



## ANNUAL INFORMATION FORM

March 28, 2018

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CINEPLEX INC. AUDIT COMMITTEE - TERMS OF REFERENCE



## ANNUAL INFORMATION FORM

### EXPLANATORY NOTES

The information in this Annual Information Form is stated as of December 31, 2017, 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 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 information included in this Annual Information Form contains forward-looking statements within the meaning of applicable securities laws. These forward-looking statements include, among others, statements with respect to Cineplex’s objectives, goals and strategies to achieve those objectives and goals, as well as statements with respect to Cineplex’s beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words “may”, “will”, “could”, “should”, “would”, “suspect”, “outlook”, “believe”, “plan”, “anticipate”, “estimate”, “expect”, “intend”, “forecast”, “objective” and “continue” (or the negative thereof), and words and expressions of similar import, are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Cineplex cautions readers not to place undue reliance on these statements, as a number of important factors, many of which are beyond Cineplex’s control, could cause actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. Those risks and uncertainties include adverse factors generally encountered in the film exhibition industry such as poor film product and unauthorized copying; the risks generally associated with the restaurant or entertainment industries; the risks associated with national and world events, including war, terrorism, international conflicts, natural disasters, extreme weather conditions, infectious diseases, criminal acts, changes in income tax legislation; and general economic conditions. The foregoing list of factors that may affect future results is not exhaustive. When reviewing Cineplex’s forward-looking statements, readers should carefully consider the foregoing factors and other uncertainties and potential events. Additional information about factors that may cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the “Risk Factors” section of the Corporation’s year-end Management’s Discussion and Analysis dated February 21, 2018 (the “**Annual MD&A**”) which is incorporated herein by reference and available on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) ([www.sedar.com](http://www.sedar.com)).

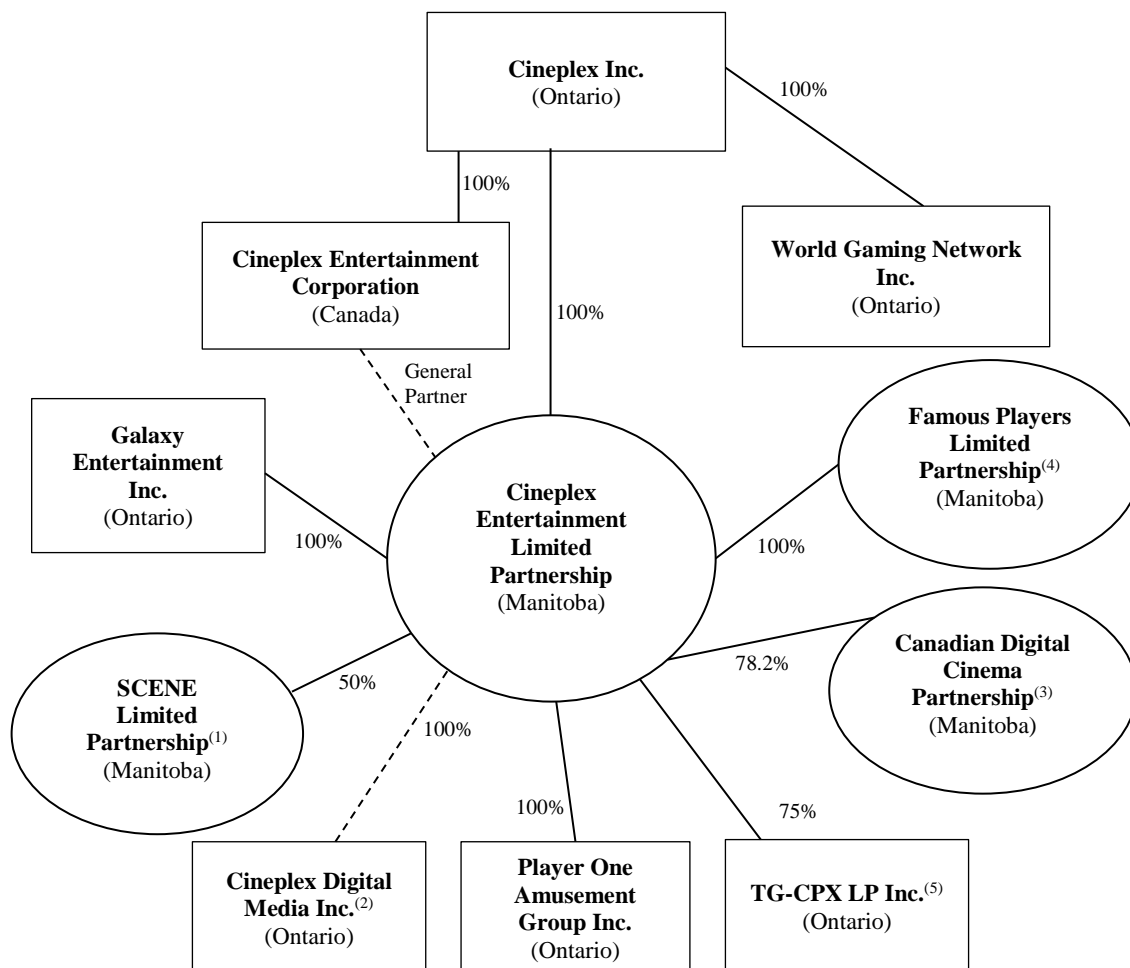
These statements are made as of the date of this Annual Information Form and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Additionally, we undertake no obligation to comment on analyses, expectations or statements made by third parties in respect of Cineplex, its financial or operating results or its securities. All forward-looking statements in this Annual Information Form are qualified by these cautionary statements.

### CORPORATE STRUCTURE

The Corporation is governed by the *Business Corporations Act* (Ontario) (the “**OBCA**”) pursuant to articles of arrangement dated January 1, 2011. The Corporation is a reporting issuer and its Common Shares are traded on the

Toronto Stock Exchange (the “TSX”) under the symbol “CGX”. The convertible unsecured subordinated debentures of the Corporation (the “Debentures”) are traded on the TSX under the symbol “CGX.DB.A”. The Corporation directly owns all of the LP Units of Cineplex Entertainment LP, a limited partnership formed under the laws of the Province of Manitoba. The principal and head office of the Corporation is located at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

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) SCENE LP is 50% owned by The Bank of Nova Scotia; SCENE Corporation is the general partner of SCENE LP.
- (2) Cineplex Digital Media Inc. is a wholly owned subsidiary of DDC Group International Inc., which is 100% owned by Cineplex Entertainment LP.
- (3) CDCP GP Inc. is the general partner of Canadian Digital Cinema Partnership.
- (4) Famous Players Co. is the general partner of Famous Players Limited Partnership.
- (5) TG-CPX GP Inc. is 25% owned by Topgolf Canada Holdings; TG-CPX Canada GP is the general partner of TG-CPX Canada LP.

## GENERAL DEVELOPMENT OF THE BUSINESS

### History of the Corporation

The history of Cineplex dates back to 1912 when Adolph Zukor founded the Famous Players Film Corporation. Recent decades have seen a series of mergers, acquisitions and growth that created the corporate structure today. Since its initial public offering in 2003, Cineplex has acquired theatres from Famous Players Limited Partnership, American

Multi-Cinema Inc. and Empire Theatres Limited (among others), creating a truly national coast-to-coast movie exhibition company. In recent years, Cineplex has also focused upon diversification initiatives expanding its core competencies into digital place-based media and amusement and leisure businesses.

Today, Cineplex is one of Canada's leading entertainment and media companies and operates one of the most modern and fully digitized motion picture theatre circuits in the world. The Corporation has a strong footprint throughout North America in digital place-based media and amusement and leisure businesses.

While the Corporation's primary business is the operation of theatres, serving over 70 million guests annually, Cineplex is a top-tier Canadian brand and operates numerous businesses. These include film entertainment and content (including theatrical exhibition, theatre food services, alternative programming and the online sale of entertainment content), media (including cinema media and digital place-based media) and amusement and leisure (including location-based entertainment, amusement solutions and eSports). These businesses are supported by Cineplex's joint venture partnership in SCENE LP ("**SCENE**"), Canada's largest entertainment loyalty program.

## **Recent Developments**

In January 2015, Cineplex announced its plans for *The Rec Room*, a social entertainment and dining destination featuring a wide range of entertainment options including an attractions area featuring simulation, redemption and recreational gaming, auditorium style live entertainment venue and a theatre-sized screen with high definition projection for watching a wide range of entertainment programming. In September 2016, the Corporation opened its first location at South Edmonton Common, in Edmonton, Alberta. In 2017, the Corporation opened three new locations of *The Rec Room*; one located at the iconic Roundhouse Park in downtown Toronto, one in Edmonton at the West Edmonton Mall and the other at Calgary's Deerfoot City. The Corporation has since announced plans for its next four locations: one in Mississauga, Ontario at Square One, one in London, Ontario, one in Burnaby, British Columbia and the next in Avalon Mall, St. John's, Newfoundland.

On January 1, 2015, Cineplex acquired the 50% of common shares it did not already own of a corporation that operates a theatre in St. Jean, Quebec, for a cash payment of approximately \$0.9 million.

On April 30, 2015, Cineplex acquired Les Galeries IMAX Theatre in Quebec City, Quebec for approximately \$2.7 million, net of cash acquired.

On September 17, 2015, Cineplex acquired an 80% interest in the operating assets of WG Limited through Cineplex's subsidiary, World Gaming Network Limited Partnership ("**WGN**"). This acquisition resulted in the creation of a new company focused on eSports by creating a community that connects live online gaming with unique in-theatre tournament experiences to be held in Cineplex theatres across the country. In the second quarter of 2017, the Corporation acquired the remaining 20% non-controlling interest in WGN for \$4.0 million.

On October 1, 2015, the Corporation acquired the remaining 50% of issued and outstanding equity of Cineplex Starburst Inc. ("**CSI**") for a purchase price of \$21.4 million. In February of 2015, CSI had entered into a new venture with Brady Distributing Company, of which CSI owned 80%, creating Brady Starburst LLC ("**BSL**"), one of North America's largest distributors of amusement and vending equipment, expanding CSI's presence in the U.S. On March 1, 2016 CSI acquired the remaining 20% interest in BSL. Subsequently, the Corporation renamed CSI to Player One Amusement Group Inc. ("**PIAG**").

Effective May 2, 2016, the Corporation entered into a sixth amended and restated credit agreement with a syndicate of lenders, consisting of the following facilities (collectively the "**Credit Facilities**"): (a) a five-year, \$400 million, senior, secured, revolving facility (the "**Revolving Facility**"); and (b) a five-year, \$150 million, senior, secured, non-revolving, credit facility (the "**Term Facility**"). In the third quarter of 2017, the Corporation increased the Revolving Facility by \$75 million. The 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 facilities mature in April 2021 and are payable in full at maturity, with no scheduled repayment of principal required prior to maturity.

On October 1, 2016, PIAG acquired Tricorp Amusements, Inc. of New Jersey, a leading provider of interactive video, redemption and amusement gaming services ("**Tricorp**"). PIAG also acquired the operating assets of SAW, LLC of Florida ("**SAW**"), a leading provider of coin operated rides, amusement and redemption games as well as bulk-vending equipment on December 1. On April 1, 2017, PIAG acquired the assets of Dandy Amusements International Inc.

("Dandy"), a California-based leading amusement gaming machine operator with operations in western United States, for \$13.2 million (net of cash). These acquisitions continue P1AG's strategic growth in the United States.

In May 2017, the deferred consideration relating to the acquisition of EK3 Technologies Inc. was finalized at \$10.0 million.

In July 2017, the Corporation announced an exclusive partnership with *Topgolf* to bring multiple *Topgolf* sports entertainment complexes to markets across Canada with the first location expected to be completed in 2019.

In September 2017 the Corporation implemented a normal course issuer bid ("NCIB") through the TSX allowing the Corporation to purchase up to 6,308,955 Common Shares through September 2018.

In October 2017, the Corporation announced plans to relaunch the *Playdium* brand concept, a location-based entertainment venue targeting families and teens in mid-sized communities across Canada, with its first location in Whitby, Ontario expected to be completed in early 2019.

## 2017 Key Business Initiatives

The following describes certain key business initiatives undertaken and results achieved during 2017 in each of Cineplex's core business areas:

### FILM ENTERTAINMENT AND CONTENT

#### *Theatre Exhibition*

- Reported annual box office revenues of \$715.6 million, a 2.5% decrease from 2016 due to a 5.6% decrease in attendance, partially offset by a 3.4% increase in average box office revenues per patron ("BPP").
- BPP of \$10.17 represents an annual record for Cineplex, \$0.33 or 3.4% higher than \$9.84 reported during 2016.
- Opened the first IMAX VR Centre in Canada at the Corporation's *Scotiabank Theatre Toronto*.
- Opened Canada's first D-BOX VR cinematic experience at the Corporation's *Scotiabank Theatre Ottawa*.
- In 2017 the Corporation installed five D-BOX auditoriums, one IMAX auditorium, one UltraAVX auditorium and converted 121 auditoriums (12 locations) to recliner seating.

#### *Theatre Food Service*

- Reported record annual theatre food service revenues of \$422.3 million (0.3% increase from 2016) due to record annual concession revenues per patron ("CPP") of \$6.00 (\$0.35 or 6.2% increase from 2016).
- In 2017 the Corporation added alcohol beverage service to several theatres in Ontario and Alberta due to an expansion of liquor license laws.

#### *Alternative Programming*

- Alternative programming in 2017 included strong performances from the Metropolitan Opera: Live in HD series, the live Mayweather vs. McGregor match featured in VIP cinemas, and featured numerous international films in select markets across the country.
- Announced a three year sponsorship agreement with the NFL that will bring Sunday Night Football and the Super Bowl live to select Cineplex theatres across Canada. The agreement also provides access to NFL brands and trademarks as well as sponsorship opportunities for the Corporation.

### *Digital Commerce*

- Cineplex.com registered a 10.5% increase in visits in 2017 compared to 2016.
- Online and mobile ticketing represented 33.3% of total admissions in 2017 compared to 29.1% in the prior year.
- Monthly active users of the Cineplex Store increased 93.0% as compared to the prior year.
- Cineplex Store registered a 63.0% increase in device activations over the prior year.
- Released a new Cineplex Store user interface and experience across the website and multiple connected televisions and device apps.

### **MEDIA**

- Reported record annual media revenues of \$171.9 million, 0.6% higher than the previous record set in 2016 mainly as a result of higher cinema media revenues.

### *Cinema Media*

- Cinema media revenues were a record \$116.4 million in 2017 (2.6% higher than 2016) with the increase due to record Show-Time advertising sales, with robust results seen in the automotive category.

### *Digital Place-Based Media*

- Reported revenues of \$55.5 million in 2017, a decrease of \$1.8 million or 3.2%, compared to the prior year due to lower project installation revenues partially offset by higher advertising revenue generated from an expanded client base.
- Selected to install, maintain and operate a state-of-the-art digital signage network at 21 shopping centres in Canada managed by Morguard Investments Limited.
- Completed deployment of a digital display network at over a thousand Citizens Bank branches across the United States.

### **AMUSEMENT AND LEISURE**

#### *Amusement Solutions*

- Reported annual revenues of \$170.6 million in 2017 (\$10.6 million from Cineplex theatre gaming and \$160.0 million from all other sources of revenues). This was an increase of \$61.6 million from the prior year mainly due to the acquisitions of Tricorp, SAW and Dandy.
- On April 1, 2017, Cineplex acquired the assets of Dandy, a California-based leading amusement gaming machine operator with operations in the western United States, for \$13.7 million.

#### *Location-Based Entertainment*

- *The Rec Room* reported total annual revenues of \$35.2 million which includes food service revenues of \$19.6 million and amusement revenues of \$14.7 million.
- Opened three new locations of *The Rec Room*; one located at the iconic Roundhouse Park in downtown Toronto, one in Edmonton at the West Edmonton Mall and the other at Calgary's Deerfoot City.
- Announced in 2017 plans for three locations of *The Rec Room* with one additional location having been announced in 2018: one in Mississauga, Ontario at Square One, one in London, Ontario, the

first location in British Columbia, at The Amazing Brentwood and the first location in Newfoundland at Avalon Mall in St. John's.

- Announced the brand-new *Playdium* complex in Whitby, Ontario, which is scheduled to begin construction in early 2018.
- Announced an exclusive partnership with *Topgolf* to bring multiple *Topgolf* sports entertainment complexes to markets across Canada. *Topgolf* brings together people of all ages and skill levels for competitive play in the comfort of a climate-controlled sports and entertainment destination.

#### *eSports*

- In the second quarter, Cineplex acquired the 20% non-controlling interest in WGN for \$4.0 million. Cineplex now owns and operates 100% of WGN.
- WGN hosted various tournaments including, *Counter-Strike: Global Offensive* Canadian Championship Series, Northern Fights Canadian Championship Series and the *Call of Duty: Infinite Warfare* tournament. Collegiate Starleague, a subsidiary of WGN, hosted the 2017 North American Collegiate Grand Finals at the *Scotiabank Theatre* in Toronto, Ontario.
- As part of a partnership with the NFL, WGN hosted a series of online and offline *Madden* tournaments. The finals were held on November 15, 2017, at *The Rec Room's* Roundhouse location in Toronto.

#### **LOYALTY**

- Membership in the SCENE loyalty program increased by 0.8 million in 2017, reaching 8.9 million members at December 31, 2017.
- Announced the launch of a new program for SCENE members, which will allow them to earn and redeem SCENE points for food and drink purchases within Cineplex theatres.
- 2017 marks the 10th year anniversary of the SCENE loyalty program.

#### **CORPORATE**

- Under the Corporation's Credit Facility, increased the Revolving Facility by \$75.0 million with the Term Facility remaining unchanged.
- Implemented the NCIB through the TSX allowing the Corporation to purchase up to 6,308,955 Common Shares through September 2018. All of the Common Shares purchased will be cancelled. As at December 31, 2017, 211,492 Common Shares were purchased and cancelled by the Corporation for \$8.0 million.
- Effective with the May 2017 dividend, the Board of Directors of the Corporation (the "**Board**") announced a monthly dividend increase of 3.7% to \$0.140 per share (\$1.68 on an annual basis) up from \$0.135 per Share (\$1.62 on an annual basis).
- Cineplex was once again the entertainment sponsor for WE Day Family, which was held at the Air Canada Centre in Toronto. Cineplex also hosted its seventh annual National Community Day in October 2017 in support of WE, its national charitable partner. In the past seven years, Cineplex has raised a total of \$2.8 million on Community Days.

#### **BUSINESS OF CINEPLEX**

As at January 1, 2017, the Corporation has three reportable segments: (i) film entertainment and content; (ii) media; and (iii) amusement and leisure. The reportable segments are business units offering differing products and services and managed separately due to their distinct natures. These three reportable segments have been determined by the Corporation's chief operating decision makers.



## Cineplex Revenues

Cineplex's theatre revenues are primarily generated from box office and food service sales. These revenues are affected primarily by attendance levels and by changes in BPP and CPP. Additional revenues from advertising and digital network installation and management (through Cineplex Media and Cineplex Digital Media Inc. ("CDM")) as well as amusement gaming and leisure (through P1AG, WGN and *The Rec Room*) are an increasingly important component of Cineplex's overall revenues and future growth.

Revenue mix % by year	2017	2016	2015	2014	2013
Box office	46.0%	49.7%	53.3%	55.5%	57.6%
Food service	28.4%	28.7%	30.5%	30.4%	29.9%
Media	11.1%	11.6%	11.2%	10.9%	9.4%
Amusement	11.9%	7.5%	2.2%	0.6%	0.6%
Other	2.6%	2.5%	2.8%	2.6%	2.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

### Box Office and Food Service

Box office revenue represented 46.0% of revenue in 2017 and continues to represent Cineplex's largest revenue component.

A key component of Cineplex's business strategy is to position itself as the leading exhibitor in the Canadian market by focusing on providing customers with an exceptional entertainment experience. Cineplex's share of the Canadian theatre exhibition market was approximately 77% based on Canadian industry box office revenues for the year ended December 31, 2017. As a result of Cineplex's focus on diversifying its business beyond the traditional film exhibition model, its revenue mix has shifted from box office revenue to other revenue sources.

The commercial appeal of the films and alternative content released during a given period, and the success of marketing as well as promotion for those films by film studios, distributors and content providers drive attendance. BPP is affected by the mix of film and alternative content product that appeals to certain audiences (such as children or seniors who pay lower ticket prices), ticket prices during a given period and the appeal of premium priced product available. While BPP is negatively impacted by the SCENE loyalty program and the Cineplex Tuesdays program, these programs are designed to increase attendance frequency at Cineplex's theatres. Cineplex's main focus is to drive incremental visits to theatres, to employ a ticket price strategy which takes into account the local demographics at each individual theatre and to maximize BPP through premium offerings.

Food service revenues are comprised primarily of concession revenues, arising from food sales at theatre locations, as well as food and beverage sales at *The Rec Room* locations. CPP represents theatre food service revenues divided by theatre attendance, and is impacted by the theatre food service product mix, theatre food service prices, film genre, promotions and the issuance and redemption of SCENE points on the purchases of food and beverages at theatres. Films targeted to families and teenagers tend to result in a higher CPP and more adult-oriented product tends to result in a lower CPP. As a result, CPP can fluctuate from quarter to quarter depending on the genre of film product playing. The SCENE points issued and redeemed on theatre food service purchases decreases food service revenues on individual purchases. Cineplex believes the program drives incremental purchase incidence, increasing overall revenues. Cineplex focuses primarily on growing CPP by optimizing the product offerings, improving operational excellence and strategic pricing to increase purchase incidence and transaction value. Food service revenues from *The Rec Room* include food and beverage revenues from the various bars and restaurants located throughout the venues.

### Media Revenues

Media revenues include both cinema media and digital place-based media revenues. Cinema media generates revenues primarily from selling pre-show and Show-Time advertising in Cineplex's theatres as well as other circuits through representation sales agreements and magazine advertising for *Cineplex Magazine* and *Le Magazine Cineplex*. Additionally, cinema media sells media placements throughout Cineplex's circuit including digital poster cases, the Interactive Media Zone ("IMZ") in select Cineplex theatre lobbies, as well as sponsorship and advertising for eSports, events both in-theatre and online, and in *The Rec Room*. Cinema media also sells digital advertising for cineplex.com,

the Cineplex mobile app and on third party networks operated by Cineplex Digital Media. Digital place-based media designs, installs, maintains and operates digital signage networks on both the path to purchase (in public spaces such as shopping malls and office towers) as well as at the point of purchase (with a focus on quick service restaurants, financial institutions and retailers).

#### *Amusement Revenues*

Amusement revenues are primarily comprised of three major categories: amusement solutions, location-based entertainment and eSports. Amusement revenues include amusement solutions revenues from PIAG, which supplies and services all of the games in Cineplex's theatre circuit while also supplying equipment to third party arcades, amusement parks and centres, bowling alleys and theatre circuits across Canada and the United States. In addition PIAG owns and operates family entertainment centres, including *Playdium*. Also included in amusement revenues are revenues generated at *The Rec Room* and by Cineplex's XSCAPE Entertainment Centres and game rooms in theatres.

#### *Other Revenues*

Cineplex generates other revenues from the Cineplex Store, promotional activities, screenings, private parties, corporate and group events, breakage on gift card sales and revenues from management fees.

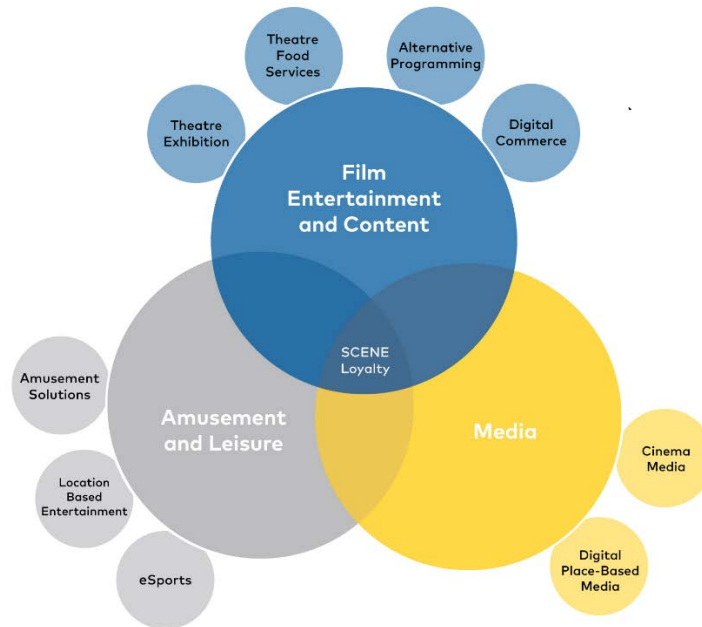
### **CINEPLEX'S BUSINESSES AND STRATEGY**

Cineplex's mission statement is "Passionately delivering exceptional experiences." All of its efforts are focused towards this mission and it is Cineplex's goal to consistently provide guests and customers with exceptional experiences.

Cineplex's operations are primarily conducted in three main areas: film entertainment and content, media and amusement and leisure, all supported by the SCENE loyalty program. Cineplex's management consistently reviews the strategy of the Corporation; its key strategic areas of focus include the following:

- Continue to enhance and expand existing infrastructure and expand Cineplex's presence as an entertainment destination for Canadians in-theatre, at-home and on-the-go;
- Capitalize on core media strengths and infrastructure to provide continued growth of Cineplex's media businesses both inside and outside of theatres;
- Develop and scale amusement and leisure concepts by extending existing capabilities and infrastructure;
- Drive value within businesses by leveraging opportunities to optimize value, synergies and data across the Cineplex ecosystem; and
- Pursue selective acquisitions and opportunities that are strategic, accretive and capitalize on Cineplex's core strengths.

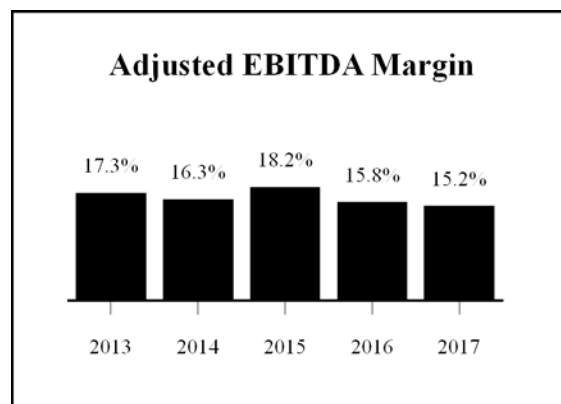
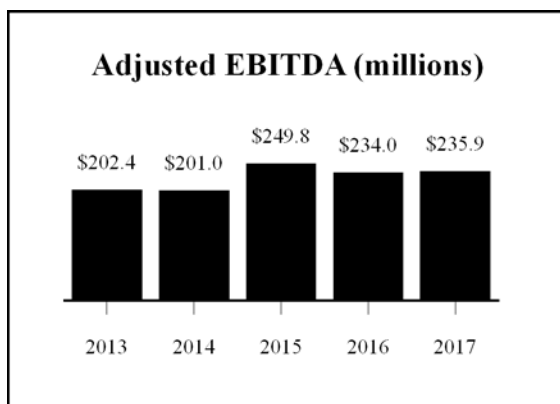
Cineplex uses the SCENE loyalty program and database as strategic assets to link these areas of focus and drive customer acquisition and ancillary businesses.



Key elements of this strategy include going beyond movies to reach customers in new ways and maximizing revenue per patron. Cineplex has implemented in-theatre initiatives to improve the overall entertainment experience, including increased premium offerings, enhanced in-theatre services, alternative pricing strategies, continued development of the SCENE loyalty program and initiatives in theatre food service such as optimizing 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.

While box office revenues (which include alternative programming) continue to account for the largest portion of Cineplex’s revenues, expanded theatre food service offerings, cinema media, digital place-based media, amusement and leisure, the Cineplex Store, promotions and other revenue streams have increased as a share of total revenues. Cineplex is committed to diversifying its revenue streams outside of the traditional theatre exhibition model through its media and amusement and leisure businesses.

Although Cineplex focuses on growth initiatives, management remains vigilant in controlling costs without compromising experiences. Cineplex will continue to invest in new revenue generating activities, as it has in prior years. The following tables show Cineplex’s Adjusted EBITDA and Adjusted EBITDA margin performance over the last five years (see the Corporation’s Annual MD&A for a discussion of Adjusted EBITDA and Adjusted EBITDA margin).



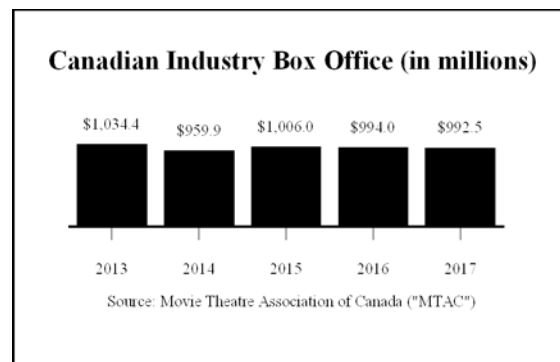
## Film Entertainment and Content

### Theatre Exhibition

Theatre exhibition is the core business of Cineplex. Box office revenues are highly dependent on the marketability, quality and appeal of the film product released by the major motion picture studios.

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 and is the core business function of Cineplex.

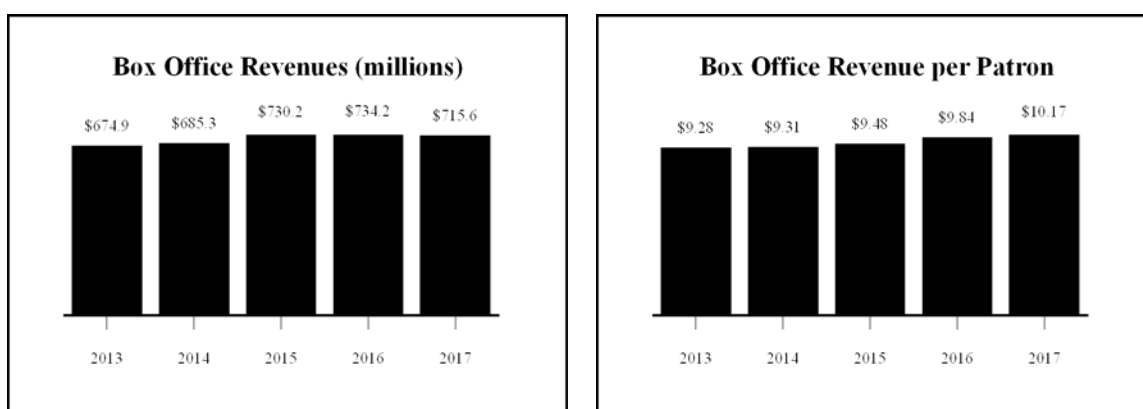
The Canadian industry reported a decrease of 0.15% in box office revenues in 2017 compared to the prior year based on industry weekly box office reporting results.



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

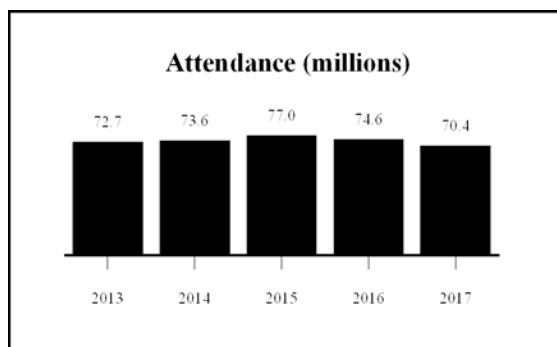
- *Importance of theatrical success in establishing movie brands and subsequent movies.* Theatrical exhibition is the initial and most important channel for new motion picture releases. A successful theatrical release which “brands” a film is often the determining factor in its popularity and value in “downstream” distribution channels, such as download-to-own (“**DTO**”), video-on-demand (“**VoD**”), DVD, Blu-ray, pay-per-view, subscription video-on-demand (“**SVoD**”) as well as network television.
- *Continued supply of successful films.* Studios are increasingly producing film franchises, such as *Star Wars*, *Fast & Furious* and *Jurassic Park*. Additionally, new franchises continue to be developed, such as the films in the Marvel and Justice League universes. 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. In 2018, the studios are releasing a strong slate of films, including *Black Panther*, *Ready Player One*, *A Wrinkle in Time*, *Avengers: Infinity War*, *Deadpool 2*, *Solo: A Star Wars Story*, *The Incredibles 2*, *Jurassic World: Fallen Kingdom*, *Ant-Man and the Wasp*, *Mission Impossible 6*, *Alita Battle Angel*, *Venom*, *X-Men: Dark Phoenix*, *Fantastic Beasts and Where to Find Them 2*, *Ralph Breaks the Internet: Wreck-It Ralph 2*, *Mulan* and *Aquaman*.
- *Convenient and affordable form of out-of-home entertainment.* Cineplex’s BPP was \$10.17 and \$9.84 in 2017 and 2016 respectively. Excluding the impact of Cineplex’s premium-priced product, BPP was \$8.61 and \$8.33 in 2017 and 2016 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, and with Cineplex, SCENE members enjoy the ability to earn points towards Cineplex products as well as discounts and special offers.

- Providing a variety of premium and enhanced guest theatre experiences.* Premium priced theatre offerings include 3D, 4DX, UltraAVX, VIP, IMAX and D-BOX. BPP for premium-priced product was \$12.84 in 2017, and accounted for 46.4% of total box office revenues in 2017. In response to the increased demand for premium entertainment experiences, in 2017 Cineplex installed five D-Box auditoriums, one IMAX auditorium and one UltraAVX auditorium. Recent enhancements to the current circuit include the addition of all recliner seating at 13 locations. Cineplex has also begun installing virtual reality experiences for customers in theatres, with the IMAX VR Centre at the *Scotiabank Theatre Toronto* and D-BOX VR motion seats and VR systems at the *Scotiabank Theatre Ottawa*.
- 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.



In the next few years, Cineplex plans to open or renovate an average of one to two theatres per year and continue to expand its premium offerings through these new theatres and existing locations.

Cineplex’s leading market position enables it to effectively manage film, food service 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. Cineplex also continues to evaluate its existing theatres as it continues to replace or upgrade older theatres to state-of-the-art entertainment complexes including recliner retrofits in select theatres.



The development of premium experiences through design, structure and digital technology makes Cineplex 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.

As of December 31, 2017, the Corporation owned, leased or had a joint venture interest in 1,676 screens in 163 theatres.

Theatre locations and screens at December 31, 2017								
Province	Locations	Screens	Digital 3D Screens	UltraAVX	IMAX Screens(i)	VIP Auditoriums	D-BOX Locations	Other Screens(ii)
Ontario	68	733	358	40	13	39	40	2
Quebec	20	250	98	10	3	4	6	—
British Columbia	25	232	123	15	3	11	14	1
Alberta	17	193	98	16	2	3	12	1
Nova Scotia	12	91	44	1	1	—	2	—
Saskatchewan	6	54	29	2	—	3	2	—
Manitoba	5	49	26	1	1	3	2	—
New Brunswick	5	41	20	1	—	—	2	—
Newfoundland & Labrador	3	20	9	1	1	—	1	—
Prince Edward Island	2	13	6	—	—	—	1	—
<b>TOTALS</b>	<b>163</b>	<b>1,676</b>	<b>811</b>	<b>87</b>	<b>24</b>	<b>63</b>	<b>82</b>	<b>4</b>
Percentage of screens			48%	5%	1%	4%	5%	—%
(i) All IMAX screens are 3D enabled. Total 3D screens including IMAX screens are 835 screens or 49% of the circuit.								
(ii) Other screens include 4DX and Barco Escape screens.								

Theatres, screens and premium offerings in the last eight quarters								
	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Theatres	163	163	164	164	165	164	162	163
Screens	1,676	1,676	1,677	1,677	1,683	1,677	1,659	1,666
3D Digital Screens	811	811	799	799	801	799	788	790
UltraAVX Screens	87	86	85	85	85	85	83	82
IMAX Screens	24	23	23	23	23	23	23	23
VIP Auditoriums	63	63	63	63	63	63	59	59
D-BOX Locations	82	81	80	78	77	68	62	44
Other	4	4	4	4	4	3	—	—

Cineplex's modern multiplex theatres are designed to provide guests with a premium movie-going experience and maximize profitability by matching the number and quality of auditoria 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.

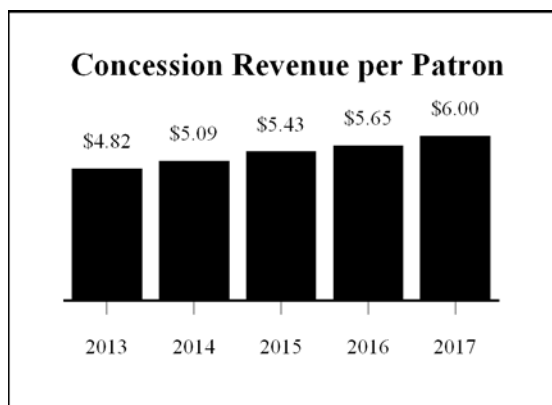
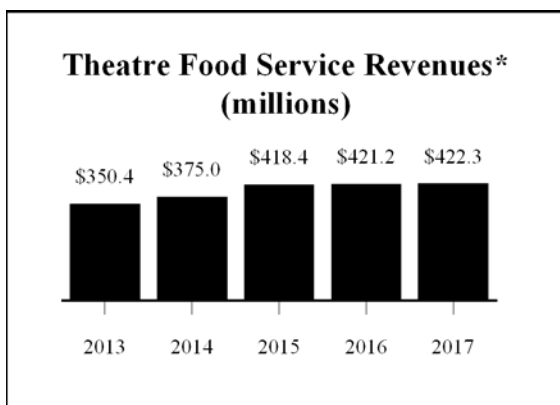
In general, Cineplex leases theatres under long-term leases, with original terms typically ranging from 15 to 20 years (with lease payment increases typically every five years) and containing various renewal options, usually in intervals of five to ten years and, in some cases, termination rights. Leases for 77 theatres expire within five years (59 of which have renewal or extension options). Cineplex's theatre leases generally provide for minimum rental payments.

Cineplex continues to focus on providing guests with a variety of premium viewing options through which to enjoy the theatre experience. These premium-priced offerings, which include UltraAVX and VIP Cinemas, IMAX, 3D and 4DX, generate higher revenues per patron and also expand the customer base.

### Theatre Food Service

Cineplex's theatre food service business offers guests a range of food choices to enhance their theatre experience while generating strong profit margins for the company. Cineplex's theatres feature its internally developed brands: *Outtakes*, *Poptopia* and its joint venture interest in *YoYo's Yogurt Café*. Certain Cineplex theatres also feature popular fast food retail branded outlets ("RBO's") including Tim Hortons and Pizza, among others.

Cineplex continually focuses on process improvements designed to increase the speed of service at the concession counter in addition to optimizing the RBO's available at Cineplex's theatres. Each of the wide range of menu items available at *Outtakes* locations as well as the expanded menu and the licensed lounge service available at VIP Cinemas are designed to reach a wider market and to increase both purchase incidence and transaction value. Expanded rollout of digital menu boards installed across the circuit offer flexibility in menu offerings to guests which contribute to an improved guest experience while also creating additional revenue opportunities. The execution of this strategy contributed to a record CPP of \$6.00 in 2017, an increase of \$0.35 from the previous record of \$5.65 achieved in 2016. Cineplex also added alcohol beverage service to several theatres in Ontario and Alberta due to an expansion of liquor license laws.



\* Excludes *The Rec Room*

### Alternative Programming

Alternative programming includes Cineplex's international film programming as well as content offered under its *Event Cinema* brand offerings, including The Metropolitan Opera, NFL Sunday Nights, sporting events and concerts. International film programming includes Bollywood content as well as Cantonese, Hindi, Punjabi, Mandarin, Korean and Filipino language films, amongst others, playing in select theatres across the country based on local demographics. This programming attracts a more diverse audience, expanding Cineplex's demographic reach and enhancing revenues.

The success of Cineplex's alternative programming events has led to further expansion of offerings including the Bolshoi Ballet from Moscow, the National Theatre from London, the *In the Gallery* series and screening select television content on the big screen. Cineplex offers the Classic Film Series and Family Favourites programming at non-peak hours to enhance theatre utilization rates. As additional content becomes available, Cineplex will continue to expand its alternative programming offerings.

### Digital Commerce

Cineplex's digital commerce business consists of cineplex.com, the Cineplex mobile app and the Cineplex Store. Cineplex has developed cineplex.com into one of the leading entertainment sites in Canada, a 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, entertainment news and box office reports as well as advertising and digital commerce opportunities. To complement cineplex.com, the Cineplex mobile app is available as a free download for a wide variety of devices, providing guests with the ability to find showtimes and buy tickets as well as find information relating to the latest movie choices and movie-related entertainment content. Cineplex continues to improve the user experience including releasing new Cineplex Store user interfaces and experiences across the website and multiple connected televisions and device apps.



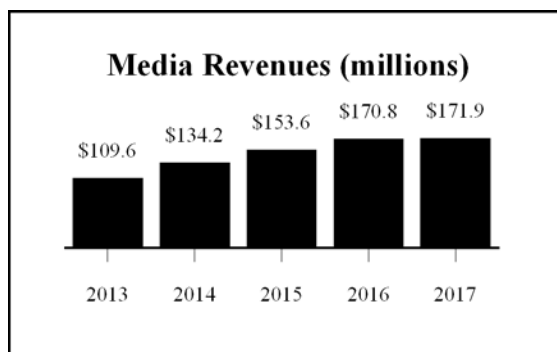
These features and others enable Cineplex to engage and interact with its guests online and on-the-go, allowing Cineplex to offer engaging, targeted and sponsored content to visitors and advertisers, resulting in opportunities to generate additional revenues.

The Cineplex Store rents and sells movies in digital form (DTO and VoD movies). Cineplex also offers SuperTicket, a bundled offering that allows movie-goers to purchase a movie admission ticket and pre-order the digital download of a movie at the same time. SuperTicket provides Cineplex with the flexibility to customize offerings to consumers, providing enhanced value above and beyond an in-theatre or at-home experience.

Cineplex's strong brand association with movies and well established partnerships with movie studios combined with Cineplex's website, app and the Cineplex Store provide Cineplex with the ability to bundle various forms of content to appeal to consumers. As emerging technologies continue to change the ways in which content is consumed, Cineplex will continue to leverage its digital commerce properties to provide guests with in home and on-the-go options for content delivery.

## Media

Cineplex's media businesses cover two major categories: cinema media, which incorporates advertising mediums related to theatre exhibition, and digital place-based media.



### *Cinema Media*

Cinema media incorporates advertising mediums related to theatre exhibition, both within Cineplex's own circuit of theatres as well as in competitors' theatres through revenue sharing arrangements, resulting in a 94% market share of Canadian movie-going attendance.

Cineplex's core cinema media offerings include:

- Show-Time advertising, which runs just prior to the movie trailers in the darkened auditorium with limited distractions;
- Pre-show advertising, featured on the big screen as guests settle in to enjoy their movie night, in the period prior to Show-Time;
- Digital lobby advertising and digital poster cases located in the highest-traffic areas featuring big, bold digital signage;
- Website and mobile advertising sales through [cineplex.com](http://cineplex.com), [cineplexstore.com](http://cineplexstore.com) and the Cineplex mobile app; and
- Magazine advertising through *Cineplex Magazine* and *Le Magazine Cineplex*, which offer advertising opportunities in Canada's leading entertainment magazine.



Select Cineplex theatres offer the following media opportunities:

- Timeplay, a third-party app that allows Cineplex to sell media integrated into real-time content on the big screen, with movie-goers using the app to compete for prizes and receive special offers from Cineplex and advertisers; and
- The IMZ, an interactive media experience allowing advertisers to engage and interact with Cineplex guests in high traffic lobby locations.

Cineplex's theatres also provide opportunities for advertisers' special media placements (including floor and door coverings, window clings, standees, banners, samplings, activations and lobby domination setups).

In addition to these individual offerings, Cineplex offers integrated solutions that can cross over some or all of the above mentioned platforms. Advertisers can utilize these forms of media individually or take advantage of an integrated advertising program spanning multiple platforms. In partnership with its digital commerce platforms, Cineplex offers online media packages that include page dominations, page skins, pre-roll and post-roll advertising; all with geo-targeting capabilities.

Cineplex's cinema media business is well positioned for continued growth and is the ideal channel for advertisers wanting to reach all demographics, especially the highly sought-after 17 to 25-year-old Canadian market.

Cineplex also generates revenues from the sale of sponsorship and advertising at eSports events and at *The Rec Room*.

#### *Digital Place-Based Media*

Cineplex's digital place-based media business incorporates digital signage networks on both the path to purchase (including shopping malls, office complexes and other path to purchase locations) and at the point of purchase (focusing on the quick-service restaurant, financial and retail sectors across North America and South America).

Cineplex's advertising sales team combined with the project management, system design, network operations, and creative services teams within its digital place-based media business have Cineplex well positioned to expand its media reach throughout its current infrastructure as well as in numerous place-based advertising locations across the country. Cineplex believes that the strength of its digital place-based media assets will make it a leader in the indoor digital signage industry and provide a platform for significant growth throughout North America and globally.

#### **Amusement and Leisure**

Amusement and leisure includes three primary areas of operations:

- Amusement solutions, comprised of PIAG which is one of the largest distributors and operators of amusement, gaming and vending equipment in North America;
- Location-based entertainment, which includes social entertainment destinations featuring gaming, entertainment and dining, including *The Rec Room*, *Playdium* and in the future, *Topgolf*; and
- eSports, which features an online video gaming network managed by WGN as well as offering eSports entertainment through a community that connects live online gaming with unique in-theatre tournament experiences in Cineplex theatres and *The Rec Room*.

#### *Amusement Solutions*

Cineplex's amusement solutions business generates revenues from the following activities in both Canada and the United States:

- Route operations: PIAG collects a revenue share on games revenues earned by PIAG-owned amusement and vending equipment placed into locations such as family entertainment centres, arcades, theatres, restaurants, bars and other locations;
- Third party equipment sales; and

Supplying self-operated family entertainment centres. In addition to expanding Cineplex's amusement and gaming presence outside of its theatres, the acquisition and expansion of P1AG allowed Cineplex to vertically integrate its gaming operations. Cineplex's in-theatre gaming business features Cineplex's 29 XSCAPE Entertainment Centres as well as arcade games in select Cineplex theatres, with all of the games supplied and serviced by P1AG.

#### *Location-Based Entertainment*

Cineplex operates location-based entertainment establishments under the brand names *The Rec Room*, *Playdium* as well as other family entertainment centres.

*The Rec Room* is a social entertainment destination targeting millennials featuring a wide range of entertainment options including simulation, redemption and recreational gaming, and an auditorium-style live entertainment venue for watching a wide range of entertainment programming. These entertainment options are complemented with an upscale casual dining environment, featuring an open kitchen and contemporary menu, as well as a centre bar with a wide range of digital monitors and a large screen above the bar for watching sporting and other major events.

*The Rec Room* earns revenues from food and beverage service, from amusement, gaming and leisure attraction play, and from ticket sales for events held within the destination.

Cineplex has opened four locations of *The Rec Room* and has announced plans to open four additional locations: one in Mississauga, Ontario at Square One, one in London, Ontario, one in Burnaby, British Columbia and the next in Avalon Mall, St. John's, Newfoundland.

In 2017 the Corporation announced its plans to relaunch the *Playdium* brand concept targeting families and teens in mid-sized communities across Canada, with its first planned in Whitby, Ontario to be completed in early 2019.

In 2017 the Corporation announced an exclusive partnership with *Topgolf* to bring multiple *Topgolf* sports entertainment complexes to markets across Canada with the first location expected to be completed in 2019. *Topgolf* brings together people of all ages and skill levels for competitive play in the comfort of a climate-controlled sports and entertainment destination.

#### *eSports*

Cineplex offers the following eSports product sets through World Gaming, Collegiate Starleague and the Canadian Championship Series:

- On-line video gaming tournaments platform and community for competitive gamers;
- Venue-based competitive tournaments; and
- Combined on-line and venue-based tournaments.

Revenues are generated through the sale of sponsorships and advertising relating to these eSports events, which are recorded as media revenues, as well as through entry fees for select online video games and ticket sales for spectators of the in-theatre tournaments.

#### **Loyalty**

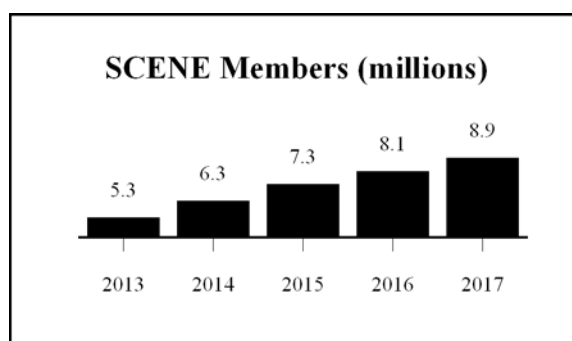
Cineplex has a joint venture agreement with Scotiabank to operate the SCENE loyalty program, providing Cineplex with a more comprehensive understanding of the demographics and movie-going habits of its audience as well as new ways to engage its customers. Cineplex and Scotiabank each have a 50% interest in the program.

SCENE is a customer loyalty program designed to offer members discounts and the opportunity to earn and redeem SCENE points. SCENE members can earn and redeem SCENE points for purchases at Cineplex's theatres, at its location-based entertainment establishments, online at the Cineplex Store as well as at locations operated by select program partners and as part of the Cineplex Tuesdays program, receive 10% off all ticket prices on Tuesdays across the theatre circuit. SCENE is a key differentiator and source of competitive advantage for the Cineplex Store versus competitors for the in-home and on-the-go movie market.

The SCENE loyalty program has been well received as evidenced by the strong membership growth and high engagement and satisfaction levels of its program members. Membership in the SCENE loyalty program at December 31, 2017 was approximately 8.9 million, an increase of approximately 0.8 million members during 2017. Through SCENE, Cineplex has gained a more thorough understanding of its customers, driven increased customer frequency, increased overall spending at its theatres and provides Cineplex with the ability to communicate directly and regularly with customers. Management believes the benefits of the program are reflected in box office and food service revenues.

The SCENE customer database has allowed Cineplex to segment SCENE's member population and provide special offers to Cineplex's guests, implement targeted marketing programs and deliver tailored messages to subsets of the membership base, providing members with relevant information and offers which in turn drive increased frequency of attendance and spend at the theatres. Cineplex continues to influence consumer behaviour through the use of SCENE bonus points and experience upgrades for SCENE members in its initiatives as well as in partnership with movie studios.

SCENE continues to build its strategic marketing partnerships with participating partners across Canada, providing promotions and offerings.



## Employees

As at December 31, 2017, the Corporation employed in excess of 13,000 people through the United States and Canada, of whom 15% are full-time employees and 85% are part-time employees. In its theatrical business, the Corporation employed approximately 11,500 people in Canada, of which 11% are full-time employees and 89% are part-time employees; approximately 7% of Cineplex's theatre employees are represented by unions which are primarily located in the province of Quebec.

## Trademarks

Management believes the exhibition trademarks "Cineplex", "Cineplex Odeon", "Cineplex VIP Cinemas", "Galaxy", "SilverCity", "UltraAVX", "Outtakes" and "Poptopia" enjoy significant brand awareness in the Canadian film exhibition market. Cineplex uses the "Scotiabank Theatre" brand under a license agreement with Scotiabank. Management also believes that the trademarks used in our location-based entertainment business are of growing value, including "Playdium", "The Rec Room" and "Topgolf" through a licensing arrangement with Topgolf Holdings Canada.

## Competition

Cineplex competes for the public's leisure time and disposable income with alternative forms of entertainment, including in-home and online consumption of content and out-of-home entertainment such as other movie exhibitors, sporting events, live music concerts, family entertainment centres, live theatre and restaurants.

Cineplex focuses its in-theatre business on attracting customers to its facilities for their entertainment choice. 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 believes that the principal competitive factors are:

- The ability to maintain and grow theatre attendance and movie-going frequency;
- The seating capacity, location, quality and reputation of an exhibitor's theatre;
- The level of customer service and amenities such as premium seating, VIP Cinemas, specialized auditoriums such as UltraAVX and variety of food service offerings;
- The quality of projection and sound equipment, including specialized projection systems such as 3D and digital offerings;
- The ability to secure an appropriate variety of film product;
- Box office pricing strategy;
- Marketing and promotional programs, including the SCENE loyalty program; and
- The ability to secure sites for potential new theatre developments.

Cineplex's theatres are also 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. Cineplex has a number of theatrical exhibition competitors, including Rainbow Cinemas, Imagine Cinemas, Cinemas Guzzo, Landmark Cinemas as well as independent operators. The building of new theatres, the addition of screens or conversion to recliner seating to existing theatres by competitors in areas in which Cineplex operates may 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.

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. To that end, Cineplex has developed the Cineplex Store in an effort to attract its customers to enjoy Cineplex movies for their at-home entertainment in lieu of the multitude of other at-home viewing options. With its SCENE loyalty program, Cineplex has the ability to communicate directly with movie-lovers to attract them to the Cineplex Store viewing options.

Cineplex's amusement and leisure operations compete against other offerings for guests' entertainment spending. In each of the local markets in which Cineplex operates and will operate, it faces competition from local, national or international brands that also offer a wide variety of restaurant and/or amusement and gaming experiences, including sporting events, bowling alleys, entertainment centres, nightclubs and restaurants. Competition for guests' entertainment time and spending also extends to in-home entertainment such as internet or video gaming and other in-home leisure activities.

## **Regulatory Environment**

### *General*

Cineplex's operations are subject to international, federal, provincial and local laws governing matters such as privacy, film classification, construction, renovation and operation of theatres, wages and working conditions, health and sanitation requirements as well as licensing (including business, gaming and liquor licensing). Management believes that Cineplex's operations are in material compliance with all such laws.

### *Environmental*

Cineplex owns, leases and/or operates entertainment locations 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

Cineplex continually works to ensure that its services are delivered with a focus on respecting the dignity of each of its guests 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 been recognized as a leader in accessibility initiatives, including hosting sensory-friendly screenings as well as providing technologies throughout the circuit to make films accessible to the hearing and vision impaired communities. The Corporation has been recognized for its initiatives in diversity and inclusion both with its employee contingent as well as with its guests.

## 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.

## Credit Facility

Effective May 2, 2016, the Corporation and the Partnership entered into a sixth amended and restated credit agreement (the "**Credit Agreement**") with a syndicate of lenders. The Revolving Facility included provisions to increase the commitment amount by an additional \$150.0 million with the consent of the lenders. During the third quarter of 2017, Cineplex increased the Revolving Facility under these provisions by \$75 million with a further \$75 million available.

At December 31, 2017 the Credit Facilities consisted of the following (in millions of dollars):

	Available	Drawn	Reserved	Remaining
(i) a five-year senior secured revolving credit facility	\$475.0	\$319.0	\$7.0	\$149.0
(ii) a five-year senior secured non-revolving term facility	\$150.0	\$150.0	\$ —	\$ —

Letters of credit outstanding at December 31, 2017 of \$7.0 million are reserved against the Revolving Facility.

The following is a summary of the material terms and conditions contained in the 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 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 facilities mature on April 26, 2021 and are payable in full at maturity, with no scheduled repayment of principal required prior to maturity.

The Revolving Facility is available for general corporate purposes and to fund approved projects or investments. The Revolving Facility is available to be drawn down by way of prime rate loans, U.S. base rate loans, LIBOR loans, banker's acceptances or letters of credit and bears interest at a floating rate based on the Canadian dollar prime rate, U.S. dollar base rate, LIBOR, bankers' acceptances rates or letter of credit commissions, as applicable, plus, in each case, an applicable margin to those rates based on Cineplex's ratio of total debt to Adjusted EBITDA from time to time. There are provisions to increase the Revolving Facility commitment amount by an additional \$150 million with the consent of the lenders.

The Term Facility is available to be drawn down by way of prime rate loans, U.S. base rate loans, LIBOR loans or bankers' acceptances, and bears interest at a floating rate based on the Canadian dollar prime rate, U.S. base rate, LIBOR or on the bankers' acceptance rates, as applicable, plus, in each case, an applicable margin to those rates based on Cineplex's ratio of total debt to Adjusted EBITDA from time to time.

The 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 Credit Facilities are secured by all of Cineplex's assets.

The Credit Facilities also contain customary affirmative, reporting and negative covenants. Pursuant to the terms of the Credit Facilities, Cineplex is required to maintain, on a rolling four quarter basis: (i) a prescribed ratio of total debt (excluding the amount of any outstanding Debentures) to 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 Credit Facilities are secured by a first ranking charge over all of the personal and real property owned by the Corporation and its subsidiaries other than certain excluded immaterial subsidiaries. The obligations of the Corporation and the Partnership under the Credit Facilities are guaranteed by such subsidiaries.

#### *Events of Default*

The Credit Facilities contain customary events of default, including an event of default upon certain circumstances constituting a change of control, as more specifically set out in the "Events of Default" section of the Credit Agreement.

Failure to comply with the terms of the 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 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 63,330,446 were issued and outstanding as at December 31, 2017. Holders of Common Shares are entitled to one vote per share at meetings of Shareholders of the Corporation, to receive dividends if 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.

Pursuant to the NCIB, the Corporation may, in the 12-month period commencing September 7, 2017 and ending on September 6, 2018, acquire for cancellation up to 10% of its total public float of Common Shares. Based on a total public float of 63,089,953 Common Shares on August 28, 2017, the Corporation could acquire up to 6,308,995 Common Shares under its NCIB. All Common Shares purchased by the Corporation under the NCIB will be cancelled. Purchases will be made at market prices through the facilities of the TSX and/or alternative Canadian trading systems. Under the NCIB, the Corporation may purchase up to 36,798 Common Shares on the TSX during any trading day, which is 25% of 147,192 (the average daily trading volume for the Corporation's Common Shares on the TSX for the six months ended August 31, 2017). This limitation does not apply to purchases made pursuant to block purchase exemptions. The Corporation has adopted an automatic securities purchase plan in connection with its NCIB that contains parameters regarding how its Common Shares may be repurchased during times when it would ordinarily not be permitted to purchase Common Shares due to regulatory restrictions or self-imposed blackout



periods. During 2017, 211,492 Common Shares were purchased and cancelled by the Corporation for an aggregate of \$8.0 million.

### Preferred Shares

The Corporation is authorized to issue 10,000,000 Preferred Shares, issuable in series, none of which are outstanding. If issued, 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. 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.

### Dividend Policy

Cineplex's dividend policy is subject to the discretion of the Board and may vary depending on, among other things, Cineplex's results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that the Board may deem relevant. 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 the range between 60% and 85% of adjusted free cash flow per Share. (See the Corporation's Annual MD&A for a discussion on adjusted free cash flow.) Cineplex currently designates all dividends paid or deemed to be paid as "eligible dividends" for purposes of subsection 89(14) of the *Income Tax Act* (Canada), and similar provincial and territorial legislation, unless indicated otherwise.

Effective for the May 2017 dividend, which was paid in June 2017, the Board approved a dividend increase to \$0.140 per month per Share (\$1.68 on an annual basis). Pursuant to the factors noted above, there can be no guarantee that the Corporation will maintain its current dividend policy.

Since 2011, the Corporation has declared and paid dividends per Common Share per month in the following amounts:

Dividend Amount per Common Share	Effective Date
\$0.105	January, 2011
\$0.1075	May, 2011
\$0.1125	May, 2012
\$0.1200	May, 2013
\$0.1250	May, 2014
\$0.1300	May, 2015
\$0.1350	May, 2016
\$0.1400	May, 2017

### Description of the Debentures

The Debentures were issued under an indenture dated November 5, 2013 (the "**Indenture**") between the Corporation and BNY Trust Company of Canada (the "**Debenture Trustee**"). 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

On November 5, 2013, the Corporation completed its offering of \$100 million principal amount of Debentures. An additional \$7.5 million aggregate principal amount of Debentures were issued on the same terms and conditions on November 12, 2013 pursuant to a related over-allotment option. The Debentures are issuable only in denominations

of \$1,000 and integral multiples thereof. The Debentures will mature and be repayable on December 31, 2018 (the “**Maturity Date**”). The Corporation used the net proceeds of the Debenture offering to partially reduce bank indebtedness incurred on the acquisition of the theatres from Empire Theatres Limited.

The Debentures bear interest from the date of issue at a rate of 4.50% per annum, which is payable in semi-annual payments in arrears on the last day of June and December in each year (or the immediately following business day if any interest payment date would not otherwise be a business day). Interest payments on the Debentures were made on June 30, 2017, for the period from, and including, December 31, 2016 to, but excluding, June 30, 2017, and on January 2, 2018, for the period from, and including, June 30, 2017 to, but excluding, December 31, 2017.

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 and provided no Event of Default has occurred and is continuing, by delivery of freely-tradeable Common Shares to satisfy, in whole or in part, the obligations of the Corporation to repay the principal amount of the Debentures as further described under “— Payment upon Redemption or Maturity”, “— Redemption and Purchase” and “— Change of Control”. The interest on the Debentures is payable in lawful money of Canada or, at the option of the Corporation and subject to applicable regulatory approval, by delivering sufficient freely-tradeable Common Shares to the Debenture Trustee to sell for cash proceeds to satisfy the Interest Obligation in accordance with the Indenture as described under “— Interest Payment Election”.

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

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

#### *Conversion Privilege*

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

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

#### *Redemption and Purchase*

On and after December 31, 2016 and prior to December 31, 2017, the Debentures were redeemable by the Corporation, 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 written notice, at a price equal to the principal amount of the Debentures plus accrued and unpaid interest to, but excluding, the date of redemption, provided that the Current Market Price on the date on which notice of redemption was given was not less than 125% of the Conversion Price. On or after December 31, 2017 and prior to the Maturity Date, the Debentures will be redeemable by the Corporation, 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 written notice, at a price equal to the principal amount of the Debentures plus accrued and unpaid interest to, but excluding, the date of redemption.

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



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

#### *Payment upon Redemption or Maturity*

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

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

#### *Change of Control*

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

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

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

#### *Cash Change of Control*

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

The number of additional Common Shares per \$1,000 principal amount of Debentures constituting the make-whole premium would have been determined by reference to the table below and would have been based on the date on

which the Change of Control became effective (the “**Effective Date**”) and the price (the “**Stock Price**”) paid per Common Share in the transaction constituting the Change of Control. If holders of Common Shares received (or were entitled and able in all circumstances to receive), only cash in the transaction, the Stock Price would have been the cash amount paid per Common Share. Otherwise, the Stock Price would have been equal to the Current Market Price of the Common Shares immediately preceding the Effective Date of such transaction.

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

Stock Price	Effective Date		
	December 31, 2015	December 31, 2016	December 31, 2017
<b>\$39.83</b>	7.250	7.250	7.250
<b>\$40.00</b>	7.143	7.143	7.143
<b>\$41.00</b>	6.533	6.533	6.533
<b>\$42.50</b>	5.672	5.672	5.672
<b>\$45.00</b>	4.365	4.365	4.365
<b>\$47.50</b>	3.512	3.196	3.196
<b>\$50.00</b>	2.813	2.426	2.143
<b>\$52.50</b>	2.235	1.820	1.220
<b>\$55.00</b>	1.760	1.338	0.544
<b>\$60.00</b>	1.056	0.669	0.000
<b>\$65.00</b>	0.597	0.279	0.000
<b>\$70.00</b>	0.307	0.070	0.000
<b>\$75.00</b>	0.131	0.000	0.000
<b>\$80.00</b>	0.035	0.000	0.000
<b>\$85.00</b>	0.002	0.000	0.000
<b>\$90.00</b>	0.000	0.000	0.000
<b>\$100.00</b>	0.000	0.000	0.000

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

- (a) if the actual Stock Price on the Effective Date was between two Stock Prices in the table or the actual Effective Date was between two Effective Dates in the table, the make-whole premium would have been determined by a straight line interpolation between the make-whole premiums set out for the two Stock Prices and the two Effective Dates in the table based on a 365-day year, as applicable;
- (b) if the Stock Price on the Effective Date exceeded \$100.00 per Common Share, subject to adjustment as described below, the make-whole premium would have been zero; and
- (c) if the Stock Price on the Effective Date was less than \$39.83 per Common Share, subject to adjustment as described below, the make-whole premium would have been zero.

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

### *Interest Payment Election*

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

Neither the Corporation’s making of an election to satisfy all or part of the Interest Obligation on an Interest Payment Date by delivering sufficient Common Shares to the Debenture Trustee, nor the facilitation of settlement of Common Shares will: (i) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date or (ii) entitle such holders to receive any Common Shares in satisfaction of the Interest Obligation.

### *Anti-Dilution Provisions*

Subject to the provisions thereof, the Indenture provides for the adjustment of the Conversion Price in certain events including: (i) the subdivision or consolidation of the outstanding Common Shares; (ii) the issuance of Common Shares or securities convertible into or exchangeable for Common Shares to all or substantially all holders of Common Shares by way of a dividend or distribution or otherwise, other than an issue of Common Shares or securities convertible into or exchangeable for Common Shares by way of dividends paid in the ordinary course, provided such ordinary course dividends are no greater than \$0.12 per Common Share per calendar month; (iii) the issuance of options, rights or warrants to all or substantially all holders of Common Shares entitling them to acquire Common Shares or other securities convertible into or exchangeable for Common Shares at less than 95% of the then Current Market Price of the Common Shares and (iv) the distribution to all or substantially all holders of Common Shares of certain other securities or assets (including cash or debt securities) otherwise than by way of dividends paid in the ordinary course, provided such ordinary course dividends are no greater than \$0.12 per Common Share per calendar month. There will be no adjustment of the Conversion Price in respect of any event described in (ii), (iii) or (iv) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. No adjustment will be made to the Conversion Price upon the issuance from time to time of Common Shares pursuant to the Corporation’s existing or future stock option plan, long-term incentive plan, deferred share unit plan, share purchase plan or any dividend reinvestment plan, or any similar plan, if any, as such plans may be amended or replaced from time to time. The Corporation will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Common Shares or in the case of any consolidation, amalgamation, arrangement or merger of the 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 as a result of which the holders of Common Shares are entitled to receive shares, other securities or other property, or a liquidation, dissolution or winding-up of the 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 and shall accept in lieu of Common Shares, the kind and amount of securities or property which the holder thereof would have been entitled to receive if, on the effective date thereof, it had been the holder of the number of Common Shares into which the Debenture was convertible on the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale, conveyance, liquidation, dissolution or winding-up (“**Substitute Property**”). Following any such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution or winding-up, any

reference to “Common Shares” under the headings “— Payment upon Redemption or Maturity”, “— Change of Control” or “— Interest Payment Election” shall be deemed to be a reference to Substitute Property.

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

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

#### *Cancellation*

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

#### *Rank and Subordination*

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

The payment of the principal of, premium, if any, and interest on, the Debentures is subordinated in right of payment in the circumstances referred to below and more particularly, 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 as the principal of and premium, if any, and interest on and other amounts payable in respect of all indebtedness (including any indebtedness to trade creditors) of the Corporation (whether outstanding as at the date of the Indenture or thereafter created, incurred, assumed or guaranteed), other than all other existing and future indebtedness of the Corporation which, by the terms of the instrument creating or evidencing such other existing and future indebtedness, is expressed to be *pari passu* with, or subordinate in the right of payment to, the Debentures or other indebtedness ranking *pari passu* with the Debentures.

The Indenture provides that in the event of any dissolution, winding-up, liquidation, bankruptcy, insolvency, receivership, creditor enforcement or realization or other similar proceedings relating to the Corporation or any of its property, or any marshalling of the assets and liabilities of the Corporation, then holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Indenture also will provide that the Corporation will not make any payment, and the holders of the Debentures will not be entitled to demand, accelerate, institute proceedings for the collection of, or receive any payment or benefit (including without limitation by set-off, combination of accounts or otherwise in any manner whatsoever) on account of the Debentures if a default or event of default with respect to or under any Senior Indebtedness permitting acceleration of the same has occurred and is continuing.

The Debentures are also effectively subordinate to claims of creditors (including trade 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 creditors of the Corporation’s subsidiaries.

### *Modification*

The rights of the holders of the Debentures may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture contains certain provisions which make Extraordinary Resolutions binding on all holders of Debentures. Under the Indenture, the Debenture Trustee has the right to make certain amendments to the Indenture in its discretion, without the consent of the holders of Debentures.

### *Events of Default*

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

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

### *Compulsory Acquisition of Debentures*

The Indenture contains provisions to the effect that if an offer is made for all the Debentures other than Debentures held by or on behalf of the offeror or an affiliate or associate of the offeror and not less than 90% of the Debentures (other than Debentures held by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by the holders of Debentures who did not accept the offer on the terms offered by the offeror.

### *Satisfaction and Discharge*

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

### *Book-Entry System*

Debentures were issued in the form of Global Debentures held by, or on behalf of, CDS Clearing and Depository Services Inc. ("**CDS Clearing**") as custodian for its participants. Purchasers of Debentures represented by Global Debentures do not receive Debentures in definitive form. Rather, the Debentures are represented only in "book-entry only" form. Beneficial interests in the Global Debentures, constituting ownership of the Debentures, are represented through book-entry accounts of institutions (including the underwriters) acting on behalf of beneficial owners, as



direct and indirect participants of CDS Clearing. Each purchaser of a Debenture represented by a Global Debenture typically receives a customer confirmation of purchase from the underwriter or underwriters from whom the Debenture is purchased in accordance with the practices and procedures of the selling underwriter or underwriters. The practices of the underwriters may vary but generally customer confirmations are issued promptly after execution of a customer order. CDS Clearing is responsible for establishing and maintaining book-entry accounts for its participants having interests in Global Debentures.

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

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

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

#### *Transfer and Exchange of Debentures*

Transfers of beneficial ownership in Debentures represented by Global Debentures are effected through records maintained by CDS Clearing for such Global Debentures or its nominees (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Unless the Corporation elects, in its sole discretion, to prepare and deliver definitive certificates representing the Debentures, beneficial owners who are not participants in CDS Clearing’s book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Debentures, may do so only through participants in CDS Clearing’s book-entry system.

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

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

#### *Payments*

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

The Corporation understands that CDS Clearing or its nominee, upon receipt of any payment of interest or principal in respect of a Global Debenture, credits participants’ accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Global Debenture as shown on the records of CDS Clearing or its nominee. The Corporation also understands that payments

of interest and principal by participants to the owners of beneficial interests in such Global Debenture held through such participants are governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name” and are the responsibility of such participants. The Corporation’s responsibility and liability in respect of payments on Debentures represented by the Global Debenture is limited solely and exclusively, while the Debentures are registered in Global Debenture form, to making payment of any interest and principal due on such Global Debenture to CDS Clearing or its nominee.

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

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

#### *Governing Law*

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

### **DIRECTORS AND OFFICERS**

The below table identifies all individuals who are currently serving as directors and executive officers of the Corporation or have served in that capacity during 2017. The table sets out the person’s name, province or state of residence, positions with the Corporation (i.e., director and/or officer) and principal occupation. The term of office for each of the current Directors expires at the time of the next annual meeting of Shareholders.

<b>Name and Residence</b>	<b>Position</b>	<b>Dates</b>	<b>Principal Occupation</b>
Jordan Banks Ontario, Canada <sup>(4)</sup>	Director	2013 - present	Corporate Director
Robert Bruce Ontario, Canada <sup>(2)</sup>	Director	2010 - present	Chief Executive Officer Mobile Klinik
Joan Dea California, USA <sup>(4)</sup>	Director	2006 - present	Corporate Director
Janice Fukakusa Ontario, Canada <sup>(1)(2)</sup>	Director	2017 - present	Corporate Director
Ian Greenberg Quebec, Canada <sup>(4)</sup>	Director (Chair)	2010 - present	Corporate Director
Donna Hayes Ontario, Canada <sup>(2)</sup>	Director	2016 - present	Corporate Director
Ellis Jacob Ontario, Canada	Director/Officer	2003 - present	President and Chief Executive Officer Cineplex Inc.
Sarabjit Marwah Ontario, Canada <sup>(3)(4)</sup>	Director	2009 - present	Senator and Corporate Director
Nadir Mohamed Ontario, Canada <sup>(3)(4)</sup>	Director	2017 - present	Corporate Director

<b>Name and Residence</b>	<b>Position</b>	<b>Dates</b>	<b>Principal Occupation</b>
Edward Sonshine Ontario, Canada <sup>(2)</sup>	Director	2010 - present <sup>(5)</sup>	Chief Executive Officer RioCan Real Estate Investment Trust
Heather Briant Ontario, Canada	Officer	2006 - present	Senior Vice President Human Resources Cineplex Inc.
Anne Fitzgerald Ontario, Canada	Officer	2005 - present	Chief Legal Officer and Executive Vice President Real Estate Cineplex Inc.
Michael Kennedy Ontario, Canada	Officer	2005 - present	Executive Vice President Filmed Entertainment Cineplex Inc.
Jeff Kent Ontario, Canada	Officer	2004 - present	Chief Technology Officer Cineplex Inc.
Dan McGrath Ontario, Canada	Officer	2003 - present	Chief Operating Officer Cineplex Inc.
Gord Nelson Ontario, Canada	Officer	2003 - present	Chief Financial Officer Cineplex Inc.
Anthony Munk Ontario, Canada	Past Director	2003 - 2017	Senior Managing Director Onex Corporation
Robert Steacy Ontario, Canada	Past Director	2005 - 2017	Corporate Director

#### **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. Mr. Mohamed was appointed as Chair of the Compensation, Nominating and Corporate Governance Committee in January, 2018.
- (4) Member of the Compensation, Nomination and Corporate Governance Committee.
- (5) Mr. Sonshine also previously served as a Trustee of Cineplex Galaxy Income Fund from 2003 through 2005.

As of December 31, 2017, the current Directors and executive officers of the Corporation collectively beneficially own, directly or indirectly, or exercise control and direction over 427,917 Common Shares, representing, in the aggregate less than 1% of the issued and outstanding Common Shares, calculated on a fully diluted basis. As at that same date, the current Directors and executive officers of the Corporation identified above, collectively beneficially own, directly or indirectly, or exercise control and direction over a total of 759,181 Common Shares plus share equivalents, representing, in the aggregate approximately 1.2% of the issued and outstanding Common Shares, calculated on a fully diluted basis.

#### **Biographies**

The following are brief profiles of the directors of the Corporation, as at December 31, 2017.

- **Jordan Banks.** Mr. Banks has held numerous senior roles in the social media, e-commerce and broadcasting sectors in North America. Most recently, Mr. Banks spent over seven years as the Managing Director of Facebook and Instagram Canada, where he was responsible for leading and managing all of the commercial operations in Canada. Prior to Facebook, Mr. Banks was the Founder and Managing Partner at Thunder Road Capital, Chief Executive Officer of publicly traded JumpTV as well as the Managing Director of eBay Canada. In addition to his role as a Director of the Corporation, Mr. Banks sits on the Board of Directors of the Hospital for Sick Children Foundation and the Board of Advisors at OMERS Ventures. As part of his commitment to raise



money and awareness for Alzheimer's research and care, Mr. Banks is Co-Chair of the Canadian Centre for Aging and Brain Health Innovation, Chair of DementiaHack, which is the world's foremost Dementia hackathon and sits on the Boards of Directors of The Tanz Centre for Research in Neurodegenerative Diseases. Mr. Banks has been named as one of Canada's 50 Most Powerful Business People by Canadian Business magazine and one of the 25 Most Influential People by Financial Post Magazine. He was also previously chosen as one of Canada's "Top 40 Under 40" honorees, named one of "Canada's Leading Men" by Weizmann Institute for Science, as well as the Hugo Boss "Leave A Mark" award celebrating men of excellence.

- **Robert Bruce.** Mr. Bruce is the Chief Executive Officer and Founding Partner of Mobile Klinik, a chain of professional smartphone repair stores. Prior to founding Mobile Klinik, Mr. Bruce served as President, Communications running the Wireless and Cable Divisions for Rogers Communications Inc. He served in that capacity from 2009 through 2014, having previously served from 2005 through 2009 as President, Rogers Wireless. Mr. Bruce joined Rogers Wireless in 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 Directors of Grant Thornton Partnership. He holds a Master of Science from University of Waterloo and a Master of Business Administration from Queen's University.
- **Joan Dea.** Ms. Dea has held numerous senior roles in the financial services and management consulting sectors in North America, with expertise in strategy, leadership, governance and transformational change. In addition to her role as a Director of the Corporation, she serves as a Director of Charles Schwab Corporation (serving on the Nominating and Governance and the Compensation Committees) and Charles Schwab Bank (serving on the Audit Committee). She is an early stage investor and also acts as an advisor to several leading organizations. Previously, Ms. Dea worked with BMO Financial Group as Executive Vice President, Head of Strategic Management and Corporate Marketing and was a member of the Executive Committee. In that capacity, she was responsible for strategy development, performance management, branding, customer experience, culture and major change initiatives. Ms. Dea had also been a global partner at the Boston Consulting Group where she held several leadership positions and consulted to consumer, retail, media and financial services Fortune 500 firms. She began her career in Corporate Finance with Chemical Bank. As a civic leader, Ms. Dea has provided board service to Yale University Development Council, GlobalGirlMedia, Women's Initiative, the National Ballet of Canada, the Pecaut Centre for Social Impact and Marin Academy. Her past board experience includes Torstar Corporation and Performance Sports Group, which, in October 2016, instituted proceedings under the Canadian *Companies' Creditors Arrangement Act* and the U.S. *Bankruptcy Code (Chapter 11)*. Ms. Dea holds a Bachelor of Arts degree from Yale University and Master of Science degree in Economics (International Relations) With Distinction from the London School of Economics.
- **Janice Fukakusa.** Ms. Fukakusa is a corporate director and former Chief Administrative Officer and Chief Financial Officer of Royal Bank of Canada, from which she retired in January 2017 following a distinguished 31-year career. Ms. Fukakusa currently serves on the boards of a number of corporate and not-for-profit organizations, including General Growth Properties, The Princess Margaret Cancer Foundation, and Wellspring Cancer Foundation. She also serves as the Chair of the Board of Directors of Canada Infrastructure Bank, and the Board of Governors of Ryerson University. She was inducted into Canada's Most Powerful Women Hall of Fame and previously selected as Canada's CFO of the Year by Financial Executives Canada, PwC and Robert Half. In 2016, she was named one of the 25 Most Powerful Women in Banking by American Banker magazine for the fourth consecutive year. Ms. Fukakusa holds the professional designations of Fellow Chartered Professional Accountant (FCPA and CPA) and Chartered Business Valuator. She obtained a Bachelor of Arts from University of Toronto and a Master of Business Administration from Schulich School of Business.

- ***Ian Greenberg (Chair).*** Mr. Greenberg founded Astral Media Inc. with his three brothers over 50 years ago. He was the President and Chief Executive Officer of Astral Media Inc. from 1995 until 2013, when the company was sold. In addition to serving as a director of the Corporation, he currently serves on the Board of Directors of Bell Canada Enterprises Inc., where he sits on both the Audit Committee and the Management Resources and Compensation Committee. He is a Governor of Montreal's Jewish General Hospital and is actively involved in a number of charitable associations, including the MS Society of Canada, the Canadian Cancer Society, United Way, Centraide and the Montreal Museum of Fine Arts. As an influential member of the community, Mr. Greenberg has received the following awards and honours: Eleanor Roosevelt Humanities Award (1993), Ted Rogers and Velma Rogers Graham Award (2007), inducted into the Canadian Association of Broadcasters' Hall of Fame (2008), inducted into the Canadian Business Hall of Fame (2013), a special award from the Academy of Canadian Cinema and Television for exceptional achievement in Canadian film and television (2013) and inducted into the Canadian Broadcast Industry Hall of Fame (2014). He is a graduate of Harvard Business School's Advanced Management Program.
- ***Donna Hayes.*** Ms. Hayes is the retired Publisher and Chief Executive Officer of Harlequin, one of the world's leading publishers of books for women. She also spearheaded Harlequin's industry leading level of innovation by incorporating forward looking technology (eBooks, downloadable audio, mobile applications) into their business model. Recognition of Harlequin under Hayes' leadership included a Levy Home Entertainment Award for best mass market publisher, the Canadian Public Relations Society's Gold Award of Excellence for communications management, a YWCA "W" Award for promoting the empowerment of women and Book Business Magazine's Publishing Innovator of the Year. Ms. Hayes has served on the Board of Directors of the American Association of Publishers, the Toronto Public Library Foundation and the Board of Directors of the TD Financial Group (Toronto-Dominion Bank), where she served on both the Audit and Corporate Governance Committees. She is currently the Co-Chair of the Toronto Wildlife Centre Board, the largest wild animal rescue center in Canada and also serves on the Board of the Pelee Island Bird Observatory (PiBO), founded by Graeme Gibson and Margaret Atwood and dedicated to the study and preservation of Canada's migratory birds. Ms. Hayes holds an Honours Degree in English Literature and Communications from McGill University and has completed the Professional Publishing Course at Stanford University as well as the Executive Management Program at the Richard Ivey School at The University of Western Ontario.
- ***Ellis Jacob, C.M.*** Mr. Jacob has been working in the motion picture exhibition industry since 1987. Prior to assuming his current position 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 Cineplex Odeon Corporation ("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 audit committee of the Toronto International Film Festival. He is a member of the Boards of Directors of each of the Movie Theatre Association of Canada and the National Association of Theatre Owners, where he is the Vice Chair and sits as a member of its Executive Committee. In addition to his role as a Director of the Corporation, Mr. Jacob is a member of the Board of Directors of Husky Injection Molding Systems Ltd., where he chairs the Audit Committee. Mr. Jacob is an active community member, currently serving as a member of the Board of Directors at Toronto's Baycrest Centre for Geriatrics, where he chairs the Commercialization Committee and is a member of Baycrest's Finance and Audit Committee and a member of the Board of Governors for Mount Sinai Hospital. He holds an MBA from the Schulich School of Business as well as the accounting designations of Fellow Chartered Professional Accountant (FCPA), Fellow Chartered Accountant (FCA) and Fellow Certified Management Accountant (FCMA). He also holds the ICD.D designation from the Institute of Corporate Directors. In 2010, Mr. Jacob was appointed a Member of the Order of Canada, in 2013 he was recognized as Canada's Most Innovative CEO by Canadian Business Magazine, and in 2014, he was recognized as Canada's Most Admired CEO, Enterprise, by Waterstone Human Capital.

- ***Sarabjit S. Marwah.*** Mr. Marwah retired in 2014 from his role as Vice-Chairman and Chief Operating Officer of Scotiabank. In that capacity, he had been responsible for many of Scotiabank's corporate financial and administrative functions, and was 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 Vice-Chairman and Chief Operating Officer in 2008. In addition to his role as a Director of the Corporation, Mr. Marwah is a member of the Boards of Directors of George Weston Ltd. and Telus Corporation, serving on the Audit and Governance Committees of both organizations. He also serves as Chair of the Boards of Directors of 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, the Toronto International Film Festival, and the 2008 and 2009 United Way Cabinets. In 2016, he was appointed as a Senator to the Senate of Canada by the Governor General of Canada.
- ***Nadir Mohamed.*** Mr. Mohamed began his communications career more than 30 years ago. He joined Rogers Communications in August 2000 and was President and CEO of Rogers Wireless from 2001 through 2005 when he was appointed President and COO of Rogers Communications Group. He was appointed the President and CEO of Rogers Communications Inc. in March 2009 and retired in December 2013. Mr. Mohamed has been engaged in a spectrum of community organizations and over the past few years has focused on Canada's innovation and entrepreneurship agenda. He is the Co-Founder and Chair of Scale Up Ventures and Chair of Ryerson Futures Inc. Mr. Mohamed serves on the Board of TD Bank Financial Group and Trilogy International Partners and is the Chair of Alignvest Management Corporation. Mr. Mohamed was named by Bloomberg as one of the world's most successful immigrants and in October 2013 was honoured by the UN Association in Canada at their 2013 Global Citizens Dinner.
- ***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 active in the community and currently is a director of Mount Sinai Health System. He previously served on the board of directors for The Royal Bank of Canada, as Chair of the Israel Bonds Organization of Canada, as Chair of the board of Chesswood Group Limited and as Chair of the Mount Sinai Hospital Foundation. Mr. Sonshine was appointed Queen's Counsel in 1983 and a Member of the Order of Ontario in 2011. In 2013, he was honoured as Canada's Outstanding CEO of the year.

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

- ***Heather Briant, Senior Vice President, Human Resources.*** Ms. Briant joined Cineplex Entertainment in 2006. She is responsible for all aspects of the Human Resources function, encompassing talent development and succession, organization design and effectiveness, total and executive compensation, and human resources governance and reporting. She is also a leader in the organization's corporate strategy and transformational activities. Ms. Briant has over 25 years of prior business experience and was most recently the Vice President, Human Resources at Canadian Tire Corporation Limited prior to joining Cineplex. Active within the community, Ms. Briant has served on a number of corporate and not for profit boards. In 2018, she was appointed to the board of directors Freshii Inc. Ms. Briant graduated with a MBA from the Rotman School of Management at the University of Toronto and holds the ICD.D designation from the Institute of Corporate Directors of the Rotman School of Management.
- ***Anne Fitzgerald, Chief Legal Officer and Executive Vice President, Real Estate.*** Ms. Fitzgerald oversees all legal, corporate affairs, real estate, lease administration and insurance matters relating to Cineplex and its subsidiaries; she also serves as Corporate Secretary. She has practiced law in both Canada and the United States, primarily in litigation roles in areas of corporate-commercial, securities, criminal, tax and entertainment. Ms. Fitzgerald is currently a member of the Board of

Directors for each of the Academy of Canadian Cinema and Television (serving on the Audit Committee and as Chair of the Governance Committee), the National Association of Theater Owners and the Movie Theatre Association of Canada (where she serves as Vice-Chair). She is a member of the Executive Committee of the Global Cinema Federation. Ms. Fitzgerald volunteers her time and expertise as a member of the Board of Directors of Outward Bound Canada (serving as Chair of its Development Cabinet) and serves on the Duke University Divinity School Board of Visitors. She was inducted as a Fellow of the Royal Canadian Geographic Society in 2012 and was honoured in 2014 as a National Post/ZSA General Counsel of the Year. She holds a BA in Public Policy as well as a Juris Doctorate in Law, both from Duke University and holds the ICD.D designation from the Institute of Corporate Directors of the Rotman School of Management.

- ***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, COC, Norstar Releasing and Astral Films. He oversees all aspects of film programming and alternative programming 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 Movie Theatre Association of Canada, Canadian Film Centre, First Weekend Club, Reel World Film Festival and Canadian Motion Picture Pioneers Association. He is a member of the advisory committee of the Hot Docs Film Festival and serves on the advisory group of Telefilm Canada. Mr. Kennedy also hosts various Cineplex Coming Attractions segments which are available throughout Cineplex's digital space.
- ***Jeff Kent, Chief Technology Officer.*** Mr. Kent is an information technology professional with many years of experience in the entertainment industry. He oversees all technology relating to the Corporation and its subsidiaries. Prior to returning to Cineplex in 2004, Mr. Kent was previously Senior Vice President, Information Technology for Alliance Atlantis Communications Inc. From 1996 through 1998, Mr. Kent held senior positions in finance and information technology with COC. He currently sits on the Board of Directors and the Technology Committee of the National Association of Theater Owners as well as serving as a director of SCENE Corporation and the Digital Signage Federation. Mr. Kent holds an MBA from McMaster University and the accounting designations of Chartered Professional Accountant (CPA) and Certified Management Accountant (CMA). He also holds the ICD.D designation from the Institute of Corporate Directors of the Rotman School of Management.
- ***Dan McGrath, Chief Operating Officer.*** Mr. McGrath joined COC in 1987 and held various financial and operational roles from 1987 to 2000. Upon joining Galaxy in 2000, he held the position of Executive Vice President and held that position with the Corporation until 2011 when he was named Chief Operating Officer. In his current role, Mr. McGrath oversees theatre operations and food service, digital commerce, amusement solutions, location-based entertainment (*The Rec Room, Playdium, Topgolf*), design and construction, customer strategies (marketing, corporate products, groups and events, content and creative, loyalty, research and digital strategy), as well as the company's media businesses (Cineplex Media and CDM). He is a member of the Board of Directors for SCENE LP (where he is also the President), the Movie Theatre Association of Canada (where he also is Treasurer), Canada's Walk of Fame and Covenant House (where he serves as Chair of the Fundraising Committee). Mr. McGrath holds the accounting designation of Chartered Professional Accountant (CPA) and Chartered Accountant (CA).
- ***Gord Nelson, Chief Financial Officer.*** Mr. Nelson joined COC in 1988 and has held various successive financial roles since that time. He was appointed Chief Financial Officer of Cineplex Galaxy Income Fund in 2004 and has continued in this role following the company's conversion to the Corporation in 2011. Mr. Nelson oversees the finance, purchasing, communications, risk management and corporate development areas of the Corporation in addition to overseeing eSports. He is a member of the Finance and Audit Committee of the Baycrest Centre for Geriatric Care. He graduated from the University of Toronto with an MBA and holds the accounting designations of Chartered Professional Accountant (CPA) and Chartered Accountant (CA). Most recently, Mr. Nelson was named Canada's CFO of the Year for 2016.

## Committees of the Board of Directors of the Corporation

The Board has two committees, an Audit Committee as well as 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 confirmed on March 5, 2017, are 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 currently composed of four Directors, namely Janice Fukakusa (Chair), Robert Bruce, Donna Hayes and Edward Sonshine. 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:

- **Janice Fukakusa (Chair).** Ms. Fukakusa retired as Chief Administrative Officer and Chief Financial Officer of Royal Bank of Canada in January, 2017. As a member of RBC's Group Executive, she was one of eight executives responsible for setting the overall strategic direction of RBC. In addition, she chaired Group Operating Committee. Since joining RBC in 1985, she has held positions in retail and business banking, corporate banking, account management, corporate finance, treasury, strategic development and corporate functions. Ms. Fukakusa currently serves on the boards of a number of corporate and not-for-profit organizations, including General Growth Properties, The Princess Margaret Cancer Foundation, and Wellspring Cancer Foundation. She also serves as the Chair of the Board of Directors of Canada Infrastructure Bank and the Board of Governors of Ryerson University. Prior to joining the bank, Ms. Fukakusa worked at PricewaterhouseCoopers LLP where she obtained the professional designations of Chartered Professional Accountant and Chartered Business Valuator. Ms. Fukakusa obtained her Bachelor of Arts from University of Toronto and holds a Master of Business Administration from Schulich School of Business and an Honorary Doctorate of Laws from York.
- **Robert Bruce.** Mr. Bruce is currently the Chief Executive Officer of Mobile Klinik and responsible for overseeing all financial aspects of the company. He previously served 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 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.
- **Donna Hayes.** Ms. Hayes is the retired Publisher and Chief Executive Officer of Harlequin, one of the world's leading publishers of books for women, and now part of Harper Collins Publishing. As Publisher and CEO, Hayes widened the scope of Harlequin's focus from romance fiction to publisher of books (fiction and nonfiction) for women. Many of the company's most successful lines were developed under her leadership. She also spearheaded Harlequin's industry-leading level of innovation by incorporating forward-looking technology (eBooks, downloadable audio, mobile applications) into their business model. Ms. Hayes graduated in 1978 with an honors degree in English literature and communications from McGill University. She has served on the Board of Directors of the American Association of Publishers, the Toronto Public Library Foundation and the Board of Directors of the TD Financial Group (Toronto-Dominion Bank), where she served on



both the Audit and Corporate Governance Committees. She also co-chaired the provincial committee for McGill University's recent highly successful capital campaign. She is currently a member of the Toronto Wildlife Centre Board, the largest wild animal rescue center in Canada.

- **Edward Sonshine.** 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 that capacity, Mr. Sonshine is responsible for overseeing all financial functions and reporting of the company. In addition to his Director role with the Corporation, Mr. Sonshine was formerly a member of the Board of Directors as well as the Audit Committee of the Royal Bank of Canada as well as numerous other boards.

### 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, 2017 and December 31, 2016 were as follows:

Type of Service	Year Ended December 31, 2017	Year Ended December 31, 2016
Audit.....	\$885,000	\$788,000
Tax.....	\$413,972	\$429,400
Other.....	\$14,250	\$13,160

The nature of each category of fees is described below.

Tax. Tax fees were paid for tax compliance services (\$229,800) and tax consulting and planning including tax credit claims (\$184,172).

Other. Other fees were paid for expenses related to compliance review matters with the Canadian Public Accountability Board.

### 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 provides audit services to Cineplex and is 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 Cineplex Investor Relations website at [www.cineplex.com](http://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. On an annual basis, all members of senior management participate in a detailed review of enterprise risk in four major categories: environmental risks, process risks, information risks, and business unit risks. The results of such analysis are presented to the Audit Committee for their review and then reviewed with the whole of the Board.

In addition Cineplex monitors risks and changing economic conditions on an ongoing basis and adapts its operating strategies as required.

For a complete discussion of the risks to which Cineplex is exposed, reference is made to the Corporation's Annual MD&A.

### DIVIDENDS

The following table sets forth the date of payment per Common Share and the total amount of the dividends paid by the Corporation on the Common Shares during 2017.

<b>Period</b>	<b>Payment Date</b>	<b>Per Common Share Amount</b>	<b>Total</b>
January.....	February 28, 2017	\$ 0.135	\$8,574,643.13
February.....	March 31, 2017	\$ 0.135	\$8,574,787.98
March.....	April 28, 2017	\$ 0.135	\$8,574,876.41
April.....	May 31, 2017	\$ 0.135	\$8,574,876.41
May.....	June 30, 2017	\$ 0.14	\$8,892,514.68
June.....	July 31, 2017	\$ 0.14	\$8,895,502.28
July.....	August 31, 2017	\$ 0.14	\$8,895,871.32
August.....	September 29, 2017	\$ 0.14	\$8,895,871.32
September.....	October 31, 2017	\$ 0.14	\$8,873,864.44
October.....	November 30, 2017	\$ 0.14	\$8,872,422.44
November.....	December 29, 2017	\$ 0.14	\$8,866,262.44
December.....	January 31, 2018	\$ 0.14	\$8,866,262.44

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, 2017, the Corporation declared dividends totalling \$1.66 per Common Share. For the year ended December 31, 2016, the Corporation declared dividends totalling \$1.60 per Common Share.

### MARKET FOR SECURITIES

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

### 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, 2017.

#### Common Shares

<b>Month</b>	<b>Price per Common Share Monthly High</b>	<b>Price per Common Share Monthly Low</b>	<b>Total Monthly Volume</b>
January 2017	\$53.41	\$51.00	1,473,948
February 2017	\$53.00	\$49.90	2,159,423
March 2017	\$51.69	\$49.83	2,304,637
April 2017	\$54.03	\$50.22	1,978,335
May 2017	\$54.81	\$51.03	1,807,460
June 2017	\$53.60	\$50.81	1,850,259
July 2017	\$53.25	\$48.69	1,698,375
August 2017	\$49.68	\$34.43	9,201,595
September 2017	\$40.69	\$37.67	4,981,084
October 2017	\$40.08	\$37.80	5,275,990
November 2017	\$39.17	\$35.28	6,111,726
December 2017	\$39.99	\$36.91	3,875,524

## Debentures

<u>Month</u>	<u>Price per Debenture Monthly High</u>	<u>Price per Debenture Monthly Low</u>	<u>Total Monthly Volume</u>
January 2017	\$106.15	\$105.00	37,095
February 2017	\$106.97	\$103.50	194,130
March 2017	\$104.25	\$103.25	11,630
April 2017	\$105.50	\$103.25	5,610
May 2017	\$105.00	\$102.44	8,230
June 2017	\$104.85	\$102.94	7,585
July 2017	\$104.00	\$101.51	2,915
August 2017	\$102.00	\$100.00	130,390
September 2017	\$102.50	\$100.85	10,810
October 2017	\$102.50	\$100.61	20,750
November 2017	\$102.50	\$100.50	17,210
December 2017	\$101.99	\$100.50	11,615

## ACCOUNTING MATTERS

Some measures included in this Annual Information Form 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 2017 reporting, the Corporation included the following non-GAAP measures 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 change in fair value of financial instrument, loss on disposal of assets, foreign exchange loss (gain), the equity income of CDCP, the non-controlling interests’ share of adjusted EBITDA of WGN and BSL, and depreciation, amortization, interest and taxes of Cineplex’s other joint ventures. 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 Credit Facilities. Management calculates adjusted EBITDA margin by dividing adjusted EBITDA by total revenues.

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 Annual MD&A.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Neither the Corporation nor its subsidiaries are involved in any legal proceeding or regulatory action which would have a material adverse effect on the Corporation. The Corporation, or a subsidiary of the Corporation, is a defendant in various lawsuits arising in the ordinary course of business. From time to time, Cineplex is involved in disputes with landlords, suppliers, 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

To the knowledge of the Directors, no “informed person” has had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any material transaction (or any proposed transaction) with Cineplex Entertainment LP, Cineplex Entertainment Corporation and the Corporation, in the past five years. “Informed person” means: (a) a Director or executive officer of the Corporation; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Corporation; (c) any person or company who beneficially owns or controls or directs, directly or indirectly, 10% or more of the outstanding voting securities of the Corporation.



## **TRANSFER AGENT AND REGISTRAR**

AST Trust Company (Canada) (formerly CST Trust Company) acts as transfer agent and registrar of Cineplex. The register of transfers of the securities of the Corporation is located at AST Trust Company (Canada)'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 contract: the Credit Agreement entered into in connection with the Credit Facilities (see "Business of Cineplex – Credit Facility") and the Indenture (see "Capital Structure – Description of the Debentures").

## **INTERESTS OF EXPERTS**

The Corporation's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors' report dated February 21, 2018 in respect of the Corporation's consolidated balance sheets as at December 31, 2017 and December 31, 2016 and the consolidated statements of operations, comprehensive income, changes in equity and cash flows and the notes therein 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 2, 2018 for its May 25, 2018 annual meeting of Shareholders, as filed by the Corporation on SEDAR. Additional financial information is provided in the Corporation's financial statements and the Annual MD&A.

For a copy of this Annual Information Form and the materials listed in the preceding paragraph, each is available for download on Cineplex's investor relations website <http://ir.cineplex.com> or, to request a hardcopy, 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 change in fair value of financial instrument, loss (gain) on disposal of assets, foreign exchange loss (gain), the equity income of CDCP, the non-controlling interests’ share of adjusted EBITDA of WGN and BSL, and depreciation, amortization, interest and taxes of Cineplex’s other joint ventures;

“**Annual MD&A**” means the Corporation’s year-end Management’s Discussion and Analysis dated February 21, 2018 for the fiscal year ended December 31, 2017;

“**Board**” means the board of directors of the Corporation;

“**BPP**” means average box office revenue per patron;

“**BSL**” means Brady Starburst LLC;

“**CDCP**” means Canadian Digital Cinema Partnership;

“**CDM**” means Cineplex Digital Media Inc.

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

“**Chair**” means the committee-appointed member to act as Chair of the committee;

“**Cineplex**” means Cineplex Inc. and its subsidiaries;

“**Cineplex Entertainment LP**” means Cineplex Entertainment Limited Partnership;

“**Cineplex Store**” means [www.CineplexStore.com](http://www.CineplexStore.com);

“**COC**” means Cineplex Odeon Corporation;

“**Common Shares**” means common shares of the Corporation;

“**Corporation**” means Cineplex Inc.;

“**CPP**” means concession revenue per patron;

“**Credit Agreement**” means the sixth amended and restated credit agreement;

“**Credit Facilities**” means the Revolving Facility and the Term Facility;

“**CSF**” means Cineplex Starburst Inc. (renamed in 2016 as Player One Amusement Group Inc.);

“**Dandy**” means Dandy Amusements International Inc.;

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

“**Debentures**” means the 4.50% convertible unsecured subordinated debentures of Cineplex issued pursuant to the Indenture, which mature on December 31, 2018, and “**Debenture**” means one of them;

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

“**DTO**” means download to own;

“**EBITDA**” means earnings before interest income and expense, income taxes and amortization expense;

“**Effective Date**” has the meaning given to it under “Capital Structure – Description of the Debentures – Cash Change of Control”;

“**GAAP**” means generally accepted accounting principles;

“**Galaxy**” means Galaxy Entertainment Inc.;

“**IMZ**” mean the Interactive Media Zone, an interactive media experience allowing advertisers to engage and interact with Cineplex guests in high traffic lobby locations;

“**Indenture**” means the trust indenture dated November 5, 2013 between the Corporation and the Debenture Trustee, governing the terms of the Debentures;

“**ineligible consideration**” has the meaning given to it under “Capital Structure – Description of the Debentures – Anti-Dilution Provisions”;

“**Interest Payment Election**” has the meaning given to it under “Capital Structure – Description of the Debentures – Interest Payment Election”;

“**LIBOR**” means a benchmark rate banks charge each other for short term loans;

“**LP Units**” means the limited partnership units of Cineplex Entertainment LP;

“**Maturity Date**” means December 31, 2018, being the date the Debentures will mature and be repayable;

“**NCIB**” means the normal course issuer bid through the TSX allowing the Corporation to purchase up to 6,308,955 Common Shares through September 2018;

“**OBCA**” means the *Business Corporations Act* (Ontario);

“**PIAG**” means Player One Amusement Group Inc. (formerly Cineplex Starburst Inc.);

“**Partnership**” means Cineplex Entertainment Limited Partnership;

“**Preferred Shares**” means preferred shares of the Corporation;

“**RBO**” means retail branded outlet;

“**Revolving Facility**” means a five-year, \$475 million, senior, secured, revolving credit facility;

“**SAW**” means SAW, LLC, the assets of which were acquired by Premier Amusements Inc.;

“**Scotiabank**” means the Bank of Nova Scotia;

“**SCENE**” means the SCENE LP loyalty program;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com);

“**Senior Indebtedness**” has the meaning given to it under “Capital Structure – Description of the Debentures - Rank and Subordinations”;

“**Shareholders**” means the holders of Common Shares;

“**Stock Price**” has the meaning given to it under “Capital Structure – Description of the Debentures – Cash Change of Control”;

“**Substitute Property**” has the meaning given to it under “Capital Structure – Description of the Debentures – Cash Anti-Dilution Provisions”;

“**SVoD**” means subscription video-on-demand;

“**Term Facility**” means a five-year, \$150 million, senior, secured, non-revolving term facility;

“**Tricorp**” means Tricorp Amusements, Inc., a wholly owned subsidiary of PIAG;

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

“**VoD**” means video-on-demand;

“**WGN**” means World Gaming Network Limited Partnership; and

“**YoYo’s**” means YYC Franchise Corporation and YYC Wholesale Corporation, operating locations branded as YoYo’s Yogurt Café.

**SCHEDULE A**  
**CINEPLEX INC.**  
**AUDIT COMMITTEE - TERMS OF REFERENCE**

The following Audit Committee (“**Committee**”) terms of reference (the “**Terms of Reference**”) have been adopted by the Board of Directors (the “**Board**”) of Cineplex Inc. (collectively, with its subsidiaries and affiliates, the “**Corporation**”).

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The Committee consists of members of the Corporation’s Board to assist the Board in its oversight activities. The purpose of the Committee is to assist the Board in fulfilling its responsibilities, which include the 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 auditors (the “**Auditors**”).

**1. COMPOSITION**

The Board shall elect the Committee annually from among its members. The Committee shall be composed of at least three members of the Board, who are each: (i) “independent directors” (as defined below) and (ii) “financially literate” (as defined below), or will become so within a reasonable period of time following his or her appointment to the Committee.

If a member of the Committee ceases to be an independent director for reasons outside that member’s reasonable control, that member is exempt from the requirement to be an independent director until the later of: (a) the next annual meeting of the Board; or (b) the date that is six months from the occurrence of the event which caused the member to not be an independent director, 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 have a material, adverse effect on the ability of the Committee to act independently.

**2. REPORTS**

The Committee shall report to the Board 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 Auditors.

**3. 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 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 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 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, 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 enterprise risk management processes;
- (iii) annually, in consultation with management, the 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;
- (iv) discuss significant financial risk, exposures and the steps management of the Corporation has taken to monitor, control and report such exposures;
- (v) 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;
- (vi) annually review and report to the Board on organizational structure and succession planning and management development matters for the finance department of the Corporation;
- (vii) submit to the Board any recommendations the Committee may have from time to time with respect to financial reporting, accounting procedures, policies and internal controls;
- (viii) review reports from senior officers of the Corporation outlining any significant changes in financial risks facing the Corporation;
- (ix) review the management letter of the Auditors and the responses to suggestions made;

- (x) review any new appointments to senior positions of the Corporation (or a subsidiary of the Corporation) with financial reporting responsibilities;
- (xi) 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;
- (xii) establish procedures for: (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (b) 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 hiring policies regarding employees and former employees of the present and former Auditors of the issuer; and
- (xiv) obtain assurance from 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 Auditors;
- (ii) discuss in private with the 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 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 by the Board, the terms of engagement and the remuneration of the Auditors;
- (vii) oversee the work of the 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 Auditors regarding financial reporting;
- (viii) discuss, with the Corporation's Auditors, the quality 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) the Auditors are accountable to the Committee and the Board, as representatives of the shareholders and must report directly to the Committee; (iii) any irregularities in the financial information must 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 Auditors for the purposes of getting assurance that the performance of such services will not compromise the independence of the Auditors; and
- (xii) pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by its Auditors<sup>1</sup> provided that the Committee may delegate to one or more of its 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 of the Committee to whom authority has been delegated must be presented to the full Committee at its first scheduled meeting following such pre-approval.

#### **4. STRUCTURE**

- a) The Committee shall appoint one of its members to act as Chair of the Committee (the “**Chair**”). 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 member of the Board and can be changed by simple notice from the Chair;
- b) 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 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;
- c) 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;
- d) Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a member of the Board. 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;
- e) The Auditors shall be entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard thereat;
- f) 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;
- g) 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; and
- h) The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.

#### **5. INDEPENDENT ADVICE**

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

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<sup>1</sup> 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 (5%) of the total amount of revenues paid by the Corporation to its 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.



## 6. 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 these Terms of Reference; and
- b) review and assess the adequacy of these Terms of Reference and recommend to the Board any improvements to the Terms of Reference that the Committee determines to be appropriate.

## 7. DEFINITIONS

- a) “**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.
- b) “**independent director**” means a Director who has no direct or indirect “material relationship” (as defined below) with the Corporation.
- c) “**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:
  - (i) 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 or affiliated entities;
  - (ii) 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;
  - (iii) a person who is: (x) a partner<sup>2</sup> of the Corporation’s internal or external auditor; (y) is employed by the firm that is the Corporation’s internal or external auditor; or (z) 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;
  - (iv) a person whose spouse, minor child or stepchild, or child or stepchild who shares a home with a person who: (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 Corporation’s audit(or that of its predecessor entity) within that time;
  - (v) a person who, 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’s current executive officers serves or served at that same time on the entity’s compensation committee;
  - (vi) a person who has a relationship with the Corporation or its affiliated entities pursuant to which such person may accept, directly or indirectly<sup>3</sup>, any consulting, advisory or other

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

<sup>3</sup> 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.

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 or any other Board committee, or as part-time chair or vice chair of the Board or any Board committee;

- (vii) a person who received, or whose immediate family member who is employed as a member of executive management 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 or any Board committee; or (ii) as 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
- (viii) a person who is an affiliated entity of the Corporation or any of its predecessor or subsidiary entities.

**Confirmed March 5, 2018**