

**NOW FOR PUBLIC
RELEASE**

Confidential Version

CT-2005-005

THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

AND IN THE MATTER OF the proposed direct or indirect acquisition by Cineplex Galaxy Limited Partnership of the Famous Players division of Viacom Canada Inc.;

AND IN THE MATTER OF the filing and registration of a consent agreement pursuant to section 105 of the *Competition Act*.

BETWEEN:

COMPETITION TRIBUNAL TRIBUNAL DE LA CONCURRENCE	
FILED / PRODUIT REGISTERED / ENREGISTRÉ	
June 13, 2005 Jos LaRose for / pour REGISTRAR / REGISTRAIRE	
OTTAWA, ONT	# 0001c

THE COMMISSIONER OF COMPETITION

Applicant

- and -

CINEPLEX GALAXY LIMITED PARTNERSHIP

Respondent

CONSENT AGREEMENT

WHEREAS Cineplex Galaxy has proposed entering into an agreement to acquire, directly or indirectly, Famous Players;

AND WHEREAS the Commissioner, having completed her review of the Proposed Transaction, has concluded that the Proposed Transaction is likely to result in a substantial lessening and/or prevention of competition in the first run film exhibition industry in Canada;

AND WHEREAS the Commissioner has alleged certain facts and while Cineplex Galaxy does not agree with all of the facts alleged and does not admit to any substantial lessening and/or prevention of competition, it has elected, for the purpose of this Agreement and any proceedings related hereto, other than any proceeding pursuant to paragraph 51 of this Agreement, not to contest the Commissioner's conclusions based on those facts;

AND WHEREAS the Commissioner declares herself satisfied that the actions required to be taken pursuant to this Agreement will be sufficient to ensure that no substantial lessening and/or prevention of competition in the relevant market(s) in Canada will result from the completion of the Proposed Transaction;

AND WHEREAS with the execution of, and compliance with, this Agreement, the Commissioner will not oppose the Proposed Transaction, in whole or in part, pursuant to sections 92, 100 or 104 of the Act;

AND WHEREAS Cineplex Galaxy attorns to the jurisdiction of the Tribunal for the purposes of this Agreement and any proceeding initiated by the Commissioner relating to this Agreement, including an application to vary or rescind this Agreement under section 106 of the Act;

AND WHEREAS the Commissioner and Cineplex Galaxy agree that once signed the parties shall file the Agreement with the Tribunal for registration at a time to be agreed to by the Commissioner and Cineplex Galaxy, but in any event not later than the signing of a definitive acquisition agreement in respect of the Proposed Transaction;

AND WHEREAS any capitalized terms included in these recitals have the meanings ascribed to them in paragraph 1 of this Agreement;

NOW THEREFORE Cineplex Galaxy and the Commissioner have agreed to the terms of this Agreement as follows:

DEFINITIONS

1. For the purposes of this Agreement, the following definitions shall apply:
 - (a) "Act" means the *Competition Act*, R.S.C. 1985, c. C-34 as amended;
 - (b) "Agreement" means this consent agreement entered into by Cineplex Galaxy and the Commissioner pursuant to section 105 of the Act, together with all Schedules attached hereto;
 - (c) "Cineplex Galaxy" means a Toronto-based limited partnership existing under the laws of the Province of Manitoba, acting through its general partner, Cineplex Galaxy General Partner Corporation, a Canadian federal corporation, and all subsidiaries and divisions controlled by Cineplex Galaxy General Partner Corporation;
 - (d) "Closing Date" means the date that the Proposed Transaction is substantially completed;
 - (e) "Commissioner" means the Commissioner of Competition appointed pursuant to section 7 of the Act;
 - (f) "Confidential Information" means competitively sensitive or proprietary information not independently known to a Person from sources other than the

entity to which the information pertains, including, without limiting the generality of the foregoing, any and all competitively sensitive or proprietary information pertaining to the operation of the Theatres;

- (g) **"Divest"** means to implement a Divestiture;
- (h) **"Divestiture"** means the sale, transfer, assignment, redemption or other disposition necessary to ensure that Cineplex Galaxy does not retain, directly or indirectly, except as permitted herein or upon the consent of the Commissioner and Cineplex Galaxy, any right, title, control, interest, liability or obligation in respect of any of the Theatres, other than obligations in respect of any representations, warranties and covenants required to implement a Divestiture Agreement;
- (i) **"Divestiture Agreement"** means any agreement between Cineplex Galaxy and a Purchaser or Purchasers or, if necessary, between the Divestiture Trustee and a Purchaser or Purchasers to accomplish the Divestiture(s) contemplated by this Agreement;
- (j) **"Divestiture Trustee"** means the Person appointed pursuant to paragraph 15 or 16 of this Agreement, if necessary, and any employees, agents, or other persons acting for or on behalf of the Divestiture Trustee;
- (k) **"Divestiture Trustee Sale"** means the Divestiture(s) to be conducted by the Divestiture Trustee, if necessary, in accordance with the procedure set out in this Agreement, including Confidential Schedule "B";

- (l) **"Famous Players"** means the division of Viacom Canada Inc., an indirect wholly-owned subsidiary of Viacom Inc., which operates film exhibition theatres in Canada;
- (m) **"First Run"** means the first continuous course of exhibition of a motion picture in the same theatre;
- (n) **"Independent Manager"** means the Person appointed pursuant to paragraph 32 or 34 of this Agreement;
- (o) **"Initial Sale Period"** has the meaning set out in Confidential Schedule "B" to this Agreement;
- (p) **"Monitor"** means the Person appointed pursuant to paragraph 40 or 41 of this Agreement, and any employees, agents or other persons acting for or on behalf of the Monitor;
- (q) **"Person"** means any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, whether acting alone or in concert with another Person;
- (r) **"Proposed Transaction"** means the direct or indirect purchase of Famous Players by Cineplex Galaxy;
- (s) **"Purchaser"** means any Person who purchases the Theatres or a Regional Purchaser;
- (t) **"Region"** means (i) the Province of Québec, or (ii) the Province of Ontario, or (iii) the Provinces of British Columbia, Alberta, Saskatchewan and Manitoba taken together;

- (u) **"Regional Purchaser"** means any Person who purchases the Theatres which are located in any particular Region;
- (v) **"Theatres"** means the theatres identified in Confidential Schedule "A", together with, in each case, such theatre's respective related assets, including, without limitation, leases and leasehold interests, employment arrangements, furniture, fixtures and equipment as may be requested by the Purchaser(s). Notwithstanding the foregoing, Cineplex Galaxy shall not be required to Divest any intellectual property rights related to the Theatres to the Purchaser(s), including, without limitation, any trade names, trademarks or patents; provided however that Cineplex Galaxy shall offer to Divest any Theatre-specific trade names other than the Famous Players (including Paramount, Coliseum, Colossus and SilverCity), Cineplex and Galaxy brands;
- (w) **"Tribunal"** means the Competition Tribunal established pursuant to the *Competition Tribunal Act*, R.S.C. 1985, c. 19 (2nd Supp.), as amended; and
- (x) **"Trustee Sale Period"** has the meaning set out in Confidential Schedule "B" to this Agreement.

APPLICATION

2. The provisions of this Agreement shall apply to:
 - (a) Cineplex Galaxy;
 - (b) each officer, director, employee, agent or other Person acting for or on behalf of Cineplex Galaxy with respect to any of the matters referred to in this Agreement, and any successors and assigns of Cineplex Galaxy;

- (c) the Commissioner;
- (d) the Independent Manager;
- (e) the Monitor;
- (f) the Divestiture Trustee; and
- (g) the Purchaser(s) and the Purchaser(s)'s successors and assigns.

DIVESTITURE

3. Cineplex Galaxy shall attempt to Divest the Theatres within the Initial Sale Period to no more than three (3) Regional Purchasers in accordance with the procedure set out in this Agreement, including Confidential Schedule "B". Cineplex Galaxy shall promptly commence this process no later than the Closing Date and shall use all reasonable commercial efforts to effect same, and may choose, at its own discretion, to offer theatres in addition to those contemplated by this Agreement as enticements for sale.

4. If Cineplex Galaxy is unable to Divest the Theatres in one or more Regions within the Initial Sale Period, any Divestiture(s) in such Region or Regions shall be carried out by the Divestiture Trustee in accordance with the procedure set out in this Agreement, including Confidential Schedule "B".

DIVESTITURE PROCEDURE

5. Divestiture of the Theatres, whether by Cineplex Galaxy or the Divestiture Trustee, shall be completed on the following terms:

- (a) by sale, transfer, assignment, redemption or other disposition necessary to ensure that, upon completion of the Divestiture, Cineplex Galaxy has, except as

permitted herein or upon the consent of the Commissioner and Cineplex Galaxy, directly or indirectly, no remaining title, right or interest in the Theatres;

- (b) by way of disposition of each of the Theatres for intended use as a going concern;
- (c) to a Purchaser who is at arm's length to Cineplex Galaxy and who meets the following criteria:
 - (i) the Purchaser shall effect the purchase with the expressed intention of carrying on the business of exhibition of primarily first run films in the Theatres to be acquired;
 - (ii) the Purchaser shall have the managerial, operational and financial capability to compete effectively primarily in the first run film exhibition business in the Region(s) in questions; and
 - (iii) the Divestiture to that Purchaser would not give the Commissioner reason to believe that grounds exist for the making of an order under section 92 of the Act; and
- (d) by way of a commercially reasonable public tender, bidding or other procedure instituted in a manner to allow a fair opportunity for one or more *bona fide* prospective Purchasers to obtain notice of the prospective Divestiture and to make an offer to acquire the Theatres pursuant to this Agreement.

6. Cineplex Galaxy shall not, without the consent of the Commissioner (which shall not be unreasonably withheld), provide financing for all or any part of any Divestiture under this Agreement.

7. Any Person making a *bona fide* inquiry of Cineplex Galaxy, or the Divestiture Trustee if applicable, regarding the possible purchase by that Person or its principal of the Theatres in one or more Regions, shall be notified that the sale is being made pursuant to this Agreement and shall be provided with a copy of this Agreement, with the exception of the provisions hereof which are confidential and any attached confidential Schedules.

8. Following the Initial Sale Period and subject to paragraph 9 below, any prospective Purchaser that demonstrates its *bona fide* interest in purchasing any of the Theatres in one or more Regions shall, on request:

- (a) be furnished with all relevant information regarding the relevant Theatres within fourteen (14) days of a request therefore; and
- (b) be permitted to make such reasonable inspection of the relevant Theatres, and of all financial, operational or other non-privileged documents and information which are relevant to the Divestiture,

except, in each case, for any information or documents which shall at the time of request for the furnishing of such information or the inspection of such documents have been made the subject of an order of confidentiality of the Tribunal.

9. Access by a prospective Purchaser to the information identified in paragraph 8 of this Agreement shall be conditional on the execution of a customary confidentiality agreement containing, among other things, non-solicitation terms relating to personnel and suppliers.

10. Cineplex Galaxy shall, within seven (7) days following receipt of a written request of the Commissioner or her representative, file a report with the Commissioner describing the progress of its efforts to accomplish the Divestiture(s) required pursuant to this

Agreement. The report shall include a description of contacts, negotiations and offers regarding the Theatres and the identity of all parties contacted and prospective Purchasers who have come forward, all with reasonable detail. Notwithstanding the foregoing, Cineplex Galaxy will promptly notify the Commissioner in writing of any negotiations with a prospective Purchaser that may, in the reasonable opinion of Cineplex Galaxy, lead to a sale and Cineplex Galaxy shall forward copies to the Commissioner of any legal agreement which it signs with a prospective Purchaser.

11. Cineplex Galaxy shall allow the Purchaser(s) of the Theatres an opportunity to employ those persons employed directly in relation to those theatres (the "Employees") as follows:

- (a) not later than thirty (30) days, or such other period as may be agreed upon by the Purchaser(s) and Cineplex Galaxy, before the date of Divestiture, Cineplex Galaxy shall, to the extent permissible under applicable laws, (i) provide to the Purchaser(s) a list of all the Employees, (ii) allow the Purchaser(s) an opportunity to interview the Employees for the purposes of determining whether or not to offer them employment, and (iii) allow the Purchaser(s) to inspect the personnel files and other documentation relating to the Employees; and
- (b) Cineplex Galaxy shall, to the extent permissible under applicable laws, (i) not offer any incentive to any Employee to decline employment with the Purchaser(s), (ii) remove any contractual impediments with Cineplex Galaxy that may deter any Employee from accepting employment with the Purchaser(s), including, but not limited to, any non-compete provisions of employment or other contracts with

Cineplex Galaxy that would affect the ability of the Employee to be employed by the Purchaser(s), (iii) not interfere with the employment by the Purchaser(s) of any Employee, and (iv) continue employee benefits offered by Cineplex Galaxy until the Divestiture has been completed, including regularly scheduled raises and bonuses, and regularly scheduled vesting of all pension benefits.

12. Nothing in paragraph 11 above is intended to diminish any of Cineplex Galaxy's or a Purchaser's obligations under any applicable labour laws or relevant collective bargaining agreements.

13. Nothing in this Agreement is intended to prevent those Employees previously employed by Famous Players who are hired by a Purchaser pursuant to this Agreement from disclosing confidential Theatre-specific information relating to the Divested Theatres to the Purchaser.

14. Cineplex Galaxy shall not, during the Initial Sale Period and, if applicable, the Trustee Sale Period, solicit for employment, directly or indirectly, any Person employed by any Purchaser, unless such Person's employment has been terminated by the Purchaser without the consent of the Person.

DIVESTITURE TRUSTEE SALE

15. If Cineplex Galaxy is unable to Divest the Theatres in one or more Regions within the Initial Sale Period, the Commissioner shall appoint a Divestiture Trustee. The Commissioner shall select a Divestiture Trustee, subject to the consent of Cineplex Galaxy (which shall not be unreasonably withheld), at least sixty (60) days before the expiry of the Initial Sale Period, and the Divestiture Trustee shall, upon the expiry of the Initial Sale Period, be responsible for

effecting any remaining Divestiture(s) in accordance with the procedure set out in this Agreement, including Confidential Schedule "B". If Cineplex Galaxy is opposed to the Commissioner's selection, it may provide the name of an alternate Person as Divestiture Trustee, whose selection shall be subject to the consent of the Commissioner (which shall not be unreasonably withheld). If Cineplex Galaxy and the Commissioner fail to agree on the selection of a Divestiture Trustee, the Commissioner or Cineplex Galaxy may apply to the Tribunal for appropriate relief on five (5) days notice to Cineplex Galaxy or the Commissioner, as the case may be.

16. If the Divestiture Trustee ceases to act or fails to act diligently and consistently with the purposes of this Agreement, the Commissioner may appoint a substitute Divestiture Trustee consistent with the terms of this paragraph, subject to the consent of Cineplex Galaxy (which shall not be unreasonably withheld). If Cineplex Galaxy has not opposed, in writing, including the reasons for opposing, the selection of the substitute Divestiture Trustee within seven (7) days after notice by the Commissioner to Cineplex Galaxy of the identity of any substitute Divestiture Trustee, Cineplex Galaxy shall be deemed to have consented to the selection of the proposed substitute Divestiture Trustee. If Cineplex Galaxy is opposed to the Commissioner's selection, it may provide the name of an alternate Person as Divestiture Trustee, whose selection shall be subject to the consent of the Commissioner (which shall not be unreasonably withheld). If Cineplex Galaxy and the Commissioner fail to agree on the selection of a substitute Divestiture Trustee, the Commissioner or Cineplex Galaxy may apply to the Tribunal for appropriate relief on five (5) days notice to Cineplex Galaxy or the Commissioner, as the case may be. This Agreement shall apply to any substitute Divestiture Trustee appointed pursuant to this paragraph.

17. Cineplex Galaxy shall reasonably assist the Divestiture Trustee in accomplishing the Divestiture Trustee Sale. Upon his or her appointment, the Divestiture Trustee shall have, subject to any valid claim to a legally recognized privilege, full and complete access, as is reasonable in the circumstances, to the personnel, books, records and facilities relating to the Theatres required to be Divested, or to any other information relevant to the Theatres, as the Divestiture Trustee may reasonably request. Cineplex Galaxy shall take no action to interfere with or impede the Divestiture Trustee's ability to effect of the Divestiture Trustee Sale.

18. If a Divestiture Trustee is appointed by the Commissioner, Cineplex Galaxy shall consent to the following terms and conditions regarding the Divestiture Trustee's powers, duties, authority and responsibilities:

- (a) the Divestiture Trustee shall be a Person(s) with experience and expertise in acquisitions and divestitures who has reasonable knowledge of the film exhibition industry and may be the same Person as the Monitor appointed pursuant to this Agreement;
- (b) subject to the prior approval of the Commissioner, and in a manner and pursuant to an agreement that receives the prior approval of the Commissioner, the Divestiture Trustee shall have the exclusive power and authority to accomplish the Divestiture Trustee Sale pursuant to the terms of this Agreement, including Confidential Schedule "B", and to enter into a Divestiture Agreement with any Purchaser(s);
- (c) within thirty (30) days after appointment of the Divestiture Trustee, Cineplex Galaxy shall execute an agreement that, subject to the prior approval of the

Commissioner, transfers to the Divestiture Trustee, effective upon the expiry of the Initial Sale Period, all rights and powers necessary to permit the Divestiture Trustee to effect the Divestiture Trustee Sale;

- (d) the Divestiture Trustee shall execute a confidentiality agreement satisfactory to Cineplex Galaxy and the Commissioner and shall not communicate any Confidential Information to anyone except to the extent reasonably required to effect the Divestiture Trustee Sale;
- (e) the Divestiture Trustee shall implement the Divestiture Trustee Sale expeditiously at a price and on the terms and conditions most favourable to Cineplex Galaxy then reasonably available in the opinion of the Divestiture Trustee;
- (f) the Divestiture Trustee shall have the authority to retain, on usual and reasonable commercial terms, such consultants, accountants, attorneys, investment bankers, business brokers, appraisers and other representatives and assistants as are reasonably necessary to carry out the Divestiture Trustee's duties and responsibilities;
- (g) the Divestiture Trustee shall serve on such reasonable and customary terms and conditions as the Commissioner may set;
- (h) Cineplex Galaxy shall indemnify the Divestiture Trustee and hold the Divestiture Trustee harmless against any losses, claims, damages or liabilities arising out of, or in connection with, the performance of the Divestiture Trustee's duties, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for, or defense of, any claim, whether or not resulting in any

liability, except to the extent that such losses, claims, damages or liabilities result from malfeasance, gross negligence, bad faith or breach of this Agreement by the Divestiture Trustee;

- (i) all expenses reasonably and properly incurred by the Divestiture Trustee in the course of the carrying out his or her duties and responsibilities under this Agreement shall be paid by Cineplex Galaxy and the proceeds of any Divestiture Trustee Sale shall be paid to Cineplex Galaxy or as Cineplex Galaxy may direct;
- (j) the Divestiture Trustee shall have no obligation or authority to operate or maintain the Theatres required to be Divested; and
- (k) the Divestiture Trustee shall report in writing to the Commissioner and Cineplex Galaxy every thirty (30) days concerning the Divestiture Trustee's efforts to accomplish the Divestiture Trustee Sale. Said report shall contain reasonable detail on the steps being taken by the Divestiture Trustee to effect the Divestiture Trustee Sale, including, but not limited to, the identity of prospective Purchasers and the status of negotiations with such prospective Purchasers.

19. Cineplex Galaxy may not object to a Divestiture proposed by the Divestiture Trustee on any grounds other than the Divestiture Trustee's malfeasance, gross negligence, bad faith or breach of this Agreement.

COMMISSIONER'S APPROVAL

20. Any Divestiture required pursuant to this Agreement, whether by Cineplex Galaxy or the Divestiture Trustee, is subject to the approval of the Commissioner in writing, which shall be based on the criteria outlined in paragraph 5(c) of this Agreement and shall be

obtained in accordance with the notification procedure set out in paragraphs 21 to 24 of this Agreement, and must be accomplished in a manner and pursuant to a Divestiture Agreement that receives the prior approval of the Commissioner, such approval (i) to be given or refused within seven (7) days after receipt by the Commissioner of a draft Divestiture Agreement in substantially final form and (ii) to be refused only if the consummation of the transaction contemplated by such Divestiture Agreement would breach one or more provisions of this Agreement.

NOTIFICATION

21. Cineplex Galaxy or the Divestiture Trustee, whichever is then responsible for effecting the Divestiture(s) required herein, shall notify the Commissioner in writing of any proposed Divestiture. If the Divestiture Trustee is responsible, it shall similarly notify Cineplex Galaxy. Such notice shall be given at least ten (10) days before the time a binding offer is accepted by Cineplex Galaxy or the Divestiture Trustee, as the case may be, and the notice shall include:

- (a) the identity of the proposed Purchaser;
- (b) the details of the proposed transaction;
- (c) information concerning whether the proposed Purchaser would satisfy the terms of paragraph 5(c) of this Agreement;
- (d) an update of the last report provided pursuant to paragraph 10 of this Agreement or paragraph 18(k) of this Agreement, as the case may be; and

- (e) the agreement of the proposed Purchaser that it will respond as soon as possible to a request by the Commissioner for additional information regarding the proposed Divestiture.

22. Within ten (10) days after receipt of the notice referred to in paragraph 21 above, the Commissioner and, where the notice has been provided by the Divestiture Trustee, Cineplex Galaxy, may request additional information concerning the proposed Divestiture, the proposed Purchaser and any other potential Purchaser. Where the Commissioner requests additional information, Cineplex Galaxy, the Divestiture Trustee or the proposed Purchaser, as the case may be, shall, subject to any valid claim to a legally recognized privilege, provide the additional information within ten (10) days of the receipt of the request, unless the Commissioner agrees in writing to extend the time. Where Cineplex Galaxy requests additional information, the Divestiture Trustee or the proposed Purchaser, as the case may be, shall, subject to any valid claim to a legally recognized privilege, provide the additional information within ten (10) days of the receipt of the request, unless Cineplex Galaxy agrees in writing to extend the time.

23. Within fifteen (15) days after receipt of the notice pursuant to paragraph 21 of this Agreement or, if the Commissioner and/or Cineplex Galaxy have requested additional information pursuant to paragraph 22 above, within fifteen (15) days after receipt of the said information:

- (a) the Commissioner shall notify, in writing, Cineplex Galaxy and, where appropriate, the Divestiture Trustee, if the Commissioner objects to the proposed Divestiture on one or more of the grounds set out in paragraph 5(c) of this Agreement; and

- (b) in the case of a Divestiture proposed by the Divestiture Trustee, Cineplex Galaxy shall notify, in writing, the Commissioner and the Divestiture Trustee if Cineplex Galaxy objects to the proposed Divestiture on one or more of the grounds set out in paragraph 19 of this Agreement.

24. If:

- (a) the Commissioner fails to object as contemplated by paragraph 23 of this Agreement or if the Commissioner notifies, in writing, Cineplex Galaxy and, where appropriate, the Divestiture Trustee, that the Commissioner does not object; and
- (b) Cineplex Galaxy fails to object as contemplated by paragraph 23 of this Agreement or if Cineplex Galaxy notifies, in writing, the Commissioner and, where appropriate, the Divestiture Trustee, that Cineplex Galaxy does not object,

then the Divestiture may be completed.

25. Where the Commissioner or Cineplex Galaxy has objected to a proposed Divestiture, that Divestiture shall not be completed without the approval of the Tribunal.

26. Cineplex Galaxy or the Divestiture Trustee, as the case may be, shall notify the Commissioner forthwith after a Divestiture required by this Agreement has been completed.

MAINTENANCE OF THE THEATRES

27. Pending Divestiture of the Theatres, Cineplex Galaxy shall take such steps as are reasonable and necessary to maintain the competitive viability of the Theatres.

28. Without limiting the generality of the foregoing, Cineplex Galaxy shall, following the Closing Date:

- (a) provide such sales, managerial, administrative, operational and financial support as is reasonable and necessary in the ordinary course of business to promote the continued effective operation of the Theatres in accordance with standards similar to those existing prior to the date of this Agreement;
- (b) operate the Theatres in compliance with all applicable laws;
- (c) maintain all material registrations, permits and approvals necessary for the operation of the Theatres;
- (d) maintain the Theatres in good condition and repair, normal wear and tear excepted, and to standards at least equal to those maintained prior to the date of this Agreement;
- (e) take all commercially reasonable steps to maintain the quality and service standards of the Theatres at the level that existed prior to the date of this Agreement;
- (f) not, without prior approval from the Commissioner (such approval not to be unreasonably withheld), enter into or withdraw from any material contracts or arrangements relating to the Theatres, make any material changes to such operations, or terminate any current employment, salary or benefit agreements for any management personnel employed in relation to the Theatres;
- (g) not knowingly take or allow to be taken any action that materially and adversely affects the competitiveness, operations or financial status of the Theatres; and

- (h) not accord discriminatory treatment to the Theatres.

OTHER DIVESTITURES

29. Cineplex Galaxy shall attempt to Divest the theatres identified in Confidential Schedule "D" within the Initial Sale Period in accordance with the procedure set out in this Agreement, including Confidential Schedule "B". Cineplex Galaxy shall promptly commence this process no later than the Closing Date and shall use all reasonable commercial efforts to effect same.

NOTICE OF FUTURE ACQUISITIONS

30. Cineplex Galaxy shall, for a period of five (5) years from the date of this Agreement, provide the Commissioner with prior written notice of any acquisition by it of an operating non-Cineplex Galaxy theatre or the assumption by it of a lease in respect of an operating non-Cineplex Galaxy theatre where the remaining term of the lease exceeds two (2) years.

31. Cineplex Galaxy shall not, for a period of five (5) years from the date of this Agreement, reacquire, directly or indirectly, any interest in all or any part of Theatres that have been Divested pursuant to this Agreement without the prior approval of the Commissioner.

INDEPENDENT MANAGER

32. Upon registration of this Agreement, Cineplex Galaxy shall forthwith provide to the Commissioner a list of names of three (3) qualified individuals who are not and have not been within the last four (4) years an officer, director, employee, agent or consultant of Cineplex Galaxy, including, for greater certainty, any subsidiary or division controlled by Cineplex Galaxy General Partner Corporation. The Commissioner shall select an Independent Manager

from among the three (3) qualified individuals included on the list provided by Cineplex Galaxy or shall select another qualified Person, subject to the consent of Cineplex Galaxy (which shall not be unreasonably withheld). Effective immediately upon the Closing Date, the Independent Manager shall be appointed to manage the setting of all ticket and concession prices charged by and to manage the booking of all film shown at the Theatres until the Divestiture(s) have been completed. Once a Divestiture has been completed with respect to a Theatre(s), the Independent Manager shall have no authority with respect to that Theatre(s).

33. The Independent Manager shall:

- (a) discharge his or her duties hereunder with a view to maintaining and enhancing the competitiveness of the Theatres;
- (b) act prudently and in the best interests of the Theatres;
- (c) preserve the existing relationships with film distributors; and
- (d) book only first run films in the Theatres.

34. The Monitor shall be permitted, in consultation with the Commissioner and Cineplex Galaxy, to remove the Independent Manager for, without limitation, malfeasance, gross negligence, bad faith or breach of this Agreement. In the event the Independent Manager ceases to act in his or her role, the Commissioner shall select a substitute Independent Manager from among the remaining two (2) qualified individuals included on the list provided by Cineplex Galaxy or shall select another qualified Person, subject to the consent of Cineplex Galaxy (which shall not be unreasonably withheld), and transfer to the substitute Independent Manager all rights, powers and authorities necessary to permit the substitute Independent Manager to perform

his or her duties and responsibilities pursuant to this Agreement. This Agreement shall apply to any substitute Independent Manager appointed pursuant to this paragraph.

35. Cineplex Galaxy shall:

- (a) be responsible for all reasonable fees and expenses properly charged or incurred by the Independent Manager in the course of carrying out his or her duties and responsibilities under this Agreement;
- (b) transfer to the Independent Manager all rights, powers and authorities necessary for him or her to perform his or her duties and responsibilities under this Agreement, including the authority to hire or retain such Person(s) as are necessary, in the reasonable opinion of the Independent Manager, in the course of carrying out his or her duties and responsibilities under this Agreement, including, if necessary, a Person(s) responsible for the booking of first run film for the Theatres;
- (c) not exercise any influence, direction or control, direct or indirect, over the Independent Manager which may adversely affect the discharge of the Independent Manager's duties and responsibilities under the terms of this Agreement. Cineplex Galaxy shall not, for the purposes of this Agreement, be found to have exercised any influence, direction or control, direct or indirect, over the Independent Manager inconsistent with this Agreement solely because the Independent Manager maintains pre-existing ticket and concession prices at the Theatres and/or the ticket and concession pricing at the Theatres is the same as or similar to the ticket and concession pricing at Cineplex Galaxy's other theatres;

- (d) cause the operational manager(s) of the Theatres to follow the reasonable instructions and directions of the Independent Manager given in accordance with the provisions of this Agreement.

36. The Independent Manager shall execute a customary confidentiality agreement in which the Independent Manager will undertake not to disclose any Confidential Information acquired in the performance of the Independent Manager's duties to any Person except to the extent required to discharge his duties under this Agreement.

37. The Independent Manager shall, subject to any valid claim to a legally recognized privilege, have full and complete access to all information relevant to the performance of his or duties under this Agreement, including historical information relating to the ticket and concession pricing at and film booking by the Theatres. Cineplex Galaxy shall cooperate with any reasonable request of the Independent Manager. Cineplex Galaxy shall take no action to interfere with or impede the Independent Manager's ability to independently manage the setting of ticket and concession prices or the booking of film at the Theatres.

38. The Independent Manager shall report in writing to the Commissioner and the Monitor every thirty (30) days regarding the actions taken by the Independent Manager in the fulfillment of his or her obligations under this Agreement. The report shall contain a reasonable summary of such actions.

39. Cineplex Galaxy shall indemnify the Independent Manager and hold the Independent Manager harmless against any losses, claims, damages or liabilities arising out of, or in connection with, the performance of the Independent Manager's duties, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for, or

defense of, any claim, whether or not resulting in any liability, except to the extent that such losses, claims, damages or liabilities result from malfeasance, gross negligence, bad faith or breach of this Agreement by the Independent Manager.

MONITOR

40. The Commissioner may appoint, subject to Cineplex Galaxy's consent (which shall not be unreasonably withheld), an independent third person to act as Monitor. The Monitor will be responsible for monitoring Cineplex Galaxy and the Independent Manager as necessary to ensure that Cineplex Galaxy and the Independent Manager are in compliance with the terms of this Agreement. If Cineplex Galaxy is opposed to the Commissioner's selection, it may provide the name of an alternate Person as Monitor, whose appointment as Monitor shall be subject to the consent of the Commissioner (which shall not be unreasonably withheld). If Cineplex Galaxy and the Commissioner fail to agree on the selection of a Monitor, the Commissioner or Cineplex Galaxy may apply to the Tribunal for appropriate relief on five (5) days notice to Cineplex Galaxy or the Commissioner, as the case may be.

41. If the Monitor ceases to act or fails to act diligently and consistently with the purposes of this Agreement, the Commissioner may appoint a substitute Monitor consistent with the terms of this paragraph, subject to the consent of Cineplex Galaxy (which shall not be unreasonably withheld). If Cineplex Galaxy has not opposed, in writing, including the reasons for opposing, the selection of the substitute Monitor within ten (10) days after notice by the Commissioner to Cineplex Galaxy of the identity of any substitute Monitor, Cineplex Galaxy shall be deemed to have consented to the selection of the proposed substitute Monitor. If Cineplex Galaxy is opposed to the Commissioner's selection, it may provide the name of an alternate Person as Monitor, whose selection shall be subject to the consent of the Commissioner

(which shall not be unreasonably withheld). If Cineplex Galaxy and the Commissioner fail to agree on the selection of a substitute Monitor, the Commissioner or Cineplex Galaxy may apply to the Tribunal for appropriate relief on five (5) days notice to Cineplex Galaxy or the Commissioner, as the case may be. This Agreement shall apply to any substitute Monitor appointed pursuant to this paragraph.

42. Cineplex Galaxy shall be responsible for all reasonable fees and expenses properly charged or incurred by the Monitor in the course of carrying out his or her duties and responsibilities under this Agreement.

43. The Monitor shall discharge his or her responsibilities on the following terms:

- (a) the Monitor shall serve on such reasonable and customary terms and conditions as are agreed, with the approval of the Commissioner;
- (b) Cineplex Galaxy and the Monitor shall execute an agreement, subject to the approval of the Commissioner, reflecting the terms and conditions of this Agreement;
- (c) the Monitor shall execute a customary confidentiality agreement in which the Monitor will undertake not to disclose any Confidential Information acquired in the performance of the Monitor's duties to any Person except to the extent required under this Agreement;
- (d) the Monitor shall, subject to any valid claim to a legally recognized privilege, have full and complete access to all personnel, books, records, documents and facilities of the Theatres or to any other information relevant to the terms of the Agreement as the Monitor may reasonably request. Cineplex Galaxy and the

Independent Manager shall cooperate with any reasonable request of the Monitor. Cineplex Galaxy shall take no action to interfere with or impede the Monitor's ability to monitor Cineplex Galaxy's compliance with this Agreement;

- (e) the Monitor shall have the authority to retain, at the cost and expense of Cineplex Galaxy, such consultants, accountants, attorneys and other representatives and assistants as are reasonably necessary to carry out the Monitor's duties and responsibilities under this Agreement. The Monitor shall account for all expenses incurred, including fees for his or her services;
- (f) the Monitor shall report, in writing, to the Commissioner (i) no later than sixty (60) days after the Closing Date and every sixty (60) days thereafter until any and all Divestiture(s) contemplated by this Agreement are completed pursuant to this Agreement, (ii) no later than thirty (30) days from the date all obligations in this Agreement are satisfied, and (iii) at any other time as requested by the Commissioner or her staff, concerning Cineplex Galaxy's compliance with this Agreement;
- (g) in the event that the Monitor considers, in his or her reasonable opinion, that Cineplex Galaxy or the Independent Manager is in default of any of the terms of this Agreement, the Monitor shall immediately notify the Commissioner and Cineplex Galaxy of the alleged breach and set out the particulars of such default;
- (h) if the Commissioner is advised of the Monitor's reasonable belief that Cineplex Galaxy is in default of any of the terms of this Agreement, or if the Commissioner otherwise reasonably believes such to be the case, then for the purposes of determining or securing compliance with this Agreement, and subject to any valid

claim to a legally recognized privilege, and upon written request, Cineplex Galaxy shall permit any duly authorized representative of the Commissioner:

- (i) upon a minimum of two (2) business days notice to Cineplex Galaxy, access during office hours of Cineplex Galaxy, to inspect and copy all books, ledgers, accounts, correspondence, memoranda, and other records and documents in the possession or under the control of Cineplex Galaxy relating to compliance with this Agreement; and
 - (ii) upon a minimum of five (5) business days notice to Cineplex Galaxy, and without restraint or interference from Cineplex Galaxy, to interview directors, officers or employees of Cineplex Galaxy on matters in the possession or control of Cineplex Galaxy relating to compliance with this Agreement. Such directors, officers or employees of Cineplex Galaxy may have counsel present during these interviews;
- (i) the Monitor shall not be subject to liability for any breach by him or her or by Cineplex Galaxy of any of the terms of this Agreement, except to the extent that such liability results from malfeasance, gross negligence, bad faith or breach of this Agreement by the Monitor; and
 - (j) Cineplex Galaxy shall not exert or attempt to exert any influence, direction or control over a Monitor which may adversely affect the discharge of the Monitor's duties and responsibilities under the terms of this Agreement.

NOTICES

44. Cineplex Galaxy shall provide a copy of this Agreement to each of its officers, employees or agents having managerial responsibility for any obligations under this Agreement, no later than ten (10) days from the date this Agreement is registered with the Tribunal.

45. Notices, reports and other communications required or permitted pursuant to any of the terms of this Agreement shall be in writing and shall be considered to be given if dispatched by personal delivery, registered mail or facsimile transmission to the address or facsimile number below:

(a) If to the Commissioner:

Competition Bureau
Industry Canada
Place du Portage, 21st Floor
50 Victoria Street, Phase I
Gatineau, Quebec
K1A 0C9

Attention: Senior Deputy Commissioner (Mergers)
Fax: (819) 954-0998

With a copy to:

Competition Law Division
Department of Justice
Place du Portage, 22nd floor
50 Victoria Street, Phase I
Gatineau, Quebec
K1A 0C9

Attention: Director of Competition Law Division
Fax: (819) 953-9267

(b) If to Cineplex Galaxy:

Cineplex Galaxy Limited Partnership
1303 Yonge Street
Suite 300
Toronto, Ontario

M4T 2Y9

Attention: Ellis Jacob
Fax: (416) 323-6677

With a copy to:

Davies Ward Phillips & Vineberg LLP
Suite 4400
1 First Canadian Place
Toronto, Ontario
M5X 1B1

Attention: George Addy
Fax: (416) 863-0871

TERM OF CONSENT AGREEMENT

46. Paragraphs 30 and 31 of this Agreement and paragraph 14 of Confidential Schedule "B" to this Agreement shall remain in effect for a period of five (5) years from the date of this Agreement. The balance of the Agreement shall remain in effect with respect to each Region until (a) such time as the Commissioner notifies the Tribunal that the Divestiture(s) for that Region contemplated herein have been completed, (b) thirty (30) days after the Divestiture(s) for that Region contemplated herein have been completed, or (c) the Agreement is varied or terminated by order of the Tribunal, whichever is earlier.

47. The Divestiture of any particular Theatre contemplated by this Agreement shall be considered to have been completed when all right, title and interest in the Theatre has been conveyed to a Purchaser in accordance with the terms of this Agreement.

GENERAL

48. Cineplex Galaxy agrees to the registration of this Agreement by the Tribunal, on usual terms, covering the matters agreed to herein.

49. The Commissioner may reasonably extend any of the time periods applicable to the Divestiture(s) contemplated by this Agreement provided that any such extension is for the purpose of fulfilling the objects of this Agreement. Notwithstanding the foregoing, the Commissioner shall not extend the Trustee Sale Period except as contemplated by paragraph 9 of Confidential Schedule "B".

50. Cineplex Galaxy and the Commissioner may mutually agree to amend this Agreement in any manner pursuant to subsection 106(1) of the Act.

51. In the event that the Divestiture Trustee Sale is not completed, the Commissioner retains the discretion to make application to the Tribunal in respect of the Proposed Transaction pursuant to section 92 of the Act.

52. This Agreement constitutes the entire agreement between the Commissioner and Cineplex Galaxy with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral.

53. In the event the Proposed Transaction does not substantially complete for any reason, this Agreement shall be null and void *ab initio*.

54. The Tribunal shall retain jurisdiction for the purpose of any application by the Commissioner or Cineplex Galaxy to rescind or vary any of the provisions of this Agreement in the event of a change of circumstances or otherwise, or with respect to any issue concerning this Agreement.

55. In the event of a dispute as to the interpretation or application of this Agreement, the Commissioner or Cineplex Galaxy shall be at liberty to apply to the Tribunal for a further order interpreting any of the provisions of this Agreement.

56. This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument. In the event of any discrepancy between the English and French versions of this Agreement, the English version shall prevail.

DATED this 27th day of May 2005.

**CINEPLEX GALAXY LIMITED
PARTNERSHIP**

Brendan Leitch
Commissioner of Competition

by _____
Ellis Jacob
President and Chief Executive Officer

55. In the event of a dispute as to the interpretation or application of this Agreement, the Commissioner or Cineplex Galaxy shall be at liberty to apply to the Tribunal for a further order interpreting any of the provisions of this Agreement.

56. This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument. In the event of any discrepancy between the English and French versions of this Agreement, the English version shall prevail.

DATED this 27th day of May 2005.

**CINEPLEX GALAXY LIMITED
PARTNERSHIP**

by


Ellis Jacob

President and Chief Executive Officer

Commissioner of Competition

**NOW FOR PUBLIC
RELEASE**

Confidential Version

CONFIDENTIAL SCHEDULE "A"

THEATRES

Province	City	Chain	Theatres	2003 Box Office Revenue (in millions)
PROVINCES OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN AND MANITOBA				
British Columbia	Victoria	FAMS	Capitol Victoria 805 Yates St. Victoria, BC V8W 1M1	1.639
	Vancouver	CGX	Granville 855 Granville St. Vancouver, BC V6Z 1K7	3.880
		CGX	Oakridge 601-650 West 41st Ave. Vancouver, BC V5Z 2M9	1.281
		FAMS	Esplanade 200 West Esplanade North Vancouver, BC V7M 1A4	2.834
		FAMS	SilverCity Guildford 15051 101st Ave. Surrey, BC V3R 7Z1	4.566
Alberta	Edmonton	FAMS	Gateway 2950 Calgary Trail S. Edmonton, AB T6J 7C2	1.096
		FAMS	Westmount Centre 111th Ave. 2003 Westmount Shopping Centre Edmonton, AB T5M 3L7	1.370
		CGX	Eaton Center Edmonton 10200-102nd Ave. Edmonton, AB T57 4B7	3.448
		CGX	Clareview 4211 139th Ave. Edmonton, AB T5Y 2W8	3.522
	Calgary	FAMS	Coliseum Calgary 100-16061 MacLeod Trail S.E. Calgary, AB T2Y 3S5	4.986
		FAMS	SilverCity Country Hills 388 Country Hills Blvd. N.E. Calgary, AB T3K 5J6	6.229
	Lethbridge	FAMS	Paramount 4th Ave. at 8th St. PO Box 520 Lethbridge, AB T1J 3Z4	0.546

Province	City	Chain	Theatres	2003 Box Office Revenue (in millions)
		FAMS	Lethbridge Centre 440-200 4th Ave. S. PO Box 520 Lethbridge, AB T1J 4C9	0.301
Saskatchewan	Saskatoon	FAMS	Capitol Saskatoon 216 1st Ave. S. Saskatoon, SK S7K 1K3	1.272
Manitoba	Winnipeg	CGX	Grant Park Unit 127-1120 Grant Ave. Winnipeg, MB R3M 2G6	3.138
PROVINCE OF ONTARIO				
Ontario	London	FAMS	Wellington 983 Wellington Rd. S. London, ON N6E 3A9	3.154
	St. Catharines	FAMS	SilverCity St. Catharines 221 Glendale Ave. St. Catharines, ON L2T 2K9	3.838
	Kitchener	FAMS	SilverCity Kitchener 135 Gateway Park Drive Kitchener, ON N2P 2J9	5.914
		FAMS	Kings College 262 King St. W. Kitchener, ON N2G 1B6	0.455
	Hamilton	FAMS	Jackson Square 2 King St. W. Hamilton, ON L8P 1A1	2.148
		CGX	Showcase Cinemas 3325 Harvester Rd. Burlington, ON L7N 3N2	0.627
	Kingston	FAMS	Capitol 213-233 Princess St. Kingston, ON K7L 1B3	1.345
	Ottawa	CGX	Orleans Town Centre 250 Centrum Blvd. Orleans, ON K1E 3V7	1.726
		FAMS	Rideau Centre 50 Rideau St. Ottawa, ON K1N 9J7	0.601
		CGX	World Exchange Centre 111 Albert St. Ottawa, ON K1P 1A5	2.701

Province	City	Chain	Theatres	2003 Box Office Revenue (in millions)
	Toronto	CGX	Elgin Mills 10909 Yonge St. Richmond Hill, ON L4C 3E3	2.485
		FAMS	SilverCity Empress Walk 5095 Yonge Street Toronto, ON M2N 6Z4	4.250
		CGX	Square One 100 City Centre Drive Mississauga, ON L5B 2C9	4.075
PROVINCE OF QUEBEC				
Quebec	Gatineau	FAMS	StarCite Hull 115 boul. du Plateau Gatineau, QC J9A 3G1	5.702
	Montreal	CGX	Place LaSalle 7852 Boul. Champlain Loc 62 Lasalle, QC H8P 1B3	2.156
		CGX	Cavendish Mall 5800 boul Cavendish Cote-St-Luc, QC H4W 2T5	2.063
		CGX	Cote Des Neiges 6700 Cote-des-Neiges Montreal, QC H3S 2B2	1.496
		FAMS	Parisien 480 rue Ste. Catherine Ouest. Montreal, QC H3B 1A6	2.012
	Quebec City	FAMS	StarCite Ste. Foy 1150 Bld. Duplessis Ste-Foy, QC G2G 2B5	6.871
		FAMS	Les Galeries De Capitale 5401 boul. des Galeries Quebec City, QC G2K 1N4	4.233

**NOW FOR PUBLIC
RELEASE**

Confidential Version

CONFIDENTIAL SCHEDULE "B"

Definitions

1. **"Initial Sale Period"** means the 210-day period immediately following the Closing Date. However, if prior to the expiry of the Initial Sale Period, Cineplex Galaxy has entered into a binding letter of intent or similar agreement with a prospective Purchaser to purchase some or all of the Theatres in a particular Region, subject to customary terms and conditions, the Initial Sale Period with respect to that Region shall be extended by a period that is reasonable in the circumstances within which time the Divestiture of those Theatres must be completed, such period not to exceed sixty (60) days. In the event that notice is given pursuant to paragraph 21 or an objection is brought pursuant to paragraph 23 of this Agreement, the Initial Sale Period for the Region(s) in question shall be suspended pending a decision by the Commissioner or the Tribunal, as the case may be.
2. **"Additional Theatres"** means the theatres and related assets identified in Confidential Schedule "C".

Divestiture

3. Cineplex Galaxy's Place LaSalle theatre in Montreal is owned in partnership with Guzzo Theatres and a third party, which impedes the ability of Cineplex Galaxy to Divest its interest in that theatre to any other Person. As such, notwithstanding paragraph 3 of this Agreement, Cineplex Galaxy shall be permitted to Divest its interest in the Place LaSalle theatre to one or both of the other partners and, subject to paragraph 4 below, the remaining Theatres located in the Province of Quebec to a separate Purchaser.
4. Famous Players has previously offered to sell its Parisien theatre in Montreal to a third party, which may impede the ability of Cineplex Galaxy to Divest that theatre to any other Person. As such, notwithstanding paragraph 3 of this Agreement, Cineplex Galaxy shall be permitted to Divest the Parisien theatre to such third party and, subject to paragraph 3 above, the remaining Theatres located in the Province of Quebec to a separate Purchaser.
5. The lease with respect to Famous Players' Lethbridge Centre theatre is scheduled to expire on October 30, 2005. This lease does not contain any provisions which allow the existing lease to be renewed. Accordingly, the continued operation of the Lethbridge Centre theatre would require the negotiation of a new lease between Cineplex Galaxy and the landlord. Notwithstanding any other provision in this Agreement, Cineplex Galaxy shall be under no obligation to negotiate a new lease with respect to the Lethbridge Centre theatre on terms that are, from Cineplex Galaxy's perspective, more onerous than the terms contained in the existing lease. In addition, Cineplex Galaxy shall not be considered to be in breach of any of the provisions contained in this Agreement if a new lease is not negotiated with the landlord. If the Lethbridge Centre theatre is closed as of the Closing Date or a new lease is not negotiated with the landlord:

- (a) Cineplex Galaxy shall, notwithstanding paragraph 3 of this Agreement, be permitted to Divest the remaining Theatres located in the Provinces of British Columbia, Alberta, Saskatchewan and Manitoba to a separate Purchaser;
 - (b) the 2003 Box Office Revenue generated by the Lethbridge Centre theatre shall be deemed to have been Divested pursuant to this Agreement and such revenue shall be included for the purpose of determining whether Cineplex Galaxy has Divested Theatres in the Provinces of British Columbia, Alberta, Saskatchewan and Manitoba accounting for at least 90% of the 2003 Box Office Revenue of all Theatres in that Region as set out in Confidential Schedule "A"; and
 - (c) paragraphs 27 and 28 of this Agreement shall not apply to the Lethbridge Centre.
6. Notwithstanding anything in this Agreement, if Cineplex Galaxy Divests Theatres in a Region accounting for at least 90% of the 2003 EDI Box Office Revenue of all Theatres in that Region as set out in Confidential Schedule "A" during the Initial Sale Period, Cineplex Galaxy shall be entitled to Divest:
- (a) any remaining Theatre(s) in that Region to a different Purchaser, which Purchaser shall be subject to the approval of the Commissioner. The approval of the Commissioner shall be based on the criteria outlined in paragraph 5(c) of this Agreement and shall be obtained in accordance with the notification procedure set out in paragraphs 21 to 24 of this Agreement; and/or
 - (b) one or more substitute theatres (the "Substitute Theatre(s)"), which shall be subject to the approval of the Commissioner (which shall not be unreasonably withheld), with 2003 EDI Box Office Revenue at least equivalent to the Theatre(s) in that Region which it has been unable to Divest. Such Substitute Theatre(s) may be Divested to the Purchaser of the Divested Theatres or to a different Purchaser and shall be located in the same city as the Theatre(s) which Cineplex Galaxy has been unable to divest or, with the consent of the Commissioner (which shall not be unreasonably withheld), in the relevant Region. Any Divestiture under this subparagraph shall be subject to the approval of the Commissioner, such approval to be based on the criteria outlined in paragraph 5(c) of this Agreement and shall be obtained in accordance with the notification procedure set out in paragraphs 21 to 24 of this Agreement. Upon Divestiture of the Substitute Theatre(s), Cineplex Galaxy shall no longer be required to Divest the remaining Theatre(s) in that Region.

Divestiture Trustee Sale

7. If Cineplex Galaxy is unable to Divest the Theatres or Substitute Theatre(s) in one or more Regions within the Initial Sale Period, the Divestiture Trustee shall Divest the Theatres in that Region or those Regions and, subject to paragraph 8 below, the Additional Theatres with respect to that Region or those Regions, provided however that the Divestiture Trustee may choose to Divest less than all of the Additional Theatres with respect to a particular Region if, in the Trustee's discretion, such is required in order to

effect the Divestiture Trustee Sale. The Divestiture Trustee shall, subject to paragraphs 3 to 5 above, Divest the Theatres and the applicable Additional Theatres to one (1) Purchaser or to no more than three (3) Regional Purchasers, as the case may be. Any such Divestiture shall be carried out in accordance with the divestiture procedure set out at paragraphs 5 to 14 of the Agreement.

8. Notwithstanding anything in this Agreement, if Cineplex Galaxy Divests Theatres in a Region accounting for at least 90% of the 2003 EDI Box Office Revenue of all Theatres in that Region as set out in Confidential Schedule "A", the Divestiture Trustee will not be entitled to Divest any of the Additional Theatres in respect of that Region. The provisions of paragraph 6 of Confidential Schedule "B" apply, *mutatis mutandis*, to the Divestiture of the remaining Theatre(s) or the Substitute Theatre(s) in that Region. In lieu of Divesting the remaining Theatre(s) or the Substitute Theatre(s) in that Region, the Divestiture Trustee may Divest such other theatre(s) located in the same city as the Theatre(s) which Cineplex Galaxy has been unable to divest or, with the consent of the Commissioner (which shall not be unreasonably withheld), in the relevant Region, provided that the total 2003 EDI Box Office Revenue of these other theatre(s) shall not exceed 110% of the total 2003 EDI Box Office Revenue of the remaining Theatre(s) in that Region. Any such Divestiture shall be carried out in accordance with the divestiture procedure set out at paragraphs 5 to 14 of the Agreement.
9. The Divestiture Trustee shall use his or her best efforts to implement the Divestiture Trustee Sale within 180 days from the expiry of the Initial Sale Period (the "Trustee Sale Period"). However, if prior to the expiry of the Trustee Sale Period, the Divestiture Trustee has entered into a binding letter of intent or similar agreement with a prospective Purchaser to purchase some or all of the Theatres in a particular Region, subject to customary terms and conditions, the Trustee Sale Period with respect to that Region shall be extended by a period that is reasonable in the circumstances within which time the Divestiture of those Theatres must be completed, such period not to exceed sixty (60) days. In addition, in the event that Cineplex Galaxy is responsible for any material delay in allowing the Divestiture Trustee to accomplish the Divestiture Trustee Sale, the Trustee Sale Period shall be extended by the amount of time equal to the delay, as determined by the Commissioner.
10. For greater certainty, the Divestiture Trustee shall implement the Divestiture Trustee Sale expeditiously at a price and on the terms and conditions most favourable to Cineplex Galaxy then reasonably available in the opinion of the Divestiture Trustee, but ultimately shall Divest at no minimum price.
11. Upon the expiry of the Initial Sale Periods with respect to all Regions, Confidential Schedules "A", "B", "C" and "D" may be made public.

Maintenance of the Additional Theatres

12. Paragraphs 27 and 28 of this Agreement apply in respect of the Additional Theatres. However, these paragraphs cease to apply to the Additional Theatres in any Region in which Cineplex Galaxy has Divested Theatres accounting for at least 90% of the 2003

Box Office Revenue of all Theatres in that Region as set out in Confidential Schedule "A".

Monitor

13. Paragraphs 40 to 43 of this Agreement apply in respect of the Additional Theatres during the Trustee Sale Period.

Other

14. Cineplex Galaxy shall not, for a period of five (5) years from the date of this Agreement, register any restrictive covenants on any property that it owns as of the date of this Agreement on which it is operating a theatre which would preclude that property from being used for first-run film exhibition.

CONFIDENTIAL SCHEDULE "C"

ADDITIONAL THEATRES

Province	City	Chain	Theatres
PROVINCES OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN AND MANITOBA			
British Columbia	Richmond	FAMS	SilverCity Richmond 14211 Entertainment Way Richmond, BC V6Y 2B6
Alberta	Edmonton	CGX	South Edmonton Common 1525 99th St. Edmonton, AB T6N 1K5
	Calgary	FAMS	Paramount Chinook 6455 MacLeod Trail S.W. Calgary, AB T2H 0K4
Manitoba	Winnipeg	FAMS	SilverCity Polo Park 817 St. James St. Winnipeg, MB R3G 3L9
PROVINCE OF ONTARIO			
Ontario	Ottawa	FAMS	SilverCity Gloucester 2385 City Park Drive Gloucester, ON K1J 1G1
	Toronto	FAMS	Paramount Toronto 259 Toronto West Toronto, ON M5V 3M6
		CGX	Queensway Etobicoke 1025 The Queensway @ Islington & QEW Toronto, ON M87 6C7
PROVINCE OF QUEBEC			
Quebec	Montreal	FAMS	Paramount Montreal 977 rue St. Catherine O. Montreal, QC H3B 1A6
	Quebec City	CGX	Beauport 825 rue Clemenceau Quebec City, QC G1C 2K6

CONFIDENTIAL SCHEDULE "D"

OTHER DIVESTITURES

Definitions

1. **"Alliance Atlantis Cinemas"** means the partnership between MPDLP and Famous Players, which operates theatres in Toronto, Vancouver and Victoria.
2. **"MPDLP"** means Motion Picture Distribution Limited Partnership, a Toronto-based limited partnership existing under the laws of the Province of Manitoba.

Other Divestitures

3. Cineplex Galaxy shall attempt to Divest Famous Players' interest in Alliance Atlantis Cinemas within the Initial Sale Period in accordance with the procedure set out in this Agreement, including Confidential Schedule "B".
4. If Cineplex Galaxy is unable to Divest Famous Players' interest in Alliance Atlantis Cinemas within the Initial Sale Period, it shall Divest, within the Initial Sale Period, a theatre or theatres in Toronto and/or Vancouver (the "AA Substitute Theatre(s)") with total 2003 EDI Box Office Revenue of at least \$5.553 million, provided however that the Divestiture(s) must include a theatre or theatres in Toronto with total 2003 EDI Box Office Revenue of at least \$3.346 million. If Cineplex Galaxy is unable to Divest either Famous Players' interest in Alliance Atlantis Cinemas or the AA Substitute Theatre(s) within the Initial Sale Period, any Divestiture(s) of the AA Substitute Theatre(s) shall be carried out by the Divestiture Trustee during the Trustee Sale Period. In lieu of Divesting the AA Substitute Theatre(s), the Divestiture Trustee may Divest such other theatre(s) in Toronto and/or Vancouver, provided that the total 2003 EDI Box Office Revenue of these other theatre(s) shall not exceed \$5.553 million. Any such Divestiture shall be carried out in accordance with the divestiture procedure set out at paragraphs 5 to 14 of the Agreement.
5. Nothing in this Agreement shall prevent Cineplex Galaxy from providing operational support to Alliance Atlantis Cinemas following any such Divestiture should such support be requested by MPDLP, provided however that Cineplex Galaxy shall not participate in any way in respect of Alliance Atlantis Cinemas' business and strategic plans, including, without limitation, the setting of ticket or concession prices by Alliance Atlantis Cinemas or the purchasing of film by Alliance Atlantis Cinemas.