. Cineplex strives to provide its guests with a premium movie-going experience, including a high level of customer service. This level of service, combined with targeted film selection and the overall appeal of those films, drives attendance at the Cineplex's theatres. Tickets are sold at Cineplex's theatres through box offices and automated ticketing machines, as well as remotely via the Internet and mobile applications. Also included in box office revenues are alternative programming of live events such as opera, ballet, sporting events and music concerts. Cineplex also offers corporate sales, group ticketing and gift cards.

Concession revenues accounted for approximately 29.2% of the Corporation's revenues for the year ended December 31, 2011. Concession sales have a much higher margin than box office sales. Cineplex's theatres feature prominent and appealing core product concession stands designed for rapid and efficient service. In addition, retail branded outlets offering a wide variety of hot food and other products are also located throughout many of Cineplex's larger theatres for additional sales.

Management believes that Cineplex has favourable concession supply contracts and has developed an efficient concession purchasing and distribution supply chain. Cineplex negotiates directly with manufacturers for many of its concession items in order to obtain competitive prices and to ensure adequate supplies.

Other Revenues

Cineplex has introduced initiatives to develop and expand its revenue streams from sources other than box office and concession revenues. Other revenues accounted for approximately 12.9% of the Corporation's revenues for the year ended December 31, 2011. Some of these other revenues include media, games revenue and other as described below.

- *Media Revenue*

During 2011, Media revenues represented approximately 71% of Cineplex's Other Revenue. Cineplex's advertising programs currently consist of the digital pre-show, full motion commercials, digital lobby network, display signage, product sampling, magazine sales and website sales. In-theatre advertising generates high margins because it utilizes existing theatre assets and personnel with minimal incremental capital and operating costs. Cineplex acts as an agent on a commission basis for selling in-theatre advertising for several other theatre exhibition circuits, including AMC Entertainment, Empire Theatres, Landmark Cinemas and several independent operators. With an advertising sales contract with Empire Theatres in Atlantic Canada, Cineplex Media is able to offer advertisers a national theatre audience, providing advertisers an opportunity to reach approximately 91% of the Canadian movie-going audience. Management believes that the concentration of Cineplex theatres in major metropolitan markets and Cineplex's role as an agent for other exhibitors in Canada provides an attractive platform for advertisers by allowing them to target a large and desirable customer base. The Cineplex digital pre-show network is based on digital delivery and projection technology which has improved the quality of the media that Cineplex offers to advertisers. This has enabled Cineplex to streamline the delivery of advertising content, allowing for more interactive and targeted marketing and creating an expanded advertising base. In addition, the digital technology allows Cineplex to expand alternative programming events such as opera, sporting events and concerts, or offer corporations the ability to rent theatres for product launches, educational programs, seminars and expanded meeting rental capabilities.

- *Games Revenue*

Cineplex's theatre experience is complemented by games rooms featuring a broad variety of current and popular game machines. The game machines have historically been owned by third party suppliers, with Cineplex receiving a percentage of all sales. During 2011, Cineplex acquired one of its third party gaming suppliers. In February, 2012, Cineplex entered into a joint venture with Starburst Coin Machines Inc., one of the largest distributors and suppliers of arcade games to the amusement industry in Canada. The joint venture, named Cineplex Starburst Inc., is now the largest distributor and operator of arcade games to the amusement industry in Canada. Cineplex will continue to contract with Cineplex Starburst Inc. for the provision of its gaming needs in all Cineplex theatres.

- *Other*

Cineplex also generates Other Revenues from in-theatre and digital out-of-home advertising sales, website advertising, promotional activities, the Cineplex Store, game rooms including XSCAPE Entertainment Centres, screenings, private parties, corporate events, breakage on gift card sales and management fees. Additional sources of other revenues include management fees (for supporting the operations of non-owned theatres). Cineplex is continually exploring additional other Revenue opportunities.

Business Strategy

Cineplex's mission statement is "**Passionately delivering an exceptional entertainment experience.**" All of its efforts are focused towards this mission and it is Cineplex's goal to consistently provide guests with an exceptional entertainment experience at a fair value. Cineplex's business strategy is to continue to enhance its position as a leading exhibitor in the Canadian market by focusing on providing customers with an exceptional entertainment experience in its theatres, through its media vehicles, in the home or on the go. Key elements of this strategy include going beyond movies to reach customers in new ways and maximizing revenue per patron. With this in mind, Cineplex has implemented new in-theatre initiatives to improve the overall entertainment experience, including enhanced in-theatre services, alternative pricing strategies, and the SCENE loyalty program. Merchandising comprises Cineplex's food retailing and games business, and initiatives in merchandising include optimizing its product offerings and improving service execution. The ultimate goal of these in-theatre customer service initiatives is to maximize revenue per patron and increase the frequency of movie-going at Cineplex's theatres. Cineplex is also committed to diversifying its revenue streams outside of the traditional theatre exhibition model with further expansion of the digital pre-show and in-theatre and digital out-of-home advertising sales through Cineplex Media, and providing in-the-home and on-the-go entertainment options through the Cineplex Store which sells DVDs, Blu-ray discs, DTO and VoD movies online.

Cineplex's key strategic areas of focus include the following:

- Continue to enhance and expand its existing exhibition infrastructure and service offerings to attract new customers, increase the frequency of existing customers and maximize its revenue per guest.
- Capitalize on its core media strengths and infrastructure to provide continued growth of its media business both in and outside its theatres.
- Continue to expand its brand presence as an entertainment destination for Canadians, providing both in-the-home and on-the-go experiences.
- Pursue selective acquisitions that are strategic, accretive and capitalize on its core strengths.

Theatre Exhibition

As at December 31, 2011, the Corporation owned, leased or had a joint venture interest in 130 theatres with 1,352 screens with an average of approximately 10.4 screens per theatre.

Cineplex Entertainment
Locations and Screens as at December 31, 2011

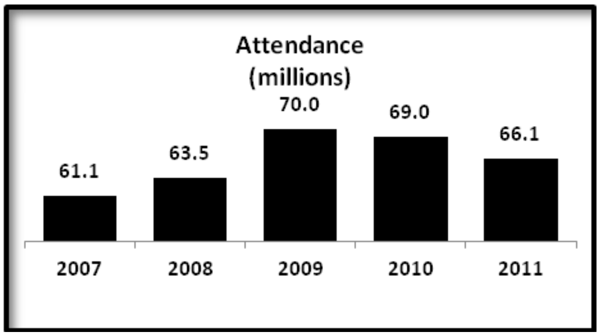
Province	Locations	Screens	Digital Screens	Digital 3D Screens	UltraAVX	IMAX Screens
Ontario	62	640	418	188	10	7
Quebec	21	234	150	60	3	1
British Columbia	21	205	157	67	4	3
Alberta	15	172	119	57	5	2
Saskatchewan	6	51	21	14	1	-
Manitoba	5	50	26	10	-	1
TOTALS	**130**	**1,352**	**891**	**396**	**23**	**14**
Percentage of screens			66%	29%	2%	1%

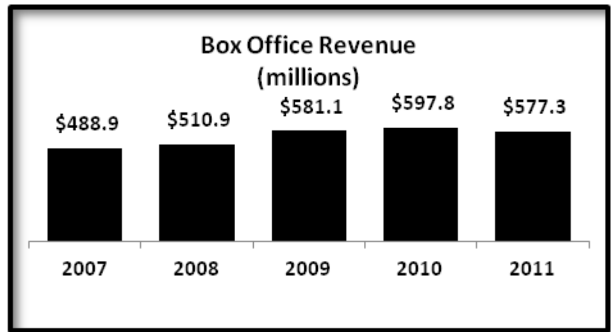
Cineplex's modern multiplex theatres are designed to provide guests with a premium movie-going experience and maximize profitability by matching the number of screens and seats with the size of the market served. In addition, Cineplex's auditorium seating capacities are varied within individual theatres, enabling it to maximize revenues by shifting films to smaller or larger auditoriums in response to changing attendance levels.

As at the date hereof, Cineplex owns four theatres, leases 125 theatres independently and leases one theatre with a joint venture partner. In general, Cineplex leases theatres under long-term leases, with original terms typically ranging from 15 to 20 years (with lease payment increases typically every five years) and containing various renewal options, usually in intervals of five to ten years and, in some cases, termination rights. Leases for 31 theatres expire within five years (23 of which have renewal or extension options). Cineplex's theatre leases generally provide for minimum rental payments.

Theatre exhibition is, and remains, the core business of Cineplex. Cineplex understands that exhibition is the engine that drives the train and fuels all of the other core businesses. Box office revenues are highly dependent on the marketability, quality and appeal of the film product released by the major motion picture studios. In December of 2009, *Avatar* was released which became the highest grossing film of all time, which skewed the 2009 and 2010 results due to its record-breaking performance.

During 2011, approximately 66.1 million guests visited Cineplex theatres. Digital, 3D projection and VIP are enhancements to an established business and provides an additional element for growth. The formation of CDCP during 2011 was a key milestone towards the completion of Cineplex's digital conversion, which is expected to be complete by the end of 2012. Digital technology has expanded, and will continue to expand, Cineplex's exhibition opportunities to anything digital, including 3D movies and live or recorded events or programs. To date, Cineplex has 891 digital projectors in 121 theatres installed across the circuit, with 396 of these screens being 3D capable. 3D film presentations are well received by audiences, add breadth to the overall film schedule and have a higher average ticket price.





Note: For all charts and tables included herein, the results for 2007, 2008 and 2009 are presented under Canadian GAAP that existed at the time, and as such include the results of Cineplex's joint ventures. The results for 2010 and 2011 are presented under Canadian GAAP following the conversion to IFRS, and exclude the joint venture results which are included in one line on the statements of operations (share of loss of joint ventures).

Cineplex is also focused on providing guests with a variety of premium viewing options through which to enjoy the theatre experience. These premium-priced offerings generate higher revenues per patron and also expand the customer base. In 2010, Cineplex launched its UltraAVX auditorium concept, which has been well received by patrons, and added 12 UltraAVX screens to the circuit in 2011, bringing the total UltraAVX screens to 23. VIP screens have been incorporated into four theatres across the circuit, and will be incorporated into select new build projects. Cineplex added five IMAX screens to the circuit in 2011, bringing the circuit total to 14 screens, and expanded its offering of D-BOX MFX Seats from 76 seats in three theatres at December 31, 2010 to 323 seats in 11 theatres at December 31, 2011.

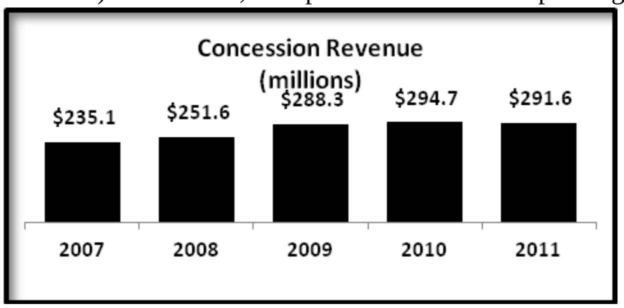
Cineplex's plan is to open an average of two to three new theatres per year, although in certain years opportunities may arise to exceed this number. During 2011, Cineplex opened Cineplex Odeon Westshore Cinemas in Langford, British Columbia, a suburb of Victoria, the Galaxy Chatham Cinemas in Chatham, Ontario and converted five screens to VIP at the SilverCity Coquitlam Cinemas in Coquitlam, British Columbia. During 2010, the Fund opened the SilverCity CrossIron Mills Cinemas and XSCAPE Entertainment Centre in Calgary, Alberta, and the Galaxy Cinemas Chilliwack in Chilliwack, British Columbia. The Fund also acquired four theatres during 2010, in Gatineau and Montreal, Quebec, Chatham, Ontario and Vancouver, British Columbia.

Cineplex's leading market position enables it to effectively manage concession and other theatre-level costs, thereby maximizing operating efficiencies. Cineplex seeks to continue to achieve incremental operating savings by, among other things, implementing best practices and negotiating improved supplier contracts. It will also continue to evaluate its existing theatre assets as it continually upgrades older theatres to state-of-the-art entertainment complexes.

The development of a premium experience through design, structure and digital technology makes Cineplex's theatres ideal locations for meetings and corporate events. Organizations, particularly corporations with offices across the country, can use Cineplex's theatres and digital technology for annual meetings, product launches and employee or customer events, producing new revenue streams independent of film exhibition.

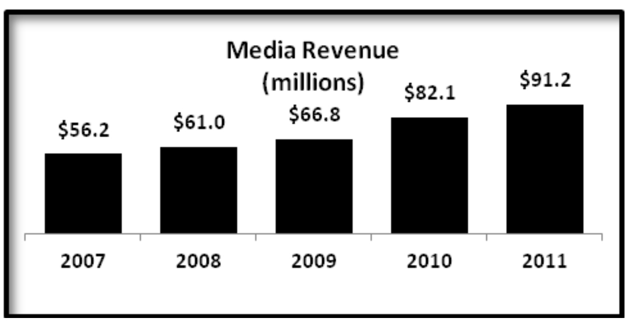
Merchandising

Cineplex's merchandising business offers guests a range of food choices to enhance the theatre experience while generating strong profit margins. Cineplex's theatres feature some of the most popular fast food brands in Canada including Burger King, Tim Hortons, Pizza Pizza and Yogen Fruz, among others (collectively, "**Retail Branded Outlets**"). In addition, Cineplex is focused on expanding its internally developed brand, "Outtakes", which has 69 locations operating as at December 31, 2011. During 2011, Cineplex continued the implementation of process improvements designed to increase the speed of service at the concession counter in addition to ongoing optimization of retail branded outlets available at Cineplex's theatres. These improvements contributed to a record CPP of $4.41 in 2011, an increase of $0.14 from the previous record of $4.27 achieved in 2010, and having reported continuous growth in CPP for the past five years.



Merchandising also includes Cineplex's gaming business, which features arcade games in select Cineplex theatres, Cineplex's four XSCAPE Entertainment Centres and the operations of NWS, one of the largest distributors and suppliers of arcade games to the amusement industry in Canada. Prior to Cineplex's acquisition of NWS, NWS provided games and services the Cineplex Odeon and Galaxy Cinemas locations. The acquisition of NWS in 2011 has allowed Cineplex to vertically integrate its gaming operations for these locations, as well as expanding Cineplex's gaming presence. In February 2012, NWS merged with the gaming and vending assets of Starburst Coin Machines Inc., one of the largest distributors and suppliers of arcade games to the amusement industry in Canada. The new joint venture, named Cineplex Starburst Inc., is now the largest distributor and operator of arcade games to the amusement industry in Canada. Cineplex will continue to contract with Cineplex Starburst Inc. for the provision of its gaming needs.

Media



Cineplex Media, with its national presence and 91% market share of the Canadian movie-going public, is well positioned for continued growth. Cineplex Media is the ideal channel for advertisers wanting to reach the highly sought-after 17 to 25-year-old Canadian market. It is the only national coast-to-coast cinema sales representation that can offer advertisers fully integrated in-theatre media campaigns that include full motion, digital pre-show, the digital lobby network ("**DLN**"), magazines, online and specialty media. With continued developments in digital projection, Cineplex can offer a more technologically advanced digital advertising pre-show to provide advertisers with the ability to present a national or local advertising campaign with a richer full screen, full motion experience. Cineplex Media also distributes Canada's leading entertainment magazine – *Cineplex Magazine*, in addition to its sister publication – *Le magazine Cineplex*, that are now available in all Cineplex Entertainment locations as well as being distributed via *The Globe and Mail* and *Le Journal de Montreal*. Combined, these magazines have a circulation of approximately 900,000 copies monthly.

CDM's business includes broadcasting advertising and custom content to premium office towers and sports stadiums across Canada, as well as designing, installing, maintaining and operating digital signage networks on numerous software platforms in retail, financial, hospitality and entertainment markets across North America. The development of CDM and the implementation of the DLN throughout Cineplex's theatres have positioned Cineplex to expand its media reach throughout its current infrastructure as well as in numerous out-of-home advertising locations across the country. CDM revenue growth has increased $5.9 million in 2011, from $4.9 million in 2010 to $10.8 million in 2011. Cineplex acquired DDC and included it in CDM in July 2010, therefore the results of DDC are included in 2011 but only six months in the 2010 comparative. As demonstrated in the chart, Cineplex has reported continued growth by Cineplex Media during the past five years.

Alternative Programming

Cineplex has been exhibiting alternative programming for several years, including The Metropolitan Opera, ethnic film programming, WWE and UFC programming, sporting events and concerts. Most of this programming is premium-priced and attracts a wider audience, expanding Cineplex's demographic reach and enhancing revenues. The success of these events has led to further expansion of offerings, including the Classic Film Series, performances from the Bolshoi Ballet from Moscow, performances from the National Theatre from London, the faith-based family-focused film *Courageous*, and a party and gaming tournament for the highly anticipated launch of the *Mortal Kombat* video game. During the summer, Cineplex featured a live 3D broadcast of the 2011 Wimbledon tennis finals, representing the first live sporting event to be presented in 3D by Cineplex. As content becomes available, Cineplex anticipates capitalizing on its 3D infrastructure by screening additional alternative programming events in 3D in 2012 and beyond.

Interactive

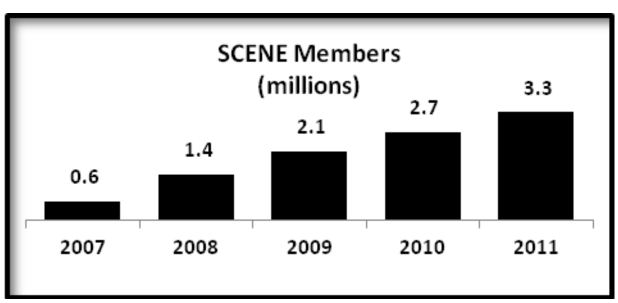
During 2007, in conjunction with the SCENE loyalty program, Cineplex re-launched and substantially expanded its website, www.cineplex.com, and in 2008 launched the online Cineplex Store, selling DVDs, Blu-ray discs and Cineplex gift cards. In addition to these items, during 2010 the Cineplex Store added digital download capabilities and started selling DTO and VoD movies. During 2011, the Store added more studios to its online movie catalogue, expanding the number of titles and content offerings. In addition, Cineplex launched its Cineplex movie download application on Samsung televisions and Blu-Ray players.

Cineplex continues to develop www.cineplex.com as the destination of choice for Canadians seeking movie entertainment information on the internet. The website offers streaming video, movie information, showtimes and the ability to buy tickets online for Cineplex and its competitors, entertainment news and box office reports as well as advertising and e-commerce opportunities. These features and others enable Cineplex to engage and interact with its guests. This will also allow Cineplex to offer engaging, targeted, sponsored content to visitors and advertisers, resulting in opportunities to generate additional revenues. Cineplex's website recorded a monthly average of 2.8 million unique visits during 2011, up 11% from 2010.

The popularity of the Cineplex mobile app, which is available as a free download for a wide variety of smartphones, continued to grow in 2011. The app provides guests with information relating to the latest movie choices and showtimes, as well as the ability to buy tickets, catch up on the latest movie news, view trailers and receive information on promotions. As at December 31, 2011, the app was ranked as one of the most popular mobile brand in Canada, reaching approximately 7% of the Canadian mobile phone market.

SCENE Loyalty Program

In 2007, Cineplex entered into a joint venture agreement with the Bank of Nova Scotia ("**Scotiabank**") to launch the SCENE loyalty program, providing Cineplex with a more comprehensive understanding of the demographics and movie going habits of its audience as well as new ways to engage its customers. Cineplex and Scotiabank each have a 50% interest in the program. SCENE is a customer loyalty program designed to offer members discounts and the opportunity to earn points that can be redeemed for rewards, including free movies. The SCENE loyalty program also allows Cineplex to extend special offers to its guests, implement tailored marketing programs and deliver targeted messages.



Cineplex's objectives in creating SCENE were to gain a more thorough understanding of its customers, drive customer frequency, increase overall spending at its theatres and provide it with the ability to communicate directly and regularly with customers. To date, Cineplex is achieving all of these objectives and the program has been well received. Management believes the benefits of the program are reflected in box office and concession revenue respectively. Membership in the SCENE loyalty program at December 31, 2011 was approximately 3,349,000, an increase of approximately 632,000 during 2011. SCENE members can earn and redeem SCENE points on box office and concession purchases at Cineplex's theatres, as well as have the ability to earn and redeem SCENE points while purchasing DVDs, Blu-ray discs, DTO and VoD movies, and Cineplex gift cards online at the Cineplex Store. During 2011, SCENE added Cara Foods as a redemption partner, allowing members to redeem points online for Cara Foods Bon Appetit gift cards. SCENE also incorporated promotions and offerings with numerous partners in 2011, and continues to investigate potential reward partners to expand both the opportunity to collect and redeem SCENE points. In addition to reward partnership opportunities, Cineplex is using the SCENE customer database to generate additional revenue opportunities.

Growing EBITDA and EBITDA Margins

Although Cineplex focuses on growth initiatives, management remains vigilant in controlling costs without compromising the guest experience. Cineplex will continue to invest in new revenue generating activities, as it did in 2011. Over the past five years, Cineplex has shown significant growth in EBITDA and in 2011, Cineplex is pleased to report the highest annual EBITDA since its inception.

Employees

As at December 31, 2011, the Corporation employed approximately 10,000 people, of whom 9.6% are full-time employees and 90.4% are part-time non-unionized employees. Of those employees, 3.5% of Cineplex's part-time employees are represented by unions which are predominantly located in Quebec.

Seasonality

Historically, Cineplex's revenues have been seasonal with the most marketable motion pictures generally being released during the summer and the late-November through December holiday season. More recently, the seasonality of film exhibition attendance has become less pronounced as film studios have expanded the historical summer and holiday release windows and increased the number of heavily marketed films released during traditionally weaker periods. In addition, Cineplex's theatres located in major metropolitan markets give Cineplex access to a patronage that enjoys a wide variety of film genres, many of which are released on a less seasonal basis.

Trademarks

Management believes the trademarks "Cineplex", "Cineplex Odeon", "Galaxy", "Famous Players", "Coliseum", "Colossus" and "SilverCity" enjoy significant brand awareness in the Canadian film exhibition market. Cineplex uses the "Scotiabank Theatre" brand under a license agreement with Scotiabank.

Competition

In addition to competing with other first-run movie exhibitors, Cineplex competes for the public's leisure time and disposable income with alternative forms of out-of-home entertainment such as sporting events, music concerts, live theatre and restaurants. Cineplex also competes with a number of at-home entertainment alternatives and secondary movie distribution channels, such as cable and satellite television, gaming, DVDs and Blu-ray discs VoD, SVOD, as well as pay-per-view services and downloads via the Internet.

Management believes that movie theatres compete well with alternative forms of out-of-home entertainment as a result of their lower cost and higher availability. Management also believes that the modern multiplex theatre has become a meeting place as well as an entertainment destination.

Focusing on the competition from other exhibitors, Cineplex competes on a local market-by-market basis. Management believes that the principal competitive factors are:

- The seating capacity, location, quality and reputation of an exhibitor's theatre;

- The level of customer service and amenities such as stadium seating VIP alternatives, specialized auditoriums such as UltraAVX and variety of concession offerings;

- The quality of projection and sound equipment at an exhibitor's theatre, including specialized projection systems such as 3D and digital offerings;

- The ability to secure an appropriate variety of film product on favourable licensing terms;

- Box office pricing;

- The ability to secure sites for potential new theatre developments; and

- The ability to maintain and grow theatre attendance and movie-going frequency.

Cineplex's theatres are subject to varying degrees of competition in the locations in which they operate because competitors vary substantially in size, number and proximity at each location. As at December 31, 2011, approximately 88% of Cineplex's first-run theatres are in non-competitive film zones. Whether a film zone is "non-competitive" or "competitive" is a determination made by negotiation between each exhibitor and distributor and can change on a film-by-film basis. A non-competitive film zone is an area in which one or more distributors do not consider the theatre to be in direct competition with any other theatre, and therefore, the distributors will allow that theatre the opportunity to play all films available. Competitive film zones are areas in which one or more distributors consider a theatre to be in direct competition with another theatre that is in close proximity, and therefore, the distributor will not allow these competing theatres to play the same movie at the same time. In most competitive local markets, Cineplex has a number of theatrical exhibition competitors, including AMC Entertainment, Empire Theatres, Magic Lantern (Rainbow), Cinemas Guzzo and Landmark Cinemas.

The building of new theatres or the addition of screens to existing theatres by competitors in areas in which Cineplex operates may result in excess capacity in those areas that could reduce attendance levels at Cineplex theatres. In addition to competing for guests at its existing theatres, Cineplex also faces competition in acquiring and developing new theatre sites and acquiring existing theatres.

Regulatory Environment

Québec Cinema Act

In the province of Québec, film distributors and theatre operators must be licensed under the *Québec Cinema Act* and must obtain a permit for the exhibition of each print of a film. Generally, a permit will only be issued for English language prints if the distributor also makes the same number of French dubbed prints of the same film available to exhibitors for exhibition at the same time. However, distributors may obtain a provisional permit if a French dubbed version does not exist when an application is made, allowing a distributor to distribute any number of English language prints for an initial 45 day period. In Cineplex's experience, most major English language films are released simultaneously in both English and French.

Environmental

Cineplex owns, leases and/or operates theatres and other properties which are subject to certain federal, provincial and local laws and regulations relating to environmental protection, including those governing past or present releases of hazardous materials. Certain of these laws and regulations may impose liability on certain classes of persons for the costs of investigation or remediation of such contamination, regardless of fault or the legality of the original disposal. These persons include the present or former owner or a person in care or control of a contaminated property and companies that generated, disposed of or arranged for the disposal of hazardous substances found at the property. As a result, Cineplex may incur costs to clean up contamination present on, at or under its leased and owned properties, even if such contamination was present prior to the commencement of Cineplex's operations at the site and was not caused by its activities. Management is currently not aware of any such situation.

Human Rights

As Cineplex serves approximately seventy million customers per year, it continually works to ensure that its services are delivered with a focus on respecting the dignity of every individual so as to be in compliance with all human rights legislation and free from any form of discrimination. In that regard, Cineplex trains its employees on accessibility and human rights issues. The Corporation has also worked on the development of new technologies to make films accessible to the hearing and vision impaired communities and on encouraging the provision of captioning and description for movies.

Other

Cineplex's operations are subject to federal, provincial and local laws governing matters such as construction, renovation and operation of theatres (including accessibility for disabled people), as well as wages and working conditions, health and sanitation requirements and licensing. Management believes that Cineplex's theatres are in material compliance with all such laws.

Credit Facility

Effective September 28, 2011, the Corporation and the Partnership entered into a fourth amended and restated credit agreement (the "**Credit Agreement**") with a syndicate of lenders consisting of the following facilities (collectively, the "**Fourth Amended Credit Facilities**") in millions of Canadian dollars:

	Available	Drawn	Reserved (1)	Remaining
(i) a five-year senior secured revolving credit facility ("**Revolving Facility**")	$ 200.0	$ 20.0	$ 2.0	$ 178.0
(ii a five-year senior secured non-revolving term facility ("**Term Facility**")	$ 150.0	$ 150.0	$ -	$ -

(1) Letters of credit outstanding at December 31, 2011 of $2.0 million reserved against the Revolving Facility.

The following is a summary of the material terms and conditions contained in the Fourth Amended Credit Facilities. This summary is qualified in its entirety by reference to the provisions of the Credit Agreement which contains a complete statement of those terms and conditions.

Summary of Facilities

The Fourth Amended Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, or bankers' acceptances rates plus, in each case, an applicable margin to those rates.

The Revolving Facility is the continuation of the previous revolving credit facility and is available for general corporate purposes and to fund approved projects or investments. There are provisions to increase the Revolving Facility commitment amount by an additional $150 million with the consent of the lenders.

The Term Facility matures in September 2016 and is payable in full at maturity, with no scheduled repayment of principal required prior to maturity. The Term Facility is available to be drawn down by way of prime rate loans, bankers acceptances and letters of credit, and bears interest at a floating rate based on the Canadian dollar prime rate or on the bankers' acceptance rates plus, in each case, an applicable margin to those rates based on Cineplex's ratio of total debt to *pro forma* Adjusted EBITDA from time to time.

The Fourth Amended Credit Facilities contain restrictive covenants that limit the discretion of Cineplex's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Cineplex to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity.

The Fourth Amended Credit Facilities also contain customary affirmative, reporting and negative covenants. Pursuant to the terms of the Fourth Amended Credit Facilities, Cineplex is required to maintain, on a rolling four quarter basis: (i) a prescribed ratio of total debt (excluding the Debentures) to *pro forma* Adjusted EBITDA; and (ii) a prescribed ratio of EBITDAR (Adjusted EBITDA plus rent expense for such quarter) to fixed charges (the sum of taxes, maintenance capital expenditures, debt service (including capital lease payments) and rent expense for such quarter).

Security and Guarantees

The obligations under the Fourth Amended Credit Facilities are secured by a first ranking charge over all of the personal property and all of the real property, owned by the Corporation, Cineplex Entertainment LP, Galaxy, Famous Players LP and their subsidiaries (collectively, the "**Credit Agreement Security**"). The obligations of the Corporation and the Partnership under the Fourth Amended Credit Facilities are guaranteed by most of the Corporation's subsidiaries.

Events of Default

The Fourth Amended Credit Facilities contain customary events of default, including an event of default upon a "change of control" (as defined in the Credit Agreement).

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

The Fourth Amended Credit Facilities, in certain circumstances, restrict the Corporation's, the Partnership's and their subsidiaries' ability to make payments in respect of their securities, including the Common Shares, unless sufficient funds are available for the repayment of indebtedness and the payment of interest, expenses and taxes.

CAPITAL STRUCTURE

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares of which 61,006,073 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 Corporation, to receive dividends if, as and when declared by the Board and to receive the remaining property and assets of the Corporation upon its dissolution or winding-up, subject to the rights of shares having priority over the Common Shares. Holders of Common Shares may make use of the various shareholder remedies available pursuant to the OBCA. Additional information relevant to the Common Shares, the rights of holders thereof and the operation and conduct of the Corporation can be found in the Corporation's articles and by-laws, which have been filed under the Corporation's profile on SEDAR at www.sedar.com.

Preferred Shares

The Corporation is authorized to issue 10,000,000 Preferred Shares, issuable in series, none of which are outstanding. Each series of Preferred Shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board prior to the issuance thereof, provided that the Board shall not be permitted to issue more than 10 million in aggregate Preferred Shares at any time. Holders of Preferred Shares, except as required by law, will not be entitled to vote at meetings of shareholders of the Corporation. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the Preferred Shares are entitled to preference over the Common Shares and any other shares ranking junior to the Preferred Shares from time to time and may also be given such other preferences over the Common Shares and any other shares ranking junior to the Preferred Shares as may be determined at the time of creation of such series. The Preferred Shares are not, and may not be, created as an anti-takeover mechanism. Additional information relevant to the Preferred Shares, the rights of holders thereof and the operation and conduct of the Corporation can be found in the Corporation's articles and by-laws, which have been filed under the Corporation's profile on SEDAR at www.sedar.com.

Dividend Policy

Following the Arrangement, the Board established and adopted a dividend policy which was equivalent, on an annual basis, to the previous distribution policy of the Fund. Dividends under this policy are intended to be paid monthly to Shareholders of record on the last business day of each month with actual payment to be made to such Shareholders on or about the last business day of the following month, subject to any contractual restrictions on such dividends, including any agreements entered into with lenders to the Corporation or its subsidiaries. The initial monthly dividend was $0.105 per Common Share and was paid on February 28, 2011 to Shareholders of record on January 31, 2011. Effective for the May 2011 dividend, the Board announced a monthly dividend increase to $0.1075 per Common Share.

As a corporation, the Corporation's dividend policy is subject to the discretion of its Board. Future dividends, if any, will depend on the operations and assets of Cineplex and will be subject to various factors, including, without limitation Cineplex's earnings, financial requirements, the satisfaction of solvency tests imposed by the OBCA for the declaration of dividends and other factors that the Directors may deem relevant from time to time. There can be no guarantee that the Corporation will maintain its current dividend policy.

As of the date hereof, it is anticipated that Cineplex will pay a monthly dividend, subject to the discretion of the Board, at an annualized rate in a range between 60% and 85% of adjusted free cash flow per Share. The Board will assess dividend payout levels, from time to time, in light of corporate financial performance, anticipated business needs, economic and market conditions; funding requirements of operating businesses; ongoing and anticipated indebtedness obligations, potential acquisitions or other opportunities that may arise from time to time, and provisions of applicable law (including satisfying the dividend solvency test applicable to corporations governed by the *Business Corporation Act* (Ontario) and other factors that the Board may deem relevant from time to time.

Description of the Debentures

The Debentures were issued under an indenture dated July 22, 2005 (the "**Initial Indenture**") between the Fund and the Debenture Trustee. Prior to the Arrangement, the Corporation entered into a supplemental indenture dated December 20, 2010 with the Debenture Trustee (the "**Supplemental Indenture**" and together with the Initial Indenture, the "**Indenture**"). The following is a description of the terms of the Indenture, a copy of which has been filed with the Canadian securities regulatory authorities. Capitalized terms used in this "Description of the Debentures" section and not otherwise defined have the meanings set forth in the Indenture. The following summary of certain provisions of the Indenture is subject to, and is qualified in its entirety by reference to, all the provisions of the Indenture.

General

The Debentures were issued under the Indenture in order to finance the FP Acquisition, and were limited in aggregate principal amount to $105 million. The Corporation may, however, from time to time, without the consent of the holders of the Debentures, issue additional debentures of the same series or of a different series under the Indenture. The Debentures will be issuable only in denominations of $1,000 and integral multiples thereof.

Upon completion of the Arrangement, the Debentures were dated as of January 1, 2011. The maturity date of the Debentures is December 31, 2012 (the "**Final Maturity Date**"). The Debentures bear interest from the date of issue at 6.0% per annum, which is payable semi-annually in arrears on June 30 and December 31 in each year.

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

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

Conversion Privilege

Each Debenture is convertible at the holder's option into fully paid and non-assessable Common Shares at any time prior to the close of business on the Final Maturity Date or, if called for redemption, on the business day immediately preceding the date specified by the Corporation for redemption of the Debentures, at a conversion price of $18.75 per Common Share (the "**Conversion Price**"), being a conversion rate of approximately 53.3333 Common Shares for each $1,000 principal amount of Debentures. No adjustment will be made to the record dates for dividends on the Common Shares issuable upon conversion of; or for interest accrued on, Debentures surrendered for conversion; however, holders converting their Debentures will receive all accrued and unpaid interest thereon to the date of conversion. Holders converting their Debentures shall become holders of record of Common Shares of the Corporation on the business day immediately after the conversion date. Notwithstanding the foregoing, no Debentures may be converted during the five business days preceding June 30 and December 31, in each year, as the registers of the Debenture Trustee will be closed during such periods. As at December 31, 2011, holders of Debentures valued at $27,230,000 had converted their 272,300 Debentures to 1,452,233 Common Shares.

Subject to the provisions thereof, the Indenture provides for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Common Shares; (b) the distribution of Common Shares to holders of Common Shares by way of dividend or otherwise, other than an issue of securities to holders of Common Shares who have elected to receive dividends in securities of the Corporation in lieu of receiving cash dividends paid in the ordinary course and other than in the case of a reconsolidation of Common Shares; (c) the issuance of options, rights or warrants to holders of Common Shares entitling them to acquire Common Shares or other securities convertible into Common Shares at less than 95% of the then current market price (as defined below) of the Common Shares; and (d) the distribution to all holders of Common Shares of any securities or assets (other than cash dividends and equivalent dividends in securities paid in lieu of cash dividends in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (b), (c) or (d) above if the Debentureholders are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Corporation is not 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, arrangement, amalgamation or merger of the Corporation with or into any other entity, or in the case of any sale or conveyance of the properties and assets of the Corporation as, or substantially as, an entirety to any other entity, or a liquidation, dissolution or winding-up of the Corporation, the terms of the conversion privilege shall be adjusted so that each holder of a Debenture shall, after such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution or winding-up, be entitled to receive the number of securities such holder would be entitled to receive if on the effective date thereof, it had been the holder of the number of securities into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution or winding-up.

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

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

Redemption and Purchase

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

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

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

Payment upon Redemption or Maturity

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

Subordination

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

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

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

Change of Control of the Corporation

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

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

Interest Payment Option

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

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

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

Events of Default

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

Offers for Debentures

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

Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture contains certain provisions which will make binding on all debenture holders resolutions passed at meetings of the holders of debentures by votes cast thereat by holders of not less than 66-2/3% of the principal amount of the debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66-2/3% of the principal amount of the debentures. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of debentures of each particularly affected series.

Limitations on Non-Resident Ownership

The Debenture Trustee may, upon receipt of written direction of the Corporation, require declarations as to the jurisdictions in which beneficial owners of Debentures are resident. If the Corporation becomes aware as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of 40% or more of the Common Shares then outstanding on a fully diluted basis, assuming conversion of the Debentures for Common Shares are, or may be, non-residents or that such a situation is imminent, the Corporation may make a public announcement thereof and shall notify the Debenture Trustee in writing and the Debenture Trustee shall not accept a subscription for Debentures from or issue or register a transfer of Debentures to a person unless the person provides a declaration in the form and content satisfactory to the Corporation that the person is not a non-resident. If, notwithstanding the foregoing, the Corporation determines that more than 40% of the Common Shares, on a fully diluted basis, assuming conversion of the Debentures for Common Shares, are held by non-residents, the Corporation may send a notice to non-resident holders of Debentures or Common Shares, chosen in inverse order to the order of acquisition or registration of the Debentures and Common Shares or in such other manner as Cineplex may consider equitable and practicable, requiring them to sell their Debentures or Common Shares or a portion thereof within a specified period of not more than 30 days. If the Debentureholders or Common Shareholders receiving such notice have not sold the specified number of Debentures or Common Shares or provided the Corporation with satisfactory evidence that they are not non-residents within such period, the Corporation may on behalf of such Debentureholder or Common Shareholder sell such Debentures or Common Shares, as the case may be, and, in the interim, shall suspend the rights attached to such Debentures or Common Shares, as the case may be. Upon such sale, the affected holders shall cease to be holders of the relevant Debentures or Common Shares as the case may be, and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates representing such Debentures or Common Shares. The Corporation may direct the Debenture Trustee and/or the transfer agent and registrar of the Common Shares to do any of the foregoing.

Book-Entry System for Debentures

The Debentures were issued in "book-entry only" form and may only be purchased or transferred through a participant in the CDS depository service (a "**CDS Participant**"). The Debentures are evidenced by a single book-entry only certificate. Registration of interests in and transfers of the Debentures are made only through the depository service of CDS.

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

The Corporation will not assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its CDS Participants. The rules governing CDS provide that it acts as the agent and depositary for the CDS Participants. As a result, CDS Participants must look solely to CDS and Beneficial Owners must look solely to CDS Participants for the payment of the principal and interest on the Debentures paid by or on behalf of the Corporation to CDS.

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

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

DESCRIPTION OF CINEPLEX ENTERTAINMENT LP

The following is a summary of the material attributes and characteristics of Cineplex Entertainment LP and the LP Units which are outstanding under the Cineplex Entertainment LP Partnership Agreement. This summary is qualified in its entirety by reference to the provisions of the Cineplex Entertainment LP Partnership Agreement which contains a complete statement of those attributes and characteristics.

Capitalization

Cineplex Entertainment LP may issue an unlimited number of Class A LP Units, Class B LP Units, Class C LP Units and Class D LP Units to any person. The Cineplex Entertainment LP Partnership Agreement authorizes Cineplex Entertainment GP to cause Cineplex Entertainment LP to issue additional Class A LP Units, Class B LP Units, Class C LP Units or Class D LP Units for any consideration and on any terms and conditions as are established by Cineplex Entertainment GP. Class A LP Units, Class B LP Units and Class D LP Units have economic and voting rights that are equivalent in all respects.

In connection with the Arrangement, all Class B LP Units owned by COC, Cineplex Odeon (Québec) Inc. and the Galaxy Investors (and the permitted transferees of each) were exchanged for Common Shares. On January 1, 2011, all outstanding Class C LP Units were exchanged for Class A LP Units. Pursuant to a further internal restructure transacted in January 2012, as at the date hereof, the Corporation now directly owns all of the LP Units of Cineplex Entertainment LP. The fiscal year end of Cineplex Entertainment LP is December 31.

DIRECTORS AND OFFICERS

The table below sets out, for each of the Directors and senior officers of the Corporation as at the date hereof, the person's name, municipality of residence, positions with the Corporation (i.e., directorship and/or office) and principal occupation. The term of office for each of the Directors expires at the time of the next annual meeting of Shareholders.

As of the date hereof, the Directors and officers of the Corporation identified below, collectively beneficially own, directly or indirectly, or exercise control and direction over 2,151,790 Common Shares, representing, in the aggregate approximately 3.5% of the issued and outstanding Common Shares, calculated on a fully diluted basis. Calculation of this aggregate percentage ownership noted includes 983,586 Common Shares that have been allocated to, but have not vested to, executive officers of the Corporation pursuant to the long-term incentive plans. The executive officers do not exercise control over those unvested units until such time as they vest. Calculation of this aggregate percentage ownership noted includes share equivalents of Performance Share Units or Deferred Share Units issued pursuant to long-term incentive plans, regardless of vesting.

The Directors and officers as of the date hereof are the following individuals:

Name and Residence	Position	Principal Occupation
Phyllis Yaffe Ontario, Canada(4)	Director (Chair)	Corporate Director
Joan Dea California, USA(4)	Director	Managing Director Beckwith Investment Corp.
Sarabjit Marwah Ontario, Canada(2)	Director	Vice Chairman and Chief Operating Officer Bank of Nova Scotia
Robert Steacy Ontario, Canada(1)(2)	Director	Corporate Director
Robert Bruce Ontario, Canada(2)	Director	President, Communications Rogers Communications Inc.

Name and Residence	Position	Principal Occupation
Ian Greenberg Quebec, Canada[(4)]	Director	President and Chief Executive Officer Astral Media Inc.
Anthony Munk Ontario, Canada[(2)]	Director	Managing Director Onex Corporation
Edward Sonshine Ontario, Canada[(3) (4)]	Director	Chief Executive Officer RioCan Real Estate Investment Trust
Ellis Jacob Ontario, Canada	Director/Officer	President and Chief Executive Officer Cineplex Inc.
Heather Briant Ontario, Canada	Officer	Senior Vice President Human Resources Cineplex Inc.
Anne Fitzgerald Ontario, Canada	Officer	Chief Legal Officer and Corporate Secretary Cineplex Inc.
Michael Kennedy Ontario, Canada	Officer	Executive Vice President Filmed Entertainment Cineplex Inc.
Jeff Kent Ontario, Canada	Officer	Chief Technology Officer Cineplex Inc.
Dan McGrath Ontario, Canada	Officer	Chief Operating Officer Cineplex Inc.
Gord Nelson Ontario, Canada	Officer	Chief Financial Officer Cineplex Inc.

Notes:

(1) Chair of the Audit Committee of the Corporation.

(2) Member of the Audit Committee of the Corporation.

(3) Chair of the Compensation, Nominating and Corporate Governance Committee.

(4) Member of the Compensation, Nomination and Corporate Governance Committee.

Biographies

The following are brief profiles of the directors of the Corporation.

- ***Robert Bruce***. Mr. Bruce currently serves as President, Communications for Rogers Communications Inc., having previously served as President, Rogers Wireless from May 2005 to September 2009. In his current role, he is responsible for marketing, sales, distribution, retail stores, customer care and operations for both cable and wireless. Mr. Bruce joined Rogers Wireless in September 2001 as Executive Vice President and Chief Marketing Officer of Rogers Wireless and President, Wireless Data Services. Prior to joining Rogers Wireless, Mr. Bruce was Senior Vice President, Marketing at BCE Mobile Communications. Previously, he held senior operating and marketing roles with Pepsi-Cola Canada, Oshawa Foods Limited and Warner Lambert. In addition to his role as a Director of the Corporation, Mr. Bruce sits on the board of the Canadian Wireless Telecommunications Association and the United Way Campaign Cabinet.

- ***Joan Dea.*** Ms. Dea is the Managing Director of Beckwith Investment Corp., a private investment and consulting firm. From 2003 to 2008, Ms. Dea worked with BMO Financial Group, most recently as Executive Vice President, Head of Strategic Management and Corporate Marketing. In that capacity, she was responsible for strategy development and performance management, branding and customer experience and major change initiatives. From 1989 to 2003, Ms. Dea worked at the Boston Consulting Group and its predecessor firm, Canada Consulting Group, where she was a leader on issues of global competitiveness, customer experience strategies and financial services. She became a partner in 1994. She began her career in Corporate Finance with Chemical Bank. In addition to her role as a Director of the Corporation, Ms. Dea is a member of the boards of directors of Torstar Corporation (serving on its nominating and corporate governance committee as well as salary and organization committee) and Charles Schwab Bank (serving on the audit and risk committee). She is actively involved in several charitable organizations, currently serving as a member of the board of directors for Women's Initiative (serving on the executive committee as well as chair of the nominating and governance committee) and having been on the board of the National Ballet of Canada for 13 years, having served as vice chair for six of those years. Ms. Dea was named one of the 100 most powerful women in Canada in 2007.

- ***Ian Greenberg***. Mr. Greenberg founded Astral Media with his four brothers over 50 years ago and has been the President and Chief Executive Officer of Astral Media Inc. since 1996. He is a member of the Canadian Council of Chief Executives and is actively involved as a member of the board of directors of Astral Media Inc. in addition to his role as a Director of the Corporation. He is actively involved in a number of industry and charitable associations, including the MS Society of Canada, the Canadian Cancer Society, United Way, Centraide and the Montreal Museum of Fine Arts. A graduate of Harvard Business School's Advanced Management Program, Mr. Greenberg was named one of Québec's most influential business personalities by Revue Commerce in February 2001. In 2007, Mr. Greenberg received the prestigious Ted Rogers and Velma Rogers Graham Award for his unique contribution to the Canadian broadcasting system and in November 2008, he was inducted into the Canadian Association of Broadcasters' Hall of Fame.
- ***Ellis Jacob, C.M.*** Mr. Jacob has been working in the motion picture exhibition industry since 1987. Prior to assuming his current positions as President and Chief Executive Officer of the Corporation in 2003, Mr. Jacob was Chief Executive Officer and co-founder of Galaxy. Prior to founding Galaxy, Mr. Jacob represented Alliance Atlantis Communications Inc. as Head of Integration during 1998 and 1999. From 1987 to 1998, Mr. Jacob held various positions with COC as Vice President, Finance, Chief Financial Officer, Executive Vice President and, ultimately, Chief Operating Officer. Mr. Jacob is a director and member of the finance and audit committee of the Toronto International Film Festival Group. He is a director of the Motion Picture Theatre Associations of Canada and a member of board of directors of the National Association of Theatre Owners as well as a member of its executive committee. In addition to his role as a Director of the Corporation, Mr. Jacob also is a member of the board of directors and chair of the audit committee for Husky Injection Molding Systems Ltd. and a member of the board of directors and a member of the audit committee for Dundee Corporation. Mr. Jacob is an active community member, currently serving as a member of the board of directors for the Baycrest Centre for Geriatrics, a member of Baycrest's Strategic Planning Committee, chair of Baycrest's Finance and Audit Committee and a member of the Board of Governors for Mount Sinai Hospital. He holds the ICD.D designation from the Institute of Corporate Directors and was appointed a Member of the Order of Canada in 2010.

- ***Sarabjit Marwah***. Mr. Marwah is currently the Vice-Chairman and Chief Operating Officer of The Bank of Nova Scotia ("**Scotiabank**"). He is responsible for many of Scotiabank's corporate functions, and is actively involved in developing Scotiabank's strategic plans and priorities. He joined Scotiabank's Finance Division in 1979, and over the years held successively more senior positions, including Deputy Comptroller, Senior Vice-President and Comptroller, and Executive Vice-President Finance. He was appointed Chief Financial Officer in 1998, Senior Executive Vice-President & Chief Financial Officer in 2002 and his current role in 2008. In addition to his role as a Director of the Corporation, Mr. Marwah is a member of the boards of directors of several Scotiabank subsidiaries as well as The Hospital for Sick Children. He was past chair of the Humber River Regional Hospital, a past member of the board of directors of the C.D. Howe Institute, Torstar Corporation, and the 2008 and 2009 United Way Cabinets, and is active in several community organizations.

- ***Anthony Munk***. Mr. Munk is currently a Managing Director of Onex Corporation, a leading North American private equity firm. Prior to joining Onex Corporation in 1988, Mr. Munk was a vice-president with First Boston Corporation in London, England. He serves on the board of directors of Barrick Gold Corporation (where he serves on the finance committee), RSI Home Products (where he serves on both the audit and compensation committees), JELD-WEN Holding, Inc. and Tomkins Building Products, Inc.

- ***Edward Sonshine, O.Ont., Q.C.*** Mr. Sonshine is the Chief Executive Officer, as well as a member of the board of trustees of RioCan Real Estate Investment Trust, having held those positions since the company's founding in 1993. In addition to his Director role with the Corporation, Mr. Sonshine is a member of the boards of directors of each of the Royal Bank of Canada (where he serves as a member of the risk committee as well as the nominating and governance committee) and Chesswood Group Limited (where he serves as chair of the board). Mr. Sonshine is also active in the community and currently serves as vice-chair of Mount Sinai Hospital and as Chair of the Israel Bonds Organization of Canada. Mr. Sonshine was appointed Queen's Counsel in 1983 and a Member of the Order of Ontario in 2011.

- ***Robert J. Steacy***. Mr. Steacy retired as Executive Vice President and Chief Financial Officer of Torstar Corporation in 2005, where he served as the senior financial officer for 16 years. Mr. Steacy has been a Chartered Accountant since 1976 (Institute of Chartered Accountants of Ontario). In addition to sitting on the Board of the Corporation, he currently serves as a director of each of Canadian Imperial Bank of Commerce (where he serves on the audit committee), Postmedia Network Canada Corporation (where he serves as chair of the audit committee and a member of the compensation and pension committee) and Domtar Corporation (where he serves as a member of the finance committee, a member of the nominating and corporate governance committee and as chair of the audit committee). Mr. Steacy also serves as a director OCP Holdings Corporation, a private investment company.

- ***Phyllis Yaffe* (Chair)**. In 2007, Ms. Yaffe retired from the role of Chief Executive Officer of Alliance Atlantis Communications Inc., a position that she held from 2005. She has held a number of strategic positions in film and television in Canada since the 1980s including Chief Operating Officer of Alliance Atlantis Communications Inc. and Chief Executive Officer of Alliance Atlantis Broadcasting Inc. In addition to being Chair of the Board of the Corporation, she is the lead director on the board of directors of Torstar Corporation, serves on its salary and organization committee and is chair of its nominating and corporate governance committee. Ms. Yaffe is also member of the boards of directors of Astral Media Inc., Lions Gate Entertainment Corporation and Blue Ant Media, a privately held Canadian media company. She is also chair of the board of governors for Ryerson University and chair of Women Against Multiple Sclerosis. Ms. Yaffe was selected as the Canadian Women in Communications 1999 Woman of the Year and received the Lifetime Achievement Award from Women in Film and Television in 2000.

In addition to Ellis Jacob who serves as the President & Chief Executive Officer of the Corporation, the following are brief profiles of the additional officers of the Corporation.

- ***Heather Briant, Senior Vice President, Human Resources***. Ms. Briant joined Cineplex Entertainment in March, 2006. She is responsible for all aspects of the Human Resources function, encompassing talent development, organization effectiveness, compensation, human resources governance and reporting. Immediately prior to joining the Partnership, Ms. Briant was employed as Vice President, Human Resources at Canadian Tire Corporation, Limited. She is the Chair of the Canadian board of the Starlight Children's Foundation. She is also a member of the boards of HOMEQ Corporation and its wholly-owned subsidiary HomEquity Bank and is the chair of the HOMEQ Corporation Corporate Governance and Compensation Committee and a member of the Risk Committee. Ms. Briant holds the ICD.D designation from the Institute of Corporate Directors.

- ***Anne Fitzgerald, Chief Legal Officer and Corporate Secretary***. Ms. Fitzgerald joined Cineplex in January 2005, having previously worked as outside counsel to the Corporation. As chief counsel, she oversees all legal, insurance and corporate governance matters relating to Cineplex and its subsidiaries. Ms. Fitzgerald became licensed to practice law in 1990 and has since practiced in both Canada and the United States. Prior to joining Cineplex, she practiced primarily in litigation roles, including corporate-commercial, securities, tax and entertainment matters. Ms. Fitzgerald sits as a director on the boards of the National Association of Theatre Owners, the Motion Picture Theatre Associations of Canada and the Academy of Canada Cinema and Television. Ms. Fitzgerald holds the ICD.D designation from the Institute of Corporate Directors.

- ***Michael Kennedy, Executive Vice President, Filmed Entertainment***. Mr. Kennedy returned to Cineplex as Executive Vice President in July 2005 after having held senior management positions at Famous Players, Cineplex Odeon Corporation, Norstar Releasing and Astral Films. He oversees all aspects of film programming, alternative programming and corporate sales for the Corporation. He is an industry veteran and his career has included roles in film programming, film and video distribution, advertising and theatre operations. Mr. Kennedy currently sits on the boards of directors of the Canadian Film Centre, the First

Weekend Club and the Canadian Motion Picture Pioneers Association. He is also a member of the Advisory Committee of the Hot Docs Film Festival and serves on the Advisory Working Group of Telefilm Canada.

- ***Jeff Kent, Chief Technology Officer***. Mr. Kent is an information technology (IT) professional with many years of experience in the entertainment industry. Mr. Kent oversees all technology relating to the Corporation and its subsidiaries. Prior to returning to Cineplex in 2004, Mr. Kent spent the previous six years as Senior Vice President, IT for Alliance Atlantis Communications Inc. From 1996 through 1998, Mr. Kent held senior positions in Finance and IT with Cineplex Odeon Corporation. Mr. Kent sits on the boards of directors of the National Association of Theatre Owners and Scene Corporation.

- ***Dan McGrath, Chief Operating Officer***. Mr. McGrath joined Cineplex Odeon Corporation in 1987. He held various financial and operational roles at Cineplex from 1987 to 2000. Upon joining Galaxy Entertainment Inc. in 2000, Dan held the position of Executive Vice President. Mr. McGrath continued to hold this position at Cineplex Galaxy LP and later, following the Famous Players merger, at Cineplex Entertainment LP. In March, 2011, Mr. McGrath was promoted to Chief Operating Officer. Mr. McGrath is director and treasurer for both the Motion Picture Theatre Associations of Canada and the Motion Picture Theatre Association of Ontario. As well, Mr. McGrath sits on the boards of directors of Scene Corporation, CDCP GP Inc. (the general partner of CDCP) and Canada's Walk of Fame. Mr. McGrath is a Chartered Accountant (Institute of Chartered Accountants of Ontario).

- ***Gord Nelson, Chief Financial Officer***. Mr. Nelson joined Cineplex Odeon Corporation in 1988 and has held various successive financial roles since that time. Prior to assuming the role of Chief Financial Officer of the Fund in August 2004, Mr. Nelson was Senior Vice-President, Finance and Management Information Systems. His previous positions at Cineplex Odeon Corporation included Chief Financial Officer, Senior Vice President, Finance and Vice President, Controller. Mr. Nelson is a director of CDCP GP Inc. (the general partner of CDCP). Mr. Nelson is a Chartered Accountant (Institute of Chartered Accountants of Ontario).

Committees of the Board of Directors of the Corporation

The Board has an Audit Committee and a Compensation, Nominating and Corporate Governance Committee.

Audit Committee

Terms of Reference of the Audit Committee of the Corporation

The Terms of Reference of the Audit Committee of the Board, as approved on March 14, 2012, is set out in Schedule A to this Annual Information Form.

Composition of the Audit Committee of the Corporation

The Audit Committee of the Corporation is composed of four Directors, namely Robert Steacy (Chair), Sarabjit Marwah, Robert Bruce and Anthony Munk. Each member of the Audit Committee is independent and financially literate within the meaning of applicable securities laws.

Relevant Education and Experience of Audit Committee Members

In addition to each member’s general business experience, the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee are set forth below:

- ***Robert Steacy (Chair)*** – Prior to his retirement in 2005, Mr. Steacy was the Executive Vice President and Chief Financial Officer of Torstar Corporation and had been its senior financial officer for 16 years. In that capacity, he was responsible for overseeing all financial functions of that corporation (including all financial reporting, budgeting, tax, treasury functions and internal audit). Mr. Steacy has been a Chartered Accountant since 1976 (Institute of Chartered Accountants of Ontario) and currently sits on the boards of directors of

Canadian Imperial Bank of Commerce, Postmedia Network Canada Corp, Domtar Corporation and OCP Holdings Corporation, a private investment company. He currently serves as chair of the audit committees for each of Domtar Corporation and Postmedia Network Canada Corp. and sits on the audit committee for Canadian Imperial Bank of Commerce. Mr. Steacy also serves on the compensation and pension committee for Postmedia Network Canada Corp. He previously served as chair of the audit committees for each of Domtar Inc. and Somerset Entertainment Income Fund. He earned his B.Comm from Queens University in 1973.

- ***Robert Bruce*** **–** Mr. Bruce currently serves as President, Communications for Rogers Communications Inc., having responsibility for marketing, sales, distribution, retail stores, customer care and all aspects of operations for both cable and wireless, with substantial financial management obligations. His current role at Rogers, as well as past roles at BCE Mobile Communications, Pepsi-Cola Canada and Oshawa Foods Limited have provided him significant experience with operational and financial aspects of each of these businesses. Mr. Bruce graduated from Queen's University with a Masters of Business Administration and University of Waterloo with a Master of Science.

- ***Sarabjit Marwah*** –Mr. Marwah is currently the Vice-Chairman and Chief Operating Officer of Scotiabank, where he is responsible for many of the bank’s corporate functions, including audit and finance, and is actively involved in developing the bank's strategic plans and priorities. He previously served as the Comptroller, Executive Vice President Finance, and Chief Financial Officer of Scotiabank. Mr. Marwah graduated with a Bachelors (Honors) and Masters Degree in Economics, and a Masters of Business Administration (Finance) from the University of California, Los Angeles (UCLA).

- ***Anthony Munk*** – Mr. Munk is currently a Managing Director of Onex, a leading North American private equity firm . Prior to joining Onex in 1988, Mr. Munk was a vice-president with First Boston Corporation in London, England. He serves on the board of directors of each of Barrick Gold Corporation (where he serves on the finance committee), JELD-WEN Holding, Inc. (where he serves on both the audit and compensation committees), RSI Home Products and Tomkins Building Products, Inc. He holds a B.A. (Honours) from Queen’s University.

Audit Fees

The aggregate amounts paid or accrued by the Corporation or Cineplex Entertainment LP with respect to fees, excluding expenses, payable to PricewaterhouseCoopers LLP the auditors of the Corporation and Cineplex Entertainment LP, for audit, audit-related, tax and other services in the fiscal years ended December 31, 2011 and December 31, 2010 were as follows:

Type of Service	Year Ended December 31, 2011	Year Ended December 31, 2010
Audit...	$603,000	$595,000
Audit-related..............................	$159,000	$188,000
Tax	$278,000	$254,000
Other.......................................	$12,000	$81,000

The nature of each category of fees is described below.

Audit-related Fees. Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements and are not reported under the audit fees item above. In 2011, the increase in audit-related fees over 2010 relates to an increase in consulting services provided for the Corporation’s conversion from Canadian GAAP to International Financial Reporting Standards. Additional audit-related fees were for technical accounting matters and the audit of pension funds.

Tax. Tax fees were paid for tax compliance services and tax consulting and planning.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy regarding the engagement of the external auditor for non-audit and non-compliance tax services. PricewaterhouseCoopers LLP provide audit services to Cineplex and are also authorized to provide specific audit-related services as well as prescribed tax services. PricewaterhouseCoopers LLP may also provide other services provided that its engagement for such services is pre-approved by the Audit Committee. This policy is available on the Investor Relations section of the Cineplex website at www.cineplex.com.

RISK FACTORS

Cineplex is exposed to a number of risks in the normal course of business that have the potential to affect operating performance. Cineplex has operating and risk management strategies and insurance programs to help minimize these operating risks. In addition, Cineplex has entity level controls and governance procedures including a corporate code of business conduct and ethics, whistle blowing procedures, clearly articulated corporate values and detailed policies outlining the delegation of authority within Cineplex.

Cineplex conducts an annual enterprise risk management assessment which is overseen by Cineplex's executive management team and the Audit Committee, and is reported to the Board. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across Cineplex. In addition Cineplex monitors risks and changing economic conditions on an ongoing basis and adapts its operating strategies as required.

Industry Risk

Cineplex's ability to operate successfully depends upon the availability, diversity and appeal of films, the availability, diversity and appeal of 3D product, the ability of Cineplex to license films and the performance of these films in Cineplex's markets. Cineplex primarily licenses first-run films, the success of which is dependent upon their quality, as well as on the marketing efforts of film studios and distributors. Cineplex continues to diversify its entertainment offerings to include alternative programming and to move into other sources of revenue such as e-commerce and expanded media offerings. Nonetheless, Cineplex is highly dependent on film product and film performance, including the number and success of blockbuster films. A reduction in quality or quantity of both 2D and 3D film product or any disruption in the production or release of films, including a strike or threat of a strike, a reduction in the marketing efforts of film studios and distributors or a significant change in film release patterns, would have a negative effect on film attendance and adversely affect Cineplex's business and results of operations.

In 2011, eight major film distributors accounted for approximately 97.7% of the Corporation's box office revenues, which is consistent with industry standards. Deterioration in Cineplex's relationships with any of the major film distributors could affect its ability to negotiate film licenses on favourable terms or its ability to obtain commercially successful films. Cineplex actively works on maintaining good relations with these distributors, as this affects its ability to negotiate commercially favourable licensing terms for first-run films or to obtain licenses at all.

Cineplex competes with other film delivery methods, including cable and satellite television and DVDs, as well as pay-per-view services and downloads via the Internet. The release date of a film in other channels of distribution such as pay television or DVD is at the discretion of each distributor and earlier release windows for these or new alternative channels could have a negative impact on Cineplex's business. In the US market, certain studios have experimented with premium VoD offerings on select titles ahead of the traditional DVD release windows. No determination can be made on what the impact would be on Cineplex's revenue should this premium VoD window be expanded into Canada.

Competition Risk

Cineplex competes in each of its local markets with other national and regional circuits and independent film exhibitors, particularly with respect to, attracting guests, film licensing, and acquiring and developing new theatre sites and acquiring existing theatres. Movie-goers are generally not brand conscious and usually choose a theatre based on its location, the films showing, show times available and the theatre's amenities. As a result, the building of new theatres or the addition of screens to existing theatres by competitors in areas in which Cineplex operates theatres may result in reduced attendance levels at Cineplex's theatres.

In response to this risk, management fosters strong ties with the real estate and development community and monitors potential development sites closely. Most prime locations in larger markets have been developed such that further development would be generally uneconomical. In addition the exhibition industry is capital intensive with high operating costs and long-term contractual commitments. Rising construction and real estate costs make it increasingly difficult to develop new sites profitably, reducing the risk of competition through development.

Technology Risk

The film exhibition industry is in the process of conversion from a physical film-based medium to a digital medium of film exhibition. Financial costs of the conversion to digital projection equipment will be funded through a virtual print fee model to be paid primarily by distributors. During the second quarter of 2011, CDCP secured financing and commenced operations; CDCP is the joint venture through which Cineplex will implement the deployment of digital projection equipment in its theatres. The rollout of digital projection in Cineplex's theatres will be completed by the summer of 2012.

Technological advances and the conversion of films into digital formats have made it easier to create, transmit and "share" via downloading over the Internet or unauthorized copying, high quality copies of films in theatrical release. Some consumers may choose to obtain unauthorized copies of films rather than attending a theatre which may have an adverse effect on Cineplex's business. In addition, as home theatre technology becomes more sophisticated, consumers may choose to stay home rather than attending a theatre. 3D televisions are available in the Canadian market, which could result in consumers choosing to consume 3D product in-the-home rather than in theatre. However, the number of 3D televisions and 3D content available is extremely limited to date. To mitigate these risks, Cineplex continues to enhance the out-of-home experience through the addition of new technologies including 3D, VIP, D-Box, UltraAVX and digital projection in order to further differentiate the theatrical product from the home product. Approximately 29% of Cineplex's screens are currently equipped to screen 3D content and Cineplex anticipates making approximately 40% of its circuit 3D compatible by the completion of its digital and 3D rollout. Cineplex has also diversified its offerings to customers by operating the Cineplex Store which sells DVDs, Blu-ray discs and digital downloads in order to participate in the home entertainment market.

Cineplex needs an effective information technology infrastructure including hardware, networks, software, people and processes to effectively support the current and future needs of the business in an efficient, cost-effective and well-controlled fashion. Cineplex is continually upgrading systems and infrastructure to meet business needs.

Customer Risk

Cineplex competes for the public's leisure time and disposable income with other forms of entertainment including home theatre systems, gaming, sporting events, live music concerts, live theatre and restaurants. If Cineplex is too aggressive in raising ticket prices or concession prices, there may be an adverse effect on attendance and concession revenues. Cineplex aims to deliver an affordable out-of-home entertainment experience. Cineplex monitors pricing in all markets to ensure that it offers a reasonably priced out-of-home experience compared to other entertainment alternatives. In addition, historical data shows that movie attendance has not been negatively affected by economic downturns over the past 25 years.

Cineplex monitors customer needs to ensure that the out-of-home theatre experience meets the anticipated needs of key demographic groups. Cineplex is differentiating the movie-going experience by providing UltraAVX auditoriums, D-BOX MFX seating, VIP cinemas and XSCAPE Entertainment Centres in select theatres and by providing alternative programming which appeals to specific demographic groups. In addition, the advent of digital technology will allow for more niche programming. In the event that consumer preferences change, Cineplex may need to incur further capital expenditures to redevelop existing locations. In consideration of this risk, Cineplex continues to improve the quality of its theatre assets through ongoing theatre upgrades and retrofits.

Cineplex is dependent on its theatre locations to provide a satisfactory entertainment experience. If Cineplex's execution of processes does not consistently meet or exceed customer expectations due to poor customer service, movie attendance may be adversely affected. Cineplex monitors customer satisfaction through surveys, mystery shops, and focus groups and maintains a guest services department to address customer concerns. Guest satisfaction is tied to performance measures for theatre management ensuring alignment between corporate and operational objectives.

Cineplex continues to pursue other revenue opportunities such as advertising, games, promotions and alternative uses of its theatres during non-peak hours. Cineplex's ability to achieve its business objectives may depend in part on its ability to successfully increase these revenue streams. Media revenue has been shown to be particularly sensitive to economic conditions and any changes in the economy may either adversely influence this revenue stream in times of a downturn or positively influence this revenue stream should economic conditions improve. Cineplex monitors customer satisfaction with advertising through customer satisfaction surveys and has introduced more entertainment content into its pre-show advertising and set limits on rolling stock advertising in order to maintain satisfaction in this area.

Human Resources Risk

The success of Cineplex depends upon the retention of senior executive management, including Ellis Jacob. The loss of services of one or more members of the executive management team could adversely affect Cineplex's business, results of operations and Cineplex's ability to effectively pursue its business strategy. Cineplex does not maintain key-man life insurance for any of its employees, but does provide long-term incentive programs to retain key personnel. Executive and other compensation plans are structured to minimize behavior that carries excessive risk.

Cineplex employs approximately 10,000 people, of whom approximately 90.4% are hourly workers whose compensation is based on the prevailing provincial minimum wages with incremental adjustments as required to match market conditions. Any increase in these minimum wages will increase employee related costs. Approximately 3.5% of Cineplex's employees are represented by unions, which are almost exclusively in Quebec. Because of the small percentage of employees represented by unions, the risk of labour disruption is low.

Real Estate Risk

The acquisition and development of new theatre sites to be operated by Cineplex is dependent on the ability of Cineplex to identify, acquire and develop suitable sites for potential theatre locations in both new and existing markets. The cost to develop a new theatre is substantial, but its success is not assured. While Cineplex is careful in selecting sites for new theatres, the significant time lag from identifying a new site to theatre opening can result in a change in local market circumstances and could negatively impact the theatre's chance of success. In addition, the building of new theatres may draw audiences away from less appealing older theatres owned by Cineplex. Cineplex considers the overall return for the theatres in a geographic area when making the decision to build a new theatre.

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

Cineplex may also continue to be liable for obligations under theatre leases in respect of divested theatres. If the transferee of such theatres fails to satisfy the obligations under such leases, Cineplex may be required to assume the lease obligations.

Financial Markets Risk

Cineplex requires efficient access to capital in order to fuel growth, execute strategies, and generate future financial returns. For this reason Cineplex has established credit facilities at favourable rates. Cineplex has a $200.0 million revolving credit facility which does not mature until September 2016, protecting Cineplex from any uncertainty in near term refinancing.

Cineplex hedges interest rates, thereby minimizing the impact of significant fluctuations in the market rates. Cineplex's exposure to currency and commodity risk is minimal as the majority of its transactions are in Canadian dollars and commodity costs are not a significant component of the overall cost structure.

Sourcing Risk

Substantially all of Cineplex's beverage concessions are products of one major beverage company. If this relationship was disrupted, Cineplex may be forced to negotiate a substitute arrangement that could be less favourable to Cineplex than the current arrangement. Any such disruptions could therefore increase the cost of concessions and harm Cineplex's operating margins, which would adversely affect its business and results of operations.

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

In order to minimize operating risks, Cineplex actively monitors and manages its relationships with its major suppliers.

Health and Safety Risk

Cineplex is subject to risks associated with food safety, product handling and the operation of machinery. Cineplex is in compliance with health and safety legislation and conducts employee awareness and training programs on a regular basis. Health and safety issues related to our guests such as pandemics and the current bedbug concerns are risks that may deter people from attending the theatre. For those risks that it can control, Cineplex has programs in place to mitigate its exposure.

Business Continuity Risk

Cineplex's primary source of revenue is derived from providing an out-of-home entertainment experience. A terrorist threat or the outbreak of a pandemic may cause people to stay away from public places including movie theatres which would significantly impact business results. Cineplex operates in six provinces which somewhat mitigates the risk to a specific location. Cineplex also has communications and public relations plans to deal with crises of this nature. Cineplex has updated its procedures to manage such events should they occur. These procedures identify risks, prioritize key services, plan for large staff absences and clarify communication processes. However, should there be a national threat, it is uncertain to what extent Cineplex could mitigate this risk and the costs that may be associated with any such crises. Further, Cineplex purchases insurance coverage from third-party insurance companies to cover certain operational risks, and is self-insured for other matters.

Legal, Taxation, and Accounting Risk

Changes to any of the various federal and provincial laws, rules and regulations related to Cineplex's business could have a material impact on its financial results. Compliance with any proposed changes could also result in significant cost to Cineplex. Failure to fully comply with various laws, rules and regulations may expose Cineplex to proceedings which may materially affect its performance.

To mitigate these risks, Cineplex uses third party tax and legal experts to assist in structuring significant transactions and contracts. Cineplex also has systems and controls that ensure the timely production of financial information in order to meet regulatory requirements and has implemented disclosure controls and internal controls over financial reporting which are tested for effectiveness on an ongoing basis. In addition, Cineplex promotes a strong ethical culture through its values and code of conduct.

In 2006, legislation was announced whereby the income tax rules applicable to certain publicly traded or listed trusts and partnerships were significantly modified to tax certain income and distributions made by these entities. The changes became effective on January 1, 2011. In connection with the new legislation, the Fund converted to a corporation on January 1, 2011.

Environment/Sustainability Risk

Cineplex's business is primarily a service and retail business which delivers guest experiences rather than physical commercial products. Cineplex operates multiple locations in major urban markets and does not anticipate any dramatic changes to operations due to climate change. Because of these factors, should legislation change to require more stringent management of carbon emissions or more stringent reporting of environmental impacts, Cineplex anticipates this will result in minimal cost increases or changes to operating procedures.

Information Management Risk

Cineplex requires relevant and reliable information to support the execution of the business model and reporting on performance. The integrity, reliability and security of information are critical to Cineplex's daily and strategic operations. Inaccurate, incomplete or unavailable information or inappropriate access to information could lead to incorrect financial or operational reporting, poor decisions, privacy breaches or inappropriate disclosure of sensitive information. Cineplex continues to strengthen general information technology controls by developing operating policies and procedures in the areas of change management, computer operations and security access.

Debenture Risk

The market price of the Debentures could be subject to significant fluctuations in response to changes in market rates of interest, changes in general market conditions, variations in quarterly operating results and other factors. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Debentures.

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

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

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

The Corporation may issue Common Shares on the conversion, redemption or repayment of the Debentures. Accordingly, holders of Common Shares may suffer dilution.

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

DIVIDENDS

The following table sets for the date of payment per Common Share and the total amount of the dividends paid by the Corporation on the Common Shares during 2011.

Period	Payment Date	Per Common Share Amount	Total
January 2011	February 28, 2011	$0.1050	$6,033,222
February 2011	March 31, 2011	$0.1050	$6,036,851
March 2011	April 29, 2011	$0.1050	$6,040,737
April 2011	May 31, 2011	$0.1050	$6,051,724
May 2011	June 30, 2011	$0.1075	$6,234,185
June 2011	July 29, 2011	$0.1075	$6,251,821
July 2011	August 31, 2011	$0.1075	$6,274,966
August 2011	September 30, 2011	$0.1075	$6,277,608
September 2011	October 31, 2011	$0.1075	$6,284,022
October 2011	November 30, 2011	$0.1075	$6,289,194
November 2011	December 30, 2011	$0.1075	$6,284,443
December 2011	January 31, 2012	$0.1075	$6,285,015

Corporation dividends were made on a monthly basis to Shareholders of record on the last business day of each month. For the year ended December 31, 2011, the Corporation declared dividends totalling $1.28. For the years ended December 31, 2010 and December 31, 2009, the Fund declared distributions totalling $1.26 and $1.26, respectively.

MARKET FOR SECURITIES

The outstanding Common Shares of the Corporation are listed for trading on the TSX under the symbol CGX. The Debentures are also listed for trading on the TSX under the symbol CGX.DB.

TRADING PRICE AND VOLUME

The following tables show the monthly range of high and low prices per Common Share and per Debenture and total monthly volumes traded on the TSX during the year ended December 31, 2011.

<u>Common Shares</u>

Month	Price per Common Share ($) Monthly High	Price per Common Share ($) Monthly Low	Total Monthly Volume
January 2011	23.16	20.95	6,123,096
February 2011	24.18	22.00	2,575,120
March 2011	24.11	22.76	2,567,672
April 2011	25.13	23.10	2,506,485
May 2011	26.66	24.02	2,208,179
June 2011	26.80	25.00	1,770,454
July 2011	26.95	23.00	2,206,679
August 2011	26.21	21.85	2,435,741
September 2011	27.73	25.00	3,021,169
October 2011	26.73	24.60	1,919,536

Month	Price per Common Share ($) Monthly High	Price per Common Share ($) Monthly Low	Total Monthly Volume
November 2011	26.37	24.50	2,228,881
December 2011	27.24	25.08	3,610,892

Debentures

Month	Price per Debenture ($) Monthly High	Price per Debenture ($) Monthly Low	Total Monthly Volume
January 2011	123.00	113.47	26,090
February 2011	126.88	117.38	23,140
March 2011	128.00	122.00	19,390
April 2011	132.70	123.60	27,450
May 2011	141.60	130.00	28,560
June 2011	142.50	133.08	37,040
July 2011	140.37	126.00	15,320
August 2011	139.00	122.00	18,760
September 2011	143.50	133.50	18,110
October 2011	142.08	133.00	9,610
November 2011	139.69	131.20	8,690
December 2011	144.44	134.04	8,040

ACCOUNTING ISSUES

Some measures included in this AIF do not have a standardized meaning under generally accepted accounting principles ("**GAAP**") and may not be comparable to similar measures provided by other issuers. In its 2011 reporting, the Corporation included these measures, including the following, because its management believes that they assist investors in assessing financial performance.

Management defines EBITDA as earnings before interest income and expense, income taxes and amortization expense. Adjusted EBITDA excludes the loss on disposal of assets, the change in fair value of financial instruments and the share of loss of CDCP. The Corporation's management uses Adjusted EBITDA to evaluate performance primarily because of the significant effect certain unusual or non-recurring charges and other items have on EBITDA from period to period. EBITDA, adjusted for various unusual items, is also used to define certain financial covenants in the Fourth Amended Credit Facilities.

EBITDA and Adjusted EBITDA are non-GAAP measures generally used as an indicator of financial performance and they should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. The Corporation's EBITDA and Adjusted EBITDA may differ from similar calculations as reported by other entities and accordingly may not be comparable to EBITDA or Adjusted EBITDA as reported by other entities.

For a complete discussion and reconciliation of the Corporation's results in accordance with GAAP measures, reference is made to the Corporation's year-end Management's Discussion and Analysis dated February 8, 2012 which is incorporated herein by reference.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

None of the Corporation, Cineplex Entertainment LP, Cineplex Entertainment GP or Galaxy is involved in any legal proceeding or regulatory action which would have a material adverse effect on Cineplex Entertainment LP or the Corporation on a consolidated basis. The Partnership, or a subsidiary of the Partnership, is a defendant in various lawsuits arising in the ordinary course of business. From time to time, Cineplex is involved in disputes with landlords, contractors, past employees and other third parties. It is the opinion of management that any liability to Cineplex, which may arise as a result of these matters, will not have a material adverse effect on Cineplex's operating results, financial position or cash flows.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No trustee, director, executive officer or principal shareholder of the Corporation, the Fund, the Trust, Cineplex Entertainment LP, Cineplex Entertainment GP or associate, affiliate or subsidiary of any of the foregoing, has, or has had, any other material interest, direct or indirect, in any transaction which has materially affected the Corporation or Cineplex Entertainment LP since their respective establishment (or in any transactions or proposed transaction which may materially affect the Corporation or Cineplex Entertainment LP in the future), except as may be related to exchanges completed in prior years pursuant to an exchange agreement which permitted COC, Cineplex Odeon (Québec) Inc. and the Galaxy Investors (and the permitted transferees of each) to indirectly exchange LP Units in consideration for Units.

TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust Company acts as transfer agent and registrar of Cineplex. The register of transfers of the securities of the Corporation is located at CIBC Mellon Trust Company's principal transfer office in Toronto.

MATERIAL CONTRACTS

Except for those contracts entered into in the ordinary course of business of the Partnership and the Corporation, the Partnership and/or the Corporation have entered into the following material contracts: (a) the Credit Agreement entered into in connection with the Fourth Amended Credit Facilities (see "Business of Cineplex – Credit Facility"); and (b) the Indenture (see "Description of Cineplex - Description of the Debentures").

INTERESTS OF EXPERTS

The Corporation's auditors are, and the Fund's auditors were, PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors' report dated February 8, 2012 in respect of the Corporation's consolidated financial statements as at December 31, 2011 and the Fund's consolidated financial statements as at December 31, 2010, for the years then ended. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR. Additional information, including remuneration and indebtedness of Directors and officers of the Corporation and the principal holders of Common Shares, is contained in the Corporation's information circular dated April 8, 2011 for its May 18, 2011 annual meeting of Shareholders, as filed by the Corporation on SEDAR. Additional financial information is provided in the Corporation's financial statements and management's discussion and analysis for the year ended December 31, 2011, as filed by the Corporation on SEDAR.

For additional copies of this Annual Information Form and the materials listed in the preceding paragraph, please contact:

Cineplex Inc.
1303 Yonge Street
Toronto, Ontario M4T 2Y9

Attention: Investor Relations
Telephone: (416) 323-6600
Fax: (416) 323-6633

GLOSSARY OF TERMS

"**Adjusted EBITDA**" means EBITDA adjusted to exclude the loss on disposal of assets, the change in fair value of financial instruments and the share of loss of CDCP;

"**Board**" means the board of directors of the Corporation;

"**CDCP**" means Canadian Digital Cinema Partnership;

"**CDM**" means Cineplex Digital Media Inc.;

"**CDS**" means the Canadian Depositary for Securities Limited;

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

"**Cineplex Entertainment GP**" means Cineplex Entertainment Corporation;

"**Cineplex Entertainment LP**" means Cineplex Entertainment Limited Partnership, formerly named Cineplex Galaxy Limited Partnership;

"**Cineplex Entertainment LP Partnership Agreement**" means the Cineplex Entertainment LP limited partnership agreement as it may be amended, supplemented or restated from time to time;

"**Class A LP Units**" means the Class A limited partnership units of Cineplex Entertainment LP;

"**Class B LP Units**" means the Class B limited partnership units of Cineplex Entertainment LP;

"**Class C LP Units**" means the Class C limited partnership units of Cineplex Entertainment LP;

"**Class D LP Units**" means the Class D limited partnership units of Cineplex Entertainment LP;

"**COC**" means Cineplex Odeon Corporation;

"**Common Shares**" means common shares of the Corporation;

"**Conversion Price**" means the price at which holders of Debentures may, at the holder's option, convert the Debentures into fully-paid Common Shares prior to the close of business on the Final Maturity Date or, if called for redemption, on the business day immediately preceding the date specified by the Corporation for redemption of Debentures, being a price of $18.75 per Common Shares, subject to adjustment or the occurrence of certain events;

"**Corporation**" means Cineplex Inc., the successor reporting issuer to the Fund;

"**Debenture Trustee**" means BNY Trust Company of Canada, as trustee, or its successor as trustee, under the Indenture;

"**Debentureholders**" means the holders of Debentures, and "**Debentureholder**" means any one of them;

"**Debentures**" means the 6.0% convertible extendible unsecured subordinated debentures of Cineplex issued pursuant to the Indenture, and "**Debenture**" means one of them;

"**Director**" or "**Directors**" means the directors of the Corporation or any one of them;

"**EBITDA**" means earnings before interest, income taxes and amortization;

"**Famous Players LP**" means Famous Players Limited Partnership;

"**Final Maturity Date**" means December 31, 2012, the maturity date of the Debentures;

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

"**Fund**" means Cineplex Galaxy Income Fund;

"**Galaxy Investors**" means the persons who were, immediately prior to the IPO Closing, shareholders of Galaxy;

"**Galaxy** " means Galaxy Entertainment Inc.;

"**Indenture**" means the Initial Indenture and the Supplemental Indenture;

"**Initial Indenture**" means the trust indenture dated July 22, 2005 between the Fund, and the Debenture Trustee, governing the terms of the Debentures;

"**IPO Closing**" means the closing of the initial public offering of Units by the Fund;

"**LP Units**" means the limited partnership units of Cineplex Entertainment LP, including the Class A LP Units, the Class B LP Units, the Class C LP Units and the Class D LP Units;

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

"**Partnership**" means Cineplex Entertainment LP, together with its general partner and subsidiaries;

"**Preferred Shares**" means preferred shares of the Corporation;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval at www.sedar.com;

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

"**Shareholders**" means the holders of Common Shares;

"**Supplemental Indenture**" means the supplemental trust indenture dated January 1, 2011 between Cineplex, and the Debenture Trustee, governing the terms of the Debentures;

"**Trust**" means Cineplex Galaxy Trust;

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

"**TSX**" means the Toronto Stock Exchange; and

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

SCHEDULE A

CINEPLEX INC.

AUDIT COMMITTEE - TERMS OF REFERENCE

The Audit Committee (the "**Committee**") of Cineplex Inc. (the "**Corporation**") is a committee of the board of directors to assist the board in its oversight activities. The purpose of the Committee is to assist the board in fulfilling its responsibilities of oversight and supervision of:

- the integrity of the Corporation's accounting and financial reporting practices and procedures;
- the adequacy of the Corporation's internal accounting controls and procedures;
- the quality and integrity of the Corporation's financial statements; and
- the independence and performance of the Corporation's external auditor.

Composition:

The board of directors shall elect annually from among its members a committee to be known as the Audit Committee to be composed of at least three directors, all of whom are independent directors and each of whom is financially literate (or will become so within a reasonable period of time following his or her appointment).

If a member of the Committee ceases to be independent for reasons outside that member's reasonable control, that member is exempt from the requirement to be independent for a period ending on the later of:

(a) the next annual meeting of the Corporation; and

(b) the date that is six months from the occurrence of the event which caused the member to not be independent,

provided that the board has determined that appointing such member to the Committee will not materially adversely affect the ability of the Committee to act independently.

Where the death, disability or resignation of a member of the Committee has resulted in a vacancy on the Committee that the board is required to fill, a member appointed to fill such vacancy is exempt from the requirements to be independent and financially literate for a period ending the later of:

(a) the next annual meeting of the Corporation; and

(b) the date that is six months from the day the vacancy was created,

provided that the board has determined that appointing such member to the Committee will not materially adversely affect the ability of the Committee to act independently.

Reports:

The Committee shall report to the board of directors on a regular basis and, in any event, before the public disclosure by the Corporation of its quarterly and annual financial results. The reports of the Committee shall include any issues of which the Committee is aware with respect to the quality or integrity of the Corporation's financial statements, its compliance with legal or regulatory requirements, and the performance and independence of the Corporation's independent auditor.

Responsibilities:

Subject to the powers and duties of the board, the board hereby delegates to the Committee the following powers and duties to be performed by the Committee on behalf of and for the board:

A. Financial Statements and Other Financial Information

The Committee shall:

(i) review the Corporation's annual audited financial statements and related documents prior to any public disclosure of such information;

(ii) review the Corporation's interim unaudited financial results and related documents prior to any public disclosure;

(iii) following a review with management of the Corporation and the external auditors of the annual and interim financial statements and related documents, recommend to the board the approval of such financial statements and related documents;

(iv) review with management of the Corporation and/or the external auditors all critical policies and practices used as well as significant management estimates and judgments and any changes in accounting policies or financial reporting requirements that may affect the Corporation's financial statements;

(v) review with management of the Corporation and/or the external auditors the treatment in the financial statements of any significant transactions, and other potentially difficult matters;

(vi) review a summary provided by the Corporation's legal counsel of the status of any material pending or threatened litigation, claims and assessments;

(vii) discuss the annual financial statements and the auditors' report thereon with officers of the Corporation and the auditors; and

(viii) review the other annual financial reporting documents as well as management's discussion and analysis and earnings press releases of the Corporation prior to any disclosure to the public.

B. Financial Reporting Control Systems

The Committee shall:

(i) require management of the Corporation to implement and maintain appropriate internal controls, and use reasonable efforts to satisfy itself as to the adequacy of the Corporation's policies for the management of risk and the preservation of assets and the fulfillment of legislative and regulatory requirements;

(ii) annually review and report to the board the development and adequacy of the Corporation's enterprise risk management processes;

(iii) annually, in consultation with management, the external auditors and if applicable the officer or employee responsible for the internal audit function, review, evaluate and assess the adequacy and integrity of the Corporation's financial reporting processes and internal controls; discuss significant financial risk, exposures and the steps management of the Corporation has taken to monitor, control and report such exposures;

(iv) if applicable, meet separately with the officer or employee of the Corporation (or a subsidiary of the Corporation) responsible for the internal audit function to discuss any matters that the Committee or auditors believe should be discussed in private;

(v) annually review and report to the board of directors on organizational structure and succession planning and management development matters for the finance department of the Corporation;

(vi) submit to the board any recommendations the Committee may have from time to time with respect to financial reporting, accounting procedures and policies and internal controls;

(vii) review reports from senior officers of the Corporation outlining any significant changes in financial risks facing the Corporation;

(viii) review the management letter of the external auditors and the responses to suggestions made;

(ix) review any new appointments to senior positions of the Corporation (or a subsidiary of the Corporation) with financial reporting responsibilities;

(x) satisfy itself that adequate procedures are in place for the review of the Corporation's disclosure of the Corporation's financial information extracted or derived from the Corporation's financial statements (other than the financial statements, management's discussion and analysis and earnings press releases) and periodically assess the adequacy of those procedures;

(xi) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters;

(xii) establish procedures for the confidential, anonymous submission by employees of the Corporation (or a subsidiary of the Corporation) of concerns regarding questionable accounting or auditing matters;

(xiii) review and approve the Corporation's (and its subsidiaries') hiring policies regarding employees and former employees of the present and former external auditors of the issuer; and

(xiv) obtain assurance from external auditors regarding the overall control environment and the adequacy of accounting system controls.

C. External Auditor

The Committee shall:

(i) review the audit plan with the external auditors;

(ii) discuss in private with the external auditors matters affecting the conduct of their audit and other corporate matters;

(iii) review the performance and the remuneration of the Corporation's auditors;

(iv) recommend to the board each year the retention or replacement of the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation;

(v) if there is a plan to change auditors, review all issues related to the change and the steps planned for an orderly transition;

(vi) annually review and recommend for approval to the board the terms of engagement and the remuneration of the external auditor;

(vii) oversee the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;

(viii) discuss with the Corporation's auditors the quality and not just the acceptability of the Corporation's accounting principles;

(ix) meet with the Corporation's auditors on a regular basis in the absence of management;

(x) relay its expectations to the Corporation's auditors from time to time including its expectations that: (i) any disagreements of a material nature with management be brought to the attention of the Committee; (ii) that the auditors are accountable to the Committee and the board, each as representatives of the shareholders and must report directly to the Committee; (iii) any irregularities in the financial information be reported to the Committee; (iv) the auditors explain the process undertaken by them in auditing or reviewing the Corporation's financial disclosure; (v) the auditors disclose to the Committee any significant changes to accounting policies or treatment of the Corporation; (vi) the auditors disclose to the Committee any reservations they may have about the financial statements or their access to materials and/or persons in reviewing or auditing such statements; and (vii) the auditors disclose any conflict of interest that may arise in their engagement;

(xi) review at least annually the non-audit services provided by the Corporation's auditors for the purposes of getting assurance that the performance of such services will not compromise the independence of the external auditors; and

(xii) pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by its external auditors or the external auditors of its subsidiary entities[1] provided that the Committee may delegate to one or more independent members the authority to pre-approve non-audit services in satisfaction of this requirement. The pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the full Committee at its first scheduled meeting following such pre-approval.

Structure:

The Committee shall appoint one of its members to act as Chair of the Committee. The Chair will appoint a secretary who will keep minutes of all meetings (the "**Secretary**"). The Secretary does not have to be a member of the Committee or a director and can be changed by simple notice from the Chair.

The Committee will meet as many times as is necessary to carry out its responsibilities but in no event will the Committee meet less than four times per year. Meetings will be at the call of the Chair. Notwithstanding the

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[1] The Committee may satisfy the pre-approval requirement if: (a) the aggregate amount of all the non-audit services that were not pre-approved constitutes no more than five per cent of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the services are provided; (b) the services were not recognized by the Corporation at the time of the engagement to be non-audit services; and (c) the services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.

foregoing, the auditors of the Corporation or any member of the Committee may call a meeting of the Committee on not less than 48 hours' notice.

No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. A majority of the members of the Committee shall constitute a quorum provided that if the number of members of the Committee is an even number one half of the number of members plus one shall constitute a quorum.

Any member of the Committee may be removed or replaced at any time by the board of directors and shall cease to be a member of the Committee as soon as such member ceases to be a director. Subject to the foregoing, each member of the Committee shall hold such office until the next annual meeting of the Corporation's shareholders after his or her election as a member of the Committee.

The auditors of the Corporation shall be entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard there at.

The Committee shall keep regular minutes of proceedings and shall cause them to be recorded in books kept for that purpose, and shall report the same to the board at such times as the board may, from time to time, require.

The time at which and the place where the meetings of the Committee shall be held, the calling of meetings and the procedure in all respects of such meeting shall be determined by the Committee, unless otherwise provided for in the bylaws of the Corporation, or otherwise determined by resolution of the board of directors.

The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the board of directors may from time to time determine.

Independent Advice:

In discharging its mandate the Committee shall have the authority to retain (and authorize the payment by the LP of) and receive advice from special legal, accounting or other advisors.

Annual Evaluation:

At least annually, the Committee shall, in a manner it determines to be appropriate:

(a) perform a review and evaluation of the performance of the Committee and its members, including the compliance of the Committee with its terms of reference; and

(b) review and assess the adequacy of its terms of reference and recommend to the board of directors any improvements to its terms of reference that the Committee determines to be appropriate.

Definitions:

"**financially literate**" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

"**independent director**" means a director who has no direct or indirect material relationship with the Corporation or its affiliates.

"**material relationship**" means a relationship which could, in the view of the board, reasonably interfere with the exercise of a director's independent judgment. Without limiting the generality of the foregoing, the following persons are considered to have a material relationship with the Corporation:

a person who is, or has been within the last three years, an employee or executive officer of the Corporation, or any of its predecessor, subsidiary entities or affiliated entities;

a person whose immediate family member is, or has been within the last three years, an executive officer of the Corporation, or any of its predecessor, subsidiary or affiliated entities;

a person who is: (i) a partner[2] of the Corporation's internal or external auditor; (ii) is employed by the firm that is the Corporation's internal or external auditor; or (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit (or that of its predecessor entity) within that time;

a person whose spouse, minor child or stepchild, or child or stepchild who shares a home with the person: (i) is a partner of the firm that is the Corporation's internal or external auditor; (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice; or (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporations' audit(or that of its predecessor entity) within that time;

a person who is, or has been, or whose immediate family member is, or has been within the last three years, an executive officer of an entity if any of the Corporation or its predecessor or subsidiaries' current executives serve or served at that same time on the entity's compensation committee;

a person who has a relationship with the Corporation or its affiliated entities pursuant to which such person may accept, directly or indirectly[3], any consulting, advisory or other compensatory fee from the Corporation or any subsidiary entity of the Corporation, other than as remuneration for acting in his or her capacity as a member of the board of directors or any other board committee, or as part-time chair or vice chair of the board or any board committee;

a person who received, or whose immediate family member who is employed as an executive member of the Corporation or any of its subsidiary entities received more than $75,000 in direct compensation from the Corporation or its subsidiary entities during any 12 month period within the last three years, other than: (i) as remuneration for acting in his or her capacity as member of the board of directors, board of directors or any board committee; or (ii) fixed amounts of compensation under a retirement plan for prior service with the Corporation or any of its subsidiary entities if the compensation is not contingent in any way on continued service; and

a person who is an affiliated entity of the Corporation or any of its predecessor or subsidiary entities.

March 14, 2012

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[2] "partner" does not include a fixed income partner whose interest in the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with an internal or external auditor if the compensation is not contingent in any way on continued services.

[3] The indirect acceptance by a person of a consulting, advisory or other compensatory fee includes acceptance of a fee by: (a) a person's spouse, minor child or stepchild or a child or stepchild who shares the person's home; or (b) an entity in which such person is a partner, member, an officer such as a managing director occupying a comparable position or executive officer or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in such case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Corporation or any subsidiary or affiliated entity of the Corporation.