UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2012

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file Number 001-35066

IMAX Corporation

(Exact name of registrant as specified in its charter)

Canada	**98-0140269**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
2525 Speakman Drive,	**110 E. 59th Street, Suite 2100**
Mississauga, Ontario, Canada L5K 1B1	**New York, New York, USA 10022**
(905) 403-6500	**(212) 821-0100**

(Address of principal executive offices, zip code, telephone numbers)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Shares, no par value	**The New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the common shares of the registrant held by non-affiliates of the registrant, computed by reference to the last sale price of such shares as of the close of trading on June 30, 2012 was $1,366.2 million (56,855,012 common shares times $24.03).

As of January 31, 2013, there were 66,591,749 common shares of the registrant outstanding.

Document Incorporated by Reference

Portions of the registrant's definitive Proxy Statement to be filed within 120 days of the close of IMAX Corporation's fiscal year ended December 31, 2012, with the Securities and Exchange Commission pursuant to Regulation 14A involving the election of directors and the annual meeting of the stockholders of the registrant (the "Proxy Statement") are incorporated by reference in Part III of this Form 10-K to the extent described therein.

IMAX CORPORATION

December 31, 2012

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IMAX CORPORATION

EXCHANGE RATE DATA

Unless otherwise indicated, all dollar amounts in this document are expressed in United States ("U.S.") dollars. The following table sets forth, for the periods indicated, certain exchange rates based on the noon buying rate in the City of New York for cable transfers in foreign currencies as certified for customs purposes by the Bank of Canada (the "Noon Buying Rate"). Such rates quoted are the number of U.S. dollars per one Canadian dollar and are the inverse of rates quoted by the Bank of Canada for Canadian dollars per U.S. $1.00. The average exchange rate is based on the average of the exchange rates on the last day of each month during such periods. The Noon Buying Rate on December 31, 2012 was U.S. $1.0051.

	Years Ended December 31,				
	2012	2011	2010	2009	2008
Exchange rate at end of period	1.0051	0.9833	1.0054	0.9555	0.8170
Average exchange rate during period	1.0006	1.0151	0.9709	0.8757	0.9381
High exchange rate during period	1.0299	1.0583	1.0054	0.9716	1.0291
Low exchange rate during period	0.9599	0.9430	0.9278	0.7692	0.7710

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements included in this annual report may constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, references to future capital expenditures (including the amount and nature thereof), business and technology strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of business, operations and technology, plans and references to the future success of IMAX Corporation together with its wholly-owned subsidiaries (the "Company") and expectations regarding the Company's future operating, financial and technological results. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the expectations and predictions of the Company is subject to a number of risks and uncertainties, including, but not limited to, general economic, market or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by the Company; the performance of IMAX DMR films; competitive actions by other companies; conditions in the in-home and out-of-home entertainment industries; the signing of theater system agreements; changes in laws or regulations; conditions, changes and developments in the commercial exhibition industry; the failure to convert theater system backlog into revenue; risks associated with investments and operations in foreign jurisdictions and any future international expansion, including those related to economic, political and regulatory policies of local governments and laws and policies of the United States and Canada; risks related to the Company's growth and operations in China; the failure to respond to change and advancements in digital technology; risks related to the acquisition of AMC Entertainment Holdings, Inc. by Dalian Wanda Group Co., Ltd.; risks related to new business initiatives; the potential impact of increased competition in the markets within which the Company operates; risks related to the Company's inability to protect the Company's intellectual property; risks related to Eastman Kodak bankruptcy and the possibility of constrained analog film supply; risks related to the Company's implementation of a new enterprise resource planning system; risks related to the Company's prior restatements and the related litigation; and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this annual report are qualified by these cautionary statements, and actual results or anticipated developments by the Company may not be realized, and even if substantially realized, may not have the expected consequences to, or effects on, the Company. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.

IMAX®, IMAX® Dome, IMAX® 3D, IMAX® 3D Dome, Experience It In IMAX®, *The* IMAX *Experience*®, *An* IMAX *Experience*®, *An* IMAX *3D Experience*®, IMAX DMR®, DMR®, IMAX think big®, think big® and IMAX Is Believing are trademarks and trade names of the Company or its subsidiaries that are registered or otherwise protected under laws of various jurisdictions.

PART I

Item 1. *Business*

GENERAL

IMAX Corporation, together with its wholly-owned subsidiaries (the “Company”), is one of the world’s leading entertainment technology companies, specializing in motion picture technologies and presentations. The Company’s principal businesses are the design and manufacture of premium theater systems (“IMAX theater systems”) and the sale, lease or contribution of those systems to customers under theater arrangements and the Digital Re-Mastering of films into the IMAX format and the exhibition of those films in the IMAX theater network.

IMAX theater systems are based on proprietary and patented technology developed over the course of the Company’s 45-year history. The Company’s customers who purchase, lease or otherwise acquire the IMAX theater systems are theater exhibitors that operate commercial theaters (particularly multiplexes), museums, science centers, or destination entertainment sites. The Company generally does not own IMAX theaters, but licenses the use of its trademarks to exhibitors along with the sale, lease or contribution of its equipment. The Company refers to all theaters using the IMAX theater system as “IMAX theaters.”

IMAX theater systems combine:

- IMAX DMR (Digital Re-Mastering) movie conversion technology, which results in higher image and sound fidelity than conventional cinema experiences;
- advanced, high-resolution projectors with specialized equipment and automated theater control systems, which generate significantly more contrast and brightness than conventional theater systems;
- large screens and proprietary theater geometry, which result in a substantially larger field of view so that the screen extends to the edge of a viewer’s peripheral vision and creates more realistic images;
- sound system components, which deliver more expansive sound imagery and pinpointed origination of sound to any specific spot in an IMAX theater; and
- specialized theater acoustics, which result in a four-fold reduction in background noise.

The combination of these components causes audiences in IMAX theaters to feel as if they are a part of the on-screen action, creating a more intense, immersive and exciting experience than in a traditional theater. In addition, the Company’s IMAX 3D theater systems combine the same theater systems with 3D images that further enhance the audience’s feeling of being immersed in the film.

As a result of the immersiveness and superior image and sound quality of *The* IMAX *Experience*, the Company’s exhibitor customers typically charge a premium for IMAX DMR films over films exhibited in their other auditoriums. The premium pricing, combined with the higher attendance levels associated with IMAX, generates incremental box office for the Company’s exhibitor customers and for the movie studios releasing their films to the IMAX network. The incremental box office generated by IMAX DMR films has helped establish IMAX as a key premium distribution and marketing platform for Hollywood blockbuster films, which is separate and distinct from their wider theatrical release.

The Company believes the IMAX theater network is the most extensive premium theater network in the world with 731 theater systems (617 commercial, 114 institutional) operating in 53 countries as at December 31, 2012. This compares to 634 theater systems (517 commercial, 117 institutional) operating in 50 countries as at December 31, 2011. The success of the Company’s digital and joint revenue sharing strategies and the strength of its film slate has enabled the Company’s theater network to expand significantly, with the Company’s overall network increasing by 144.5% and the Company’s commercial network increasing by 245% from the beginning of 2008. In 2012 and 2011, the Company signed theater agreements for 142 and 209 systems, respectively, which is expected to drive additional growth in 2013 and thereafter.

The Company has identified approximately 1,700 IMAX zones worldwide. The Company believes that these zones present the potential for the IMAX theater network to grow significantly from the 598 commercial multiplex IMAX theaters operating as of December 31, 2012. While the Company continues to grow domestically, particularly in small to mid-tier markets, it believes that the majority of its future growth will come from underpenetrated international markets. In 2012, 63.6% of the Company’s 121 new theater signings were for theaters in international markets. Key international growth markets include Greater China (which includes the People’s Republic of China, Hong Kong, Taiwan and Macau), India, Latin America (which includes South America, Central America and Mexico) and Eastern and Western Europe.

During 2011, the Company formed IMAX (Shanghai) Multimedia Technology Co., Ltd. ("IMAX China"), a wholly-owned subsidiary, to enable further growth in Greater China, the Company's second-largest and fastest-growing market. The Company believes that favorable market trends in China, including government initiatives to foster cinema screen growth, to increase the number of Hollywood films distributed in China (particularly IMAX and 3D films), and to support the film industry, present opportunities for additional growth, though the Company cautions that its expansion in China faces a number of challenges. See Risk Factors – "The Company faces risks in connection with the continued expansion of its business in China" in Item 1A. In March 2011, the Company announced a 75-theater joint revenue sharing arrangement with Wanda Cinema Line Corporation, China's largest cinema chain ("Wanda"). The agreement with Wanda, which represents IMAX's largest single international joint revenue sharing arrangement to date, brings the total number of IMAX theaters open or in backlog in Greater China to 250. As at December 31, 2012, IMAX China had offices in Shanghai and Beijing and a total of 51 employees. On February 18, 2012, the U.S. and Chinese governments announced the terms of an agreement to expand the number of Hollywood films to be released in China to include 14 additional IMAX or 3D format films and to permit distributors to receive higher distribution fees. The Company believes this is a positive development for its business in China and elsewhere.

Over the years, several technological breakthroughs have established IMAX as an important distribution platform for Hollywood's biggest event films. These include:

- DMR — IMAX's proprietary DMR technology digitally converts live-action 35mm or digital films to its large-format, while meeting the Company's high standards of image and sound quality. In a typical IMAX DMR film arrangement, the Company will receive a percentage, which generally ranges from 10-15%, of net box-office receipts of a film from the film studio in exchange for the conversion of the film to the IMAX DMR format and for access to the IMAX distribution platform. At December 31, 2012, the Company had released 119 IMAX DMR films since the introduction of IMAX DMR in 2002. As digital technology has been introduced to the DMR process and improvements have been made in the conversion time, and as the Company's relationships with the major Hollywood studios have become increasingly strong, the number of films released on an annual basis that have been converted through the DMR process has increased as well. Accordingly, 35 films converted through the IMAX DMR process were released in 2012, as compared to 25 in 2011 and 4 in 2005.
- IMAX Digital Projection System — The Company introduced its digital xenon projection system in 2008. Prior to 2008, all of IMAX's large format projectors were film-based and required analog film prints. The IMAX digital projection system, which operates without the need for such film prints, was designed specifically for use by commercial multiplex operators and allows operators to reduce the capital and operating costs required to run an IMAX theater without sacrificing the image and sound quality of *The* IMAX *Experience*. By making *The* IMAX *Experience* more accessible for commercial multiplex operators, the introduction of the IMAX digital projection system paved the way for a number of important joint revenue sharing arrangements which have allowed the Company to rapidly expand its theater network. Since announcing that the Company was developing digital projection technology, the vast majority of the Company's theater system signings have been for digital systems. As at December 31, 2012, the Company has signed agreements for 831 digital xenon systems since 2007 (including the upgrade of film-based systems), 136 of which were signed in 2012 alone. As at December 31, 2012, 564 IMAX digital xenon projection systems were in operation, an increase of 27.3% over the 443 digital projection systems in operation as at December 31, 2011.

As one of the world's leading entertainment technology companies, the Company strives to remain at the forefront of advancements in cinema technology. Accordingly, one of the Company's key near-term initiatives is the development of a next-generation laser-based digital projection system. In 2011, the Company announced the completion of a deal in which it secured certain exclusive license rights to a portfolio of intellectual property in the digital cinema field owned by the Eastman Kodak Company ("Kodak"). The transaction involves rights to technology related to laser projection as well as rights in the digital cinema field to a broader range of Kodak technology. On February 7, 2012, the Company announced an agreement with Barco N.V. ("Barco") to co-develop a laser-based digital projection system that incorporates Kodak technology. The Company believes that these arrangements with Kodak and Barco will enable IMAX projectors to present greater brightness and clarity, a wider color gamut and deeper blacks, and consume less power and last longer than existing digital technology. The Company believes that a laser projection solution, which it plans to begin rolling out in the second half of 2014, will allow IMAX's network to show the highest quality digital content available and provide the Company the ability to illuminate the largest screens in its network, which are currently film-based. In addition to its laser-based projection initiative, during 2012, the Company has re-invested in its brand with a consumer brand marketing campaign that encompassed social media, in-theater marketing and Internet advertising. Finally, the Company remains focused on growing its theater network, particularly, in key international territories such as Greater China, India, Latin America and Eastern and Western Europe.

In addition to the design and manufacture of premium theater systems, the Company is also engaged in the production and distribution of original large-format films, the provision of services in support of the IMAX theater network, the provision of post-production services for large-format films, the operation of four IMAX theaters and, from time-to-time the conversion of two-

dimensional (“2D”) and three-dimensional (“3D”) Hollywood feature films for exhibition on IMAX theater systems around the world. IMAX Corporation, a Canadian corporation, was formed in March 1994 as a result of an amalgamation between WGIM Acquisition Corp. and the former IMAX Corporation (“Predecessor IMAX”). Predecessor IMAX was incorporated in 1967.

PRODUCT LINES

The Company believes it is the world’s largest designer and manufacturer of specialty premium projection and sound system components for large-format theaters around the world, as well as a significant producer and distributor of large-format films. The Company’s theater systems include specialized IMAX projectors, advanced sound systems and specialty screens. The Company derives its revenues from:

- IMAX theater systems (design, manufacture, sale or lease of, and provision of services related to, its theater systems);
- Films (production and digital re-mastering of films, the distribution of film products to the IMAX theater network, post-production and print services for films);
- Joint revenue sharing arrangements (the provision of its theater system to an exhibitor in exchange for a certain percentage of theater revenue and, in some cases, a small upfront or initial payment);
- Theater system maintenance (the use of maintenance services related to its theater systems); and
- Other activities, which include theater operations (owning equipment, operating, managing or participating in the revenues of IMAX theaters), the sale of after-market parts and camera rentals.

Segmented information is provided in note 20 to the accompanying audited consolidated financial statements in Item 8.

IMAX Systems, Theater System Maintenance and Joint Revenue Sharing Arrangements

The Company’s primary products are its theater systems. The Company’s digital projection systems include a projector that offers superior image quality and stability and a digital theater control system, a 6-channel, digital audio system delivering up to 12,000 watts of sound; a screen with a proprietary coating technology, and, if applicable, 3D glasses cleaning equipment. IMAX’s digital projection system also operates without the need for analog film prints. Traditional IMAX film-based theater systems contain the same components as the digital projection systems but include a rolling loop 15/70-format projector and require the use of analog film prints. Since its introduction in 2008, the vast majority of the Company’s theater sales have been digital systems and the Company expects that nearly all of its future theater systems sales will be IMAX digital systems. Furthermore, a majority of the Company’s film-based theater systems have been upgraded, at a cost to the exhibitor, to an IMAX digital system. As part of the arrangement to sell or lease its theater systems, the Company provides extensive advice on theater planning and design and supervision of installation services. Theater systems are also leased or sold with a license for the use of the world-famous IMAX brand. Historically, IMAX theater systems come in five configurations:

- the GT projection systems, film-based theater systems for the largest IMAX theaters;
- the SR systems, film-based theater systems for smaller theaters than the GT systems;
- the IMAX MPX systems, which are film-based systems targeted for multiplex theaters (“MPX” theater systems);
- the IMAX digital systems, which are digital-based systems; and
- theater systems featuring heavily curved and tilted screens that are used in dome-shaped theaters.

The GT, SR, IMAX MPX and IMAX digital systems are “flat” screens that have a minimum of curvature and tilt and can exhibit both 2D and 3D films, while the screen components in dome shaped theaters are 2D only and are popular with the Company’s institutional clients. All IMAX theaters, with the exception of dome configurations, feature a steeply inclined floor to provide each audience member with a clear view of the screen. The Company holds patents on the geometrical design of IMAX theaters.

The Company’s film-based projectors use the largest commercially available film format (15-perforation film frame, 70mm), which is nearly 10 times larger than conventional film (4-perforation film frame, 35mm) and therefore are able to project significantly more detail on a larger screen. The Company believes these projectors, which utilize the Company’s rolling loop technology, are unsurpassed in their ability to project film with maximum steadiness and clarity with minimal film wear, while substantially enhancing the quality of the projected image. As a result, the Company’s projectors deliver a higher level of clarity and detail as compared to conventional movies and competing projectors in order to compete and evolve with the market.

The Company's digital projection system provides a premium and differentiated experience to moviegoers that is consistent with what they have come to expect from the IMAX brand, while providing for the compelling economics and flexibility that digital technology affords. The relatively low cost of a digital file delivery (approximately $200 per movie per system compared to $20 thousand per 2D print and $45 thousand per 3D print for an IMAX analog film print) enables increased programming flexibility which in turn allows theaters to program significantly more IMAX DMR films per year. More programming increases customer choice and potentially increases total box-office revenue significantly. In 2012, 35 films converted through the IMAX DMR process were released to the IMAX theater network as compared to 25 in 2011 and 4 films in 2005. To date, the Company has contracted for the release of 23 DMR films to its theater network for 2013. The Company remains in active discussions with all the major studios regarding future titles for 2013 and beyond. The Company expects to announce additional local language IMAX DMR films to be released to the IMAX theater network in 2013 and beyond. Supplementing the Company's film slate of Hollywood DMR titles with appealing local DMR titles is an important component of the Company's international film strategy. The Company expects a similar number of films to be released to the network in 2013 as experienced in 2012. Digital systems represent 98.6% of the Company's current backlog and 77.2% of the Company's theater network. The Company continues to expect the vast majority of its future theater system arrangements to be for digital systems.

To complement its viewing experience, the Company provides digital sound system components which are specifically designed for IMAX theaters. These components are among the most advanced in the industry and help to heighten the realistic feeling of an IMAX presentation, thereby providing IMAX theater systems with an important competitive edge over other theater systems. The Company believes it is a world leader in the design and manufacture of digital sound system components for applications including traditional movie theaters, auditoriums and IMAX theaters.

The Company's arrangements for theater system equipment involve either a lease or sale. As part of the purchase or lease of an IMAX theater system, the Company also advises the customer on theater design, supervises the installation of the theater systems and provides projectionists with training in using the equipment. The supervision of installation requires that the equipment also be put through a complete functional start-up and test procedure to ensure proper operation. Theater owners or operators are responsible for providing the theater location, the design and construction of the theater building, the installation of the system components and any other necessary improvements, as well as the theater's marketing and programming. The Company's typical arrangement also includes the trademark license rights whose term tracks the term of the underlying agreement. The theater system equipment components (including the projector, sound system, screen system, and, if applicable, 3D glasses cleaning machine), theater design support, supervision of installation, projectionist training and trademark rights are all elements of what the Company considers the system deliverable (the "System Deliverable"). For a separate fee, the Company provides ongoing maintenance and extended warranty services for the theater system. The Company's contracts are generally denominated in U.S. dollars, except in Canada, China, Japan and parts of Europe, where contracts are sometimes denominated in local currency.

The Company offers certain commercial clients joint revenue sharing arrangements, pursuant to which the Company provides the System Deliverable in return for a portion of the customer's IMAX box-office receipts, and in some cases, concession revenue and a small upfront or initial payment. Under these revenue sharing arrangements, the Company retains title to the theater system (including the projector, the sound system and the projection screen) and rent payments that are contingent instead of fixed or determinable. The Company has the right to remove the equipment for non-payment or other defaults by the customer. The contracts are generally non-cancellable by the customer unless the Company fails to perform its obligations. In rare cases, the contract provides certain performance thresholds that, if not met by either party, allows the other party to terminate the agreement. Generally, joint revenue sharing arrangements have 10-year initial terms that may be renewed by the customer for an additional term. By offering arrangements in which exhibitors do not need to invest the significant initial capital required of a lease or a sale arrangement, the Company has been able to expand its theater network at a significantly faster pace than it had previously. As at December 31, 2012, the Company has entered into joint revenue sharing arrangements for 453 systems with 29 partners, 316 of which were in operation as at December 31, 2012.

Leases generally have a 10-year initial term and are typically renewable by the customer for one or more additional 5 to 10-year terms. Under the terms of the typical lease agreement, the title to the theater system equipment (including the projector, the sound system and the projection screen) remains with the Company. The Company has the right to remove the equipment for non-payment or other defaults by the customer. The contracts are generally not cancelable by the customer unless the Company fails to perform its obligations.

The Company also enters into sale agreements with its customers. Under a sales agreement, the title to the theater system remains with the customer. In certain instances, however, the Company retains title or a security interest in the equipment until the customer has made all payments required under the agreement.

The typical lease or sales arrangement provides for three major sources of cash flows for the Company: (i) initial fees; (ii) ongoing minimum fixed and contingent fees; and (iii) ongoing maintenance and extended warranty fees. Initial fees generally are received over the period of time from the date the arrangement is executed to the date the equipment is installed and customer acceptance has been received. However, in certain cases, the payments of the initial fee may be scheduled over a period of time after the equipment is installed and customer acceptance has been received. Ongoing minimum fixed and contingent fees and ongoing maintenance and extended warranty fees are generally received over the life of the arrangement and are usually adjusted annually based on changes in the local consumer price index. The ongoing minimum fixed and contingent fees generally provide for a fee which is the greater of a fixed amount or a certain percentage of the theater box-office. The terms of each arrangement vary according to the configuration of the theater system provided, the cinema market and the film distribution market relevant to the geographic location of the customer.

In the third quarter of 2012, Dalian Wanda Group Co., Ltd., the parent company of Wanda Cinema Line Corporation (“Wanda”), acquired AMC Entertainment Holdings, Inc. (“AMC”). Prior to this transaction, AMC and Wanda were the Company’s first and third largest customers. Under common ownership, the Wanda/AMC entity is the Company’s largest customer, representing approximately 12.2%, 14.4% and 12.2% of the Company’s total revenue in 2012, 2011 and 2010, respectively. See Risk Factors — “With the acquisition of AMC by Wanda, the Company’s largest customer will account for a greater percentage of the Company’s revenue and backlog” in Item 1A.

Sales Backlog. Signed contracts for theater systems are listed as sales backlog prior to the time of revenue recognition. The value of sales backlog represents the total value of all signed theater system agreements that are expected to be recognized as revenue in the future. Sales backlog includes initial fees along with the estimated present value of contractual fixed minimum fees due over the term, however it excludes amounts allocated to maintenance and extended warranty revenues as well as fees in excess of contractual minimums that may be received in the future.

The Company’s sales backlog is as follows:

	December 31, 2012		December 31, 2011	
	Number of Systems	Dollar Value *(in thousands)*	Number of Systems	Dollar Value *(in thousands)*
Sales and sales-type lease arrangements	139(1)	$ 168,101	144(1)	$ 176,184
Joint revenue sharing arrangements	137	31,652	119	21,516
	276(2)	$ 199,753	263(2)	$ 197,700

(1) Includes 11 upgrades from film-based IMAX theater systems to IMAX digital theater systems (including one laser-based system in a commercial and 4 laser-based systems in institutional theaters) as at December 31, 2012, and 10 upgrades from film-based IMAX theater systems to IMAX digital theater systems as at December 31, 2011.

(2) Reflects the minimum number of theaters arising from signed contracts in backlog.

The value of sales backlog does not include revenue from theaters in which the Company has an equity-interest, operating leases, letters of intent or long-term conditional theater commitments. The value of theaters under joint revenue sharing arrangements is generally excluded from the dollar value or sales backlog, although certain theater systems under joint revenue sharing arrangements provide for contracted upfront payments and therefore carry a backlog value based these payments. The Company believes that the contractual obligations for theater system installations that are listed in sales backlog are valid and binding commitments.

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The following chart shows the number of the Company's theater systems by configuration, opened theater network base and backlog as at December 31:

	2012		2011	
	Theater Network Base	Backlog	Theater Network Base	Backlog
Flat Screen (2D)	22	—	26	—
Dome Screen (2D)	61	—	60	—
IMAX 3D Dome (3D)	2	—	2	—
IMAX 3D GT (3D)	63	1	69	2
IMAX 3D SR (3D)	19	—	28	1
IMAX MPX (3D)	—	3	6	3
IMAX Digital: Xenon (3D)	564	267(1)	443	257
IMAX Digital: Laser (3D)	—	5(2)	—	—
Total	731	276	634	263

(1) Includes 6 upgrades from film-based theater systems to digital theater systems in existing IMAX theater locations (2 commercial and 4 institutional)
(2) Backlog includes 5 upgrades to IMAX digital laser systems from IMAX digital xenon theater systems in existing IMAX theater locations (1 commercial and 4 institutional)

The Company estimates that it will install approximately 110-125 new theater systems (excluding digital upgrades) in 2013. Unlike in previous years in which the Company's installation estimates were limited to scheduled installations from backlog, the Company now includes in its estimates not only scheduled systems from backlog, but also the Company's estimate of installations from arrangements that will sign and install in the same calendar year. The Company cautions, however, that theater system installations slip from period to period in the course of the Company's business, usually for reasons beyond its control.

IMAX Flat Screen and IMAX Dome Systems. There are 85 IMAX flat screen and IMAX Dome systems in the IMAX network. IMAX flat screen and IMAX Dome systems primarily reside in institutions such as museums and science centers. Flat screen IMAX theaters were introduced in 1970, while IMAX Dome theaters, which are designed for tilted dome screens, were introduced in 1973. There have been several significant proprietary and patented enhancements to these systems since their introduction.

IMAX 3D GT and IMAX 3D SR Systems. IMAX 3D theaters utilize a flat screen 3D system, which produces realistic 3D images on an IMAX screen. The Company believes that the IMAX 3D theater systems offer consumers one of the most realistic 3D experiences available today. To create the 3D effect, the audience uses either polarized or electronic glasses that separate the left-eye and right-eye images. The IMAX 3D projectors can project both 2D and 3D films, allowing theater owners the flexibility to exhibit either type of film.

In 1997, the Company launched a smaller IMAX 3D system called IMAX 3D SR, a patented theater system configuration that combines a proprietary theater design, a more automated projector and specialized sound system components to replicate the experience of a larger IMAX 3D theater in a smaller space.

As at December 31, 2012, there were 82 IMAX 3D GT and IMAX 3D SR theaters in operation compared to 97 IMAX 3D GT and IMAX 3D SR theaters in operation as at December 31, 2011. The decrease in the number of 3D GT and 3D SR systems is largely attributable to the conversion of existing 3D GT and 3D SR systems to IMAX digital systems.

IMAX MPX. In 2003, the Company launched a large-format theater system designed specifically for use in multiplex theaters. Known as IMAX MPX, this system had lower capital and operating costs than other IMAX systems and was intended to improve a multiplex owner's financial returns and to allow for the installation of IMAX theater systems in markets that might previously not have been able to support one. As at December 31, 2012, there were no MPX systems in operation compared to 6 MPX systems as at December 31, 2011. The IMAX digital system has supplanted the MPX system as the Company's multiplex product. The decrease in the number of MPX systems is attributable to the upgrade of existing MPX systems to IMAX digital systems.

IMAX Digital: Xenon. In July 2008, the Company introduced a proprietary IMAX digital projection system that it believes delivers higher quality imagery compared with other digital systems and that is consistent with the Company's brand. As at December 31, 2012, the Company had installed 564 digital theater systems, including 109 digital upgrades, and has an additional 267 digital systems in its backlog. Digital theater systems represent 98.6% of the total backlog and 77.2% of the total theater network, and the Company expects a majority of its future theater system arrangements to be for digital systems. Moreover, the Company believes that some of the film-based systems currently in its backlog, particularly uninstalled MPX systems, will ultimately become digital installations.

Films

Film Production and Digital Re-mastering (IMAX DMR)

In 2002, the Company developed technology that makes it possible for standard film footage to be digitally transformed into IMAX's large-format at a current cost of roughly $800 thousand per film. This proprietary system, known as IMAX DMR, has opened up the IMAX theater network to film releases from Hollywood's broad library of films. In a typical IMAX DMR film arrangement, the Company will receive a percentage, which generally ranges from 10-15%, of net box-office receipts of a film from the film studio in exchange for the conversion of the film to the IMAX DMR format and for access to IMAX's premium distribution and marketing platform. The box-office performance of IMAX DMR releases has positioned IMAX theaters as a key premium distribution platform for Hollywood films, which is separate and distinct from their wider theatrical release. Factors other than the IMAX DMR format, and IMAX's proprietary projection and sound technology, are increasingly differentiating IMAX content from other film content. For example, in July 2012, *The Dark Knight Rises: The* IMAX *Experience*, featured over an hour of footage shot with IMAX cameras, and in 2013, *Star Trek: Into Darkness: An* IMAX *3D Experience* and *The Hunger Games: Catching Fire: The* IMAX *Experience* will feature footage shot with IMAX cameras. Furthermore, on November 8, 2012, *Skyfall: The* IMAX *Experience* was released in IMAX theaters in North America, one day earlier than its wide-release to conventional theaters, and in 2013, *Oblivion: The* IMAX *Experience* and *Star Trek: Into Darkness: An* IMAX *3D Experience* will be released to the IMAX theater network ahead of their North American wide-releases. The Company believes that this early release strategy helps make the release of the IMAX film an event, which can help increase audience excitement and enthusiasm for a film. IMAX theaters therefore serve as an additional distribution platform for Hollywood films, just as home video and pay-per-view are ancillary distribution platforms. In some cases, the Company may also have certain distribution rights to the films produced using its IMAX DMR technology.

The IMAX DMR process involves the following:

- in certain instances, scanning, at the highest possible resolution, each individual frame of the movie and converting it into a digital image;
- optimizing the image using proprietary image enhancement tools;
- enhancing the digital image using techniques such as sharpening, color correction, grain and noise removal and the elimination of unsteadiness and removal of unwanted artifacts;
- recording the enhanced digital image onto IMAX 15/70-format film or IMAX digital cinema package ("DCP") format; and
- specially re-mastering the sound track to take full advantage of the unique sound system of IMAX theater systems.

The first IMAX DMR film, *Apollo 13: The* IMAX *Experience*, produced in conjunction with Universal Pictures and Imagine Entertainment, was released in September 2002 to 48 IMAX theaters. One of the more recent IMAX DMR films, *The Hobbit: An Expected Journey: An* IMAX *3D Experience* was released to 496 IMAX theaters. Since the release of *Apollo 13: The* IMAX *Experience*, an additional 118 IMAX DMR films have been released to the IMAX theater network as at December 31, 2012.

Advances in the IMAX DMR process increasingly allow the re-mastering process to meet aggressive film production schedules. The Company has decreased the length of time it takes to reformat a film with its IMAX DMR technology. *Apollo 13: The* IMAX *Experience*, released in September 2002, was re-mastered in 16 weeks, while *The Hobbit: An Expected Journey: An* IMAX *3D Experience*, released in December 2012, was re-mastered in less than one week. The IMAX DMR conversion of simultaneous, or "day-and-date" releases are done in parallel with the movie's filming and editing, which is necessary for the simultaneous release of an IMAX DMR film with the domestic release to conventional theaters.

An IMAX film can also benefit from enhancements made by individual filmmakers exclusively for the IMAX release, including by using IMAX cameras in select scenes to further enhance the audience's immersion in the film. Filmmakers such as Christopher Nolan

and Michael Bay have used IMAX cameras to film select scenes in their films *The Dark Knight: The* IMAX *Experience* and *Transformers: Revenge of the Fallen: The* IMAX *Experience.* Most recently, filmmaker Brad Bird used IMAX cameras to film certain sequences in *Mission: Impossible – Ghost Protocol: The* IMAX *Experience*, released in December 2011 and Mr. Nolan used IMAX cameras to film over one hour of sequences' in *The Dark Knight Rises: The* IMAX *Experience*, released in July 2012. Two of the films announced to date for 2013, *Star Trek Into Darkness: An* IMAX *3D Experience* and *The Hunger Games: Catching Fire: The* IMAX *Experience*, will feature select sequences shot with IMAX cameras. Several movies in 2012 have featured footage taking advantage of the larger projected IMAX aspect ratio, including *Prometheus: An* IMAX *3D Experience, The Amazing Spider-Man: An* IMAX *3D Experience* and *Skyfall: The* IMAX *Experience*.

The original soundtracks of films to be released to the IMAX network are re-mastered for the IMAX five or six-channel digital sound systems for the IMAX DMR release. Unlike the soundtracks played in conventional theaters, IMAX re-mastered soundtracks are uncompressed and full fidelity. IMAX sound systems use proprietary loudspeaker systems and proprietary surround sound configurations that ensure every theater seat is in a good listening position.

In 2012, 35 films were converted through the IMAX DMR process and released to theaters in the IMAX network by film studios as compared to 25 films in 2011. These films were:

- *Underworld: Awakening: An* IMAX *3D Experience* (Sony Pictures Entertainment, January 2012);
- *Journey 2: The Mysterious Island An* IMAX *3D Experience* (New Line Cinema, February 2012);
- *The Lorax: An* IMAX *3D Experience* (Universal Pictures, March 2012);
- *John Carter: An* IMAX *3D Experience* (Walt Disney Studios, March 2012);
- *The Hunger Games: The* IMAX *Experience* (Lionsgate, March 2012);
- *Wrath of the Titans: An* IMAX *3D Experience* (Warner Bros., March 2012);
- *Titanic: An* IMAX *3D Experience* (Paramount Pictures, Twentieth Century Fox, April 2012);
- *HOUBA! On the Trail of the Marsupilami: The* IMAX *Experience* (Chez WAM, Pathé Distribution, April 2012, France only release);
- *Battleship: The* IMAX *Experience* (Universal Pictures, April 2012, international only release);
- *The Avengers: An* IMAX *3D Experience* (Disney Studios, Marvel Studios, May 2012);
- *Dark Shadows: The* IMAX *Experience* (Warner Bros., May 2012);
- *Men In Black III: An* IMAX *3D Experience* (Sony Pictures, May 2012);
- *Prometheus: An* IMAX *3D Experience* (Twentieth Century Fox, June 2012);
- *Madagascar 3: Europe's Most Wanted: An* IMAX *3D Experience* (DreamWorks Animation, June 2012, international only release);
- *Rock of Ages: The* IMAX *Experience* (Warner Bros., June 2012);
- *The Amazing Spider-Man: An* IMAX *3D Experience* (Sony Pictures, July 2012);
- *The Dark Knight Rises: The* IMAX *Experience* (Warner Bros., July 2012);
- *Total Recall: The* IMAX *Experience* (Sony Pictures, August 2012, late-breaking select international markets only);
- *The Bourne Legacy: The* IMAX *Experience* (Universal Pictures, August 2012, late-breaking select international markets only);
- *Indiana Jones and the Raiders of the Lost Ark: The* IMAX *Experience* (Paramount Pictures, September 2012);
- *Resident Evil: Retribution: An* IMAX 3D *Experience* (Sony Pictures, September 2012);
- *Tai Chi 0: An* IMAX *3D Experience* (Huayi Bros., September 2012, Asia Only);
- *Frankenweenie: An* IMAX *3D Experience* (Walt Disney Pictures, October 2012);
- *Paranormal Activity 4: The* IMAX *Experience* (Paramount Pictures, October 2012);
- *Tai Chi Hero: An* IMAX *3D Experience* (Huayi Bros., October 2012, Asia only);
- *Cloud Atlas: The* IMAX *Experience* (Warner Bros., October 2012);
- *Skyfall: The* IMAX *Experience* (Sony Pictures, November 2012);
- *Cirque du Soleil: Worlds Away: An* IMAX *3D Experience* (Paramount Pictures, November 2012, Asia only);
- *The Twilight Saga: Breaking Dawn – Part 2: The* IMAX *Experience* (Lionsgate, November 2012, UK and select International markets);
- *Life of Pi: An* IMAX *3D Experience* (Twentieth Century Fox, November 2012);
- *Rise of the Guardians: An* IMAX *3D Experience* (DreamWorks Animation, November 2012);
- *Back to 1942: The* IMAX *Experience* (Huayi Bros., November 2012, Asia only);

- *CZ12: An IMAX 3D Experience* (JCE Entertainment Ltd., Huayi Brothers & Emperor Motion Pictures, December 2012, Asia only);
- *The Hobbit: An Unexpected Journey: An* IMAX *3D Experience* (Warner Bros., December 2012); and
- *Les Misérables: The* IMAX *Experience* (Universal Pictures, December 2012).

In addition, in conjunction with MacGillivray Freeman Films and Warner Bros., the Company released IMAX original production, *To the Arctic 3D,* in April 2012.

To date, the Company has announced the following 23 DMR films that will be released in 2013 to the IMAX theater network:

- *The Grandmaster: The* IMAX *Experience* (Jet Tone Films and Sil-Metropole Organization, January 2013);
- *Hansel & Gretel: Witch Hunters: An* IMAX *3D Experience* (Paramount Pictures, January 2013);
- *Journey to the West: Conquering the Demons: An* IMAX *3D Experience* (Bingo Movie Development Ltd, February 2013);
- *Top Gun: An* IMAX *3D Experience* (Paramount Pictures, February 2013);
- *A Good Day to Die Hard: The* IMAX *Experience* (Twentieth Century Fox, February 2013);
- *Jack the Giant Slayer: An* IMAX *3D Experience* (Warner Bros., March 2013);
- *Oz: The Great and Powerful: An* IMAX *3D Experience* (Walt Disney Pictures, March 2013);
- *G.I. Joe: Retaliation: An* IMAX *3D Experience* (Paramount Pictures, March 2013);
- *Dragon Ball Z: Battle of the Gods: An* IMAX *3D Experience* (Toei Animation Company, March 2013);
- *Oblivion: The* IMAX *Experience* (Universal Pictures, April 2013);
- *Jurassic Park: An* IMAX *3D Experience* (Universal Pictures, April 2013);
- *Iron Man 3: An* IMAX *3D Experience* (Walt Disney Pictures, May 2013);
- *Star Trek: Into Darkness: An* IMAX *3D Experience* (Paramount Pictures, May 2013);
- *Man of Steel: The* IMAX *Experience* (Warner Bros., June 2013);
- *Pacific Rim: An* IMAX *3D Experience* (Warner Bros., July 2013);
- *300: Rise of an Empire: An* IMAX *3D Experience* (Warner Bros., August 2013);
- *Riddick Sequel: The* IMAX *Experience* (Universal Pictures, September 2013);
- *Gravity: An* IMAX *3D Experience* (Warner Bros., October 2013);
- *Stalingrad: An* IMAX *3D Experience* (AR Films, October 2013, Russia and the CIS only);
- *Seventh Son: An* IMAX *3D Experience* (Warner Bros., October 2013);
- *The Hunger Games: Catching Fire: The* IMAX *Experience* (Lionsgate., November 2013);
- *The Hobbit: The Desolation of Smaug: An* IMAX *3D Experience* (Warner Bros., December 2013); and
- *Dhoom 3: The* IMAX *Experience* (Yash Raj Films, 2013, India only).

The Company remains in active negotiations with all of Hollywood's studios for additional films to fill out its short and long-term film slate and expects a similar number of IMAX DMR films to be released to the IMAX network in 2013 as were released 2012.

The Company expects to announce additional local language IMAX DMR films to be released to the IMAX theater network in 2013 and beyond. Supplementing the Company's film slate of Hollywood DMR titles with appealing local DMR titles is an important component of the Company's international film strategy.

Film Distribution

The Company is also a distributor of large-format films, that cater primarily to its institutional theater partners. The Company distributes films which it has produced or for which it has acquired distribution rights from independent producers. As a distributor, the Company receives a fixed fee and/or a percentage of the theater box-office receipts.

Films produced by the Company are typically financed through third parties. The Company will generally receive a film production fee in exchange for producing the film and a distribution fee for distributing the film. The ownership rights to such films may be held by the film sponsors, the film investors and/or the Company.

As at December 31, 2012, the Company's film library consisted of 285 IMAX original films, which cover such subjects as space, wildlife, music, history and natural wonders. The Company currently has distribution rights with respect to 46 of such films. Large-format films that have been successfully distributed by the Company include: *To the Arctic 3D: An* IMAX *3D Experience*, which was

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released in April 2012 and has grossed over $13.9 million as at the end of 2012; *Born to be Wild 3D: An* IMAX *3D Experience*, which was released by the Company and Warner Bros. Pictures ("WB") in April 2011 and has grossed over $32.0 million as at the end of 2012; *Hubble 3D: An* IMAX *3D Experience*, which was released by the Company and WB in March 2010 and has grossed over $51.8 million as at the end of 2012; *Under the Sea 3D: An* IMAX *3D Experience,* which was released by the Company and WB in February 2009 and has grossed over $44.5 million as at the end of 2012; *Deep Sea 3D: An* IMAX *3D Experience*, which was released by the Company and WB in March 2006 and has grossed more than $93.5 million as at the end of 2012; *SPACE STATION,* which was released in April 2002 and has grossed over $120.8 million as at the end of 2012 and *T-REX: Back to the Cretaceous,* which was released by the Company in 1998 and has grossed over $103.9 million as at the end of 2012. Large-format films have significantly longer exhibition periods than conventional commercial films and many of the films in the large-format library have remained popular for many decades, including the films *To Fly!* (1976*), Grand Canyon — The Hidden Secrets* (1984*)* and *The Dream Is Alive* (1985).

Film Post-Production

David Keighley Productions 70MM Inc., a wholly-owned subsidiary of the Company, provides film post-production and quality control services for large-format films (whether produced internally or externally), and digital post-production services.

Other

Theater Operations

As at December 31, 2012 and 2011, the Company had four owned and operated theaters on leased premises. In addition, the Company has a commercial arrangement with one theater resulting in the sharing of profits and losses. The Company also provides management services to two theaters.

Cameras

The Company rents its proprietary 2D and 3D large-format film and digital cameras to third party production companies. The Company also provides production technical support and post-production services for a fee. All IMAX 2D and 3D film cameras run 65mm negative film, exposing 15 perforations per frame and resulting in an image area nearly 10x larger than standard 35mm film. The Company's film-based 3D camera, which is a patented, state-of-the-art dual and single filmstrip 3D camera, is among the most advanced motion picture cameras in the world and is the only 3D camera of its kind. The IMAX 3D camera simultaneously shoots left-eye and right-eye images and enables filmmakers to access a variety of locations, such as underwater or aboard aircraft. The Company has also recently developed a high speed 3D digital camera which utilizes a pair of the world's largest digital sensors.

Due to the increasing success major Hollywood filmmakers have had with IMAX cameras, the Company has identified the development and manufacture of additional IMAX cameras as an important research and development initiative.

The Company maintains cameras and other film equipment and also offers production advice and technical assistance to both documentary and Hollywood filmmakers.

MARKETING AND CUSTOMERS

The Company markets its theater systems through a direct sales force and marketing staff located in offices in Canada, the United States, Greater China, Europe and Asia. In addition, the Company has agreements with consultants, business brokers and real estate professionals to locate potential customers and theater sites for the Company on a commission basis. During 2012, the Company re-invested in its brand with a consumer brand marketing campaign that encompasses social media, in-theater marketing and Internet advertising.

The commercial multiplex theater segment of the Company's theater network is now its largest segment, comprising 598 theaters, or 81.8%, of the 731 theaters open as at December 31, 2012. The Company's institutional customers include science and natural history museums, zoos, aquaria and other educational and cultural centers. The Company also sells or leases its theater systems to theme parks, tourist destination sites, fairs and expositions (the Commercial Destination segment). At December 31, 2012, approximately 45.8% of all opened IMAX theaters were in locations outside of the United States and Canada. The following table outlines the breakdown of the theater network by type and geographic location as at December 31:

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	2012 Theater Network Base				2011 Theater Network Base			
	Commercial Multiplex	Commercial Destination	Institutional	Total	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	290	6	57	353	269	6	61	336
Canada	34	2	7	43	26	2	7	35
Greater China(1)	108	—	20	128	70	—	18	88
Western Europe	42	7	11	60	36	7	10	53
Asia (excluding Greater China)	46	3	7	56	35	3	9	47
Russia & the CIS	32	—	—	32	22	—	—	22
Latin America(2)	19	—	10	29	15	—	10	25
Rest of the World	27	1	2	30	24	2	2	28
Total(3)	598	19	114	731	497	20	117	634

(1) Greater China includes the People's Republic of China, Hong Kong, Taiwan and Macau.

(2) Latin America includes South America, Central America and Mexico.

(3) Includes 316 and 257 theater systems in operation as at December 31, 2012 and 2011, respectively, under joint revenue sharing arrangements.

For information on revenue breakdown by geographic area, see note 20 to the accompanying audited consolidated financial statements in Item 8. The Company's foreign operations are subject to certain risks. See "Risk Factors – The Company conducts business internationally which exposes it to uncertainties and risks that could negatively affect its operations and sales" and "Risk Factors – The Company faces risks in connection with the continued expansion of its business in China" in Item 1A. The Company's two largest customers as at December 31, 2012, collectively represent 32.1% of the Company's network base of theaters and 15.9% of revenues.

INDUSTRY AND COMPETITION

In recent years, as the motion picture industry has transitioned from film projection to digital projection, a number of companies have introduced digital 3D projection technology and, since 2008, an increasingly large number of Hollywood features have been exhibited using these technologies. According to the National Association of Theater Owners, as at December 31, 2012, there were approximately 14,730 conventional-sized screens in U.S. multiplexes equipped with such digital 3D systems. In 2008, the Company introduced its proprietary digitally-based projector which is capable of 2D and 3D presentations on large screens and which comprises the majority of its current (and, the Company expects, future) theater system sales. Over the last several years, a number of commercial exhibitors have introduced their own large screen branded theaters. In addition, the Company has historically competed with manufacturers of large-format film projectors. The Company believes that all of these alternative film formats deliver images and experiences that are inferior to *The* IMAX *Experience*.

The Company may also face competition in the future from companies in the entertainment industry with new technologies and/or substantially greater capital resources to develop and support them. The Company also faces in-home competition from a number of alternative motion picture distribution channels such as home video, pay-per-view, video-on-demand, DVD, Internet and syndicated and broadcast television. The Company further competes for the public's leisure time and disposable income with other forms of entertainment, including gaming, sporting events, concerts, live theater, social media and restaurants.

The Company believes that its competitive strengths include the value of the IMAX brand name, the premium IMAX consumer experience, the design, quality and historic reliability rate of IMAX theater systems, the return on investment of an IMAX theater, the number and quality of IMAX films that it distributes, the relationships the Company maintains with prominent Hollywood filmmakers, a number of whom desire to film portions of their movies with IMAX cameras, the quality of the sound system components included with the IMAX theater, the availability of Hollywood event films to IMAX theaters through IMAX DMR technology, consumer loyalty and the level of the Company's service and maintenance and extended warranty efforts. The Company believes that all of the best performing premium theaters in the world are IMAX theaters.

THE IMAX BRAND

The world-famous IMAX brand stands for the highest-quality, most immersive motion picture entertainment. Consumer research conducted for the Company in the U.S. by a third-party research firm shows that the IMAX brand is known for cutting-edge technology and an experience that immerses audiences in the movie. The research also shows that the brand inspires strong consumer loyalty and that consumers place a premium on it, often willing to travel significantly farther and pay more for *The* IMAX *Experience* than for a conventional movie. The Company believes that its significant brand loyalty among consumers provides it with a strong, sustainable position in the exhibition industry. Recognition of the IMAX brand name cuts across geographic and demographic boundaries. The Company believes that the strength of the IMAX brand has resulted in IMAX DMR films significantly outperforming other formats on a per screen basis.

The Company believes the strength of the IMAX brand is an asset that has helped to establish the IMAX theater network as a unique and desirable release window for Hollywood movies. In 2012, the Company has begun to reinvest in its brand with a consumer brand marketing campaign that encompasses social media, in-theater marketing and Internet advertising.

RESEARCH AND DEVELOPMENT

The Company believes that it is one of the world's leading entertainment technology companies with significant proprietary expertise in digital and film-based projection and sound system component design, engineering and imaging technology, particularly in 3D. During 2012, the Company increased its level of research and development as it is developing its next-generation laser-based projection system which is expected to provide greater brightness and clarity, a wider colour gamut and deeper blacks, while consuming less power and lasting longer than existing digital technology, to ensure that the Company continues to provide the highest quality, premier movie going experience available to consumers. A high level of research and development is expected to continue in 2013 as the Company continues its efforts to develop its next-generation laser-based projection system. In addition, the Company plans to continue to fund research and development activity in other areas considered important to the Company's continued commercial success, including further improving the reliability of its projectors, developing and manufacturing more IMAX cameras, enhancing the Company's 2D and 3D image quality, expanding the applicability of the Company's digital technology, developing IMAX theater systems' capabilities in both home and live entertainment and further enhancing the IMAX theater and sound system design through the addition of more channels, improvements to the Company's proprietary tuning system and mastering processes.

The motion picture industry has been, and will continue to be, affected by the development of digital technologies, particularly in the areas of content creation (image capture), post-production, digital re-mastering (such as IMAX DMR), distribution and display (projection). As such, the Company has made significant investments in digital technologies, including the development of a proprietary technology to digitally enhance image resolution and quality of motion picture films, the creation of an IMAX digital projector and the licensing of prominent laser illumination technology. Accordingly, the Company holds a number of patents, patents pending and other intellectual property rights in these areas. In addition, the Company holds numerous digital patents and relationships with key manufacturers and suppliers in digital technology.

In order to keep the Company at the forefront of digital technology, the Company has made strategic investments in laser technology. On October 17, 2011, the Company announced the completion of a deal in which it secured the exclusive license rights from Kodak to a portfolio of more than 50 patent families covering laser projection technology as well as rights in the digital cinema field to a broader range of Kodak technology. On February 7, 2012, the Company announced an agreement with Barco to jointly develop a laser-based digital projection system that incorporates Kodak technology. The Company believes that these arrangements with Kodak and Barco will enable IMAX theaters to present greater brightness and clarity, a wider color gamut and deeper blacks, and consume less power and last longer than existing digital technology. The Company believes that a laser projection solution will allow IMAX's network to show the highest quality digital content available. As part of its investment in laser digital technology, in September 2010, the Company also made a $1.5 million preferred share investment in Laser Light Engines, Inc. ("LLE"), a developer and manufacturer of laser-driven light sources. The Company is in discussions with LLE regarding the development of laser technology to incorporate into its laser-based digital projection solution. The Company plans to deploy a laser-based digital projection solution in the second half of 2014. As part of its agreement with Barco, in addition to co-developing a laser-based digital projection system, Barco will serve as IMAX's exclusive supplier of xenon-based projection systems. The Company has worked with Barco to ensure the compatability of the Barco projector with IMAX theater systems and to ensure that the Barco projectors meet the specifications of *The* IMAX *Experience*.

In 2009, the Company developed its first 3D digital camera primarily for use in IMAX documentary productions. Portions of *Born to Be Wild 3D: An* IMAX *3D Experience* were filmed with the IMAX 3D digital camera and the camera has subsequently been used to film portions of a new wildlife documentary (working title *Madagascar*). Due to the increasing success major Hollywood

filmmakers have had with IMAX cameras, the Company has identified the development and manufacture of addition IMAX cameras as an important research and development initiative. To that end, the Company is also in early stages of development of an IMAX 2D digital camera for use by Hollywood directors who are seeking IMAX differentiation for portions of their movies.

The Company's participation in 3net, a 24/7 3D cable channel venture, operated by a limited liability corporation owned by the Company, Discovery Communications and Sony Corporation that premiered on February 13, 2011, is an example of its strategic entry into the field of in-home entertainment technology. The Company has deployed its proprietary expertise in image technology and 3D technology to help set broadcast and presentation standards for the new channel. The Company expects to continue to deploy its proprietary expertise in image technology and 3D technology, as well as its proprietary film content and the IMAX brand, for further applications in in-home entertainment technology. The Company is also evaluating the possibility of designing a proprietary IMAX theater system for the home that will deliver a premium entertainment experience in a home theater environment, consistent with the IMAX brand.

For the years ended December 31, 2012, 2011, and 2010, the Company recorded research and development expenses of $11.4 million, $7.8 million and $6.2 million, respectively. As at December 31, 2012, 64 of the Company's employees were connected with research and development projects.

MANUFACTURING AND SERVICE

Projector Component Manufacturing

The Company assembles the projector of its theater systems at its office in Mississauga, Ontario, Canada (near Toronto). The Company develops and designs all of the key elements of the proprietary technology involved in this component. Fabrication of a majority of parts and sub-assemblies is subcontracted to a group of carefully pre-qualified third-party suppliers. Manufacture and supply contracts are signed for the delivery of the component on an order-by-order basis. The Company believes its significant suppliers will continue to supply quality products in quantities sufficient to satisfy its needs. The Company inspects all parts and sub-assemblies, completes the final assembly and then subjects the projector to comprehensive testing individually and as a system prior to shipment. In 2012, these projectors, including the Company's digital projection system, had reliability rates based on scheduled shows of approximately 99.9%.

Sound System Component Manufacturing

The Company develops, designs and assembles the key elements of its theater sound system component. The standard IMAX theater sound system component comprises parts from a variety of sources, with approximately 50% of the materials of each sound system attributable to proprietary parts provided under original equipment manufacturers agreements with outside vendors. These proprietary parts include custom loudspeaker enclosures and horns, specialized amplifiers, and signal processing and control equipment. The Company inspects all parts and sub-assemblies, completes the final assembly and then subjects the sound system component to comprehensive testing individually and as a system prior to shipment.

Screen and Other Components

The Company purchases its screen component and glasses cleaning equipment from third parties. The standard screen system component is comprised of a projection screen manufactured to IMAX specifications and a frame to hang the projection screen. The proprietary glasses cleaning machine is a stand-alone unit that is connected to the theater's water and electrical supply to automate the cleaning of 3D glasses.

Maintenance and Extended Warranty Services

The Company also provides ongoing maintenance and extended warranty services to IMAX theater systems. These arrangements are usually for a separate fee, although the Company often includes free service in the initial year of an arrangement. The maintenance and extended warranty arrangements include service, maintenance and replacement parts for theater systems.

To support the IMAX theater network, the Company has personnel stationed in major markets throughout the world who provide periodic and emergency maintenance and extended warranty services on existing theater systems. The Company provides various levels of maintenance and warranty services, which are priced accordingly. Under full service programs, Company personnel typically visit each theater every six months to provide preventative maintenance, cleaning and inspection services and emergency visits to

resolve problems and issues with the theater system. Under some arrangements, customers can elect to participate in a service partnership program whereby the Company trains a customer's technician to carry out certain aspects of maintenance. Under such shared maintenance arrangements, the Company participates in certain of the customer's maintenance checks each year, provides a specified number of emergency visits and provides spare parts, as necessary. For digital systems, the Company provides pre-emptive maintenance through minor bug fixes, and also provides remote system monitoring and a network operations center that provides continuous access to product experts.

PATENTS AND TRADEMARKS

The Company's inventions cover various aspects of its proprietary technology and many of these inventions are protected by Letters of Patent or applications filed throughout the world, most significantly in the United States, Canada, Belgium, Japan, France, Germany and the United Kingdom. The subject matter covered by these patents, applications and other licenses encompasses theater design and geometry, electronic circuitry and mechanisms employed in projectors and projection equipment (including 3D projection equipment), a method for synchronizing digital data, a method of generating stereoscopic (3D) imaging data from a monoscopic (2D) source, a process for digitally re-mastering 35mm films into large-format, a method for increasing the dynamic range and contrast of projectors, a method for visibly seaming or superimposing images from multiple projectors and other inventions relating to digital projectors. In 2011, the Company entered into a deal in which it secured the exclusive license rights from Kodak to a portfolio of more than 50 patent families covering laser projection technology as well as certain exclusive rights to a broad range of Kodak patents in the field of digital cinema. The Company has been and will continue to be diligent in the protection of its proprietary interests.

As at December 31, 2012, the Company holds or licenses 96 patents, has 38 patents pending in the United States and has corresponding patents or filed applications in many countries throughout the world. While the Company considers its patents to be important to the overall conduct of its business, it does not consider any particular patent essential to its operations. Certain of the Company's patents in the United States, Canada and Japan for improvements to the IMAX projection system components expire between 2016 and 2028.

The Company owns or otherwise has rights to trademarks and trade names used in conjunction with the sale of its products, systems and services. The following trademarks are considered significant in terms of the current and contemplated operations of the Company: IMAX ®, Experience It In IMAX®, *The* IMAX *Experience*®, *An* IMAX *Experience*®, *An* IMAX *3D Experience*®, IMAX DMR®, IMAX® 3D, IMAX® Dome, IMAX is Believing®, IMAX think big® and think big®. These trademarks are widely protected by registration or common law throughout the world. The Company also owns the service mark IMAX THEATRE™.

EMPLOYEES

The Company had 526 employees as at December 31, 2012, compared to 442 employees as at December 31, 2011. Both employee counts exclude hourly employees at the Company's owned and operated theaters.

AVAILABLE INFORMATION

The Company makes available, free of charge, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as soon as reasonably practicable after such filings have been made with the United States Securities and Exchange Commission (the "SEC"). Reports may be obtained through the Company's website at www.imax.com or by calling the Company's Investor Relations Department at 212-821-0100.

Item 1A. *Risk Factors*

If any of the risks described below occurs, the Company's business, operating results and financial condition could be materially adversely affected.

The risks described below are not the only ones the Company faces. Additional risks not presently known to the Company or that it deems immaterial, may also impair its business or operations.

The Company depends principally on commercial movie exhibitors to purchase or lease IMAX theater systems, to supply box office revenue under joint revenue sharing arrangements and under its sales and sales-type lease agreements and to supply venues in which to exhibit IMAX DMR films and the Company can make no assurances that exhibitors will continue to do any of these things.

The Company's primary customers are commercial multiplex exhibitors, whose systems represent 98.2% of the 276 systems in the Company's backlog as at December 31, 2012. The Company is unable to predict if, or when, they or other exhibitors will purchase or lease IMAX theater systems or enter into joint revenue sharing arrangements with the Company, or whether any of the Company's existing customers will continue to do any of the foregoing. If exhibitors choose to reduce their levels of expansion or decide not to purchase or lease IMAX theater systems or enter into joint revenue sharing arrangements with the Company, the Company's revenues would not increase at an anticipated rate and motion picture studios may be less willing to convert their films into the Company's format for exhibition in commercial IMAX theaters. As a result, the Company's future revenues and cash flows could be adversely affected.

The success of the IMAX theater network is directly related to the availability and success of IMAX DMR films for which there can be no guarantee.

An important factor affecting the growth and success of the IMAX theater network is the availability of films for IMAX theaters and the box office performance of such films. The Company itself produces only a small number of such films and, as a result, the Company relies principally on films produced by third party filmmakers and studios, in particular Hollywood features converted into the Company's large format using the Company's IMAX DMR technology. In 2012, 35 IMAX DMR films were released by Hollywood studios to the worldwide IMAX theater network. The Company expects to announce additional local language IMAX DMR films to be released to the IMAX theater network in 2013 and beyond. Supplementing the Company's film slate of Hollywood DMR titles with appealing local DMR titles is an important component of the Company's international film strategy. There is no guarantee that filmmakers and studios will continue to release films to the IMAX theater network, or that the films they produce will be commercially successful. The steady flow and successful box office performance of IMAX DMR releases have become increasingly important to the Company's financial performance as the number of joint revenue sharing arrangements included in the overall IMAX network has grown considerably. The Company is increasingly directly impacted by box-office results for the films released to the IMAX network through its joint revenue sharing arrangements as well as through the percentage of the box-office receipts the Company receives from the studios releasing IMAX DMR films, and the Company's continued ability to find suitable partners for joint revenue share arrangements and to sell IMAX theater systems also depends on the number and commercial success of films released to its network. The commercial success of films released to IMAX theaters depends on a number of factors outside of the Company's control, including whether the film receives critical acclaim, the timing of its release, the success of the marketing efforts of the studio releasing the film and consumer preferences. Moreover, films can be subject to delays in production or changes in release schedule, which can negatively impact the number, timing and quality of IMAX DMR and IMAX original films released to the IMAX theater network.

The introduction of new, competing products and technologies could harm the Company's business.

The out-of-home entertainment industry is very competitive, and the Company faces a number of competitive challenges. According to the National Association of Theater Owners, as at December 31, 2012, there were approximately 14,730 conventional-sized screens in North American multiplexes equipped with digital 3D systems. In addition, some commercial exhibitors have introduced their own branded, large-screen 3D auditoriums and in many cases have marketed those auditoriums as having the same quality or attributes as an IMAX theater. The Company also may face competition in the future from companies in the entertainment industry with new technologies and/or substantially greater capital resources to develop and support them. If the Company is unable to continue to deliver a premium movie-going experience, or if other technologies surpass those of the Company, the Company may be unable to continue to produce theater systems which are premium to, or differentiated from, other theater systems. If the Company is unable to produce a premium theater experience, consumers may be unwilling to pay the price premiums associated with the cost of IMAX theater tickets and box office performance of IMAX films may decline. Declining box office performance of IMAX films

would materially and adversely harm the Company's business and prospects. The Company also faces in-home competition from a number of alternative motion picture distribution channels such as home video, pay-per-view, video-on-demand, DVD, Internet and syndicated and broadcast television. The Company further competes for the public's leisure time and disposable income with other forms of entertainment, including gaming, sporting events, concerts, live theater, social media and restaurants.

Failure to respond adequately or in a timely fashion to changes and advancements in digital technology could negatively affect the Company's business.

There have been a number of advancements in the digital cinema field in recent years. In order to keep pace with these changes and in order to continue to provide an experience which is premium to and differentiated from conventional cinema experiences, the Company has made, and expects to continue to make, significant investments in digital technology in the form of research and development and the acquisition of third party intellectual property and/or proprietary technology. Recently, the Company has made significant investments in laser technology as part of its effort to develop a next-generation laser-based digital projection system. The process of developing new technologies is inherently uncertain, and the Company can provide no assurance its investments will result in commercially viable advancements to the Company's existing products or in commercially successful new products, or that any such advancements or products will be developed within the timeframe expected.

The Company conducts business internationally, which exposes it to uncertainties and risks that could negatively affect its operations, sales and future growth prospects.

A significant portion of the Company's revenues are generated by customers located outside the United States and Canada. Approximately 48%, 46% and 39% of its revenues were derived outside of the United States and Canada in 2012, 2011 and 2010, respectively. As at December 31, 2012, approximately 80.1% of IMAX theater systems arrangements in backlog are scheduled to be installed in international markets. Accordingly, the Company expects to expand its international operations to account for an increasingly significant portion of its revenues in the future. There are a number of risks associated with operating in international markets that could negatively affect the Company's operations, sales and future growth prospects. These risks include:

- new restrictions on access to markets, both for theater systems and films;
- unusual or burdensome foreign laws or regulatory requirements or unexpected changes to those laws or requirements;
- fluctuations in the value of foreign currency versus the U.S. dollar and potential currency devaluations;
- new tariffs, trade protection measures, import or export licensing requirements, trade embargoes and other trade barriers;
- imposition of foreign exchange controls in such foreign jurisdictions;
- dependence on foreign distributors and their sales channels;
- difficulties in staffing and managing foreign operations;
- adverse changes in monetary and/or tax policies;
- poor recognition of intellectual property rights;
- inflation;
- requirements to provide performance bonds and letters of credit to international customers to secure system component deliveries; and
- political, economic and social instability.

As the Company begins to expand the number of its theaters under joint revenue sharing arrangements in international markets, the Company's revenues from its international operations will become increasingly dependent on the box office performance of its films. In addition, as the Company's international network has expanded, the Company has signed deals with movie studios in other countries to convert their films to the Company's large format and release them to IMAX theaters. The Company may be unable to select films which will be successful in international markets or unsuccessful in selecting the right mix of Hollywood and local DMR

films in a particular country or region. Also, conflicts in international release schedules may make it difficult to release every IMAX film in certain markets. Finally, box office reporting in certain countries may be less accurate and therefore less reliable than in the United States and Canada.

The Company faces risks in connection with the continued expansion of its business in China.

At present, Greater China is the Company's second-largest and fastest growing market. As at December 31, 2012, the Company had 128 theaters operating in Greater China with an additional 122 theaters in backlog that are scheduled to be installed in Greater China by 2018. In order to enable further growth in China, in 2011, the Company formed IMAX China, a wholly-owned subsidiary of the Company. Also in 2011, the Company entered into key joint revenue sharing relationships in China, including a 75-theater arrangement with Wanda Cinema Line Corporation ("Wanda"), which is the Company's largest single international partnership to date, and reflects an even greater financial investment in China. In addition, the Company has begun to release an increasing number of Chinese IMAX DMR films to its growing network in Greater China. As the Company furthers its commitment to China, it is increasingly exposed to risks in that region. These risks include changes in laws and regulations, currency fluctuations, increased competition and changes in economic conditions including consumer spending. Adverse developments in these areas could cause the Company to lose some or all of its investment in China and could cause the Company to fail to achieve anticipated growth.

Moreover, certain risks and uncertainties of doing business in China are solely within the control of the Chinese government, and Chinese law regulates both the scope of the Company's investment in China and the business conducted by it within China. For instance, the Chinese government regulates both the number and timing of Hollywood films released to the China market. The Company cannot provide assurance that the Chinese government will continue to permit the release of IMAX films in China or that the timing of IMAX releases will be favorable to the Company. There are also uncertainties regarding the interpretation and application of laws and regulations and the enforceability of intellectual property and contract rights in China. If the Company were unable to navigate China's regulatory environment, or if the Company were unable to enforce its intellectual property or contract rights in China, the Company's business would be adversely impacted.

With the acquisition of AMC by Wanda, the Company's largest customer will account for a greater percentage of the Company's revenue and backlog.

In the third quarter of 2012, Dalian Wanda Group Co., Ltd., the parent company of Wanda, acquired AMC Entertainment Holdings, Inc. ("AMC"). Prior to this transaction, AMC and Wanda were the Company's first and third largest customers. Under common ownership Wanda/AMC is the Company's largest customer, representing approximately 12.2%, 14.1% and 12.2% of the Company's total revenue in 2012, 2011 and 2010, respectively. The share of the Company's revenue and backlog that is generated by Wanda/AMC may grow as and if the Company and Wanda and/or AMC enter into additional arrangements for IMAX theater systems. Under common ownership, Wanda/AMC may be able to command increased leverage, and no assurance can be given that Wanda/AMC will continue to purchase theater systems and/or enter into joint revenue sharing arrangements with the Company and if so, whether contractual terms will be affected. If the Company does business with Wanda/AMC less frequently or on less favorable terms than currently, the Company's operating results may be adversely affected.

The Company may not be able to adequately protect its intellectual property, and competitors could misappropriate its technology or brand, which could weaken its competitive position.

The Company depends on its proprietary knowledge regarding IMAX theater systems and digital and film technology. The Company relies principally upon a combination of copyright, trademark, patent and trade secret laws, restrictions on disclosures and contractual provisions to protect its proprietary and intellectual property rights. These laws and procedures may not be adequate to prevent unauthorized parties from attempting to copy or otherwise obtain the Company's processes and technology or deter others from developing similar processes or technology, which could weaken the Company's competitive position and require the Company to incur costs to secure enforcement of its intellectual property rights. The protection provided to the Company's proprietary technology by the laws of foreign jurisdictions may not protect it as fully as the laws of Canada or the United States. The lack of protection afforded to intellectual property rights in certain international jurisdictions may be increasingly problematic given the extent to which future growth of the Company is anticipated to come from foreign jurisdictions. Finally, some of the underlying technologies of the Company's products and system components are not covered by patents or patent applications.

The Company owns or licenses patents issued and patent applications pending, including those covering its digital projector, digital conversion technology and laser illumination technology. The Company's patents are filed in the United States, often with corresponding patents or filed applications in other jurisdictions, such as Canada, China, Belgium, Japan, France, Germany and the United Kingdom. The patent applications pending may not be issued or the patents may not provide the Company with any

competitive advantages. The patent applications may also be challenged by third parties. Several of the Company's issued patents in the United States, Canada and Japan for improvements to IMAX projectors, IMAX 3D Dome and sound system components expire between 2016 and 2028. Any claims or litigation initiated by the Company to protect its proprietary technology could be time consuming, costly and divert the attention of its technical and management resources.

In 2011, the Company licensed digital laser technology from Kodak. In January 2012, Kodak filed for bankruptcy protection in the Southern District of New York. While the Company believes it has incorporated sufficient protections into its license agreement with Kodak, there are no guarantees the intellectual property it licensed from Kodak could not be adversely affected by Kodak's bankruptcy filing.

The IMAX brand stands for the highest quality, most immersive motion picture entertainment. Protecting the IMAX brand is a critical element in maintaining the Company's relationships with studios and its exhibitor clients. Though the Company relies on a combination of trademark and copyright law as well as its contractual provisions to protect the IMAX brand, those protections may not be adequate to prevent erosion of the brand over time, particularly in foreign jurisdictions. Erosion of the brand could threaten the demand for the Company's products and services and impair its ability to grow future revenue streams.

The Company's supply of analog film may be constrained as a result of the bankruptcy of Eastman Kodak Company.

Kodak, which is the Company's sole supplier of analog film, filed for bankruptcy protection in the Southern District of New York in January 2012. In August 2012 the court overseeing Kodak's bankruptcy proceedings granted Kodak's motion to reject its film supply agreement with the Company. Kodak has stated publicly that it intends to continue to own and operate its film products business, and to date, Kodak has continued to supply the Company with analog film. However, the Company can provide no assurance that Kodak either will continue to supply analog film under terms acceptable to the Company, or that it will continue to manufacture film at all. Furthermore, Fujifilm Corporation, which had been another significant supplier of analog film to the movie industry, announced in September 2012 that it would cease production for motion pictures beginning in March 2013. As of December 31, 2012, the Company had 167 film-based theaters in its network, and the Company also uses analog film in its film-based cameras. Without a sufficient supply of analog film, the Company may be unable to supply film prints to its film-based theater customers, and it may be unable to utilize its film-based cameras for shooting IMAX films.

The Company is undertaking new lines of business and these new business initiatives may not be successful.

The Company is actively exploring new areas of brand extension, particularly in in-home theater entertainment and alternative theater content. These initiatives represent new areas of growth for the Company, which may not prove to be successful. Some of these initiatives could include the offering of new products and services that may not be accepted by the market. For instance, the Company's equity investment in 3net, a 3D television channel operated by a limited liability corporation owned by the Company, Discovery Communications and Sony Corporation which debuted on February 13, 2011, recorded an equity loss of approximately $1.4 million, $1.8 million and $0.5 million in 2012, 2011 and 2010, respectively. Some areas of potential growth for the Company are in the field of in-home entertainment technology, which is an intensively competitive business and which is dependent on consumer demand, over which the Company has no control. If any new business in which the Company invests or attempts to develop does not progress as planned, the Company may be adversely affected by investment expenses that have not led to the anticipated results, by the distraction of management from its core business or by damage to its brand or reputation.

In addition, these initiatives may involve the formation of joint ventures and business alliances. While the Company seeks to employ the optimal structure for each such business alliance, there is a possibility that the Company may have disagreements with its relevant partner in a joint venture or business with respect to financing, technological management, product development, management strategies or otherwise. Any such disagreement may cause the joint venture or business alliance to be terminated.

The Company may experience adverse effects due to exchange rate fluctuations.

A substantial portion of the Company's revenues are denominated in U.S. dollars, while a substantial portion of its expenses are denominated in Canadian dollars. The Company also generates revenues in Chinese Yuan Renminbi, Euros and Japanese Yen. While the Company periodically enters into forward contracts to hedge its exposure to exchange rate fluctuations between the U.S. and the Canadian dollar, the Company may not be successful in reducing its exposure to these fluctuations. The use of derivative contracts is intended to mitigate or reduce transactional level volatility in the results of foreign operations, but does not completely eliminate volatility.

Current economic conditions beyond the Company's control could materially affect the Company's business by reducing both revenue generated from existing IMAX theater systems and the demand for new IMAX theater systems.

The macro-economic outlook for 2013 remains uncertain in many markets and the U.S. and global economies could remain significantly challenged for an indeterminate period of time. While historically the movie industry has proved to be somewhat resistant to economic downturns, present economic conditions, which are beyond the Company's control, could lead to a decrease in discretionary consumer spending. It is difficult to predict the severity and the duration of any decrease in discretionary consumer spending resulting from the economic downturn and what affect it may have on the movie industry, in general, and box office results of the Company's films in particular. In recent years, the majority of the Company's revenue has been directly derived from the box-office revenues of its films. Accordingly, any decline in attendance at commercial IMAX theaters could materially and adversely affect several sources of key revenue streams for the Company.

The Company also depends on the sale and lease of IMAX theater systems to commercial movie exhibitors to generate revenue. Commercial movie exhibitors generate revenues from consumer attendance at their theaters, which depends on the willingness of consumers to spend discretionary income at movie theaters. While in the past, the movie industry has proven to be somewhat resistant to economic downturns, in the event of declining box office and concession revenues, commercial exhibitors may be less willing to invest capital in new IMAX theaters. In addition, as a result of continuing tight credit conditions that may limit exhibitors' access to capital, exhibitors may be unable to invest capital in new IMAX theaters. A decline in demand for new IMAX theater systems could materially and adversely affect the Company's results of operations.

The issuance of the Company's common shares and the accumulation of shares by certain shareholders could result in the loss of the Company's ability to use certain of the Company's net operating losses.

As at December 31, 2012, the Company had approximately $14.8 million of U.S. consolidated federal tax and certain other state tax net operating loss carryforwards. Realization of some or all of the benefit from these U.S. net tax operating losses is dependent on the absence of certain "ownership changes" of the Company's common shares. An "ownership change," as defined in the applicable federal income tax rules, would place possible limitations, on an annual basis, on the use of such net operating losses to offset any future taxable income that the Company may generate. Such limitations, in conjunction with the net operating loss expiration provisions, could significantly reduce or effectively eliminate the Company's ability to use its U.S. net operating losses to offset any future taxable income.

The Company's revenues from existing customers are derived in part from financial reporting provided by its customers, which may be inaccurate or incomplete, resulting in lost or delayed revenues.

The Company's revenue under its joint revenue sharing arrangements, a portion of the Company's payments under lease or sales arrangements and its film license fees are based upon financial reporting provided by its customers. If such reporting is inaccurate, incomplete or withheld, the Company's ability to receive the appropriate payments in a timely fashion that are due to it may be impaired. The Company's contractual ability to audit IMAX theaters may not rectify payments lost or delayed as a result of customers not fulfilling their contractual obligations with respect to financial reporting.

There is collection risk associated with payments to be received over the terms of the Company's theater system agreements.

The Company is dependent in part on the viability of its exhibitors for collections under long-term leases, sales financing agreements and joint revenue sharing arrangements. Exhibitors or other operators may experience financial difficulties that could cause them to be unable to fulfill their contractual payment obligations to the Company. As a result, the Company's future revenues and cash flows could be adversely affected.

The Company may not convert all of its backlog into revenue and cash flows.

At December 31, 2012, the Company's sales backlog included 276 theater systems, consisting of 139 systems under sales arrangements and 137 theater systems under joint revenue sharing arrangements. The Company lists signed contracts for theater systems for which revenue has not been recognized as sales backlog prior to the time of revenue recognition. The total value of the sales backlog represents all signed theater system sale or lease agreements that are expected to be recognized as revenue in the future and includes initial fees along with the present value of fixed minimum ongoing fees due over the term, but excludes contingent fees in excess of fixed minimum ongoing fees that might be received in the future and maintenance and extended warranty fees. Notwithstanding the legal obligation to do so, not all of the Company's customers with which it has signed contracts may accept delivery of theater systems that are included in the Company's backlog. This could adversely affect the Company's future revenues

and cash flows. In addition, customers with theater system obligations in backlog sometimes request that the Company agree to modify or reduce such obligations, which the Company has agreed to in the past under certain circumstances. Customer requested delays in the installation of theater systems in backlog remain a recurring and unpredictable part of the Company's business.

The Company's operating results and cash flow can vary substantially from quarter to quarter and could increase the volatility of its share price.

The Company's operating results and cash flow can fluctuate substantially from quarter to quarter. In particular, fluctuations in theater system installations and gross box office performance of IMAX DMR content can materially affect operating results. Factors that have affected the Company's operating results and cash flow in the past, and are likely to affect its operating results and cash flow in the future, include, among other things:

- the timing of signing and installation of new theater systems;
- the timing and commercial success of films distributed to the Company's theater network;
- the demand for, and acceptance of, its products and services;
- the recognition of revenue of sales and sales-type leases;
- the classification of leases as sales-type versus operating leases;
- the volume of orders received and that can be filled in the quarter;
- the level of its sales backlog;
- the signing of film distribution agreements;
- the financial performance of IMAX theaters operated by the Company's customers and by the Company;
- financial difficulties faced by customers, particularly customers in the commercial exhibition industry;
- the magnitude and timing of spending in relation to the Company's research and development efforts and related investments as well as new business initiatives; and
- the number and timing of joint revenue sharing arrangement installations, related capital expenditures and timing of related cash receipts.

Most of the Company's operating expenses are fixed in the short term. The Company may be unable to rapidly adjust its spending to compensate for any unexpected shortfall in sales, joint revenue sharing arrangements revenue or IMAX DMR revenue which would harm quarterly operating results, although the results of any quarterly period are not necessarily indicative of its results for any other quarter or for a full fiscal year.

The Company's theater system revenue can vary significantly from its cash flows under theater system sales or lease agreements.

The Company's theater systems revenue can vary significantly from the associated cash flows. The Company often provides financing to customers for theater systems on a long-term basis through long-term leases or notes receivables. The terms of leases or notes receivable are typically 10 years. The Company's sale and lease-type agreements typically provide for three major sources of cash flow related to theater systems:

- initial fees, which are paid in installments generally commencing upon the signing of the agreement until installation of the theater systems;
- ongoing fees, which are paid monthly after all theater systems have been installed and are generally equal to the greater of a fixed minimum amount per annum and a percentage of box-office receipts; and

- ongoing annual maintenance and extended warranty fees, which are generally payable commencing in the second year of theater operations.

Initial fees generally make up the vast majority of cash received under theater system sales or lease agreements for a theater arrangement.

For sales and sales-type leases, the revenue recorded is generally equal to the sum of initial fees and the present value of minimum ongoing fees due under the agreement. Cash received from initial fees in advance of meeting the revenue recognition criteria for the theater systems is recorded as deferred revenue. Contingent fees are recognized as they are reported by the theaters after annual minimum fixed fees are exceeded.

Leases that do not transfer substantially all of the benefits and risks of ownership to the customer are classified as operating leases. For these leases, initial fees and minimum fixed ongoing fees are recognized as revenue on a straight-line basis over the lease term. Contingent fees are recognized as they are reported by the theaters after annual minimum fixed fees are exceeded.

As a result of the above, the revenue set forth in the Company's financial statements does not necessarily correlate with the Company's cash flow or cash position. Revenues include the present value of future contracted cash payments and there is no guarantee that the Company will receive such payments under its lease and sale agreements if its customers default on their payment obligations.

The Company's implementation of a new enterprise resource planning ("ERP") system may adversely affect the Company's business and results of operations or the effectiveness of internal control over financial reporting.

Beginning in the first quarter of 2013, the Company is implementing a new ERP system that will deliver a new generation of work processes and information systems. ERP implementations are complex and time-consuming projects that involve substantial expenditures on system software and implementation activities that take several years. ERP implementations also require transformation of business and financial processes in order to reap the benefits of the ERP system. If the Company does not effectively implement the ERP system as planned or if the system does not operate as intended, it could adversely affect the Company's operations, financial reporting systems, the Company's ability to produce financial reports, and/or the effectiveness of internal control over financial reporting.

The Company's stock price has historically been volatile and declines in market price, including as a result a market downturn, may negatively affect its ability to raise capital, issue debt, secure customer business and retain employees.

The Company is listed on the New York Stock Exchange ("NYSE") and the Toronto Stock Exchange ("TSX") and its publicly traded shares have in the past experienced, and may continue to experience, significant price and volume fluctuations. This market volatility could reduce the market price of its common stock, regardless of the Company's operating performance. A decline in the capital markets generally, or an adjustment in the market price or trading volumes of the Company's publicly traded securities, may negatively affect its ability to raise capital, issue debt, secure customer business or retain employees. These factors, as well as general economic and geopolitical conditions, may have a material adverse effect on the market price of the Company's publicly traded securities.

The credit agreement governing the Company's senior secured credit facility contains significant restrictions that limit its operating and financial flexibility.

The credit agreement governing the Company's senior secured credit facility contains certain restrictive covenants that, among other things, limit its ability to:

- incur additional indebtedness;
- pay dividends and make distributions;
- repurchase stock;
- make certain investments;
- transfer or sell assets;

- create liens;
- enter into transactions with affiliates;
- issue or sell stock of subsidiaries;
- create dividend or other payment restrictions affecting restricted subsidiaries; and
- merge, consolidate, amalgamate or sell all or substantially all of its assets to another person.

These restrictive covenants impose operating and financial restrictions on the Company that limit the Company's ability to engage in acts that may be in the Company's long-term best interests.

The Company is subject to impairment losses on its film assets.

The Company amortizes its film assets, including IMAX DMR costs capitalized using the individual film forecast method, whereby the costs of film assets are amortized and participation costs are accrued for each film in the ratio of revenues earned in the current period to management's estimate of total revenues ultimately expected to be received for that title. Management regularly reviews, and revises when necessary, its estimates of ultimate revenues on a title-by-title basis, which may result in a change in the rate of amortization of the film assets and write-downs or impairments of film assets. Results of operations in future years include the amortization of the Company's film assets and may be significantly affected by periodic adjustments in amortization rates.

The Company is subject to impairment losses on its inventories.

The Company records provisions for excess and obsolete inventory based upon current estimates of future events and conditions, including the anticipated installation dates for the current backlog of theater system contracts, technological developments, signings in negotiation and anticipated market acceptance of the Company's current and pending theater systems. Since the Company introduced a proprietary digitally-based IMAX projection system, increased customer acceptance and preference for the Company's digital projection system may subject existing film-based inventories to further write-downs (resulting in lower margins) as these theater systems become less desirable in the future.

If the Company's goodwill or long lived assets become impaired the Company may be required to record a significant charge to earnings.

Under United States Generally Accepted Accounting Principles ("U.S. GAAP"), the Company reviews its long lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be qualitatively assessed at least annually and when events or changes in circumstances arise or can be quantitatively tested for impairment. Factors that may be considered a change in circumstances include (but are not limited to) a decline in stock price and market capitalization, declines in future cash flows, and slower growth rates in the Company's industry. The Company may be required to record a significant charge to earnings in its financial statements during the period in which any impairment of its goodwill or long lived assets is determined.

Changes in accounting and changes in management's estimates may affect the Company's reported earnings and operating income.

U.S. GAAP and accompanying accounting pronouncements, implementation guidelines and interpretations for many aspects of the Company's business, such as revenue recognition, film accounting, accounting for pensions and other postretirement benefits, accounting for income taxes, and treatment of goodwill or long lived assets, are highly complex and involve many subjective judgments. Changes in these rules, their interpretation, management's estimates, or changes in the Company's products or business could significantly change its reported future earnings and operating income and could add significant volatility to those measures, without a comparable underlying change in cash flow from operations. See "Critical Accounting Policies" in Item 7.

The Company relies on its key personnel, and the loss of one or more of those personnel could harm its ability to carry out its business strategy.

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The Company's operations and prospects depend in large part on the performance and continued service of its senior management team. The Company may not find qualified replacements for any of these individuals if their services are no longer available. The loss of the services of one or more members of the Company's senior management team could adversely affect its ability to effectively pursue its business strategy.

Because the Company is incorporated in Canada, it may be difficult for plaintiffs to enforce against the Company liabilities based solely upon U.S. federal securities laws.

The Company is incorporated under the federal laws of Canada, some of its directors and officers are residents of Canada and a substantial portion of its assets and the assets of such directors and officers are located outside the United States. As a result, it may be difficult for U.S. plaintiffs to effect service within the United States upon those directors or officers who are not residents of the United States, or to realize against them or the Company in the United States upon judgments of courts of the United States predicated upon the civil liability under the U.S. federal securities laws. In addition, it may be difficult for plaintiffs to bring an original action outside of the United States against the Company to enforce liabilities based solely on U.S. federal securities laws.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

The Company's principal executive offices are located in Mississauga, Ontario, Canada, New York, New York, and Santa Monica, California. The Company's principal facilities are as follows:

	Operation	Own/Lease	Expiration
Mississauga, Ontario[1]	Headquarters, Administrative, Assembly and Research and Development	Own	N/A
Santa Monica, California	Sales, Marketing, Film Production and Post-Production	Lease	2015
Beijing, China	Sales	Lease	2015
New York, New York	Executive	Lease	2014
Tokyo, Japan	Sales, Marketing and Maintenance	Lease	2014
Shanghai, China	Sales, Marketing, Maintenance and Administrative	Lease	2014
Moscow, Russia	Sales	Lease	2014
London, United Kingdom	Sales	Lease	2013

(1) This facility is subject to a charge in favor of Wells Fargo Bank in connection with a secured term and revolving credit facility (see note 12 to the accompanying audited consolidated financial statements in Item 8).

Item 3. ***Legal Proceedings***

In March 2005, the Company, together with Three-Dimensional Media Group, Ltd. (“3DMG”), filed a complaint in the U.S. District Court for the Central District of California, Western Division, against In-Three, Inc. (“In-Three”) alleging patent infringement. On March 10, 2006, the Company and In-Three entered into a settlement agreement settling the dispute between the Company and In-Three . Despite the settlement reached between the Company and In-Three, co-plaintiff 3DMG refused to dismiss its claims against In-Three. Accordingly, the Company and In-Three moved jointly for a motion to dismiss the Company’s and In-Three’s claims. On August 24, 2010, the Court dismissed all of the claims pending between the Company and In-Three, thus dismissing the Company from the litigation.

On May 15, 2006, the Company initiated arbitration against 3DMG before the International Centre for Dispute Resolution in New York (the “ICDR”), alleging breaches of the license and consulting agreements between the Company and 3DMG. On June 15, 2006, 3DMG filed an answer denying any breaches and asserting counterclaims that the Company breached the parties’ license agreement. On June 21, 2007, the ICDR unanimously denied 3DMG’s Motion for Summary Judgment filed on April 11, 2007 concerning the Company’s claims and 3DMG’s counterclaims. The proceeding was suspended on May 4, 2009 due to failure of 3DMG to pay fees associated with the proceeding. The proceeding was further suspended on October 11, 2010 pending resolution of reexamination proceedings currently pending involving one of 3DMG’s patents. The Company will continue to pursue its claims vigorously and believes that all allegations made by 3DMG are without merit. The Company further believes that the amount of loss, if any, suffered in connection with the counterclaims would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of the arbitration.

In January 2004, the Company and IMAX Theatre Services Ltd., a subsidiary of the Company, commenced an arbitration seeking damages before the International Court of Arbitration of the International Chambers of Commerce (the “ICC”) with respect to the breach by Electronic Media Limited (“EML”) of its December 2000 agreement with the Company. In June 2004, the Company commenced a related arbitration before the ICC against EML’s affiliate, E-City Entertainment (I) PVT Limited (“E-City”), seeking damages as a result of E-City’s breach of a September 2000 lease agreement. An arbitration hearing took place in November 2005 against E-City which considered all claims by the Company. On February 1, 2006, the ICC issued an award on liability finding unanimously in the Company’s favor on all claims. Further hearings took place in July 2006 and December 2006. On August 24, 2007, the ICC issued an award unanimously in favor of the Company in the amount of $9.4 million, consisting of past and future rents owed to the Company under its lease agreements, plus interest and costs. In the award, the ICC upheld the validity and enforceability of the Company’s theater system contract. The Company thereafter submitted its application to the arbitration panel for interest and costs. On March 27, 2008, the arbitration plan issued a final award in favor of the Company in the amount of $11.3 million, plus an additional $2,512 each day in interest from October 1, 2007 until the date the award is paid, which the Company is seeking to enforce and collect in full. In July 2008, E-City commenced a proceeding in Mumbai, India seeking an order that the ICC award may not be recognized in India. The Company has opposed that application on a number of grounds and seeks to have the ICC award recognized in India. That Mumbai proceeding is still pending. On June 24, 2011, the Company commenced an application to the Ontario Superior Court of Justice for recognition of the final award. On December 2, 2011, the Ontario court issued an order recognizing the final award and requiring E-City to pay the Company $30,000 to cover the costs of the application. On January 18, 2012, the Company filed an application in New York State Supreme Court seeking recognition of the Ontario order in New York. On April 11, 2012, the New York court issued an order granting the Company’s application, leading to an entry of $15.5 million judgment in favor of the Company on May 4, 2012. On January 30, 2013, the Company filed an action in the New York Supreme Court seeking to collect the amount due under the New York judgment from certain entities and individuals affiliated with E-City.

In June 2003, Robots of Mars, Inc. (“Robots”) initiated an arbitration proceeding against the Company in California with the American Arbitration Association pursuant to arbitration provisions in two film production agreements entered into in 1994 and 1995 between Robots’ predecessor-in-interest and a discontinued subsidiary of the Company (“Ridefilm”), asserting claims for breach of contract, fraud, breach of fiduciary duty and intentional interference with the contract. The Company discontinued its Ridefilm business through a sale of the Ridefilm business and its assets to a third party in March 2001. Robots sought an award of over $5.0 million in damages including contingent compensation that it claims was owed under two production agreements, damages for tort claims, and punitive damages. The arbitration hearings of this matter occurred in June and October 2009. The arbitrator issued a final award on March 16, 2011, awarding Robots $0.4 million in damages and $0.3 million in pre-judgment interest to date on its claim for breach of one of the Ridefilm production agreements. The arbitrator found in the Company’s favor on Robots’ tort claims, and awarded Robots no damages on its claim for breach of the second production agreement. Despite finding in the Company’s favor on the vast majority of Robots’ claims, the arbitrator awarded Robots $1.2 million in attorneys’ fees and costs pursuant to the attorneys’ fee provision set forth in the production agreements. Robots initiated two separate proceedings in California and in Ontario, Canada, to confirm the award. On July 13, 2011, a California district court granted Robots’ petition to confirm the award, and denied the Company’s petition to vacate the award. On August 18, 2011, the Company appealed the district court’s denial of its petition to vacate

to the United States Court of Appeals for the Ninth Circuit. On January 12, 2012, the Company, Ridefilm and Robots entered into a confidential settlement agreement, pursuant to which the parties fully and finally resolved and settled all claims between them relating to this dispute. The Company dismissed the Ninth Circuit appeal on January 27, 2012, and is in the process of dismissing the Ontario proceedings.

The Company and certain of its officers and directors were named as defendants in eight purported class action lawsuits filed between August 11, 2006 and September 18, 2006, alleging violations of U.S. federal securities laws. These eight actions were filed in the U.S. District Court for the Southern District of New York. On January 18, 2007, the Court consolidated all eight class action lawsuits and appointed Westchester Capital Management, Inc. as the lead plaintiff and Abbey Spanier Rodd & Abrams, LLP as lead plaintiff's counsel. On October 2, 2007, plaintiffs filed a consolidated amended class action complaint. The amended complaint, brought on behalf of shareholders who purchased the Company's common stock on the NASDAQ between February 27, 2003 and July 20, 2007 (the "U.S. Class"), alleges primarily that the defendants engaged in securities fraud by disseminating materially false and misleading statements during the class period regarding the Company's revenue recognition of theater system installations, and failing to disclose material information concerning the Company's revenue recognition practices. The amended complaint also added PricewaterhouseCoopers LLP, the Company's auditors, as a defendant. On April 14, 2011, the Court issued an order appointing The Merger Fund as the lead plantiff and Abbey Spanier Rodd & Abrams, LLP as lead plantiff's counsel. On November 2, 2011, the parties entered into a memorandum of understanding containing the terms and conditions of a settlement of this action. On January 26, 2012, the parties executed and filed with the Court a formal stipulation of settlement and proposed form of notice to the class, which the Court preliminarily approved on February 1, 2012. Under the terms of the settlement, members of the U.S. Class who do not opt out of the settlement will release defendants from liability for all claims that were alleged in this action or could have been alleged in this action or any other proceeding (including the Canadian Action) relating to the purchase of IMAX securities on the NASDAQ from February 27, 2003 and July 20, 2007 or the subject matter and facts relating to this action. As part of the settlement and in exchange for the release, defendants will pay $12.0 million to a settlement fund which amount will be funded by the carriers of the Company's directors and officers insurance policy and by PricewaterhouseCoopers LLP. On March 26, 2012, the parties executed and filed with the Court an amended formal stipulation of settlement and proposed form of notice to the class, which the court preliminarily approved on March 28, 2012. On June 20, 2012, the court issued an order granting final approval of the settlement. The settlement is conditioned on the Company's receipt of an order from the court in the Canadian Action excluding from the class in the Canadian Action every member of the class in both actions who has not opted out of the U.S. settlement. The hearing on the motion for the order from the court in the Canadian Action occurred on July 30, 2012 and a decision from the court is pending.

A class action lawsuit was filed on September 20, 2006 in the Ontario Superior Court of Justice against the Company and certain of its officers and directors, alleging violations of Canadian securities laws. This lawsuit was brought on behalf of shareholders who acquired the Company's securities between February 17, 2006 and August 9, 2006. The lawsuit is in an early procedural stage and seeks compensatory and punitive damages, as well as costs and expenses. The Company is unable to estimate a potential loss exposure at this time. For reasons released December 14, 2009, the Court granted leave to the Plaintiffs to amend their statement of claim to plead certain claims pursuant to the Securities Act (Ontario) against the Company and certain individuals and granted certification of the action as a class proceeding. These are procedural decisions, and do not contain any conclusions binding on a judge at trial as to the factual or legal merits of the claim. Leave to appeal those decisions was denied. The Company believes the allegations made against it in the statement of claim are meritless and will vigorously defend the matter, although no assurance can be given with respect to the ultimate outcome of such proceedings. The Company's directors and officers insurance policy provides for reimbursement of costs and expenses incurred in connection with this lawsuit as well as potential damages awarded, if any, subject to certain policy limits, exclusions and deductibles.

In addition to the matters described above, the Company is currently involved in other legal proceedings which, in the opinion of the Company's management, will not materially affect the Company's financial position or future operating results, although no assurance can be given with respect to the ultimate outcome of any such proceedings.

Item 4. ***Mine Safety Disclosures***

Not applicable.

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PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities*

The Company's common shares are listed for trading under the trading symbol "IMAX" on the NYSE. Prior to February 11, 2011, the Company's common shares were listed for trading on the NASDAQ Global Select Market ("NASDAQ"). The common shares are also listed on the TSX under the trading symbol "IMX." The following table sets forth the range of high and low sales prices per share for the common shares on NYSE and the TSX.

	U.S. Dollars	
	High	Low
NYSE		
Year ended December 31, 2012		
Fourth quarter	$ 23.20	$ 20.23
Third quarter	$ 25.34	$ 19.21
Second quarter	$ 25.03	$ 19.19
First quarter	$ 26.43	$ 17.83
Year ended December 31, 2011		
Fourth quarter	$ 21.43	$ 13.57
Third quarter	$ 32.60	$ 14.00
Second quarter	$ 37.26	$ 29.04
First quarter	$ 32.35	$ 25.57

	Canadian Dollars	
	High	Low
TSX		
Year ended December 31, 2012		
Fourth quarter	$ 23.22	$ 19.76
Third quarter	$ 25.73	$ 18.89
Second quarter	$ 24.64	$ 19.94
First quarter	$ 26.15	$ 18.03
Year ended December 31, 2011		
Fourth quarter	$ 21.83	$ 14.25
Third quarter	$ 31.94	$ 13.86
Second quarter	$ 36.40	$ 28.46
First quarter	$ 31.43	$ 25.53

As at January 31, 2013, the Company had approximately 259 registered holders of record of the Company's common shares.

Within the last three years, the Company has not paid and has no current plans to pay, cash dividends on its common shares. The payment of dividends by the Company is subject to certain restrictions under the terms of the Company's indebtedness (see note 12 to the accompanying audited consolidated financial statements in Item 8 and "Liquidity and Capital Resources" in Item 7). The payment of any future dividends will be determined by the Board of Directors in light of conditions then existing, including the Company's financial condition and requirements, future prospects, restrictions in financing agreements, business conditions and other factors deemed relevant by the Board of Directors.

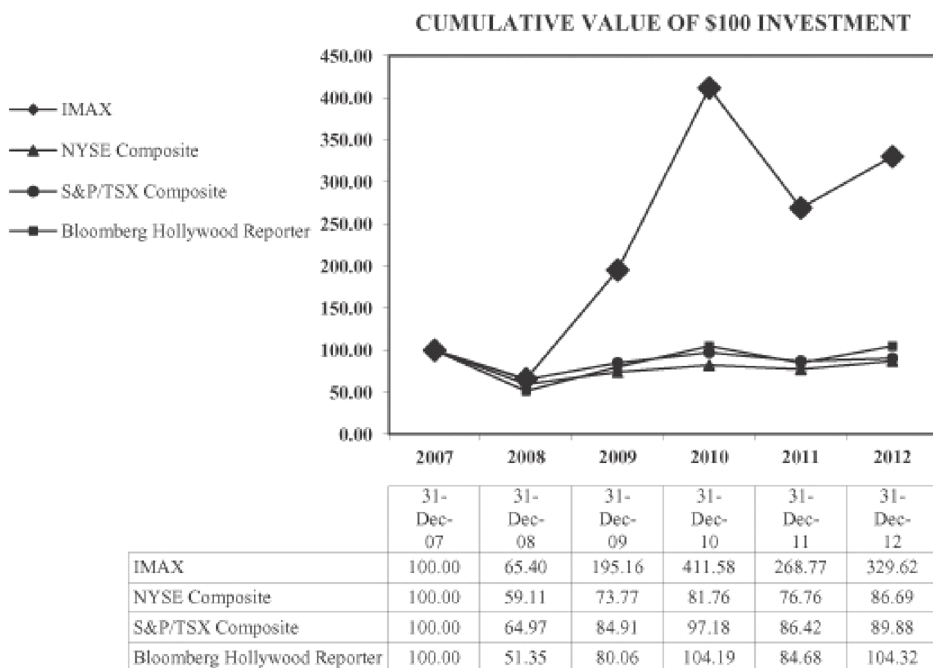
Equity Compensation Plans

The following table sets forth information regarding the Company's Equity Compensation Plan as at December 31, 2012:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	7,441,068	$ 18.48	5,855,417
Equity compensation plans not approved by security holders	nil	nil	nil
Total	7,441,068	$ 18.48	5,855,417

Performance Graph

The following graph compares the total cumulative shareholder return for $100 invested (assumes that all dividends were reinvested) in common shares of the Company against the cumulative total return of the NYSE Composite Index, the S&P/TSX Composite Index and the Bloomberg Hollywood Reporter Index on December 31, 2007 to the end of the most recently completed fiscal year.



	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12
IMAX	100.00	65.40	195.16	411.58	268.77	329.62
NYSE Composite	100.00	59.11	73.77	81.76	76.76	86.69
S&P/TSX Composite	100.00	64.97	84.91	97.18	86.42	89.88
Bloomberg Hollywood Reporter	100.00	51.35	80.06	104.19	84.68	104.32

CERTAIN INCOME TAX CONSIDERATIONS

United States Federal Income Tax Considerations

The following discussion is a general summary of the material U.S. federal income tax consequences of the ownership and disposition of the common shares by a holder of common shares that is an individual resident of the United States or a United States corporation (a "U.S. Holder"). This discussion does not discuss all aspects of U.S. federal income taxation that may be relevant to investors subject to special treatment under U.S. federal income tax law (including, for example, owners of 10.0% or more of the voting shares of the Company).

Distributions on Common Shares

In general, distributions (without reduction for Canadian withholding taxes) paid by the Company with respect to the common shares will be taxed to a U.S. Holder as dividend income to the extent that such distributions do not exceed the current and accumulated earnings and profits of the Company (as determined for U.S. federal income tax purposes). Subject to certain limitations, under current law dividends paid to non-corporate U.S. Holders may be eligible for a reduced rate of taxation as long as the Company is considered to be a "qualified foreign corporation". A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of an income tax treaty with the United States. The amount of a distribution that exceeds the earnings and profits of the Company will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's tax basis in the common shares and thereafter as taxable capital gain. Corporate holders generally will not be allowed a deduction for dividends received in respect of distributions on common shares. Subject to the limitations set forth in the U.S. Internal Revenue Code, as modified by the U.S.-Canada Income Tax Treaty, U.S. Holders may elect to claim a foreign tax credit against their U.S. federal income tax liability for Canadian income tax withheld from dividends. Alternatively, U.S. Holders may claim a deduction for such amounts of Canadian tax withheld.

Disposition of Common Shares

Upon the sale or other disposition of common shares, a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale and such holder's tax basis in the common shares. Gain or loss upon the disposition of the common shares will be long-term if, at the time of the disposition, the common shares have been held for more than one year. Long-term capital gains of non-corporate U.S. Holders may be eligible for a reduced rate of taxation. The deduction of capital losses is subject to limitations for U.S. federal income tax purposes.

Canadian Federal Income Tax Considerations

This summary is applicable to a holder or prospective purchaser of common shares who, for the purposes of the *Income Tax Act* (Canada) and any applicable treaty and at all relevant times, is not (and is not deemed to be) resident in Canada, does not (and is not deemed to) use or hold the common shares in, or in the course of, carrying on a business in Canada, and is not an insurer that carries on an insurance business in Canada and elsewhere.

This summary is based on the current provisions of the *Income Tax Act* (Canada), the regulations thereunder, all specific proposals to amend such Act and regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the Company's understanding of the administrative and assessing practices published in writing by the Canada Revenue Agency prior to the date hereof. This summary does not otherwise take into account any change in law or administrative practice, whether by judicial, governmental, legislative or administrative decision or action, nor does it take into account other federal or provincial, territorial or foreign tax consequences, which may vary from the Canadian federal income tax considerations described herein.

This summary is of a general nature only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder of the common shares and no representation with respect to Canadian federal income tax consequences to any holder of common shares is made herein. Accordingly, prospective purchasers and holders of the common shares should consult their own tax advisers with respect to their individual circumstances.

Dividends on Common Shares

Canadian withholding tax at a rate of 25.0% (subject to reduction under the provisions of any relevant tax treaty) will be payable on dividends (or amounts paid on account or in lieu of payment of, or in satisfaction of, dividends) paid or credited to a holder of common shares outside of Canada. Under the Canada—U.S. Income Tax Convention (1980), as amended (the "Canada—U.S. Income

Tax Treaty") the withholding tax rate is generally reduced to 15.0% for a holder entitled to the benefits of the Canada—U.S. Income Tax Treaty who is the beneficial owner of the dividends (or 5.0% if the holder is a company that owns at least 10.0% of the common shares).

Capital Gains and Losses

Subject to the provisions of any relevant tax treaty, capital gains realized by a holder on the disposition or deemed disposition of common shares held as capital property will not be subject to Canadian tax unless the common shares are taxable Canadian property (as defined in the *Income Tax Act* (Canada)), in which case the capital gains will be subject to Canadian tax at rates which will approximate those payable by a Canadian resident. Common shares generally will not be taxable Canadian property to a holder provided that, at the time of the disposition or deemed disposition, the common shares are listed on a designated stock exchange (which currently includes the TSX) unless at any time within the 60 month period immediately preceding such time (a) such holder, persons with whom such holder did not deal at arm's length or such holder together with all such persons, owned 25.0% or more of the issued shares of any class or series of shares of the Company and (b) more than 50% of the fair market value of the common shares was derived directly or indirectly from one or any combination of (i) real or immovable property situated in Canada, (ii) Canadian resource properties, (iii) timber resource properties, and (iv) options in respect of, or interests in, or for civil law rights in, property described in any of paragraphs (i) to (iii), whether or not the property exists. In certain circumstances set out in the *Income Tax Act* (Canada), the common shares may be deemed to be taxable Canadian property. Under the Canada-U.S. Income Tax Treaty, a holder entitled to the benefits of the Canada—U.S. Income Tax Treaty and to whom the common shares are taxable Canadian property will not be subject to Canadian tax on the disposition or deemed disposition of the common shares unless at the time of disposition or deemed disposition, the value of the common shares is derived principally from real property situated in Canada.

Item 6. *Selected Financial Data*

The selected financial data set forth below is derived from the consolidated financial information of the Company. The financial information has been prepared in accordance with U.S. GAAP. All financial information referred to herein is expressed in U.S. dollars unless otherwise noted.

Revision of Previously Issued Financial Statements

As explained in note 4 to the accompanying audited consolidated financial statements in Item 8 of the Company's 2012 Form 10-K, during a review of the Company's existing benefit packages, the Company determined that Canadian employees, upon meeting certain eligibility requirements, are entitled to postretirement health and welfare benefits for which the obligation had not been included in the prior financial statements as required under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 715 "Compensation – Retirement Benefits". The summary table below presents the impact of the revision adjustments for each of the years in the five year period ended December 31 [1]:

	2011	2010	2009	2008
Net income (loss), as previously reported	$ 15,543	$ 100,779	$ 5,021	$ (33,602)
Less: Selling, general and administrative expenses	(378)	(328)	(293)	(284)
Add: Recovery of income taxes	95	789	—	62
Net income (loss), as revised	$ 15,260	$ 101,240	$ 4,728	$ (33,824)
Diluted EPS, as reported	$ 0.23	$ 1.51	$ 0.09	$ (0.79)
Diluted EPS, as revised	$ 0.22	$ 1.52	$ 0.09	$ (0.80)

(1) The net impact of the revision adjustments to shareholders' equity (deficiency) as of December 31, 2007 was a net increase of $2.5 million to the deficiency.

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Item 6. Selected Financial Data (continued)

The selected financial data set forth below is derived from the consolidated financial information of the Company. The financial information has been prepared in accordance with U.S. GAAP. All financial information referred to herein is expressed in U.S. dollars unless otherwise noted.

(In thousands of U.S. dollars, except per share amounts)	Years Ended December 31, 2012	2011 As Revised	2010 As Revised	2009 As Revised	2008 As Revised
Statements of Operations Data:					
Revenues					
Equipment and product sales	$ 78,161	$ 85,016	$ 72,578	$ 57,304	$ 27,853
Services	136,606	106,720	123,911	82,052	61,477
Rentals	61,268	34,810	46,936	25,758	8,207
Finance income	7,523	6,162	4,789	4,235	4,300
Other[1]	732	3,848	400	1,862	881
	284,290	**236,556**	**248,614**	**171,211**	**102,718**
Costs and expenses applicable to revenues					
Equipment and product sales[2][3]	37,538	38,742	36,394	29,040	17,182
Services[2][3]	72,617	69,277	63,425	49,891	40,771
Rentals[3]	21,402	14,301	11,111	10,093	7,043
Other	—	1,018	32	635	169
	131,557	**123,338**	**110,962**	**89,659**	**65,165**
Gross margin	**152,733**	**113,218**	**137,652**	**81,552**	**37,553**
Selling, general and administrative expenses[4]	81,560	73,157	78,757	56,500	43,965
Provision for arbitration award[5]	—	2,055	—	—	—
Research and development	11,411	7,829	6,249	3,755	7,461
Amortization of intangibles	706	465	513	546	526
Receivable provisions, net of recoveries	524	1,570	1,443	1,067	1,977
Asset impairments[6]	—	28	45	180	—
Impairment of available-for-sale investment[7]	150	—	—	—	—
Income (loss) from continuing operations	**58,382**	**28,114**	**50,645**	**19,504**	**(16,376)**
Interest income	85	57	399	98	381
Interest expense	(689)	(1,827)	(1,885)	(13,845)	(17,707)
Loss on repurchase of Senior Notes due December 2010[8]	—	—	—	(579)	—
Income (loss) from continuing operations before income taxes	**57,778**	**26,344**	**49,159**	**5,178**	**(33,702)**
(Provision for) recovery of income taxes[9]	(15,079)	(9,293)	52,574	(274)	(30)
Loss from equity-accounted investments	(1,362)	(1,791)	(493)	—	—
Net income (loss) from continuing operations	**41,337**	**15,260**	**101,240**	**4,904**	**(33,732)**
Net loss from discontinued operations[10]	—	—	—	(176)	(92)
Net income (loss)	**$ 41,337**	**$ 15,260**	**$ 101,240**	**$ 4,728**	**$ (33,824)**
Net income (loss) per share—basic and diluted:					
Net income (loss) per share—basic:					
Net income (loss) from continuing operations	$ 0.63	$ 0.24	$ 1.59	$ 0.09	$ (0.80)
Net income from discontinued operations	$ —	$ —	$ —	$ —	$ —
	$ 0.63	**$ 0.24**	**$ 1.59**	**$ 0.09**	**$ (0.80)**
Net income (loss) per share—diluted:					
Net income (loss) from continuing operations	$ 0.61	$ 0.22	$ 1.52	$ 0.09	$ (0.80)
Net income from discontinued operations	$ —	$ —	$ —	$ —	$ —
	$ 0.61	**$ 0.22**	**$ 1.52**	**$ 0.09**	**$ (0.80)**

(1) The Company enters into theater system arrangements with customers that typically contain customer payment obligations prior to the scheduled installation of the theater systems. During the period of time between signing and theater system installation, certain customers each year are unable to, or elect not to, proceed with the theater system installation for a number of reasons, including business considerations, or the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the customer and/or the Company may terminate the arrangement by default or by entering into a consensual buyout. In these situations the parties are released from their future obligations under the arrangement, and the initial payments that the customer previously made to the Company and recognized as revenue are typically not refunded. In addition, the Company enters into agreements with customers to terminate their obligations for a theater system configuration and enter into a new arrangement for a different configuration. Other revenues from settlement arrangements were $0.7 million, $3.8 million, $0.4 million, $1.9 million, and $0.9 million in 2012, 2011, 2010, 2009 and 2008, respectively.

(2) In 2012, the Company recognized a charge of $0.9 million in costs and expenses applicable to revenues for the write-down of certain service parts and film-based inventories. Included for the periods 2008 through 2012 are the following inventory write-downs:

	2012	2011	2010	2009	2008
Equipment and product sales	$ 795	$ —	$ 827	$ 48	$ 2,397
Services	103	—	172	849	93
	$ 898	$ —	$ 999	$ 897	$ 2,490

(3) The Company recorded advertising, marketing, and commission costs for the periods 2008 through 2012 as listed below:

	2012	2011	2010	2009	2008
Equipment and product sales	$ 2,690	$ 2,394	$ 1,925	$ 2,041	$ 1,035
Services	4,773	5,648	2,793	2,381	1,622
Rentals	3,381	5,432	4,236	3,405	1,788
Advertising, marketing, and commission costs	$ 10,844	$ 13,474	$ 8,954	$ 7,827	$ 4,445

(4) Includes share-based compensation expense of $13.1 million, $11.7 million, $26.0 million, $17.5 million and $1.0 million for 2012, 2011, 2010, 2009 and 2008, respectively.

(5) In 2011, the Company recorded a provision of $2.1 million regarding an award issued in connection with an arbitration proceeding brought against the Company, relating to agreements entered into in 1994 and 1995 by its former Ridefilm subsidiary, whose business the Company discontinued through a sale to a third party in March 2001. The award was vacated as the parties entered into a confidential settlement agreement in which the parties agreed to dismiss any outstanding disputes among them. See note 14(c) of the accompanying audited consolidated financial statements in Item 8 for more information.

(6) In 2012, the Company recorded asset impairment charges of $nil. Asset impairment charges related to the impairment of assets of certain theater operations amounted to less than $0.1 million, less than $0.1 million, $0.2 million and $nil in 2011, 2010, 2009 and 2008, respectively, after the Company assessed the carrying value of certain assets.

(7) In 2012, the Company recognized a $0.2 million other-than-temporary impairment of its available-for-sale investment as the value is not expected to recover based on the length of time and extent to which the market value has been less than cost.

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(8) In 2009, the Company repurchased all of its outstanding $160.0 million aggregate principal amount of the Company's 9.625% Senior Notes. The Company paid cash to reacquire its bonds, thereby releasing the Company from further obligations to various holders under the indenture governing the Senior Notes. The Company accounted for the bond repurchase in accordance with the Debt Topic of the FASB ASC whereby the net carrying amount of the debt extinguished was the face value of the bonds adjusted for any unamortized premium, discount and costs of issuance, which resulted in a loss of $0.6 million.

(9) The recovery for income taxes in the year ended December 31, 2010 includes a net non-cash income tax benefit of $55.5 million related to a decrease in the valuation allowance for the Company's deferred tax assets and other tax adjustments. This release of the valuation allowance was recorded after it was determined that realization of this deferred income tax benefit is now more likely than not based on current and anticipated future earnings trends.

(10) In 2009, the Company closed its owned and operated Vancouver and Tempe IMAX theaters. The net loss from the operation of the theaters are reflected as discontinued operations, as there are no continuing cash flows from either a migration or a continuation of activities

BALANCE SHEET DATA

(in thousands of U.S. dollars)	As at December 31,				
	2012	2011[2]	2010[2]	2009[2]	2008[2]
Cash and cash equivalents	$ 21,336	$ 18,138	$ 30,390	$ 20,081	$ 27,017
Total assets[1]	$ 421,872	$ 407,249	$ 349,948	$ 247,546	$ 228,667
Total indebtedness	$ 11,000	$ 55,083	$ 17,500	$ 50,000	$ 180,000
Total shareholders' equity (deficiency)	$ 253,079	$ 189,868	$ 155,878	$ 42,136	$ (99,333)[3]

(1) 2009 and 2008 balance sheet data includes the assets of discontinued operations.

(2) 2011, 2010, 2009 and 2008 total assets and total shareholders' equity (deficiency) have been revised to reflect an unfunded postretirement obligation of the Company.

(3) Includes opening retained earnings net decrease of $2.5 million for years prior to 2008 as a result of the revision adjustments.

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QUARTERLY STATEMENTS OF OPERATIONS SUPPLEMENTARY DATA (UNAUDITED)

(in thousands of U.S. dollars, except per share amounts)	2012			
	Q1(1)	Q2(1)	Q3(1)	Q4
Revenues	$55,596	$ 70,210	$ 80,711	$ 77,773
Costs and expenses applicable to revenues	28,735	31,377	35,961	35,484
Gross margin	$ 26,861	$ 38,833	$ 44,750	$ 42,289
Net income—as previously reported	$ 2,588	$ 11,080	$ 14,990	
Adjustment resulting from a correction to reflect an unfunded postretirement obligation	(79)	(46)	(79)	
Net income—as revised (for Q1 through Q3)	$ 2,509	$ 11,034	$ 14,911	$ 12,883
Net income per share—basic—as previously reported	$ 0.04	$ 0.17	$ 0.23	
Net income per share—basic—as revised (for Q1 through Q3)	$ 0.04	$ 0.17	$ 0.23	$ 0.19
Net income per share—diluted—as previously reported	$ 0.04	$ 0.16	$ 0.22	
Net income per share—diluted—as revised (for Q1 through Q3)	$ 0.04	$ 0.16	$ 0.22	$ 0.19

	2011			
	Q1(1)	Q2(1)	Q3(1)	Q4(1)
Revenues	$ 45,160	$57,232	$ 67,488	$66,676
Costs and expenses applicable to revenues	24,514	30,930	31,050	36,844
Gross margin	$ 20,646	$ 26,302	$ 36,438	$ 29,832
Net (loss) income—as previously reported	$ (1,003)	$ 1,825	$ 8,392	$ 6,329
Adjustment resulting from a correction to reflect an unfunded postretirement obligation	(71)	(71)	(70)	(71)
Net (loss) income—as revised	$ (1,074)	$ 1,754	$ 8,322	$ 6,258
Net (loss) income per share—basic—as previously reported	$ (0.02)	$ 0.03	$ 0.13	$ 0.10
Net (loss) income per share—basic—as revised	$ (0.02)	$ 0.03	$ 0.13	$ 0.10
Net (loss) income per share—diluted—as previously reported	$ (0.02)	$ 0.03	$ 0.13	$ 0.09
Net (loss) income per share—diluted—as revised	$ (0.02)	$ 0.03	$ 0.12	$ 0.09

(1) As disclosed in note 4 to the accompanying audited consolidated financial statements in Item 8, the Company identified an error in the fourth quarter of 2012. Management has assessed the materiality of the error and has determined it was not material to any prior period. The Company will revise the comparative numbers presented in future quarterly filings as filed.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

GENERAL

IMAX Corporation, together with its wholly-owned subsidiaries (the "Company"), is one of the world's leading entertainment technology companies, specializing in motion picture technologies and presentations. The Company refers to all theaters using the IMAX theater system as "IMAX theaters." The Company combines proprietary software, architecture and equipment to create the highest-quality, most immersive motion picture experience for which the IMAX® brand has become known globally. Top filmmakers and studios are utilizing IMAX theaters to connect with audiences in extraordinary ways, and, as such, IMAX's network is among the most important and successful theatrical distribution platforms for major event films around the world. As of December 31, 2012 there were 731 IMAX theater systems (598 commercial multiplexes, 19 commercial destinations, 114 institutional) operating in 53 countries. This compares to 634 theater systems (497 commercial multiplexes, 20 commercial destinations, 117 institutional) operating in 50 countries as of December 31, 2011.

IMAX theater systems combine:

- IMAX DMR (Digital Re-Mastering) movie conversion technology, which results in higher image and sound fidelity than conventional cinema experiences;
- advanced, high-resolution projectors with specialized equipment and automated theater control systems, which generate significantly more contrast and brightness than conventional theater systems;
- large screens and proprietary theater geometry, which result in a substantially larger field of view so that the screen extends to the edge of a viewer's peripheral vision and creates more realistic images;
- sound system components, which deliver more expansive sound imagery and pinpointed origination of sound to any specific spot in an IMAX theater; and
- specialized theater acoustics, which result in a four-fold reduction in background noise.

The combination of these components causes audiences in IMAX theaters to feel as if they are a part of the on-screen action, creating a more intense, immersive and exciting experience than in a traditional theater. In addition, the Company's IMAX 3D theater systems combine the same theater systems with 3D images that further enhance the audience's feeling of being immersed in the film.

As a result of the immersiveness and superior image and sound quality of *The* IMAX *Experience*, the Company's exhibitor customers typically charge a premium for IMAX DMR films over films exhibited in their other auditoriums. The premium pricing, combined with the higher attendance levels associated with IMAX, generates incremental box office for the Company's exhibitor customers and for the movie studios releasing their films to the IMAX network. The incremental box office generated by IMAX DMR films has helped establish IMAX as a key premium distribution and marketing platform for Hollywood blockbuster films. Driven by the introduction of its digital projection system into the marketplace in 2008, the number of IMAX DMR films released to the theater network per year has increased to 35 films in 2012, up from 25 films in 2011 and 6 films in 2007. The Company expects to release a similar number of IMAX DMR films in 2013 as compared to 2012.

As one of the world's leaders in entertainment technology, the Company strives to remain at the forefront of advancements in cinema technology. Accordingly, one of the Company's key short-term initiatives is the development of a next-generation laser-based digital projection system. In 2011, the Company announced the completion of a deal in which it secured certain exclusive license rights to a portfolio of intellectual property in the digital cinema field owned by the Eastman Kodak Company ("Kodak"). The transaction involves rights to technology related to laser projection as well as rights in the digital cinema field to a broader range of Kodak technology. On February 7, 2012, the Company announced an agreement with Barco N.V. ("Barco") to co-develop a laser-based digital projection system that incorporates Kodak technology. The Company believes that these arrangements with Kodak and Barco will enable IMAX laser projectors to present greater brightness and clarity, a wider color gamut and deeper blacks, and consume less power and last longer than existing digital technology. The Company believes that a laser projection solution, which it plans to start to roll-out in the second half of 2014, will allow IMAX's network to show the highest quality of digital content and provide the Company the ability to illuminate the largest screens in its network, which are currently film-based.

Important factors that the Company's Chief Executive Officer ("CEO") Richard L. Gelfond uses in assessing the Company's business and prospects include:

- the signing, installation and financial performance of theater system arrangements (particularly its joint revenue sharing arrangements);
- film performance and the securing of new film projects (particularly IMAX DMR films);
- revenue and gross margins from the Company's operating segments;

- operating leverage;
- earnings from operations as adjusted for unusual items that the Company views as non-recurring;
- short—and long-term cash flow projections;
- the continuing ability to invest in and improve the Company's technology to enhance its differentiation of presentation versus other cinematic experiences; and
- the overall execution, reliability and consumer acceptance of The IMAX Experience, related technologies and new initiatives.

The primary revenue sources for the Company can be categorized into two main groups: theater systems and films. On the theater systems side, the Company derives revenues from theater exhibitors primarily through either a sale or sales-type lease arrangement or a joint revenue sharing arrangement. Theater exhibitors also pay for associated maintenance and extended warranty services. Film revenue is derived primarily from film studios for the provision of film production and digital re-mastering services for exhibition on IMAX theater systems around the world. A portion of the Company's film revenues are also derived from the distribution of certain films and the provision of post-production services. The Company also derives a small portion of other revenues from the operation of its own theaters, the provision of aftermarket parts for its system components, and camera rentals.

IMAX Theater Systems: IMAX Systems (Sales and Sales-type Leases), Joint Revenue Sharing Arrangements and Theater System Maintenance

One of the Company's principal businesses is the design, manufacture and delivery of premium theater systems ("IMAX theater systems"). The theater system equipment components (including the projection system, sound system, screen system and, if applicable, 3D glasses cleaning machine), theater design support, supervision of installation, projectionist training and the use of the IMAX brand are all elements of what the Company considers the system deliverable (the "System Deliverable"). The IMAX theater systems are based on proprietary and patented technology developed over the course of the Company's 45-year history. The Company's customers who purchase, lease or otherwise acquire the IMAX theater systems through joint revenue sharing arrangements are theater exhibitors that operate commercial theaters (particularly multiplexes), museums, science centers, or destination entertainment sites. The Company generally does not own IMAX theaters, but licenses the use of its trademarks along with the sale, lease or contribution of the IMAX theater system.

IMAX Systems

The Company provides IMAX theater systems to customers on a sales or long-term lease basis, typically with an initial 10-year term. These agreements typically comprise of initial fees and ongoing fees (which can include a fixed minimum amount per annum and contingent fees in excess of the minimum payments) and maintenance and extended warranty fees. The initial fees vary depending on the system configuration and location of the theater and generally are paid to the Company in installments between the time of system signing and the time of system installation, which is when the total of these fees, in addition to the present value of future annual minimum payments, are recognized as revenue. Ongoing fees are paid over the term of the contract, commencing after the theater system has been installed and are generally equal to the greater of a fixed minimum amount per annum or a percentage of box-office receipts. Contingent payments in excess of fixed minimum ongoing payments are recognized as revenue when reported by theater operators, provided collectibility is reasonably assured. Typically, ongoing fees are indexed to a local consumer price index. Finance income is derived over the term of a financed sale or sales-type lease arrangement as the unearned income on that financed sale or sales-type lease is earned.

Under a sales agreement, title to the theater system equipment components passes to the customer. In certain instances, however, the Company retains title or a security interest in the equipment until the customer has made all payments required under the agreement. Under the terms of a sales-type lease agreement, title to the theater system equipment components remains with the Company. The Company has the right to remove the equipment for non-payment or other defaults by the customer.

The revenue earned from customers under the Company's theater system sales or lease agreements can vary from quarter to quarter and year to year based on a number of factors, including the number and mix of theater system configurations sold or leased, the timing of installation of the theater systems, the nature of the arrangement and other factors specific to individual contracts.

Joint Revenue Sharing Arrangements

The Company also provides IMAX theater systems to customers under joint revenue sharing arrangements, pursuant to which the Company provides the IMAX theater system in return for a portion of the customer's IMAX box-office receipts, and in some cases concession revenues and/or a small upfront or initial payment. Pursuant to these revenue-sharing arrangements, the Company retains

title to the theater system equipment components and rent payments are contingent, instead of fixed or determinable, on film performance. Joint revenue sharing arrangements generally have a 10-year initial term are typically renewable by the customer for one or more additional terms of between 5 and 10 years. The Company has the right to remove the equipment for non-payment or other defaults by the customer. The contracts are generally non-cancellable by the customer unless the Company fails to perform its obligations.

The introduction of joint revenue sharing arrangements has been an important factor in the expansion of the Company's commercial theater network, which has grown by approximately 245% since 2008. Joint revenue sharing arrangements allow commercial theater exhibitors to install IMAX theater systems without the significant initial capital investment required in a sale or sales-type lease arrangement. Since customers under joint revenue sharing arrangements pay the Company a portion of their ongoing box office, joint revenue sharing arrangements also drive recurring cash flows and earnings for the Company. The retirement of a significant portion of the Company's debt during 2009, increased cash flows from operations during subsequent years and the Company's expanded credit facility has allowed the Company the financial flexibility to fund the expansion of its joint revenue sharing strategy. As at December 31, 2012, the Company had 316 theaters in operation under joint revenue sharing arrangements, a 23.0% increase as compared to the 257 joint revenue sharing arrangements open as at December 31, 2011. The Company also had contracts in backlog for an additional 137 theaters under joint revenue sharing arrangements as at December 31, 2012.

The Company cautions that as an increasing portion of its revenues are derived from IMAX theaters under joint revenue sharing arrangements, it is increasingly subject to the success or failure of its IMAX DMR film slate. The revenue earned from customers under the Company's joint revenue sharing arrangements can vary from quarter to quarter and year to year based on a number of factors including film performance, the mix of theater system configurations, the timing of installation of these theater systems, the nature of the arrangement, the location, size and management of the theater and other factors specific to individual arrangements. Ongoing revenue from theater systems under joint revenue sharing arrangements is derived from box-office results and concession revenues reported by the theater operator, provided collectibility is reasonably assured.

Theater System Maintenance

For all IMAX theaters, theater owners or operators are also generally responsible for paying the Company an annual maintenance and extended warranty fee. Annual maintenance fees are generally paid throughout the duration of the term of the theater agreements and are typically indexed to a local consumer price index.

Films: Digital Re-Mastering (IMAX DMR) and other film revenue

Production and Digital Re-Mastering (IMAX DMR)

In 2002, the Company developed a proprietary technology to digitally re-master Hollywood films into IMAX digital cinema package format or 15/70-format film at a modest cost incurred by the Company for exhibition in IMAX theaters. This system, known as IMAX DMR, digitally enhances the image resolution of motion picture films for projection on IMAX screens while maintaining or enhancing the visual clarity and sound quality to levels for which *The* IMAX *Experience* is known. This technology enabled the IMAX theater network to release Hollywood films simultaneously with their broader domestic release. The development of this technology was critical in helping the Company execute its strategy of expanding its commercial theater network by establishing IMAX theaters as a key, premium distribution platform for Hollywood films. In a typical IMAX DMR film arrangement, the Company will receive a percentage of net box-office receipts of any commercial films released in the IMAX network, which is generally 10-15%, from a film studio for the conversion of the film to the IMAX DMR format and access to its premium distribution platform. In 2012, 35 films converted through the IMAX DMR process were released to theaters within the IMAX network (2011—25 films converted through the IMAX DMR process). To date, the Company has announced the release of 23 IMAX DMR titles to theaters within the IMAX network in 2013. The Company remains in active discussions with every major studio regarding future titles for 2013 and beyond, and expects a similar number of IMAX DMR films to be released to the IMAX network in 2013 as in 2012.

The Company believes that its international expansion is an important driver of future growth for the Company. In fact, during 2012, 49.3% of the Company's gross box-office from DMR films was generated in international markets, as compared to 47.6% in 2011. To support growth in international markets, the Company has sought to bolster its international film slate through local language IMAX DMR releases in select international markets, as well as early international releases. During 2012, five local language IMAX DMR films were released, including one French film, *Houba! On the Trail of the Marsupilami: The* IMAX *Experience* and four Chinese IMAX DMR titles: *Tai Chi 0: An* IMAX *3D Experience*, *Tai Chi Hero: An* IMAX *3D Experience, Back to 1942: The* IMAX *Experience* and *CZ12: The* IMAX *Experience*. In 2013, additional Chinese IMAX DMR films are expected to be released to IMAX

theaters in Greater China, including the recent releases of *The Grandmaster: The* IMAX *Experience* and *Journey to the West: Conquering the Demons: An* IMAX *3D Experience.* Also in 2013, *Dragon Ball Z: Battle of the Gods: An* IMAX *3D Experience*, a Japanese IMAX DMR film, *Stalingrad: An* IMAX *3D Experience*, a Russian IMAX DMR film, *Dhoom 3: The* IMAX *Experience*, an Indian IMAX DMR film will be released to IMAX theaters within the respective markets. The Company expects to announce additional local language IMAX DMR films to be released to the IMAX network in 2013 and beyond. Supplementing the Company's film slate of Hollywood DMR titles with appealing local DMR titles is an important component of the Company's international film strategy.

Film Distribution and Post-Production

The Company is also a distributor of large-format films, primarily catering to its institutional theater partners. The Company generally distributes films which it produces or for which it has acquired distribution rights from independent producers. The Company generally receives a percentage of the theater box-office receipts as a distribution fee.

Films produced by the Company are typically financed through third parties, whereby the Company will generally receive a film production fee in exchange for producing the film and a distribution fee for distributing the film. The ownership rights to such films may be held by the film sponsors, the film investors and/or the Company. The Company utilizes third-party funding for the majority of original films it produces and distributes. In 2012, the Company, along with Warner Bros. Pictures ("WB") and MacGillivray Freeman Films ("MFF") released an original title, *To the Artic 3D: An* IMAX 3D *Experience.* In 2011, the Company, along with WB, released *Born to be Wild 3D: An* IMAX 3D *Experience*. In January 2013, the Company announced an agreement with MFF to jointly finance, market and distribute up to four films (with an option for four additional films) produced by MFF to be released exclusively to IMAX theaters. The agreement will provide IMAX's institutional theater partners access to a steady flow of the highest-quality, large-format documentaries over the years to come.

David Keighley Productions 70MM Inc., a wholly-owned subsidiary of the Company, provides film post-production and quality control services for large-format films (whether produced internally or externally), and digital post-production services.

Other Revenues

The Company derives a small portion of its revenues from other sources. As at December 31, 2012 and 2011, the Company had four owned and operated theaters. In addition, the Company has a commercial arrangement with one theater resulting in the sharing of profits and losses and provides management services to two theaters. The Company also rents its proprietary 2D and 3D large-format film and digital cameras to third party production companies. The Company maintains cameras and other film equipment and also offers production advice and technical assistance to both documentary and Hollywood filmmakers. Additionally, the Company generates revenues from the sale of after-market parts and 3D glasses.

See "Critical Accounting Policies" below for further discussion on the Company's revenue recognition policies.

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IMAX Theater Network

The following table outlines the breakdown of the theater network by type and geographic location as at December 31:

	2012 Theater Network Base				2011 Theater Network Base			
	Commercial Multiplex	Commercial Destination	Institutional	Total	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	290	6	57	353	269	6	61	336
Canada	34	2	7	43	26	2	7	35
Greater China(1)	108	—	20	128	70	—	18	88
Asia (excluding Greater China)	46	3	7	56	35	3	9	47
Western Europe	42	7	11	60	36	7	10	53
Russia & the CIS	32	—	—	32	22	—	—	22
Latin America(2)	19	—	10	29	15	—	10	25
Rest of the World	27	1	2	30	24	2	2	28
Total	598	19	114	731	497	20	117	634

(1) Greater China includes China, Hong Kong, Taiwan and Macau.
(2) Latin America includes South America, Central America and Mexico.

As of December 31, 2012, approximately 54.2% of IMAX systems in operation are located in the United States and Canada compared to 58.5% as at the end of last year. Approximately 19.9% of IMAX theater systems arrangements in backlog are scheduled to be installed in the United States and Canada compared to 16.0% last year. The commercial exhibitor market in the United States and Canada represents an important customer base for the Company in terms of both collections under existing arrangements and potential future theater system contracts. The Company has targeted these operators for the sale or sales-type lease of its IMAX digital projection system, as well as for joint revenue sharing arrangements. While the Company is pleased with its progress in the U.S. and Canadian exhibitor markets, there is no assurance that the Company's progress in these markets will continue, particularly as a higher percentage of these markets are penetrated. To minimize the Company's credit risk in this area, the Company retains title to the underlying theater systems leased, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimates of potentially uncollectible amounts.

While the Company continues to grow domestically, it believes that the majority of its future growth will come from underpenetrated, international markets. As at December 31, 2012, approximately 45.8% of IMAX systems in operation were located within international markets (defined as all countries other than the United States and Canada), as compared to 41.5% as at December 31, 2011. The Company expects growth in international markets to be an increasingly significant part of its business. There are, however, risks associated with the Company's international business. See Risk Factors – "The Company conducts business internationally, which exposes it to uncertainties and risks that could negatively affect its operations, sales and future growth prospects" in Item 1A of the Company's 2012 Form 10-K.

During 2011, the Company formed IMAX (Shanghai) Multimedia Technology Co., Ltd. ("IMAX China"), a wholly-owned subsidiary, to enable further growth in Greater China, the Company's second-largest and fastest-growing market. The Company believes that favorable market trends in China, including government initiatives to foster cinema screen growth, to increase the number of Hollywood films distributed in China (particularly IMAX and 3D films), and to support the film industry, present opportunities for additional growth, though the Company cautions that its expansion in China faces a number of challenges. See Risk Factors – "The Company faces risks in connection with the continued expansion of its business in China" in Item 1A of the Company's 2012 Form 10-K. In March 2011, the Company announced a 75-theater joint revenue sharing arrangement with Wanda Cinema Line Corporation, China's largest cinema chain ("Wanda"). The agreement with Wanda, which represents IMAX's largest single international joint revenue sharing arrangement to date, brings the total number of IMAX theaters open or in backlog in Greater China to 250. As at December 31, 2012, IMAX China had offices in Shanghai and Beijing and a total of 51 employees. On February 18, 2012, the U.S. and Chinese governments announced the terms of an agreement to expand the number of Hollywood films to be released in China to include 14 additional IMAX or 3D format films and to permit distributors to receive higher distribution fees. The Company believes this is a positive development for its business in China and elsewhere.

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The following table outlines the breakdown of the Commercial Multiplex theater network by arrangement type and geographic location as at December 31:

	2012			2011		
	IMAX Commercial Multiplex Theater Network			IMAX Commercial Multiplex Theater Network		
	JRSA	Sale / Sales-type lease	Total	JRSA	Sale / Sales-type lease	Total
Domestic Total (United States & Canada)	212	112	324	192	103	295
International:						
Greater China	54	54	108	30	40	70
Asia (excluding Greater China)	26	20	46	22	13	35
Western Europe	24	18	42	13	23	36
Russia & the CIS	—	32	32	—	22	22
Latin America	—	19	19	—	15	15
Rest of the World	—	27	27	—	24	24
International Total	104	170	274	65	137	202
Worldwide Total	316	282	598	257	240	497

As at December 31, 2012, 212 (2011 — 192) of the 316 (2011 — 257) theaters under joint revenue sharing arrangements in operation, or 67.1% (2011 — 74.7%) were located in the United States and Canada, with the remaining 104 (2011 — 65) or 32.9% of arrangements being located in international markets. The Company continues to seek to expand the number of theaters under joint revenue sharing arrangements it has in select international markets.

Sales Backlog

The number of theater systems in the backlog and their dollar value fluctuates depending on the number of new theater system arrangements signed from quarter to quarter, which adds to backlog, and its installation and acceptance of theater systems and the settlement of contracts, both of which reduce backlog. Sales backlog typically represents the fixed contracted revenue under signed theater system sale and lease agreements that the Company believes will be recognized as revenue upon installation and acceptance of the associated theater. Sales backlog includes initial fees along with the estimated present value of contractual ongoing fees due over the lease term; however, it excludes amounts allocated to maintenance and extended warranty revenues as well as fees in excess of contractual ongoing fees that may be received in the future. The value of sales backlog does not include revenue from theaters in which the Company has an equity interest, operating leases, letters of intent or long-term conditional theater commitments. The value of theaters under joint revenue sharing arrangements is generally excluded from the dollar value or sales backlog, although certain theater systems under joint revenue sharing arrangements provide for contracted upfront payments and therefore carry a backlog value based on these payments. The Company believes that the contractual obligations for theater system installations that are listed in sales backlog are valid and binding commitments.

The Company's sales backlog is as follows:

	December 31, 2012		December 31, 2011	
	Number of Systems	Dollar Value (*in thousands*)	Number of Systems	Dollar Value (*in thousands*)
Sales and sale-type lease arrangements	139[(1)]	$ 168,101	144[(1)]	$ 176,184
Joint revenue sharing arrangements	137	31,652	119	21,516
	276	$199,753	263	$ 197,700

(1) Includes 11 upgrades from a film-based theater system to a digital theater system in an existing IMAX theater location (including one laser-based system in a commercial theater and 4 laser-based systems in institutional theaters).

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The following table outlines the breakdown of the total backlog by arrangement type and geographic location as at December 31:

	2012			2011		
	JRSA	Sale / Sales-type lease	Total	JRSA	Sale / Sales-type lease	Total
Domestic Total (United States & Canada)	39	16	55	24	18	42
International:						
Greater China	80	42	122	81	43	124
Asia (excluding Greater China)	14	19	33	9	16	25
Western Europe	4	1	5	5	1	6
Russia & the CIS	—	23	23	—	23	23
Latin America	—	35	35	—	38	38
Rest of the World	—	3	3	—	5	5
International Total	98	123	221	95	126	221
Worldwide Total	137	139(1)	276(1)	119	144 (2)	263 (2)

(1) Includes 11 upgrades from a film-based theater system to a digital theater system in an existing IMAX theater location (including one laser-based system in a commercial theater and 4 laser-based systems in institutional theaters).

(2) Includes 10 upgrades from a film-based theater system to a digital theater system in an existing IMAX theater location (all commercial theaters).

The Company believes that over time its commercial multiplex theater network could grow to approximately 1,700 IMAX theaters worldwide from 598 commercial multiplex IMAX theaters operating as of December 31, 2012 and expects the majority of its future growth to come from underpenetrated, international markets. Approximately 80.1% of IMAX theater system arrangements in backlog as at December 31, 2012 are scheduled to be installed within international markets, compared with 84.0% as at December 31, 2011. Of the Company's 121 new theater signings in 2012, 77 were signings for theaters in international markets.

	Years Ended December 31,	
	2012	2011
Theater System Signings:		
Full new sales and sale-type lease arrangements	43	58
New joint revenue sharing arrangements	78	132
Total new theaters	121	190
Upgrades of IMAX theater systems	21(1)(2)	19
Total theater signings	142	209

	Years Ended December 31,	
	2012	2011
Theater System Installations:		
Full new sales and sale-type lease arrangements	47	51
New joint revenue sharing arrangements	60	86
Total new installations	107	137
Upgrades of IMAX theater systems	18	33
Total theater installations	125	170

(1) Includes three IMAX theaters acquired from another existing customer that had been operating under a joint revenue sharing

arrangement. These theaters were purchased from the Company under a sales arrangement. This transaction is not included in the Company's theater system installations table presented above.

(2) Includes 17 upgrades from film-based theater systems to digital theater systems in existing IMAX theater locations, including one laser-based system in a commercial theater and 4 laser-based systems in institutional theaters.

The Company estimates that it will install approximately 110 to 125 new theater systems (excluding digital upgrades) in 2013. Unlike in previous years in which the Company's installation estimates were limited to scheduled installations from backlog, the Company now includes in its estimates not only scheduled systems from backlog, but also the Company's estimate of installations from arrangements that will sign and install in the same calendar year. The Company cautions, however, that theater system installations slip from period to period in the course of the Company's business, usually for reasons beyond its control.

From time to time, in the normal course of its business, the Company, will have customers who are unable to proceed with a theater system installation for a number of reasons, including the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the agreement with the customer is generally terminated or amended. If the agreement is terminated, once the Company and the customer are released from all their future obligations under the agreement, all or a portion of the initial rents or fees that the customer previously made to the Company are recognized as revenue.

CRITICAL ACCOUNTING POLICIES

The Company prepares its consolidated financial statements in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP").

The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, management evaluates its estimates, including those related to selling prices associated with the individual elements in multiple element arrangements; residual values of leased theater systems; economic lives of leased assets; allowances for potential uncollectibility of accounts receivable, financing receivables and net investment in leases; provisions for inventory obsolescence; ultimate revenues for film assets; impairment provisions for film assets, long-lived assets and goodwill; depreciable lives of property, plant and equipment; useful lives of intangible assets; pension plan and post retirement assumptions; accruals for contingencies including tax contingencies; valuation allowances for deferred income tax assets; and, estimates of the fair value and expected exercise dates of stock-based payment awards. Management bases its estimates on historic experience, future expectations and other assumptions that are believed to be reasonable at the date of the consolidated financial statements. Actual results may differ from these estimates due to uncertainty involved in measuring, at a specific point in time, events which are continuous in nature, and differences may be material. The Company's significant accounting policies are discussed in note 2 to its audited consolidated financial statements in Item 8 of the Company's 2012 Form 10-K.

The Company considers the following significant estimates, assumptions and judgments to have the most significant effect on its results:

Revenue Recognition

The Company generates revenue from various sources as follows:

- design, manufacture, sale and lease of proprietary theater systems for IMAX theaters principally owned and operated by commercial and institutional customers located in 53 countries as at December 31, 2012;
- production, digital re-mastering, post-production and/or distribution of certain films shown throughout the IMAX theater network;
- operation of certain IMAX theaters primarily in the United States;
- provision of other services to the IMAX theater network, including ongoing maintenance and extended warranty services for IMAX theater systems; and
- other activities, which includes short-term rental of cameras and aftermarket sales of projector system components.

Multiple Element Arrangements

The Company's revenue arrangements with certain customers may involve multiple elements consisting of a theater system (projector, sound system, screen system and, if applicable, 3D glasses cleaning machine); services associated with the theater system including theater design support, supervision of installation, and projectionist training; a license to use of the IMAX brand; 3D glasses; maintenance and extended warranty services; and licensing of films. The Company evaluates all elements in an arrangement to determine what are considered typical deliverables for accounting purposes and which of the deliverables represent separate units of accounting based on the applicable accounting guidance in the Leases Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or "Codification"); the Guarantees Topic of the FASB ASC; the Entertainment – Films Topic of the FASB ASC; and the Revenue Recognition Topic of the FASB ASC. If separate units of accounting are either required under the relevant accounting standards or determined to be applicable under the Revenue Recognition Topic, the total consideration received or receivable in the arrangement is allocated based on the applicable guidance in the above noted standards.

Theater Systems

The Company has identified the projection system, sound system, screen system and, if applicable, 3D glasses cleaning machine, theater design support, supervision of installation, projectionist training and the use of the IMAX brand to be a single deliverable and a single unit of accounting (the "System Deliverable"). When an arrangement does not include all the elements of a System Deliverable, the elements of the System Deliverable included in the arrangement are considered by the Company to be a single deliverable and a single unit of accounting. The Company is not responsible for the physical installation of the equipment in the customer's facility; however, the Company supervises the installation by the customer. The customer has the right to use the IMAX brand from the date the Company and the customer enter into an arrangement.

The Company's System Deliverable arrangements involve either a lease or a sale of the theater system. Consideration in the Company's arrangements that are not joint revenue sharing arrangements, consists of upfront or initial payments made before and after the final installation of the theater system equipment and ongoing payments throughout the term of the lease or over a period of time, as specified in the arrangement. The ongoing payments are the greater of an annual fixed minimum amount or a certain percentage of the theater box-office. Amounts received in excess of the annual fixed minimum amounts are considered contingent payments. The Company's arrangements are non-cancellable, unless the Company fails to perform its obligations. In the absence of a material default by the Company, there is no right to any remedy for the customer under the Company's arrangements. If a material default by the Company exists, the customer has the right to terminate the arrangement and seek a refund only if the customer provides notice to the Company of a material default and only if the Company does not cure the default within a specified period.

Sales Arrangements

For arrangements qualifying as sales, the revenue allocated to the System Deliverable is recognized in accordance with the Revenue Recognition Topic of the FASB ASC, when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and are in full working condition, (ii) the 3D glasses cleaning machine, if applicable, has been delivered, (iii) projectionist training has been completed, and (iv) the earlier of (a) receipt of written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater, provided there is persuasive evidence of an arrangement, the price is fixed or determinable and collectibility is reasonably assured.

The initial revenue recognized consists of the initial payments received and the present value of any future initial payments and fixed minimum ongoing payments that have been attributed to this unit of accounting. Contingent payments in excess of the fixed minimum ongoing payments are recognized when reported by theater operators, provided collectibility is reasonably assured.

The Company has also agreed, on occasion, to sell equipment under lease or at the end of a lease term. Consideration agreed to for these lease buyouts is included in revenues from equipment and product sales, when persuasive evidence of an arrangement exists, the fees are fixed or determinable, collectibility is reasonably assured and title to the theater system passes from the Company to the customer.

In a certain sales arrangement not subject to the provisions of the amended FASB ASC 605-25, "Revenue Recognition: Multiple-Element Arrangements" ("ASC 605-25"), the Company provided a customer with digital upgrades on several systems, including several specified upgrades to an as-of-yet undeveloped product. At the current period-end, the Company has not yet established the fair value of this product, and as a result, the Company cannot determine the arrangement's consideration, nor its allocation of consideration between delivered and undelivered items. Consequently, revenue recognition has been deferred for all delivered items in

the arrangement. Once the Company determines an objective and reliable fair value of the undeveloped specified upgrade, the Company will be able to calculate total arrangement consideration and consequently, the Company will be able to recognize revenue on the delivered elements of the arrangement. If the arrangement is materially modified in the future such that contract consideration becomes fixed, the arrangement in its entirety would be subject to the provisions of the amended FASB ASC 605-25 and the Company would be required to develop, absent an established selling price for the undeveloped specified upgrade, a best estimated selling price for the undeveloped specified upgrade, allocate the arrangement's consideration on a relative selling price allocation basis, and recognize revenue on the delivered elements based on that allocation.

Lease Arrangements

The Company uses the Leases Topic of the FASB ASC to evaluate whether an arrangement is a lease and the classification of the lease. Arrangements not within the scope of the accounting standard are accounted for either as a sales or services arrangement, as applicable.

For lease arrangements, the Company determines the classification of the lease in accordance with the Leases Topic of the FASB ASC. A lease arrangement that transfers substantially all of the benefits and risks incident to ownership of the equipment is classified as a sales-type lease based on the criteria established in the accounting standard; otherwise the lease is classified as an operating lease. Prior to commencement of the lease term for the equipment, the Company may modify certain payment terms or make concessions. If these circumstances occur, the Company reassesses the classification of the lease based on the modified terms and conditions.

For sales-type leases, the revenue allocated to the System Deliverable is recognized when the lease term commences, which the Company deems to be when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and are in full working condition, (ii) the 3D glasses cleaning machine, if applicable, has been delivered, (iii) projectionist training has been completed, and (iv) the earlier of (a) receipt of the written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater, provided collectibility is reasonably assured.

The initial revenue recognized for sales-type leases consists of the initial payments received and the present value of future initial payments and fixed minimum ongoing payments computed at the interest rate implicit in the lease. Contingent payments in excess of the fixed minimum payments are recognized when reported by theater operators, provided collectibility is reasonably assured.

For operating leases, initial payments and fixed minimum ongoing payments are recognized as revenue on a straight-line basis over the lease term. For operating leases, the lease term is considered to commence when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and are in full working condition, (ii) the 3D glasses cleaning machine, if applicable, has been delivered, (iii) projectionist training has been completed, and (iv) the earlier of (a) receipt of the written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater. Contingent payments in excess of fixed minimum ongoing payments are recognized as revenue when reported by theater operators, provided collectibility is reasonably assured.

Revenue from joint revenue sharing arrangements with upfront payments that qualify for classification as sales-type leases is recognized in accordance with the sales-type lease criteria discussed above. Contingent revenues from joint revenue sharing arrangements is recognized as box office results and concessions revenues are reported by the theater operator, provided collectibility is reasonably assured.

Equipment and components allocated to be used in future joint revenue sharing arrangements, as well as direct labor costs and an allocation of direct production costs, are included in assets under construction until such equipment is installed and in working condition, at which time the equipment is depreciated on a straight-line basis over the lesser of the term of the joint revenue sharing arrangement and the equipment's anticipated useful life.

Finance Income

Finance income is recognized over the term of the lease or over the period of time specified in the sales arrangement, provided collectibility is reasonably assured. Finance income recognition ceases when the Company determines that the associated receivable is not collectible.

Finance income is suspended when the Company identifies a theater that is delinquent, non-responsive or not negotiating in good faith with the Company. Once the collectibility issues are resolved the Company will resume recognition of finance income.

Terminations, Consensual Buyouts and Concessions

The Company enters into theater system arrangements with customers that provide for customer payment obligations prior to the scheduled installation of the theater system. During the period of time between signing and the installation of the theater system, which may extend several years, certain customers may be unable to, or elect not to, proceed with the theater system installation for a number of reasons including business considerations, or the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the arrangement may be terminated under the default provisions of the arrangement or by mutual agreement between the Company and the customer (a "consensual buyout"). Terminations by default are situations when a customer does not meet the payment obligations under an arrangement and the Company retains the amounts paid by the customer. Under a consensual buyout, the Company and the customer agree, in writing, to a settlement and to release each other of any further obligations under the arrangement or an arbitrated settlement is reached. Any initial payments retained or additional payments received by the Company are recognized as revenue when the settlement arrangements are executed and the cash is received, respectively. These termination and consensual buyout amounts are recognized in Other revenues.

In addition, the Company could agree with customers to convert their obligations for other theater system configurations that have not yet been installed to arrangements to acquire or lease the IMAX digital theater system. The Company considers these situations to be a termination of the previous arrangement and origination of a new arrangement for the IMAX digital theater system. For all arrangements entered into or modified prior to the date of adoption of the amended FASB ASC 605-25, the Company continues to defer an amount of any initial fees received from the customer such that the aggregate of the fees deferred and the net present value of the future fixed initial and ongoing payments to be received from the customer equals the selling price of the IMAX digital theater system to be leased or acquired by the customer. Any residual portion of the initial fees received from the customer for the terminated theater system is recorded in Other revenues at the time when the obligation for the original theater system is terminated and the new theater system arrangement is signed. Under the amended FASB ASC 605-25, as described in note 2(m) to the accompanying notes to the audited consolidated financial statements, for all arrangements entered into or materially modified after the date of adoption, the total arrangement consideration to be received is allocated on a relative selling price basis to the digital upgrade and the termination of the previous theater system. The arrangement consideration allocated to the termination of the existing arrangement is recorded in Other revenues at the time when the obligation for the original theater system is terminated and the new theater system arrangement is signed.

The Company may offer certain incentives to customers to complete theater system transactions including payment concessions or free services and products such as film licenses or 3D glasses. Reductions in, and deferral of, payments are taken into account in determining the sales price either by a direct reduction in the sales price or a reduction of payments to be discounted in accordance with the Leases or Interests Topic of the FASB ASC. Free products and services are accounted for as separate units of accounting. Other consideration given by the Company to customers are accounted for in accordance with the Revenue Recognition Topic of the FASB ASC.

Maintenance and Extended Warranty Services

Maintenance and extended warranty services may be provided under a multiple element arrangement or as a separately priced contract. Revenues related to these services are deferred and recognized on a straight-line basis over the contract period and are recognized in Services revenues. Maintenance and extended warranty services includes maintenance of the customer's equipment and replacement parts. Under certain maintenance arrangements, maintenance services may include additional training services to the customer's technicians. All costs associated with this maintenance and extended warranty program are expensed as incurred. A loss on maintenance and extended warranty services is recognized if the expected cost of providing the services under the contracts exceeds the related deferred revenue.

Film Production and IMAX DMR Services

In certain film arrangements, the Company produces a film financed by third parties, whereby the third party retains the copyright and the Company obtains exclusive distribution rights. Under these arrangements, the Company is entitled to receive a fixed fee or to retain as a fee the excess of funding over cost of production (the "production fee"). The third parties receive a portion of the revenues received by the Company from distributing the film, which is charged to costs and expenses applicable to revenues-services. The production fees are deferred, and recognized as a reduction in the cost of the film, based on the ratio of the Company's distribution revenues recognized in the current period to the ultimate distribution revenues expected from the film.

Revenue from film production services where the Company does not hold the associated distribution rights are recognized in Service revenues when performance of the contractual service is complete, provided there is persuasive evidence of an agreement, the fee is fixed or determinable and collectibility is reasonably assured.

Revenues from digitally re-mastering (IMAX DMR) films where third parties own or hold the copyrights and the rights to distribute the film are derived in the form of processing fees and recoupments calculated as a percentage of box-office receipts generated from the re-mastered films. Processing fees are recognized as Service revenues when the performance of the related re-mastering service is completed, provided there is persuasive evidence of an arrangement, the fee is fixed or determinable and collectibility is reasonably assured. Recoupments, calculated as a percentage of box-office receipts, are recognized as Services revenues when box-office receipts are reported by the third party that owns or holds the related film rights, provided collectibility is reasonably assured.

Losses on film production and IMAX DMR services are recognized as costs and expenses applicable to revenues-services in the period when it is determined that the Company's estimate of total revenues to be realized by the Company will not exceed estimated total production costs to be expended on the film production and the cost of IMAX DMR services.

Film Distribution

Revenue from the licensing of films is recognized in Services revenues when persuasive evidence of a licensing arrangement exists, the film has been completed and delivered, the license period has begun, the fee is fixed or determinable and collectibility is reasonably assured. When license fees are based on a percentage of box-office receipts, revenue is recognized when box-office receipts are reported by exhibitors, provided collectibility is reasonably assured.

Film Post-Production Services

Revenues from post-production film services are recognized in Services revenue when performance of the contracted services is complete provided there is persuasive evidence of an arrangement, the fee is fixed or determinable and collectibility is reasonably assured.

Other

The Company recognizes revenue in Services revenue from its owned and operated theaters resulting from box-office ticket and concession sales as tickets are sold, films are shown and upon the sale of various concessions. The sales are cash or credit card transactions with theatergoers based on fixed prices per seat or per concession item.

In addition, the Company enters into commercial arrangements with third party theater owners resulting in the sharing of profits and losses which are recognized in Service revenues when reported by such theaters. The Company also provides management services to certain theaters and recognizes revenue over the term of such services.

Revenues on camera rentals are recognized in Rental revenue over the rental period.

Revenue from the sale of 3D glasses is recognized in Equipment and product sales revenue when the 3D glasses have been delivered to the customer.

Other service revenues are recognized in Service revenues when the performance of contracted services is complete.

Allowances for Accounts Receivable and Financing Receivables

Allowances for doubtful accounts receivable are based on the Company's assessment of the collectibility of specific customer balances, which is based upon a review of the customer's credit worthiness, past collection history and the underlying asset value of the equipment, where applicable. Interest on overdue accounts receivable is recognized as income as the amounts are collected.

The Company monitors the performance of the theaters to which it has leased or sold theater systems which are subject to ongoing payments. When facts and circumstances indicate that there is a potential impairment in the accounts receivable, net investment in lease or a financing receivable, the Company will evaluate the potential outcome of either renegotiations involving changes in the terms of the receivable or defaults on the existing lease or financed sale agreements. The Company will record a provision if it is

considered probable that the Company will be unable to collect all amounts due under the contractual terms of the arrangement or a renegotiated lease amount will cause a reclassification of the sales-type lease to an operating lease.

When the net investment in lease or the financing receivable is impaired, the Company will recognize a provision for the difference between the carrying value in the investment and the present value of expected future cash flows discounted using the effective interest rate for the net investment in the lease or the financing receivable. If the Company expects to recover the theater system, the provision is equal to the excess of the carrying value of the investment over the fair value of the equipment.

When the minimum lease payments are renegotiated and the lease continues to be classified as a sales-type lease, the reduction in payments is applied to reduce unearned finance income.

These provisions are adjusted when there is a significant change in the amount or timing of the expected future cash flows or when actual cash flows differ from cash flow previously expected.

Once a net investment in lease or financing receivable is considered impaired, the Company does not recognize interest income until the collectibility issues are resolved. When finance income is not recognized, any payments received are applied against outstanding gross minimum lease amounts receivable or gross receivables from financed sales.

Inventories

Inventories are carried at the lower of cost, determined on an average cost basis, and net realizable value except for raw materials, which are carried out at the lower of cost and replacement cost. Finished goods and work-in-process include the cost of raw materials, direct labor, theater design costs, and an applicable share of manufacturing overhead costs.

The costs related to theater systems under sales and sales-type lease arrangements are relieved from inventory to costs and expenses applicable to revenues-equipment and product sales when revenue recognition criteria are met. The costs related to theater systems under operating lease arrangements and joint revenue sharing arrangements are transferred from inventory to assets under construction in property, plant and equipment when allocated to a signed joint revenue sharing arrangement or when the arrangement is first classified as an operating lease.

The Company records provisions for excess and obsolete inventory based upon current estimates of future events and conditions, including the anticipated installation dates for the current backlog of theater system contracts, technological developments, signings in negotiation, growth prospects within the customers' ultimate marketplace and anticipated market acceptance of the Company's current and pending theater systems.

Finished goods inventories can contain theater systems for which title has passed to the Company's customer, under the contract, but the revenue recognition criteria as discussed above have not been met.

Asset Impairments

The Company performs a qualitative, and when necessary quantitative, impairment test on its goodwill on an annual basis, coincident with the year-end, as well as in quarters where events or changes in circumstances suggest that the carrying amount may not be recoverable.

Goodwill impairment is assessed at the reporting unit level by comparing the unit's carrying value, including goodwill, to the fair value of the unit. Significant estimates and judgment are involved in the impairment test. The carrying values of each unit are subject to allocations of certain assets and liabilities that the Company has applied in a systematic and rational manner. The fair value of the Company's units is assessed using a discounted cash flow model. The model is constructed using the Company's budget and long-range plan as a base.

Long-lived asset impairment testing is performed at the lowest level of an asset group at which identifiable cash flows are largely independent. In performing its review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset or asset group and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized in the consolidated statement of operations. Measurement of the impairment loss is based on the excess of the carrying amount of the asset or asset group over the fair value calculated using discounted expected future cash flows.

The Company's estimates of future cash flows involve anticipating future revenue streams, which contain many assumptions that are subject to variability, as well as estimates for future cash outlays, the amounts of which, and the timing of which are both uncertain. Actual results that differ from the Company's budget and long-range plan could result in a significantly different result to an impairment test, which could impact earnings.

Foreign Currency Translation

Monetary assets and liabilities of the Company's operations which are denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the end of the period. Non-monetary items are translated at historical exchange rates. Revenue and expense transactions are translated at exchange rates prevalent at the transaction date. Such exchange gains and losses are included in the determination of earnings in the period in which they arise. The Company has determined that the functional currency of all its wholly-owned subsidiaries is the United States dollar.

Foreign currency derivatives are recognized and measured in the balance sheet at fair value. Changes in the fair value (gains or losses) are recognized in the consolidated statement of operations except for derivatives designated and qualifying as foreign currency hedging instruments. For foreign currency hedging instruments, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in other comprehensive income ("OCI") and reclassified to the consolidated statement of operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the consolidated statement of operations.

Pension Plan and Postretirement Benefit Obligations Assumptions

The Company's pension plan and postretirement benefit obligations and related costs are calculated using actuarial concepts, within the framework of the Compensation – Retirement Benefits Topic of the FASB ASC. A critical assumption to this accounting is the discount rate. The Company evaluates this critical assumption annually or when otherwise required to by accounting standards. Other assumptions include factors such as expected retirement date, mortality rate, rate of compensation increase, and estimates of inflation.

The discount rate enables the Company to state expected future cash payments for benefits as a present value on the measurement date. The guideline for setting this rate is a high-quality long-term corporate bond rate. A lower discount rate increases the present value of benefit obligations and increases pension expense. The Company's discount rate was determined by considering the average of pension yield curves constructed from a large population of high-quality corporate bonds. The resulting discount rate reflects the matching of plan liability cash flows to the yield curves.

The discount rate used is a key assumption in the determination of the pension benefit obligation and expense. At December 31, 2012, a 1.0% change in the discount rate used could result in a $2.3 million — $2.7 million increase or decrease in the pension benefit obligation with a corresponding benefit or charge recognized in other comprehensive income in the year. A one year delay in Mr. Gelfond's retirement date would increase the discount rate by 0.3% and would result in a $0.4 million reduction in the pension benefit obligation as at December 31, 2012.

Deferred Tax Asset Valuation

As at December 31, 2012, the Company had net deferred income tax assets of $36.5 million. The Company's management assesses realization of its deferred tax assets based on all available evidence in order to conclude whether it is more likely than not that the deferred tax assets will be realized. Available evidence considered by the Company includes, but is not limited to, the Company's historic operating results, projected future operating results, reversing temporary differences, contracted sales backlog at December 31, 2012, changing business circumstances, and the ability to realize certain deferred tax assets through loss and tax credit carry-back and carry-forward strategies.

When there is a change in circumstances that causes a change in judgment about the realizability of the deferred tax assets, the Company would adjust the applicable valuation allowance in the period when such change occurs.

Tax Exposures

The Company is subject to ongoing tax exposures, examinations and assessments in various jurisdictions. Accordingly, the Company may incur additional tax expense based upon the outcomes of such matters. In addition, when applicable, the Company adjusts tax expense to reflect the Company's ongoing assessments of such matters which require judgment and can materially increase or decrease its effective rate as well as impact operating results. The Company provides for such exposures in accordance with Income Taxes Topic of the FASB ASC.

Stock-Based Compensation

The Company utilizes a lattice-binomial option-pricing model (the "Binomial Model") to determine the fair value of stock-based payment awards. The fair value determined by the Binomial Model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The Binomial Model also considers the expected exercise multiple which is the multiple of exercise price to grant price at which exercises are expected to occur on average. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because the Company's employee stock options and stock appreciation rights ("SARs") have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion, the Binomial Model best provides an accurate measure of the fair value of the Company's employee stock options and SARs. Although the fair value of employee stock options and SARs are determined in accordance with the Equity topic of the FASB ASC using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

Impact of Recently Issued Accounting Pronouncements

See note 3 to the audited consolidated financial statements in Item 8 of the Company's 2012 Form 10-K for information regarding the Company's recent changes in accounting policies and the impact of recently issued accounting pronouncements impacting the Company.

ASSET IMPAIRMENTS AND OTHER CHARGES (RECOVERIES)

The following table identifies the Company's charges (recoveries) relating to the impairment of assets:

	Years Ended December 31,		
(in thousands of U.S. dollars)	2012	2011	2010
Asset impairments			
Property, plant and equipment	$ —	$ 28	$ 45
Other charges (recoveries):			
Inventories	898	—	999
Accounts receivable	606	333	499
Financing receivables	(82)	1,237	944
Impairment of available-for-sale investment	150	—	—
Property, plant and equipment	18	356	—
Other intangible assets	11	—	64
Other assets	6	—	—
Total asset impairments and other charges	$1,607	$1,954	$2,551

Asset Impairments

The Company records asset impairment charges for property, plant and equipment after an assessment of the carrying value of certain asset groups in light of their future expected cash flows. No such charges were recognized in 2012. During 2011 and 2010, the Company recorded total asset impairment charges of less than $0.1 million and less than $0.1 million, respectively, as the Company recognized that the carrying values for the assets exceeded the expected undiscounted future cash flows.

Other Charges (Recoveries)

The Company recorded a $0.9 million provision (2011 — $nil; 2010 — $1.0 million) in costs and expenses applicable to revenues due to a reduction in the net realizable value of its inventories. These charges primarily resulted from a reduction in the net realizable value of its film-based projector inventories and certain service part inventories due to a further market shift away from film-based projector systems.

The Company recorded a net provision of $0.6 million in 2012 (2011 — $0.3 million; 2010 — $0.5 million) in accounts receivable based on the Company's assessment of the collectability of specific customer balances.

In 2012, the Company also recorded a net recovery of $0.1 million in financing receivables (2011 — $1.2 million provision; 2010 — $0.9 million provision). Provisions of the Company's financing receivables is recorded when the collectibility associated with certain financing receivables is uncertain. These provisions are adjusted when there is a significant change in the amount or timing of the expected future cash flows or when actual cash flows differ from cash flows previously expected.

In 2012, the Company recognized a $0.2 million other-than-temporary impairment of its available-for-sale investment as the value is not expected to recover based on the length of time and extent to which the market value has been less than cost.

In 2012, the Company recorded a less than $0.1 million charge (2011 — $0.4 million) reflecting assets that no longer meet capitalization requirements as the assets were no longer in use. No such charges were recorded in 2010.

Non-GAAP Financial Measures

In this report, the Company presents adjusted net income and adjusted net income per diluted share as supplemental measures of performance of the Company, which are not recognized under U.S. GAAP. The Company presents adjusted net income and adjusted net income per diluted share because it believes that they are important supplemental measures of its comparable controllable operating performance and it wants to ensure that its investors fully understand the impact of its stock-based compensation, provision for arbitration award and deferred income tax valuation allowance (net of any related tax impact) on its net income. Effective the third quarter of 2012, the Company revised its definition of adjusted net income and adjusted earnings per diluted share. Comparative numbers have been adjusted to conform to the current year presentation. The Company presents gross margin from its joint revenue sharing arrangements segment excluding initial launch costs because it believes that it is an important supplemental measure used by management to evaluate ongoing joint revenue sharing arrangement theater performance. Management uses these measures to review operating performance on a comparable basis from period to period. However, these non-GAAP measures may not be comparable to similarly titled amounts reported by other companies. Adjusted net income and adjusted net income per diluted share should be considered in addition to, and not as a substitute for, net income and other measures of financial performance reported in accordance with U.S. GAAP.

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RESULTS OF OPERATIONS

As identified in note 20 to the audited consolidated financial statements in Item 8 of the Company's 2012 Form 10-K, the Company has seven reportable segments identified by category of product sold or service provided: IMAX systems; theater system maintenance; joint revenue sharing arrangements; film production and IMAX DMR; film distribution; film post-production; and other.

- The IMAX systems segment, which is comprised of the design, manufacture, sale or lease of IMAX theater projection system equipment.
- The theater system maintenance segment, which consists of the maintenance of IMAX theater projection system equipment in the IMAX theater network.
- The joint revenue sharing arrangements segment, which is comprised of the provision of IMAX theater projection system equipment to an exhibitor in exchange for a certain percentage of box-office receipts, and in some cases, concession revenue and a small upfront or initial payment.
- The film production and IMAX DMR segment, which is comprised of the production of films and performance of film re-mastering services.
- The film distribution segment, which includes the distribution of films for which the Company has distribution rights.
- The film post-production segment, which includes the provision of film post-production and film print services.
- The other segment, which includes certain IMAX theaters that the Company owns and operates, camera rentals and other miscellaneous items.

The accounting policies of the segments are the same as those described in note 2 to the audited consolidated financial statements in Item 8 of the Company's 2012 Form 10-K.

The Company's Management's Discussion and Analysis of Financial Condition and Results of Operations have been discussed with respect to the above stated segments. Management feels that a discussion and analysis based on its segments is significantly more relevant as the Company's consolidated statements of operations captions combine results from several segments.

The following table sets forth the breakdown of revenue and gross margin by segment:

(In thousands of U.S. dollars)	Revenue			Gross Margin		
	Years Ended December 31,			Years Ended December 31,		
	2012	2011	2010	2012	2011	2010
Theater Systems						
IMAX Systems						
Sales and sales-type leases (1)	$ 69,988	$ 81,310	$ 63,023	$ 36,974	$ 45,251	$ 31,452
Ongoing rent, fees, and finance income (2)	13,417	11,890	12,981	13,271	11,678	12,531
	83,405	93,200	76,004	50,245	56,929	43,983
Theater System Maintenance	28,629	24,840	21,444	10,970	9,437	10,084
Joint Revenue Sharing Arrangements	57,526	30,764	41,757	37,308	17,605	31,703
Film						
Production and IMAX DMR	78,050	50,592	63,462	49,355	23,574	41,159
Distribution	14,222	16,074	17,937	2,356	3,025	5,205
Post-production	7,904	8,235	7,702	1,954	2,985	2,891
	100,176	74,901	89,101	53,665	29,584	49,255
Other	14,554	12,851	20,308	545	(337)	2,627
	$284,290	$236,556	$248,614	$152,733	$113,218	$137,652

(1) Includes initial payments and the present value of fixed minimum payments from equipment, sales and sales-type lease transactions.

(2) Includes rental income from operating leases, contingent rents from operating and sales-type leases, contingent fees from sales arrangements and finance income.

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Year Ended December 31, 2012 versus Year Ended December 31, 2011

The Company reported net income of $41.3 million or $0.63 per basic share and $0.61 per diluted share for the year ended December 31, 2012 as compared to net income of $15.3 million or $0.24 per basic share and $0.22 per diluted share for the year ended December 31, 2011. Net income for the year ended December 31, 2012 includes a $13.1 million charge or $0.19 per diluted share (2011 — $11.7 million or $0.17 per diluted share) for stock-based compensation. Net income for December 31, 2011 also includes a one-time $2.1 million pre-tax charge ($0.03 per diluted share) due to an arbitration award arising from an arbitration proceeding brought against the Company in connection with a discontinued subsidiary. Adjusted net income, which consists of net income excluding the impact of stock-based compensation, the charge for arbitration award and the related tax impact, was $54.3 million or $0.80 per diluted share for the year ended December 31, 2012 as compared to adjusted net income of $28.0 million or $0.41 per diluted share for the year ended December 31, 2011. A reconciliation of net income, the most directly comparable U.S. GAAP measure, to adjusted net income and adjusted net income per diluted share is presented in the table below:

	Year Ended December 31,			
	2012		2011 As Revised	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Reported net income	$ 41,337	$ 0.61	$15,260	$ 0.22
Adjustments:				
Stock-based compensation	13,113	0.19	11,681	0.17
Provision for arbitration award	—	—	2,055	0.03
Tax impact on items listed above	(160)	—	(973)	(0.01)
Adjusted net income	$54,290	$ 0.80	$ 28,023	$ 0.41
Weighted average diluted shares outstanding		67,933		67,859

Revenues and Gross Margin

The Company's revenues for the year ended December 31, 2012 increased 20.2% to $284.3 million from $236.6 million in 2011 due in large part to increases in revenue from the Company's film and joint revenue sharing arrangement segments, partially offset by lower revenue from the IMAX systems segment. The gross margin across all segments in 2012 was $152.7 million, or 53.7% of total revenue, compared to $113.2 million, or 47.9% of total revenue in 2011. The increase in gross margin is attributable to improved operating leverage and continued theater network growth.

IMAX Systems

IMAX systems revenue decreased 10.5% to $83.4 million in 2012 as compared to $93.2 million in 2011.

Revenue from sales and sales-type leases decreased 13.9% to $70.0 million in 2012 from $81.3 million in 2011, resulting primarily from the installation of fewer digital upgrades and slightly fewer systems under sales and sales-type leases as compared to the prior year. The Company recognized revenue on 12 digital upgrades and one 3D GT upgrade (from a 2D GT system) in 2012, with a total value of $5.4 million, as compared to 25 digital upgrades in 2011 with a total value of $11.6 million. Digital upgrades have lower sales prices and gross margin than a full theater installation. The Company has decided to offer digital upgrades at lower selling prices for strategic reasons since the Company believes that digital systems increase flexibility and profitability for the Company's existing exhibition customers. The Company recognized revenue on 47 full, new theater systems which qualified as either sales or sales-type leases in 2012, with a total value of $60.7 million, as compared to 50 in 2011 with a total value of $63.4 million. There were no used systems installed in 2012, as compared to one used system with a total value of $1.2 million in 2011.

Average revenue per full, new sales and sales-type lease system was $1.3 million in 2012, which is consistent with the $1.3 million experienced in 2011. Average revenue per digital upgrade was $0.4 million in 2012, as compared to $0.5 million in 2011.

The breakdown in mix of sales and sales-type lease and joint revenue sharing arrangement installations by theater system configuration for 2012 and 2011 is outlined in the table below:

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	2012	2011
Sales and Sales-type lease systems—installed and recognized		
IMAX 3D GT	1	1 (1)
IMAX 3D SR	1	—
IMAX digital	45	50
Total new theater systems	47	51
Upgrades of IMAX theater systems	13	25
	60	76
IMAX digital upgrades—installed and deferred	3	8
Total sales and sales-type leases—installed	63	84
Joint revenue sharing arrangements—installed and operating		
New IMAX digital theater systems	60	86
Upgrades of IMAX theater systems	2	—
	125	170

(1) Includes one used IMAX 3D GT system

As noted in the table above, 3 and 8 theater systems under a digital upgrade sales arrangement were installed in 2012 and 2011, respectively, but revenue recognition was deferred. The arrangement contained provisions providing the customer with standard digital upgrades, which were installed, and a number of as-of-yet undeveloped upgrades. The Company's policy is such that once the fair value for the undeveloped upgrade is established, the Company allocates total contract consideration, including any upgrade revenues, between the delivered and undelivered elements on a relative fair value basis and recognizes the revenue allocated to the delivered elements with their associated costs. If the arrangement is materially modified in the future such that contract consideration becomes fixed, the arrangement in its entirety would be subject to the provisions of the amended ASC 605-25 and the Company would be required to develop, absent an established selling price or third party evidence of the selling price for the undeveloped specified upgrade, a best estimated selling price for the undeveloped specified upgrade, allocate the arrangement's consideration on a relative selling price allocation basis, and recognize revenue on the delivered elements based on that allocation.

Revenues from sales and sales-type leases include settlement revenue of $0.7 million in 2012 as compared to $3.8 million in 2011. The amount recognized in 2012 is a result of agreements entered into with customers to terminate their existing obligations pertaining to a theater in the IMAX network, whereas settlement revenue recognized in 2011 primarily relates to a consensual buyout for one uninstalled theater system.

In 2012, one of the Company's customers acquired 3 IMAX theaters from another existing customer that had been operating under a joint revenue sharing arrangement. These theaters were purchased from IMAX under a sales arrangement. As a result of this sale transaction, the Company recorded revenue and margin of $3.0 million and $2.1 million, respectively. These above-referenced theaters were included in the Company's 2012 signings total. In addition, during the period the Company recognized the digital upgrade of two theaters under a joint revenue sharing arrangement, which theaters were previously operated under sales/sales-type lease arrangements.

Gross margin from IMAX sales and sales-type lease systems (including new, upgrades and settlements) was $37.0 million, or 52.8% in 2012 compared to $45.3 million, or 55.7% in 2011. Gross margin from full, new sales and sales-type leases, excluding the impact of settlements and upgrades decreased to 62.4% in 2012 from 66.0% in 2011. The gross margin on digital upgrades was $1.4 million in 2012 in comparison with $2.6 million in 2011, which is a reflection of the number of systems upgraded, the particular systems upgraded and the costs associated with such upgrades in their respective periods. There were no used systems installed during 2012, compared to one used system with a gross margin of $0.1 million installed and recognized in 2011. In addition, in 2012, the Company incurred a charge of $1.7 million for equipment to enable certain theaters to elect to exhibit films such as *The Dark Knight Rises* in either digital or analog format. Furthermore, in 2012, the Company recorded a write-down of certain film-based projector inventories of $0.8 million. No such costs were experienced in 2011.

Ongoing rent revenue and finance income increased to $13.4 million in 2012 from $11.9 million in 2011. Gross margin for ongoing rent and finance income increased to $13.3 million in 2012 from $11.7 million in 2011. Contingent fees included in this caption amounted to $3.0 million and $2.7 million in 2012 and 2011, respectively.

Theater System Maintenance

Theater system maintenance revenue increased 15.3% to $28.6 million in 2012 as compared to $24.8 million in 2011. Theater system maintenance gross margin increased to $11.0 million in 2012 from $9.4 million in 2011. The increase in revenue and gross margin, respectively, was primarily due to the larger theater network. Maintenance revenue continues to grow as the number of theaters in the IMAX network expands. Maintenance margins vary depending on the mix of theater system configurations in the theater network and the timing and the date(s) of installation and/or service. In 2012, the Company recorded a write-down of $0.1 million for certain service parts inventories as compared to $nil in 2011.

Joint Revenue Sharing Arrangements

Revenue from joint revenue sharing arrangements increased 87.0% to $57.5 million in 2012 compared to $30.8 million in 2011. The Company ended the year with 316 theaters operating under joint revenue sharing arrangements as compared to 257 theaters at the end of 2011, an increase of 23.0%. The increase in revenues from joint revenue sharing arrangements was primarily due to the higher per-screen gross box office realized from the films released to joint revenue sharing theaters and the increase in the number of theaters in the IMAX theater network from the prior year. During 2012, the Company installed 60 full, new theaters under joint revenue sharing arrangements, as compared to 86 full new theaters during 2011.

The gross margin from joint revenue sharing arrangements in 2012 increased 111.9% to $37.3 million compared to $17.6 million in 2011. The increase was primarily due to higher revenues experienced in 2012 compared to 2011, as well as lower advertising, marketing and selling expenses. Included in the calculation of the 2012 gross margin were certain advertising, marketing, and selling expenses primarily associated with new theater launches of $3.4 million, as compared to $5.4 million for such expenses in 2011. Adjusted gross margin from joint revenue sharing arrangements, which excludes these expenses from both periods, was $40.7 million in 2012, compared to $23.0 million in 2011. A reconciliation of gross margin from the joint revenue sharing arrangement segment, the most directly comparable U.S. GAAP measure, to adjusted gross margin is presented in the table below:

(In thousands of U.S. Dollars)	2012	2011
Gross margin from joint revenue sharing arrangements	$ 37,308	$17,605
Add:		
Advertising, marketing and selling expenses	3,382	5,432
Adjusted gross margin from joint revenue sharing arrangements	$40,690	$ 23,037

Film

The Company's total revenues from its three film segments increased 33.7% to $100.2 million in 2012 from $74.9 million in 2011 and the related gross margin increased 81.4% in 2012 to $53.7 million from $29.6 million in 2011.

Film production and IMAX DMR revenues increased 54.3% to $78.1 million in 2012 from $50.6 million in 2011. The increase in film production and IMAX DMR revenues was primarily due to an increase in the number of theaters in the IMAX theater network as well as higher gross box office from the films released during the period. Global gross box office generated by IMAX DMR films increased 48.8% to $620.6 million in 2012 versus $417.2 million in 2011. IMAX DMR gross box office per screen for 2012 averaged $1,153,200 globally, in comparison to $1,069,300 in 2011.

Film production and IMAX DMR gross margins more than doubled to $49.4 million, or 63.2% of revenues, from $23.6 million, or 46.6% of revenues in 2011 largely due to an increase in IMAX DMR revenue coupled with a relatively consistent level of DMR costs as compared to the prior year.

In 2012, gross-box office was generated primarily from the exhibition of 39 films listed below (35 new and 4 carryovers), as compared to 26 (25 new and 1 carryover) films exhibited in 2011:

2012 Films Exhibited	2011 Films Exhibited
Happy Feet Two: An IMAX *3D Experience*	*TRON: Legacy: An* IMAX *3D Experience*
Mission: Impossible – Ghost Protocol: The IMAX *Experience*	*The Green Hornet: An* IMAX *3D Experience*
The Adventures of Tintin: The Secret of the Unicorn: An IMAX *3D Experience*	*Tangled: An* IMAX *3D Experience*
	Sanctum: An IMAX *3D Experience*

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Flying Swords of Dragon Gate: An IMAX 3D Experience
Underworld: Awakening: An IMAX *3D Experience*
Journey 2: The Mysterious Island: An IMAX *3D Experience*
The Lorax: An IMAX *3D Experience*
John Carter: An IMAX *3D Experience*
The Hunger Games: An IMAX *3D Experience*
Wrath of the Titans: An IMAX *3D Experience*
Titanic: An IMAX *3D Experience*
Houba! On the Trail of the Marsupilami: The IMAX *Experience*
Battleship: The IMAX *Experience*
The Avengers: An IMAX *3D Experience*
Dark Shadows: The IMAX *Experience*
Men In Black III: An IMAX *3D Experience*
Prometheus: An IMAX *3D Experience*
Madagascar 3: Europe's Most Wanted: An IMAX *3D Experience*
Rock of Ages: The IMAX *Experience*
The Amazing Spiderman: An IMAX *3D Experience*
The Dark Knight Rises: The IMAX *Experience*
Total Recall: The IMAX *Experience*
The Bourne Legacy: The IMAX *Experience*
Indiana Jones and the Raiders of the Lost Ark: The IMAX *Experience*

Resident Evil: Retribution: An IMAX *3D Experience*
Tai Chi 0: An IMAX 3D Experience
Frankenweenie: An IMAX *3D Experience*
Paranormal Activity 4:The IMAX *Experience*
Tai Chi Hero: An IMAX *3D Experience*
Cloud Atlas: The IMAX *Experience*
Skyfall: The IMAX *Experience*
Cirque du Soleil: Worlds Away: An IMAX *3D Experience*
The Twilight Saga: Breaking Dawn – Part 2: The IMAX *Experience*
Back to 1942: The IMAX *Experience*
Rise of the Guardians: An IMAX *3D Experience*
Life of Pi: An IMAX *3D Experience*
CZ12: An IMAX *3D Experience*
The Hobbit: An Unexpected Journey: An IMAX *3D Experience*
Les Misérables: The IMAX Experience

I Am Number Four: The IMAX Experience
Mars Needs Moms: An IMAX *3D Experience*
Sucker Punch: The IMAX *Experience*
Fast Five: The IMAX *Experience*
Thor: An IMAX *3D Experience*
Pirates of the Caribbean: On Stranger Tides: An IMAX *3D Experience*
The Founding of a Party: The IMAX *Experience*
Kung Fu Panda 2: An IMAX *3D Experience*
Super 8: The IMAX *Experience*
Cars 2: An IMAX *3D Experience*
Transformers: Dark of the Moon: An IMAX *3D Experience*
Harry Potter and the Deathly Hallows Part II: An IMAX *3D Experience*
Final Destination 5: An IMAX *3D Experience*
Cowboys & Aliens : The IMAX *Experience*
Sector 7: An IMAX *3D Experience*
Contagion: The IMAX *Experience*
Real Steel: The IMAX *Experience*
Puss in Boots: An IMAX *3D Experience*
Happy Feet Two: An IMAX *3D Experience*
Flying Swords of Dragon Gate: An IMAX *3D Experience*
Mission: Impossible – Ghost Protocol: The IMAX *Experience*
The Adventures of Tintin: The Secret of the Unicorn: An IMAX *3D Experience*

Film distribution revenues decreased 11.5% to $14.2 million in 2012 from $16.1 million in 2011, primarily due to lower box-office performance. In 2012, the Company released an original title, *To the Arctic 3D*; during 2011, the Company released the original film *Born To Be Wild 3D*. Film post-production revenues decreased 4.0% to $7.9 million in 2012 from $8.2 million in 2011 primarily due to a decrease in third party business.

The film distribution margin of $2.4 million in 2012 was lower than the $3.0 million experienced in 2011, primarily due to the decrease in film distribution revenues. Film post-production gross margin decreased by $1.0 million due to a decrease in third party business as compared to the prior year.

Other

Other revenue increased to $14.6 million in 2012 compared to $12.9 million in 2011. Other revenue primarily includes revenue generated from the Company's owned and operated theaters, camera rentals and after – market sales of projection system parts and 3D glasses.

The gross margin on other revenue was $0.9 million higher in 2012 as compared to 2011.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $81.6 million in 2012, as compared to $73.2 million in 2011. The $8.4 million increase experienced from the prior year comparative period was largely the result of the following:

- a $8.6 million increase in staff-related costs and compensation costs, including increased staffing (resulting in part from increased staffing costs of $3.5 million from the Company's wholly-owned subsidiary in China) and normal merit increases;
- a $3.8 million increase from brand-related advertising and promotion in 2012 as compared to the prior year; and
- a $1.4 million increase in the Company's stock-based compensation.

These increases were offset by:

- a $2.5 million decrease due to a change in foreign exchange rates. During the year ended December 31, 2012, the Company recorded a foreign exchange gain of $1.2 million for net foreign exchange gains/losses related to the translation of foreign currency denominated monetary assets and liabilities and unhedged foreign currency forward contracts as compared to a loss of $1.3 million recorded in 2011. See note 16(b) of the audited consolidated financial statements in Item 8 of the Company's 2012 Form 10-K for more information; and
- a $2.9 million decrease in legal, professional and other general corporate expenditures.

Provision for Arbitration Award

During 2011, the Company recorded a provision of $2.1 million regarding an award issued in connection with an arbitration proceeding brought against the Company. The arbitration related to agreements entered into in 1994 and 1995 by the Company's former Ridefilm subsidiary, whose business the Company discontinued through a sale to a third party in March 2001. The award was vacated as the parties entered into a confidential settlement agreement in which the parties agreed to dismiss any outstanding disputes among them. See note 14(c) of the audited consolidated financial statements in Item 8 of the Company's 2012 Form-10K for more information.

Research and Development

Research and development expenses increased to $11.4 million in 2012 compared to $7.8 million in 2011 and are primarily attributable to the development of the Company's new laser-based digital projection system. The Company is developing its next-generation laser projectors, which is expected to provide greater brightness and clarity, a wider colour gamut and deeper blacks, while consuming less power and lasting longer than existing digital technology, to ensure that the Company continues to provide the highest quality, premier movie-going experience available to consumers. In 2011, the Company announced the completion of a deal in which it secured certain exclusive license rights to a portfolio of intellectual property in the digital cinema field owned by Kodak, which supports the Company's efforts to develop a next-generation laser digital projection system.

A high level of research and development is expected to continue in 2013 as the Company continues its efforts to develop its next-generation laser-based projection system. In addition, the Company plans to continue to fund research and development activity in other areas considered important to the Company's continued commercial success, including further improving the reliability of its projectors, developing and manufacturing more IMAX cameras, enhancing the Company's 2D and 3D image quality, expanding the

applicability of the Company's digital technology, developing IMAX theater systems' capabilities in both home and live entertainment and further enhancing the IMAX theater and sound system design through the addition of more channels, improvements to the Company's proprietary tuning system and mastering processes.

Receivable Provisions, Net of Recoveries

Receivable provisions, net of recoveries for accounts receivable and financing receivables, amounted to a net provision of $0.5 million in 2012, as compared to $1.6 million in 2011.

The Company's accounts receivables and financing receivables are subject to credit risk. These receivables are concentrated with the leading theater exhibitors and studios in the film entertainment industry. To minimize the Company's credit risk, the Company retains title to underlying theater systems leased, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimate of potentially uncollectible amounts. Accordingly, the Company believes it has adequately protected itself against exposures relating to receivables and contractual commitments.

Asset Impairments and Other Charges

The Company recorded an asset impairment charge of $nil, compared to less than $0.1 million in the prior year, against property, plant and equipment after the Company assessed the carrying value of certain assets in its theater operations segment in light of their future expected cash flows. The Company recognized that the carrying values for the assets exceeded the expected undiscounted future cash flows.

In 2012, the Company recognized a $0.2 million other-than-temporary impairment of its available-for-sale investment as the value is not expected to recover based on the length of time and extent to which the market value has been less than cost.

In 2012, the Company recorded a less than $0.1 million charge as compared to a $0.4 million charge in the prior year comparative period reflecting assets that no longer meet capitalization requirements as the assets were no longer in use.

Interest Income and Expense

Interest income was $0.1 million in 2012, as compared to less than $0.1 million in 2011.

Interest expense decreased to $0.7 million in 2012, as compared to $1.8 million in 2011. Consistent with its historical financial reporting, the Company has elected to classify interest and penalties related to income tax liabilities, when applicable, as part of the interest expense in its consolidated statements of operations rather than income tax expense. The Company recovered approximately $0.8 million and expensed $0.1 million in potential interest and penalties associated with unrecognized tax benefits for the years ended December 31, 2012 and December 31, 2011, respectively. Also included in interest expense is the amortization of deferred finance costs in the amount of $0.2 million and $0.4 million in 2012 and 2011, respectively. The Company's policy is to defer and amortize all the costs relating to debt financing which are paid directly to the debt provider, over the life of the debt instrument.

Income Taxes

The Company's effective tax rate differs from the statutory tax rate and varies from year to year primarily as a result of numerous permanent differences, investment and other tax credits, the provision for income taxes at different rates in foreign and other provincial jurisdictions, enacted statutory tax rate increases or reductions in the year, changes due to foreign exchange, changes in the Company's valuation allowance based on the Company's recoverability assessments of deferred tax assets, and favorable or unfavorable resolution of various tax examinations.

Due to a change in enacted tax rates, the Company recorded an increase to deferred tax assets and a decrease to the deferred tax provision of $0.5 million in the year ended December 31, 2012. In 2012, there was a $0.1 million decrease in the Company's estimates of the recoverability of its deferred tax assets based on an analysis of both positive and negative evidence including projected future earnings, as compared to a $1.9 million decrease in the valuation allowance resulting from the utilization of loss carryforwards and deductible temporary differences against income in the prior year comparative period. The Company recorded an income tax provision of $15.1 million for 2012, of which $0.8 million is related to a decrease in unrecognized tax benefits. For 2011, the Company recorded an income tax provision of $9.3 million, of which $0.1 million was related to a decrease in unrecognized tax benefits.

During the year ended December 31, 2012, after considering all available evidence, both positive (including recent profits, projected future profitability, backlog, carryforward periods for utilization of net operating loss carryovers and tax credits, discretionary deductions and other factors) and negative (including cumulative losses in past years and other factors), it was concluded that the valuation allowance against the Company's deferred tax assets should be increased by approximately $0.1 million. The remaining $6.1 million balance in the valuation allowance as at December 31, 2012 is primarily attributable to certain U.S. federal and state net operating loss carryovers and federal tax credits that likely will expire without being utilized.

The Company anticipates utilizing the majority of its currently-available tax attributes over the next two years.

Equity-Accounted Investments

The Company accounts for investments in new business ventures using the guidance of the FASB ASC 323. December 31, 2012, the equity method of accounting is being utilized for an investment with a carrying value of $3.1 million (December 31, 2011—$4.1 million). For the year ended December 31, 2012, gross revenues, cost of revenue and net loss for the investment were $9.0 million, $12.7 million and $13.4 million, respectively (2011—$2.3 million, $9.8 million and $17.7 million, respectively). The Company recorded its proportionate share of the net loss which amounted to $1.4 million for 2012 compared to $1.8 million in 2011.

Pension Plan

The Company has an unfunded defined benefit pension plan, the Supplemental Executive Retirement Plan (the "SERP"), covering Messrs. Gelfond and Bradley J. Wechsler, the Company's former Co-CEO and current Chairman of its Board of Directors. As at December 31, 2012, the Company had an unfunded and accrued projected benefit obligation of approximately $20.4 million (December 31, 2011 — $19.0 million) in respect of the SERP.

The net periodic benefit cost was $0.6 million and $0.5 million in 2012 and 2011, respectively. The components of net periodic benefit cost were as follows:

	Years ended December 31	
	2012	2011
Interest cost	$ 272	$ 279
Amortization of actuarial loss	365	214
Pension expense	$ 637	$ 493

The plan experienced an actuarial loss of $1.1 million and $0.6 million during 2012 and 2011, respectively, resulting primarily from the continuing decrease in the Pension Benefit Guaranty Corporation ("PBGC") published annuity interest rates year-over-year used to determine the lump sum payment under the plan.

Under the terms of the SERP, if Mr. Gelfond's employment is terminated other than for cause, he is entitled to receive SERP benefits in the form of a lump sum payment. SERP benefit payments to Mr. Gelfond are subject to a deferral for six months after the termination of his employment, at which time Mr. Gelfond will be entitled to receive interest on the deferred amount credited at the applicable federal rate for short-term obligations. The term of Mr. Gelfond's current employment agreement has been extended through December 31, 2013, although Mr. Gelfond has not informed the Company that he intends to retire at that time. Under the terms of the extension, Mr. Gelfond also agreed that any compensation earned during 2011, 2012 and 2013 would not be included in calculating this entitlement under the SERP.

The Company has a postretirement plan to provide health and welfare benefits to Canadian employees meeting certain eligibility requirements. As at December 31, 2012, the Company had an unfunded benefit obligation of $4.6 million (December 31, 2011 — $4.1 million). See note 4 to the audited consolidated financial statements in Item 8 of the Company's 2012 Form 10-K for additional details. In February 2013, the Company amended the Canadian postretirement plan to reduce future benefits provided under the plan. As a result of this change, the Company anticipates the postretirement liability to be reduced by $2.7 million, resulting in a pre-tax curtailment gain in the first quarter of 2013 of approximately $2.4 million.

In July 2000, the Company agreed to maintain health benefits for Messrs. Gelfond and Wechsler upon retirement. As at December 31, 2012, the Company had an unfunded benefit obligation recorded of $0.5 million (December 31, 2011 — $0.5 million).

Stock-Based Compensation

The Company utilizes the Binomial Model to determine the fair value of stock-based payment awards. The fair value determined by the Binomial Model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The Binomial Model also considers the expected exercise multiple which is the multiple of exercise price to grant price at which exercises are expected to occur on average. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because the Company's employee stock options and SARs have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion, the Binomial Model best provides an accurate measure of the fair value of the Company's employee stock options and SARs. Although the fair value of employee stock options and SARs are determined in accordance with the Equity topic of the FASB ASC using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

Stock-based compensation expense recognized under FASB ASC 718, "Compensation – Stock Compensation" ("ASC 718") for 2012 and 2011 was $13.1 million and $11.9 million, respectively.

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Years Ended December 31, 2011 versus Years Ended December 31, 2010

The Company reported net income of $15.3 million or $0.24 per basic share and $0.22 per diluted share for the year ended December 31, 2011 as compared to net income of $101.2 million or $1.59 per basic share and $1.52 per diluted share for the year ended December 31, 2010. The year ended December 31, 2010 included the record-breaking performance of the film *Avatar: An* IMAX *3D Experience*. Net income for the year ended December 31, 2011 includes a $11.7 million charge, or $0.17 per diluted share (2010 — $26.0 million or $0.39 per diluted share) for stock-based compensation and a one-time $2.1 million pre-tax charge ($0.03 per diluted share), due to an arbitration award arising from an arbitration proceeding brought against the Company in connection with a discontinued subsidiary. Net income for the year ended December 31, 2010 also includes a one-time deferred income tax valuation allowance of $55.5 million or $0.83 per diluted share. Adjusted net income, which consists of net income excluding the impact of the stock-based compensation expense, the charge for arbitration award, deferred income tax valuation allowance and the related tax impact, was $28.0 million or $0.41 per diluted share for the year ended December 31, 2011 as compared to adjusted net income of $66.0 million or $0.99 per diluted share for the year ended December 31, 2010. A reconciliation of net income, the most directly comparable U.S. GAAP measure, to adjusted net income and adjusted net income per diluted share is presented in the table below:

	Year Ended December 31,			
	2011 As Revised		2010 As Revised	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Reported net income	$15,260	$ 0.22	$ 101,240	$ 1.52
Adjustments:				
Stock-based compensation	11,681	0.17	26,028	0.39
Provision for arbitration award	2,055	0.03	—	—
Deferred income tax valuation allowance	—	—	(55,512)	(0.83)
Tax impact on items listed above	(973)	(0.01)	(5,792)	(0.09)
Adjusted net income	$ 28,023	$ 0.41	$ 65,964	$ 0.99
Weighted average diluted shares outstanding		67,859		66,684

Revenues and Gross Margin

The Company's revenues for the year ended December 31, 2011 decreased by 4.8% to $236.6 million from $248.6 million in 2010 due to decreases in revenue from the Company's film and joint revenue sharing arrangement segments partially offset by higher revenue from the IMAX systems segment. The year ended December 31, 2010, included the record breaking performance of *Avatar: An* IMAX *3D Experience*. The gross margin across all segments in 2011 was $113.2 million, or 47.9% of total revenue, compared to $137.7 million, or 55.4% of total revenue in 2010.

IMAX Systems

IMAX systems revenue increased 22.6% to $93.2 million in 2011 as compared to $76.0 million in 2010, resulting primarily from the installation of 15 more new, full systems (excluding digital upgrades) under sales and sales-type leases as compared to the prior year.

Revenue from sales and sales-type leases increased 29.0% to $81.3 million in 2011 from $63.0 million in 2010. The Company recognized revenue on 50 full, new theater systems which qualified as either sales or sales-type leases in 2011, with a total value of $63.4 million, as compared to 35 in 2010 with a total value of $48.0 million. Additionally, the Company recognized revenue on 25 digital upgrades in 2011, with a total value of $11.6 million, as compared to 30 in 2010 with a total value of $12.7 million. Digital upgrades have lower sales prices and gross margin than a full theater installation. The Company has decided to offer digital upgrades at lower selling prices for strategic reasons since the Company believes that digital systems increase flexibility and profitability for the Company's existing exhibition customers. There was one used system installed and recognized in 2011 with a total value of $1.2 million, as compared to 2 used systems with a total value of $1.5 million in 2010.

Average revenue per full, new sales and sales-type lease system was $1.3 million in 2011, which is slightly lower than the $1.4 million experienced in 2010. Average revenue per digital upgrade was $0.5 million in 2011, as compared to $0.4 million for 2010.

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The breakdown in mix of sales and sales-type lease, operating lease and joint revenue sharing arrangement installations by theater system configuration in 2011 and 2010 is outlined in the table below:

	2011	2010
Sales and Sales-type lease systems—installed and recognized		
2D SR Dome	—	1
IMAX 3D GT	1	1
IMAX 3D SR	—	2
IMAX digital	75(1)	63(3)
	76	67
IMAX digital – installed and deferred	8 (2)	—
	84	67
Joint revenue sharing arrangements—installed and operating		
IMAX digital	86	56(3)
	170	123

(1) Includes the digital upgrade of 25 systems from film-based to digital.
(2) Includes the digital upgrade of 8 systems (all sales arrangements) from film-based to digital.
(3) Includes the digital upgrade of 32 systems (30 sales arrangements and 2 systems under joint revenue sharing arrangements) from film-based to digital.

As noted in the table above, 8 theater systems under a digital upgrade sales arrangement were installed in 2011 but revenue recognition was deferred. The arrangement contained provisions providing the customer with standard digital upgrades, which were installed, and a number of as-of-yet undeveloped upgrades. The Company's policy is such that once the fair value for the undeveloped upgrade is established, the Company allocates total contract consideration, including any upgrade revenues, between the delivered and undelivered elements on a relative fair value basis and recognizes the revenue allocated to the delivered elements with their associated costs. If the arrangement is materially modified in the future such that contract consideration becomes fixed, the arrangement in its entirety would be subject to the provisions of the amended ASC 605-25 and the Company would be required to develop, absent an established selling price or third party evidence of the selling price for the undeveloped specified upgrade, a best-estimate selling price for the undeveloped specified upgrade, allocate the arrangement's consideration on a relative selling price allocation basis, and recognize revenue on the delivered elements based on that allocation. In 2010, the Company did not defer any recognitions.

Settlement revenue was $3.8 million in 2011 as compared to $0.4 million in 2010.

IMAX theater systems gross margin from full, new sales and sales-type leases, excluding the impact of settlements and asset impairment charges, increased to 66.0% in 2011 from 65.0% in 2010. The gross margin on digital upgrades was $2.6 million in 2011 in comparison with $2.6 million in 2010. The gross margin on used systems was $0.1 million in 2011 in comparison with $0.3 million in 2010.

Ongoing rent revenue and finance income decreased to $11.9 million in 2011 from $13.0 million in 2010. Gross margin from ongoing rent and finance income decreased to $11.7 million in 2011 from $12.5 million in 2010. The change in revenue and gross margin is primarily due to additional contingent fees resulting from a stronger film slate in 2010, including the record-breaking performance of *Avatar: An* IMAX *3D Experience* and the weaker performance of films in 2011, particularly animated films, offset slightly by a finance income on new systems under sales arrangements that began operations in 2011. Contingent fees included in this caption amounted to $2.7 million and $4.3 million in 2011 and 2010, respectively.

Theater System Maintenance

Theater system maintenance revenue increased 15.8% to $24.8 million in 2011 as compared to $21.4 million in 2010. Theater system maintenance gross margin decreased to $9.4 million in 2011 from $10.1 million in 2010 due to an increase in general service costs resulting from a larger theater network and preventative maintenance efforts expanded during the year. In 2010, the Company recorded a write-down of its film-based service parts inventories of $0.2 million due to the accelerated installation of the MPX system upgrades to digital based systems. Maintenance revenue continues to grow as the number of theaters in the IMAX network grows. Maintenance margins vary depending on the mix of theater system configurations in the theater network and the timing and nature of service visits in the period.

Joint Revenue Sharing Arrangements

Revenue from joint revenue sharing arrangements decreased 26.3% to $30.8 million in 2011 compared to $41.8 million in 2010. The Company ended the year with 257 theaters operating under joint revenue sharing arrangements as compared to 171 theaters at the end of 2010, an increase of 50.3%. The decrease in revenues from joint revenue sharing arrangements was primarily due to the lower per-screen gross box office realized from the films released to joint revenue sharing theaters during 2011, as compared to 2010, which included the record-breaking performance of *Avatar: An* IMAX *3D Experience*, which contributed approximately $13.7 million in revenue from joint revenue sharing arrangements, offset slightly by the greater number of theaters operating. During 2011, the Company installed 86 full, new theaters under joint revenue sharing arrangements, as compared to 54 new theaters during 2010.

The gross margin from joint revenue sharing arrangements in 2011 decreased to $17.6 million compared to $31.7 million in 2010. The decrease was largely due to lower revenues and higher advertising, marketing and selling expenses experienced in the current year as compared to the prior year. Included in the 2011 gross margin were certain advertising, marketing, and selling expenses of $5.4 million, as compared to $4.2 million for such expenses in 2010. Adjusted gross margin from joint revenue sharing arrangements, which excludes these expenses from both periods, was $23.0 million in 2011, compared to $35.9 million in 2010. A reconciliation of gross margin from the joint revenue sharing arrangement segment, the most directly comparable U.S. GAAP measure, to adjusted gross margin is presented in the table below:

(In thousands of U.S. Dollars)	2011	2010
Gross margin from joint revenue sharing arrangements	$17,605	$ 31,703
Add:		
Advertising, marketing and selling expenses	5,432	4,236
Adjusted gross margin from joint revenue sharing arrangements	$ 23,037	$35,939

Film

The Company's revenues from its film segments decreased 15.9% to $74.9 million in 2011 from $89.1 million in 2010.

Film production and IMAX DMR revenues decreased 20.3% to $50.6 million in 2011 from $63.5 million in 2010. The decrease in film production and IMAX DMR revenues was due primarily to a stronger film slate in 2010 as compared to 2011. 2011 featured fewer event type films released during the period, compared with the record breaking performance of *Avatar: An* IMAX *3D Experience* during 2010, which contributed $187.9 million in IMAX gross box office and $18.6 million in DMR Revenue. In 2010, there were 10 films that recorded gross domestic box office of over $200.0 million, 9 of which were released to the IMAX network. By contrast, 6 films in 2011 recorded gross domestic box office of over $200.0 million, of which 4 were released to the IMAX network. IMAX DMR films released to IMAX theaters during the period, however, continued to significantly outperform lower-cost formats on a per screen basis. Gross box office generated by IMAX DMR films decreased 23.6% to $417.2 million in 2011 versus $545.9 million in 2010. Gross box office per screen for 2011 averaged $1,069,300, in comparison to $1,821,900 in 2010. In 2011, gross-box office was generated primarily from the exhibition of 26 films listed below, as compared to 16 films exhibited in 2010:

2011 Films Exhibited	2010 Films Exhibited
TRON: Legacy: An IMAX *3D Experience*	*Avatar: An* IMAX *3D Experience*
The Green Hornet: An IMAX *3D Experience*	*Alice in Wonderland: An* IMAX *3D Experience*
Tangled: An IMAX *3D Experience*	*How To Train Your Dragon: An* IMAX *3D Experience*
Sanctum: An IMAX *3D Experience*	*Iron Man 2: The* IMAX *Experience*
I Am Number Four: The IMAX *Experience*	*Shrek Forever After: An* IMAX *3D Experience*
Mars Needs Moms: An IMAX *3D Experience*	*Prince of Persia: The Sands of Time: The* IMAX *Experience*
Sucker Punch: The IMAX *Experience*	*Toy Story 3: An* IMAX *3D Experience*
Fast Five: The IMAX *Experience*	*The Twilight Saga: Eclipse: The* IMAX *Experience*
Thor: An IMAX *3D Experience*	*Inception: The* IMAX *Experience*
Pirates of the Caribbean: On Stranger Tides: An IMAX *3D Experience*	*Aftershock: The* IMAX *Experience*
	Resident Evil: Afterlife: An IMAX *3D Experience*
The Founding of a Party: The IMAX *Experience*	*Legends of the Guardian: The Owls of Ga'Hoole: An* IMAX *3D Experience*

Kung Fu Panda 2: An IMAX 3D Experience
Super 8: The IMAX *Experience*
Cars 2: An IMAX *3D Experience*
Transformers: Dark of the Moon: An IMAX *3D Experience*
Harry Potter and the Deathly Hallows Part II: An IMAX *3D Experience*
Final Destination 5: An IMAX *3D Experience*
Cowboys & Aliens : The IMAX *Experience*
Sector 7: An IMAX *3D Experience*
Contagion: The IMAX *Experience*
Real Steel: The IMAX *Experience*
Puss in Boots: An IMAX *3D Experience*
Happy Feet Two: An IMAX *3D Experience*
Flying Swords of Dragon Gate: An IMAX *3D Experience*
Mission: Impossible – Ghost Protocol: The IMAX *Experience*
The Adventures of Tintin: The Secret of the Unicorn: An IMAX *3D Experience*
Paranormal Activity 2: The IMAX *Experience*
Megamind: An IMAX *3D Experience*
Harry Potter and the Deathly Hallows Part I: The IMAX *Experience*
Tron Legacy: An IMAX *3D Experience*

Film distribution revenues decreased 10.4% to $16.1 million in 2011 from $17.9 million in 2010 primarily due to lower revenues from the distribution of library films in ancillary markets. Film post-production revenues increased 6.9% to $8.2 million in 2011 from $7.7 million in 2010 primarily due to an increase in third party business.

The Company's gross margin from its film segments decreased 39.9% in 2011 to $29.6 million from $49.3 million in 2010. Film production and IMAX DMR gross margins decreased to $23.6 million from $41.2 million in 2010 largely due to a decrease in IMAX DMR revenue resulting from the films exhibited in the current year as compared to the prior year. The film distribution margin of $3.0 million in 2011 was lower than the $5.2 million experienced in 2010, primarily due to the decrease in film distribution revenues . Film post-production gross margin increased by $0.1 million due to an increase in third party business as compared to the prior year.

Other

Other revenue decreased to $12.9 million in 2011 compared to $20.3 million in 2010. Other revenue primarily includes revenue generated from the Company's owned and operated theaters, camera rentals and after-market sales of projection system parts and 3D glasses. The decrease in other revenue was largely due to a decrease in revenue from theater operations attributable to a decrease in average ticket prices and attendance as result of comparatively weaker film performance in 2011 as compared to 2010.

The gross margin on other revenue was $3.0 million lower in 2011 as compared to 2010. In particular, the theater operations margin decreased $2.8 million from 2010 primarily due to a decrease in theater operations revenue.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased to $73.2 million in 2011, as compared to $78.8 million in 2010. The $5.6 million decrease experienced from the prior year comparative period was largely the result of the following:

- a $14.3 million decrease in the Company's stock-based compensation (including a decrease of $20.3 million for variable share-based awards).

This decrease was offset by:

- a $5.0 million increase in staff-related costs and compensation costs, including an increase in salaries and benefits of $3.8 million as a result of higher average Canadian dollar denominated salary expense, increased staffing and normal merit increase, partially offset by lower pension plan costs;

- a $2.8 million increase due to foreign exchange. During the year ended December 31, 2011, the Company recorded a foreign exchange loss of $1.3 million due to the impact of a decrease in exchange rates on foreign currency denominated working capital balances and unmatured and un-hedged foreign currency forward contracts, as compared to a gain of $1.5 million recorded in 2010. See note 16(b) of the audited consolidated financial statements in Item 8 of the Company's 2011 Form 10-K for more information; and
- a $0.9 million increase in legal, professional and other general corporate expenditures.

Provision for Arbitration Award

During 2011, the Company recorded a provision of $2.1 million regarding an award issued in connection with an arbitration proceeding brought against the Company, relating to agreements entered into in 1994 and 1995 by its former Ridefilm subsidiary, whose business the Company discontinued through a sale to a third party in March 2001. On January 12, 2012, the Company, Ridefilm and Robots of Mars, Inc. ("Robots") entered into a confidential settlement agreement, pursuant to which the parties fully and finally resolved and settled all claims between them relating to this dispute. See note 14(c) of the audited consolidated financial statements in Item 8 of the Company's 2011 Form-10K for more information.

Research and Development

Research and development expenses increased to $7.8 million in 2011 compared to $6.2 million in 2010. The increased research and development expenses for 2011 compared to 2010 are primarily attributable to ongoing enhancements to the Company's digital projection technology to ensure that the Company continues to provide the highest-quality, premier movie going experience available to consumers. In the fourth quarter of 2011, the Company announced the completion of a deal in which it secured certain exclusive license rights to a portfolio of intellectual property in the digital cinema field owned by Kodak, which the Company believes will support its efforts to deliver the highest quality digital content available to the largest IMAX film-based screens.

Receivable Provisions, Net of Recoveries

Receivable provisions, net of recoveries for accounts receivable and financing receivables, amounted to a net provision of $1.6 million in 2011, as compared to $1.4 million in 2010.

The Company's accounts receivables and financing receivables are subject to credit risk. These receivables are concentrated with the leading theater exhibitors and studios in the film entertainment industry. To minimize the Company's credit risk, the Company retains title to underlying theater systems that are leased, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimate of potentially uncollectible amounts. Accordingly, the Company believes it has adequately protected itself against exposures relating to receivables and contractual commitments.

Asset Impairments and Other Significant Charges

The Company recorded an asset impairment charge of less than $0.1 million, which is consistent with the prior year, against property, plant and equipment after the Company assessed the carrying value of certain assets in its theater operations segment in light of their future expected cash flows. The Company recognized that the carrying values for the assets exceeded the expected undiscounted future cash flows.

In 2010, the charge relating to inventory primarily resulted from a reduction in the net realizable value of its GT and SR film-based projector inventories and associated parts due to a further market shift away from the film-based projector systems. No such charges were recognized in 2011.

In 2011, the Company recorded a $0.4 million charge reflecting assets that no longer meet capitalization requirements as the assets were no longer in use. No such charges were recorded in 2010.

Interest Income and Expenses

Interest income decreased to less than $0.1 million in 2011, as compared to $0.4 million in 2010. The decrease was largely due to interest recorded during 2010 related to tax refunds.

Interest expense was consistent at $1.8 million in 2011 and 2010. Included in interest expense is the amortization of deferred finance costs in the amount of $0.4 million and $0.3 million in 2011 and 2010, respectively. The Company's policy is to defer and amortize all the costs relating to a debt financing which are paid directly to the debt provider, over the life of the debt instrument.

Income Taxes

The Company's effective tax rate differs from the statutory tax rate and varies from year to year primarily as a result of numerous permanent differences, investment and other tax credits, the provision for income taxes at different rates in foreign and other provincial jurisdictions, enacted statutory tax rate increases or reductions in the year, changes due to foreign exchange, changes in the Company's valuation allowance based on the Company's recoverability assessments of deferred tax assets, and favorable or unfavorable resolution of various tax examinations.

There was a $1.9 million decrease in the valuation allowance resulting from utilization of loss carryforwards and deductible temporary differences against current period income and the Company's estimates of the recoverability of its deferred tax assets based on an analysis of both positive and negative evidence including projected future earnings. The Company recorded an income tax provision of $9.3 million for 2011, of which $0.1 million is related to a decrease in unrecognized tax benefits. For 2010, the Company recorded an income tax recovery of $52.6 million, of which $0.1 million was related to an increase in unrecognized tax benefits.

During the year ended December 31, 2011, after considering all available evidence, both positive (including recent profits, projected future profitability, backlog, carryforward periods for utilization of net operating loss carryovers and tax credits, discretionary deductions and other factors) and negative (including cumulative losses in past years and other factors), it was concluded that the valuation allowance against the Company's deferred tax assets should be further reduced by approximately $1.9 million. The remaining $6.1 million balance in the valuation allowance as at December 31, 2011 is primarily attributable to certain U.S. federal and state net operating loss carryovers and federal tax credits that likely will expire without being utilized. As at December 31, 2010, the Company had determined that based on the improvement of the Company's operating results in 2009 and 2010 and the Company's assessment of projected future results of operations, realization of a deferred income tax benefit is now more likely than not. As a result, the judgment about the need for a full valuation allowance against deferred tax assets changed, and a reduction in the valuation allowance was recorded as a benefit within the recovery for income taxes from continuing operations. The recovery for income taxes in the year ended December 31, 2010 includes a net non-cash income tax benefit of $55.5 million in continuing operations related to a decrease in the valuation allowance for the Company's deferred tax assets and other tax adjustments. The net income tax benefit during the year ended December 31, 2010 is primarily attributable to the estimated realization of deferred tax assets resulting from the utilization of deductible temporary differences and certain net operating loss carryforwards and tax credits against future years' taxable income.

The Company anticipates utilizing the majority of its currently available tax attributes over the next three years.

Equity-Accounted Investments

The Company accounts for investments in new business ventures using the guidance of the FASB ASC 323 Investments – Equity Method and Joint Ventures ("ASC 323"). At December 31, 2011, the equity method of accounting is being utilized for an investment with a carrying value of $4.1 million (December 31, 2010—$1.6 million). For the year ended December 31, 2011, gross revenues, cost of revenue and net loss for the investment were $2.3 million, $9.8 million and $17.7 million, respectively (2010—$nil, $0.2 million and $4.3 million, respectively). The Company recorded its proportionate share of the net loss which amounted to $1.8 million for 2011 compared to $0.5 million in 2010.

Pension Plan

The Company has an unfunded defined benefit pension plan, the Supplemental Executive Retirement Plan (the "SERP"), covering Messrs. Gelfond and Bradley J. Wechsler, the Company's former Co-CEO and current Chairman of its Board of Directors. As at December 31, 2011, the Company had an unfunded and accrued projected benefit obligation of approximately $19.0 million (December 31, 2010 — $18.1 million) in respect of the SERP. At the time the Company established the SERP, it also took out life insurance policies on Messrs. Gelfond and Wechsler with coverage amounts of $21.5 million in aggregate. During 2010, the Company obtained $7.8 million representing the cash surrender value of the policies. These amounts were used to pay down the term loan under the Prior Credit Facility (as defined on page 70, "Liquidity and Capital Resources – Prior Credit Facility") and fund part of the $14.7 million lump sum payment made to Mr. Wechsler on August 1, 2010 under the SERP which settled in full Mr. Wechsler's entitlement under the SERP.

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The net periodic benefit cost was $0.5 million and $0.4 million in 2011 and 2010, respectively. The components of net periodic benefit cost were as follows:

	Years ended December 31	
	2011	2010
Service cost	$ —	$ 448
Interest cost	279	351
Amortization of actuarial loss	214	—
Realized actuarial gain on settlement of pension liability	—	(385)
Pension expense	$ 493	$ 414

The plan experienced an actuarial loss of $0.6 million during 2011, resulting primarily from a decrease in the PBGC published annuity interest rates used to determine the lump sum payment under the plan.

Under the terms of the SERP, monthly annuity payments payable to Mr. Wechsler, whose employment as Co-CEO terminated effective April 1, 2009, were deferred for six months and were paid in the form of a lump sum plus interest on the deferred amount on October 1, 2009. These monthly annuity payments continued through to August 1, 2010. On August 1, 2010, the Company made a lump sum payment of $14.7 million to Mr. Wechsler in accordance with the terms of the plan, representing a settlement in full of Mr. Wechsler's entitlement under the SERP.

The Company has a postretirement plan to provide health and welfare benefits to Canadian employees meeting certain eligibility requirements. As at December 31, 2011, the Company had an unfunded benefit obligation of $4.1 million (December 31, 2011 — $3.4 million). See note 4 to the audited consolidated financial statements in Item 8 of the Company's 2012 Form 10-K for additional details. In February 2013, the Company amended the Canadian postretirement plan to reduce future benefits provided under the plan. As a result of this change, the Company anticipates the postretirement liability to be reduced by $2.7 million, resulting in a pre-tax curtailment gain in the first quarter of 2013 of approximately $2.4 million.

In July 2000, the Company agreed to maintain health benefits for Messrs. Gelfond and Wechsler upon retirement. As at December 31, 2011, the Company had an unfunded benefit obligation recorded of $0.5 million (December 31, 2010—$0.5 million).

Stock-Based Compensation

The Company utilizes the Binomial Model to determine the fair value of stock-based payment awards. The fair value determined by the Binomial Model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The Binomial Model also considers the expected exercise multiple which is the multiple of exercise price to grant price at which exercises are expected to occur on average. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because the Company's employee stock options and SARs have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion, the Binomial Model best provides an accurate measure of the fair value of the Company's employee stock options and SARs. Although the fair value of employee stock options and SARs are determined in accordance with the Equity topic of the FASB ASC using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

Stock-based compensation expense recognized under FASB ASC 718, "Compensation – Stock Compensation" ("ASC 718") for 2011 and 2010 was $11.9 million and $27.7 million, respectively.

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LIQUIDITY AND CAPITAL RESOURCES

Prior Credit Facility

On June 2, 2011, the Company amended and restated the terms of its senior secured credit facility. The Company's amended and restated senior secured credit facility (the "Prior Credit Facility"), with a scheduled maturity of October 31, 2015, had a maximum borrowing capacity of $110.0 million, consisting of revolving asset-based loans of up to $50.0 million, subject to a borrowing base calculation (as described below) and including a sublimit of $20.0 million for letters of credit, and a revolving term loan of up to $60.0 million. Certain of the Company's subsidiaries served as guarantors (the "Guarantors") of the Company's obligations under the Prior Credit Facility. The Prior Credit Facility was collateralized by a first priority security interest in substantially all of the present and future assets of the Company and the Guarantors.

The Company's indebtedness under the Prior Credit Facility includes the following:

	December 31, 2012	December 31, 2011
Revolving Term Loan	$ 11,000	$ 55,083

As at December 31, 2012, the Company's current borrowing capacity under the revolving asset-based portion of the Prior Credit Facility was $50.0 million after deduction for letters of credit of $nil, and the minimum Excess Availability reserve of $5.0 million (December 31, 2011 – $47.1 million) and borrowing capacity under the revolving term portion of the Prior Credit Facility was $49.0 million (December 31, 2011 – $4.9 million).

The terms of the Prior Credit Facility was set forth in the Second Amended and Restated Prior Credit Agreement (the "Prior Credit Agreement"), dated June 2, 2011, among the Company, Wells Fargo Capital Finance Corporation (Canada), as agent, lender, sole lead arranger and sole bookrunner, ("Wells Fargo Canada") and Export Development Canada, as lender ("EDC", together with Wells Fargo Canada, the "Prior Lenders") and in various collateral and security documents entered into by the Company and the Guarantors. Each of the Guarantors had also entered into a guarantee in respect of the Company's obligations under the Prior Credit Facility.

The revolving asset-based portion of the Prior Credit Facility permitted maximum aggregate borrowings equal to the lesser of:

(i) $50.0 million, and

(ii) a collateral calculation based on the percentages of the book values of certain of the Company's net investment in sales-type leases, financing receivables, certain trade accounts receivable, finished goods inventory allocated to backlog contracts and the appraised values of the expected future cash flows related to operating leases and the Company's owned real property, reduced by certain accruals and accounts payable and subject to other conditions, limitations and reserve right requirements.

The revolving asset-based portion and the revolving term loan portion of the Prior Credit Facility bore interest, at the Company's option, at (i) LIBOR plus a margin of 2.00% per annum, or (ii) Wells Fargo Canada's prime rate plus a margin of 0.50% per annum. Under the Prior Credit Facility, the effective interest rate for the year ended December 31, 2012 for the revolving term loan portion was 2.42% (2011 – 2.50%). There was no amount drawn on the revolving asset-based portion of the Prior Credit Facility.

The Prior Credit Facility provides that the Company will be required to maintain a ratio of funded debt (as defined in the Prior Credit Agreement) to EBITDA (as defined in the Prior Credit Agreement) of not more than 2:1. The Company will also be required to maintain a Fixed Charge Coverage Ratio (as defined in the Prior Credit Agreement) of not less than 1.1:1.0. At all times under the terms of the Prior Credit Facility, the Company was required to maintain minimum Excess Availability of not less than $5.0 million and minimum Cash and Excess Availability of not less than $15.0 million. The ratio of funded debt to EBITDA was 0.10:1 as at December 31, 2012, where Funded Debt (as defined in the Prior Credit Agreement) is the sum of all obligations evidenced by notes, bonds, debentures or similar instruments and was $11.0 million. EBITDA was calculated as follows:

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EBITDA per Credit Facility:

(In thousands of U.S. Dollars)	
Net income	$ 41,337
Add:	
Loss from equity accounted investments	1,362
Provision for income taxes	15,079
Interest expense net of interest income	604
Depreciation and amortization including film asset amortization [(1)]	32,618
Write-downs net of recoveries including asset impairments and receivable provisions[(1)]	1,607
Stock and other non-cash compensation	14,220
	$106,827

(1) See note 19 to the audited consolidated financial statements in Item 8 of the Company's 2012 Form 10-K.

The Prior Credit Facility contained typical affirmative and negative covenants, including covenants that limit or restrict the ability of the Company and the Guarantors to: incur certain additional indebtedness; make certain loans, investments or guarantees; pay dividends; make certain asset sales; incur certain liens or other encumbrances; conduct certain transactions with affiliates and enter into certain corporate transactions.

The Prior Credit Facility also contained customary events of default, including upon an acquisition or change of control or upon a change in the business and assets of the Company or a Guarantor that in each case is reasonably expected to have a material adverse effect on the Company or Guarantor. If an event of default occurs and is continuing under the Prior Credit Facility, the Prior Lenders may, among other things, terminate their commitments and require immediate repayment of all amounts owed by the Company.

New Credit Facility

On February 7, 2013, the Company amended and restated the terms of its Prior Credit Facility. The amended and restated facility (the "New Credit Facility"), with a scheduled maturity of February 7, 2018, has a maximum borrowing capacity of $200.0 million. The Prior Credit Facility had a maximum borrowing capacity of $110.0 million. Certain of the Company's subsidiaries will serve as guarantors (the "Guarantors") of the Company's obligations under the New Credit Facility. The New Credit Facility is collateralized by a first priority security interest in substantially all of the present and future assets of the Company and the Guarantors.

The terms of the New Credit Facility are set forth in the Third Amended and Restated Credit Agreement (the "Credit Agreement"), dated February 7, 2013, among the Company, the Guarantors, the lenders named therein, Wells Fargo Bank, National Association ("Wells Fargo"), as agent and issuing lender (Wells Fargo, together with the lenders named therein, the "Lenders") and Wells Fargo Securities, LLC, as Sole Lead Arranger and Sole Bookrunner and in various collateral and security documents entered into by the Company and the Guarantors. Each of the Guarantors has also entered into a guarantee in respect of the Company's obligations under the New Credit Facility.

The New Credit Facility permits the Company to undertake up to $150.0 million in stock buybacks and dividends, provided certain covenants in the Credit Agreement are maintained. In the event that the Company undertakes stock buybacks or makes dividend payments, any amounts outstanding under the revolving portion of the New Credit Facility up to the first $75.0 million of any such stock buybacks and dividend payments will be converted to a term loan.

At closing, the Company borrowed $18.0 million from the New Credit Facility to repay outstanding indebtedness under the Prior Credit Facility and to pay fees and closing costs related to entry into the New Credit Facility.

The amounts outstanding under the New Credit Facility bear interest, at the Company's option, at (i) LIBOR plus a margin of (a) 1.50%, 1.75% or 2.00% depending on the Company's Total Leverage Ratio (as defined in the Credit Agreement) per annum, or (ii) Wells Fargo's prime rate plus a margin of 0.50% per annum. Term loans, if any, under the New Credit Facility must be repaid under a 5-year straight line amortization, with a balloon payment due at maturity. The Company is required to provide an interest rate hedge for 50% of any term loans outstanding.

The New Credit Facility provides that the Company will be required to maintain a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) of not less than 1.1:1.0. The Company will also be required to maintain minimum EBITDA (as defined in the Credit Agreement) of $70.0 million between closing and December 30, 2013, which requirement increases to $80.0 million on

December 31, 2013, $90.0 million on December 31, 2014, and $100.0 million on December 31, 2015. The Company must also maintain a Maximum Total Leverage Ratio (as defined in the Credit Agreement) of 2.5:1.0 between closing and December 30, 2013, which requirement decreases to (i) 2.25:1.0 on December 31, 2013; (ii) 2.00:1:0 on December 31, 2014; and (iii) 1.75:1.0 on December 31, 2015.

The New Credit Facility contains typical affirmative and negative covenants, including covenants that limit or restrict the ability of the Company and the Guarantors to: incur certain additional indebtedness; make certain loans, investments or guarantees; pay dividends; make certain asset sales; incur certain liens or other encumbrances; conduct certain transactions with affiliates and enter into certain corporate transactions.

The New Credit Facility also contains customary events of default, including upon an acquisition or change of control or upon a change in the business and assets of the Company or a Guarantor that in each case is reasonably expected to have a material adverse effect on the Company or a guarantor. If an event of default occurs and is continuing under the New Credit Facility, the Lenders may, among other things, terminate their commitments and require immediate repayment of all amounts owed by the Company.

Letters of Credit and Other Commitments

As at December 31, 2012, the Company did not have any letters of credit and advance payment guarantees outstanding (December 31, 2011 — $3.0 million), under the Prior Credit Facility.

The Company also has a $10.0 million facility for advance payment guarantees and letters of credit through the Bank of Montreal for use solely in conjunction with guarantees fully insured by EDC (the “Bank of Montreal Facility”). The Bank of Montreal Facility is unsecured and includes typical affirmative and negative covenants, including delivery of annual consolidated financial statements within 120 days of the end of the fiscal year. The Bank of Montreal Facility is subject to periodic annual reviews. As at December 31, 2012, the Company had letters of credit and advance payment guarantees outstanding of $0.9 million under the Bank of Montreal facility as compared to $0.8 million as at December 31, 2011.

Cash and Cash Equivalents

As at December 31, 2012, the Company’s principal sources of liquidity included cash and cash equivalents of $21.3 million, the Prior Credit Facility, anticipated collection from trade accounts receivable of $42.0 million including receivables from theaters under joint revenue sharing arrangements and DMR agreements with studios, anticipated collection from financing receivables due in the next 12 months of $13.6 million and payments expected in the next 12 months on existing backlog deals. As at December 31, 2012, the Company had drawn down $11.0 million on the revolving term loan portions of the Prior Credit Facility (with remaining availability of $49.0 million) and had drawn down $nil on the revolving asset-based portion of the Prior Credit Facility (with remaining availability of $50.0 million). There were $nil letters of credit and advance payment guarantees outstanding under the Prior Credit Facility and $0.9 million under the Bank of Montreal Facility.

During the year ended December 31, 2012, the Company’s operations provided cash of $73.6 million and the Company used cash of $35.5 million to fund capital expenditures, principally to build equipment for use in joint revenue sharing arrangements, to purchase other intangible assets, including costs to develop the Company’s new ERP system, and to purchase property, plant and equipment. Based on management’s current operating plan for 2013, the Company expects to continue to use cash to deploy additional theater systems under joint revenue sharing arrangements, to fund DMR agreements with studios and invest in research and development activities. Cash flows from joint revenue sharing arrangements are derived from the theater box-office receipts, and in some cases, concession revenue and a small upfront or initial payment and the Company invested directly in the roll out of 60 new theater systems under joint revenue sharing arrangements in 2012.

The Company believes that cash flow from operations together with existing cash and borrowing available under the New Credit Facility will be sufficient to fund the Company’s business operations, including its strategic initiatives relating to existing joint revenue sharing arrangements for the next 12 months.

The Company’s operating cash flow will be adversely affected if management’s projections of future signings for theater systems and film performance, theater installations and film productions are not realized. The Company forecasts its short-term liquidity requirements on a quarterly and annual basis. Since the Company’s future cash flows are based on estimates and there may be factors that are outside of the Company’s control (see “Risk Factors” in Item 1A in the Company’s 2012 Form 10-K), there is no guarantee that the Company will continue to be able to fund its operations through cash flows from operations. Under the terms of the Company’s typical sale and sales-type lease agreement, the Company receives substantial cash payments before the Company

completes the performance of its obligations. Similarly, the Company receives cash payments for some of its film productions in advance of related cash expenditures.

Operating Activities

The Company's net cash provided by operating activities is affected by a number of factors, including the proceeds associated with new signings of theater system lease and sale agreements in the year, costs associated with contributing systems under joint revenue sharing arrangements, the box office performance of films distributed by the Company and/or released to IMAX theaters, increases or decreases in the Company's operating expenses, including research and development, and the level of cash collections received from its customers.

Cash provided by operating activities amounted to $73.6 million in 2012. Changes in other non-cash operating assets as compared to 2011 include: an increase of $7.3 million in financing receivables; a decrease of $4.1 million in accounts receivable; an increase of $0.4 million in inventories; an increase of $0.7 million in prepaid expenses; $0.1 million increase in other assets which includes a $0.4 million decrease in insurance recoveries receivable, a $0.3 million decrease in commissions and other deferred selling expenses and a $0.8 million increase in other assets. Changes in other operating liabilities as compared to December 31, 2011 include: a decrease in deferred revenue of $0.5 million related to backlog payments received in the current year, offset by amounts relieved from deferred revenue related to theater system installations; a decrease in accounts payable of $8.1 million and a decrease of $2.3 million in accrued liabilities.

Included in accrued liabilities at December 31, 2012, was $20.4 million of accrued pension obligations.

Investing Activities

Net cash used in investing activities amounted to $35.5 million in 2012 compared to $63.5 million in 2011, which includes an investment in joint revenue sharing equipment of $23.3 million, purchases of $6.1 million in property, plant and equipment, an additional investment in business ventures of $0.4 million and an increase in other intangible assets of $5.8 million. Net cash used in investing activities in 2011 included the license of certain intellectual property rights related to the Company's development of a laser projection system.

Financing Activities

Net cash used in financing activities in 2012, amounted to $34.8 million, primarily due to the net repayment of bank indebtedness of $44.0 million, as compared to cash provided by financing activities of $45.1 million in 2011.

Capital Expenditures

Capital expenditures, including the Company's investment in joint revenue sharing equipment, purchase of property, plant and equipment, net of sales proceeds, other intangible assets and investments in film assets were $52.0 million in 2012 as compared to $73.3 million in 2011. In 2013 the Company anticipates continued capital expenditures due in large part to the roll-out of theaters pursuant to joint revenue sharing arrangements.

Prior Year Cash Flow Activities

Net cash provided by operating activities amounted to $6.2 million in the year ended December 31, 2011. Changes in other non-cash operating assets as compared to 2010 include: an increase of $14.6 million in financing receivables; an increase of $7.5 million in accounts receivable; an increase of $1.3 million in inventories; an increase of $0.3 million in prepaid expenses; $1.0 million increase in other assets which includes a $0.4 million decrease in commissions and other deferred selling expenses and a $1.0 million decrease in insurance recoveries receivable and an increase in other assets of $2.4 million. Changes in other non-cash operating liabilities as compared to December 31, 2010 include: an increase in deferred revenue of $0.7 million related to amounts added to deferred revenue for backlog payments received in the current year, offset by amounts relieved from deferred revenue related to theater system installations; an increase in accounts payable of $5.6 million and a decrease of $31.1 million in accrued liabilities including payments of $23.7 million for stock-based compensation. Net cash used in investing activities in the year ended December 31, 2011 amounted to $63.5 million, which includes an investment in joint revenue sharing equipment of $33.3 million, purchases of $5.5 million in property, plant and equipment, an additional investment in business ventures of $2.5 million and an increase in other intangible assets of $22.2 million. Net cash provided by financing activities in 2011 amounted to $45.1 million due to an increase in net bank indebtedness of $37.5 million and proceeds from the issuance of common shares from stock option exercises of $7.9 million, offset by a $0.3 million in payment of fees relating to the Prior Credit Facility amendment.

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Capital expenditures including the Company's investment in joint revenue sharing equipment, purchase of property, plant and equipment net of sales proceeds and investments in film assets were $73.3 million in the year ended December 31, 2011.

CONTRACTUAL OBLIGATIONS

Payments to be made by the Company under contractual obligations are as follows:

		Payments Due by Period					
(In thousands of U.S. Dollars)	Total Obligations	2013	2014	2015	2016	2017	Thereafter
Pension obligations(1)	$ 21,058	$ —	$ 21,058	$ —	$ —	$ —	$ —
Prior Credit Facility(2)	11,000	—	—	11,000	—	—	—
Operating lease obligations(3)	15,085	6,931	5,142	1,177	511	511	813
Purchase obligations(4)	12,053	11,553	500	—	—	—	—
Postretirement benefits obligations(5)	5,130	83	79	88	128	128	4,624
Capital lease obligations(6)	20	20	—	—	—	—	—
	$ 64,346	$18,587	$26,779	$12,265	$639	$639	$ 5,437

(1) The SERP assumptions are that Mr. Gelfond will receive a lump sum payment six months after retirement at the end of the current term of his employment agreement (December 31, 2013), although Mr. Gelfond has not informed the Company that he intends to retire at that time.

(2) Interest on the Prior Credit Facility was payable monthly in arrears based on the applicable variable rate and is not included above. On February 7, 2013, the Company amended and restated the terms of its credit facility. The Comapany's borrowing capacity under the New Credit Facility is up to $200.0 million. On the closing date, the Company borrowed $18.0 million under the New Credit Facility to repay outstanding indebtedness under the Prior Credit Facility and to pay fees and closing costs related to entry into the New Credit Facility.

(3) The Company's total minimum annual rental payments to be made under operating leases, mostly consisting of rent at the Company's properties in New York and Santa Monica, and at the various owned and operated theaters.

(4) The Company's total payments to be made under binding commitments with suppliers and outstanding payments to be made for supplies ordered but yet to be invoiced.

(5) In February 2013, the Company amended the Canadian postretirement plan to reduce future benefits provided under the plan. As a result of this change, the Company anticipates the postretirement liability to be reduced by $2.7 million, resulting in a pre-tax curtailment gain in the first quarter of 2013 of approximately $2.4 million.

(6) The Company's total minimum annual payments to be made under capital leases, mostly consisting of payments for IT hardware and various other fixed assets.

Pension and Postretirement Obligations

The Company has an unfunded defined benefit pension plan, the SERP, covering Messrs. Gelfond and Wechsler. As at December 31, 2012, the Company had an unfunded and accrued projected benefit obligation of approximately $20.4 million (December 31, 2011 — $19.0 million) in respect of the SERP.

On August 1, 2010, the Company made a lump sum payment to Mr. Wechsler in accordance with the terms of the plan, representing a settlement of Mr. Wechsler's entitlement under the SERP. Under the terms of the SERP, if Mr. Gelfond's employment is terminated other than for cause, he is entitled to receive SERP benefits in the form of a lump sum payment. SERP benefit payments to Mr. Gelfond are subject to a deferral for six months after the termination of his employment, at which time Mr. Gelfond will be entitled to receive interest on the deferred amount credited at the applicable federal rate for short-term obligations. The term of Mr. Gelfond's current employment agreement has been extended through December 31, 2013, although Mr. Gelfond has not informed the Company that he intends to retire at that time. Under the terms of the extension, Mr. Gelfond also agreed that any compensation earned during 2011, 2012 and 2013 would not be included in calculating his entitlement under the SERP.

The Company has a postretirement plan to provide health and welfare benefits to Canadian employees meeting certain eligibility requirements. As at December 31, 2012, the Company had an unfunded benefit obligation of $4.6 million (December 31, 2011 — $4.1 million). See note 4 to the audited consolidated financial statements in Item 8 of the Company's 2012 Form 10-K for additional details. In February 2013, the Company amended the Canadian postretirement plan to reduce future benefits provided under the plan. As a result of this change, the Company anticipates the postretirement liability to be reduced by $2.7 million, resulting in a pre-tax curtailment gain in the first quarter of 2013 of approximately $2.4 million.

In July 2000, the Company agreed to maintain health benefits for Messrs. Gelfond and Wechsler upon retirement. As at December 31, 2012, the Company had an unfunded benefit obligation of $0.5 million (December 31, 2011 — $0.5 million).

OFF-BALANCE SHEET ARRANGEMENTS

There are currently no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Company's financial condition.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

The Company is exposed to market risk from foreign currency exchange rates and interest rates, which could affect operating results, financial position and cash flows. Market risk is the potential change in an instrument's value caused by, for example, fluctuations in interest and currency exchange rates. The Company's primary market risk exposure is the risk of unfavorable movements in exchange rates between the U.S. dollar, the Canadian dollar and the Chinese Yuan Renminbi. The Company does not use financial instruments for trading or other speculative purposes.

Foreign Exchange Rate Risk

A majority of the Company's revenue is denominated in U.S. dollars while a significant portion of its costs and expenses is denominated in Canadian dollars. A portion of the Company's net U.S. dollar cash flows is converted to Canadian dollars to fund Canadian dollar expenses through the spot market. The Company has incoming cash flows from its revenue generating theaters and ongoing operating expenses in China through its wholly-owned subsidiary IMAX Shanghai Multimedia Technology Co. Ltd. In Japan, the Company has ongoing Yen-denominated operating expenses related to its Japanese operations. Net Renminbi and Japanese Yen cash flows are converted to U.S. dollars through the spot market. The Company also has cash receipts under leases denominated in Japanese Yen, Euros and Canadian dollars.

The Company manages its exposure to foreign exchange rate risks through the Company's regular operating and financing activities and, when appropriate, through the use of derivative financial instruments. These derivative financial instruments are utilized to hedge economic exposures as well as reduce earnings and cash flow volatility resulting from shifts in market rates.

For the year ended December 31, 2012, the Company recorded a foreign exchange gain of $1.2 million as compared with a foreign exchange loss of $1.3 million in 2011, associated with the translation of foreign currency denominated monetary assets and liabilities and unhedged foreign exchange contracts.

The Company entered into a series of foreign currency forward contracts to manage the Company's risks associated with the volatility of foreign currencies with settlement dates throughout 2013. In addition, at December 31, 2012, the Company held foreign currency forward contracts to manage foreign currency risk on future anticipated Canadian dollar expenditures that were not considered foreign currency hedges by the Company. Foreign currency derivatives are recognized and measured in the balance sheet at fair value. Changes in the fair value (gains or losses) are recognized in the consolidated statement of operations except for derivatives designated and qualifying as foreign currency hedging instruments. For foreign currency hedging instruments, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in other comprehensive income and reclassified to the consolidated statement of operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the consolidated statement of operations. The notional value of foreign currency hedging instruments at December 31, 2012 was $8.1 million (December 31, 2011 — $20.6 million). A gain of $0.7 million was recorded to other comprehensive income with respect to the depreciation/appreciation in the value of these contracts in 2012 (2011 — loss of $0.2 million). A gain of $0.2 million was reclassified from accumulated other comprehensive income to selling, general and administrative expenses in 2012 (2011 — gain of $0.7 million). Appreciation or depreciation on forward contracts not meeting the requirements for hedge accounting in the Derivatives and Hedging Topic of the FASB ASC are recorded to selling, general and administrative expenses. The notional value of forward contracts that do not qualify for hedge accounting at December 31, 2012 was $nil (December 31, 2011 — $67.3 million).

For all derivative instruments, the Company is subject to counterparty credit risk to the extent that the counterparty may not meet its obligations to the Company. To manage this risk, the Company enters into derivative transactions only with major financial institutions.

At December 31, 2012, the Company's net investment in leases and working capital items denominated in Canadian dollars, Renminbi, Yen and Euros was $7.9 million. Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates at December 31, 2012, the potential change in the fair value of foreign currency-denominated net investment in leases and working capital items would be $0.7 million. A significant portion of the Company's selling, general, and administrative expenses are denominated in Canadian dollars. Assuming a 1% change appreciation or depreciation in foreign currency exchange rates at December 31, 2012, the potential change in the amount of selling, general, and administrative expenses would be $0.1 million for every $10.0 million in Canadian denominated expenditures.

Interest Rate Risk Management

The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its interest income from cash, and its interest expense from variable-rate borrowings under the New Credit Facility.

As at December 31, 2012, the Company's borrowings under the Prior Credit Facility were $11.0 million (December 31, 2011 — $55.1 million).

The Company's largest exposure with respect to variable rate debt comes from changes in the LIBOR. The Company had variable rate debt instruments representing approximately 6.5% and 25.3% of its total liabilities at December 31, 2012 and 2011, respectively. If the interest rates available to the Company increased by 10%, the Company's interest expense would increase by approximately less than $0.1 million and interest income from cash would increase by approximately less than $0.1 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's variable rate debt and cash balances at December 31, 2012.

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Item 8. ***Financial Statements and Supplementary Data***

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Report of Independent Registered Public Accounting Firm

To the Shareholders of IMAX Corporation:

We have audited the accompanying consolidated balance sheets of IMAX Corporation and its subsidiaries as of December 31, 2012 and December 31, 2011 and the related consolidated statements of operations, comprehensive income, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 2012. In addition, we have audited the financial statements schedule listed in the accompanying index under Item 15(a)(2). We also have audited IMAX Corporation's and its subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting under Item 9A of its 2012 Annual Report on Form 10-K. Our responsibility is to express an opinion on these consolidated financial statements, the financial statements schedule and the company's internal control over financial reporting based on our integrated audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements and the financial statement schedule are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IMAX Corporation and its subsidiaries as of December 31, 2012 and December 31, 2011 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements schedule listed in the index under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also, in our opinion, IMAX Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by COSO.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Ontario
February 21, 2013

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IMAX CORPORATION
CONSOLIDATED BALANCE SHEETS
In accordance with United States Generally Accepted Accounting Principles
(In thousands of U.S. dollars)

	As at December 31,	
	2012	2011 As Revised (note 4)
Assets		
Cash and cash equivalents	$ 21,336	$ 18,138
Accounts receivable, net of allowance for doubtful accounts of $1,564 (December 31, 2011 — $1,840)	42,007	46,659
Financing receivables (notes 5 and 21(c))	94,193	86,714
Inventories (note 6)	15,794	19,747
Prepaid expenses	3,833	3,126
Film assets (note 7)	3,737	2,388
Property, plant and equipment (note 8)	113,610	101,253
Other assets (notes 9, 21(d) and 21(e))	23,963	14,238
Deferred income taxes (note 10)	36,461	51,046
Goodwill	39,027	39,027
Other intangible assets (note 11)	27,911	24,913
Total assets (note 12)	**$ 421,872**	**$ 407,249**
Liabilities		
Bank indebtedness (note 12)	$ 11,000	$ 55,083
Accounts payable	15,144	28,985
Accrued and other liabilities (notes 7, 13(a), 13(c), 14, 15(c), 21(a), 21(d), 22 and 23)	68,695	58,855
Deferred revenue	73,954	74,458
Total liabilities	**168,793**	**217,381**
Commitments and contingencies (notes 13 and 14)		
Shareholders' equity		
Capital stock (note 15) common shares — no par value. Authorized — unlimited number.		
Issued and outstanding — 66,482,425 (December 31, 2011 — 65,052,740)	313,744	303,395
Other equity	28,892	17,510
Deficit	(87,166)	(128,503)
Accumulated other comprehensive loss	(2,391)	(2,534)
Total shareholders' equity	**253,079**	**189,868**
Total liabilities and shareholders' equity	**$ 421,872**	**$ 407,249**

(the accompanying notes are an integral part of these consolidated financial statements)

IMAX CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
In accordance with United States Generally Accepted Accounting Principles
(In thousands of U.S. dollars, except per share amounts)

	Years Ended December 31,		
	2012	2011 As Revised (note 4)	2010 As Revised (note 4)
Revenues			
Equipment and product sales	$ 78,161	$ 85,016	$ 72,578
Services (note 16(c))	136,606	106,720	123,911
Rentals (note 16(c))	61,268	34,810	46,936
Finance income	7,523	6,162	4,789
Other (note 16(a))	732	3,848	400
	284,290	**236,556**	**248,614**
Costs and expenses applicable to revenues (note 2(m))			
Equipment and product sales	37,538	38,742	36,394
Services (note 16(c))	72,617	69,277	63,425
Rentals	21,402	14,301	11,111
Other	—	1,018	32
	131,557	**123,338**	**110,962**
Gross margin	**152,733**	**113,218**	**137,652**
Selling, general and administrative expenses (note 16(b)) (including share-based compensation expense of $13.1 million, $11.7 million and $26.0 million for 2012, 2011, 2010, respectively)	81,560	73,157	78,757
Provision for arbitration award (note 14(c))	—	2,055	—
Research and development	11,411	7,829	6,249
Amortization of intangibles	706	465	513
Receivable provisions, net of recoveries (note 17)	524	1,570	1,443
Asset impairments (note 18)	—	28	45
Impairment of available-for-sale investment	150	—	—
Income from operations	**58,382**	**28,114**	**50,645**
Interest income	85	57	399
Interest expense (note 10(g))	(689)	(1,827)	(1,885)
Income from operations before income taxes	**57,778**	**26,344**	**49,159**
(Provision for) recovery of income taxes	(15,079)	(9,293)	52,574
Loss from equity-accounted investments	(1,362)	(1,791)	(493)
Net income	**$ 41,337**	**$ 15,260**	**$ 101,240**
Net income per share—basic and diluted: (note 15(d))			
Net income per share—basic:	**$ 0.63**	**$ 0.24**	**$ 1.59**
Net income per share—diluted:	**$ 0.61**	**$ 0.22**	**$ 1.52**

(the accompanying notes are an integral part of these consolidated financial statements)

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IMAX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
In accordance with United States Generally Accepted Accounting Principles
(In thousands of U.S. dollars)

	Years Ended December 31,		
	2012	2011 As Revised (note 4)	2010 As Revised (note 4)
Net income	**$ 41,337**	**$ 15,260**	**$ 101,240**
Unrealized defined benefit plan actuarial loss (note 22(a))	(1,104)	(603)	(2,646)
Realized actuarial gain on settlement of pension liability (note 22(a))	—	—	(385)
Amortization of defined benefit plan actuarial loss (note 22(a))	365	214	—
Unrealized postretirement benefit plan actuarial loss (note 22(d))	(129)	(234)	(237)
Unrealized net gain (loss) from cash flow hedging instruments (note 21(d))	716	(162)	797
Realization of cash flow hedging net gains upon settlement (note 21(d))	(236)	(684)	(665)
Change in market value of available-for-sale investment (note 21(b))	338	(488)	—
Other-than-temporary impairment of available-for-sale investment (note 21(b))	150	—	—
Other comprehensive income (loss), before tax:	**100**	**(1,957)**	**(3,136)**
Income tax recovery allocated to other comprehensive income (loss) (note 10(h))	43	446	1,067
Comprehensive income	**$ 41,480**	**$ 13,749**	**$ 99,171**

(the accompanying notes are an integral part of these consolidated financial statements)

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IMAX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
In accordance with United States Generally Accepted Accounting Principles
(In thousands of U.S. dollars)

	Years Ended December 31,		
	2012	2011 As Revised (note 4)	2010 As Revised (note 4)
Cash provided by (used in):			
Operating Activities			
Net income	$ 41,337	$ 15,260	$ 101,240
Adjustments to reconcile net income to cash from operations:			
Depreciation and amortization (notes 19(c) and 20(a))	32,788	25,163	20,536
Write-downs, net of recoveries (notes 19(d) and 20(a))	1,607	1,954	2,551
Change in deferred income taxes	14,724	7,994	(55,065)
Stock and other non-cash compensation	14,220	12,814	28,524
Provision for arbitration award (note 14(c))	—	2,055	—
Unrealized foreign currency exchange (gain) loss	(329)	1,255	(865)
Loss from equity-accounted investments	1,362	1,791	493
Gain on non-cash contribution to equity-accounted investees	—	(404)	—
Change in cash surrender value of life insurance	—	—	(107)
Investment in film assets	(16,817)	(12,256)	(10,139)
Changes in other non-cash operating assets and liabilities (note 19(a))	(15,262)	(49,379)	(28,682)
Net cash provided by operating activities	**73,630**	**6,247**	**58,486**
Investing Activities			
Purchase of property, plant and equipment	(6,055)	(5,528)	(5,338)
Investment in joint revenue sharing equipment	(23,257)	(33,290)	(21,275)
Investment in new business ventures	(381)	(2,483)	(3,636)
Cash surrender value of life insurance	—	—	7,797
Acquisition of other assets	—	—	(691)
Acquisition of other intangible assets	(5,826)	(22,206)	(681)
Net cash used in investing activities	**(35,519)**	**(63,507)**	**(23,824)**
Financing Activities			
Increase in bank indebtedness (note 12)	9,917	75,083	—
Repayment of bank indebtedness (note 12)	(54,000)	(37,500)	(32,500)
Common shares issued—stock options exercised (note 15(b))	8,920	7,864	8,276
Proceeds from disgorgement of stock sale profits	314	—	—
Credit facility amendment fees paid	—	(306)	—
Net cash (used in) provided by financing activities	**(34,849)**	**45,141**	**(24,224)**
Effects of exchange rate changes on cash	(64)	(133)	(129)
Increase (decrease) in cash and cash equivalents during year	**3,198**	**(12,252)**	**10,309**
Cash and cash equivalents, beginning of year	**18,138**	**30,390**	**20,081**
Cash and cash equivalents, end of year	**$ 21,336**	**$ 18,138**	**$ 30,390**

(the accompanying notes are an integral part of these consolidated financial statements)

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IMAX CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
In accordance with United States Generally Accepted Accounting Principles
(In thousands of U.S. dollars)

	Common Shares Issued and Outstanding	Capital Stock	Other Equity	Deficit As Revised (note 4)	Accumulated Other Comprehensive Income (Loss) As Revised (note 4)	Total Shareholders' Equity As Revised (note 4)
Balance as at December 31, 2009	**62,831,974**	**$ 280,048**	**$ 6,044**	**$ (245,003)**	**$ 1,046**	**$ 42,135**
Net income	—	—	—	101,240	—	101,240
Paid-in capital for non-employee stock options granted (note 15(c))	—	—	383	—	—	383
Employee stock options exercised	1,090,782	8,063	(1,696)	—	—	6,367
Non-employee stock options exercised	222,817	3,016	(1,102)	—	—	1,914
Paid-in capital for employee stock options granted (note 15(c))	—	—	4,058	—	—	4,058
Unrecognized defined benefit plan actuarial loss, net (note 22)	—	—	—	—	(1,985)	(1,985)
Unrealized postretirement benefit plan actuarial loss, net (note 22(d))	—	—	—	—	(166)	(166)
Unrealized net gain on cash flow hedging instruments, net (note 21)	—	—	—	—	(50)	(50)
Tax recovery related to share issuance expenses	—	1,850	—	—	—	1,850
Realized actuarial gain on settlement of defined pension plan liability, net (note 22)	—	—	—	—	132	132
Balance as at December 31, 2010	**64,145,573**	**$ 292,977**	**$ 7,687**	**$ (143,763)**	**$ (1,023)**	**$ 155,878**
Net income	—	—	—	15,260	—	15,260
Paid-in capital for non-employee stock options granted (note 15(c))	—	—	2,375	—	—	2,375
Employee stock options exercised	763,056	5,173	(731)	—	—	4,442
Non-employee stock options exercised	144,111	5,245	(1,823)	—	—	3,422
Paid-in capital for employee stock options granted (note 15(c))	—	—	9,391	—	—	9,391
Utilization of windfall tax benefits from employee stock options (note 10(f))	—	—	611	—	—	611
Unrecognized defined benefit plan actuarial loss, net (note 22)	—	—	—	—	(458)	(458)
Amortization of defined benefit plan actuarial loss, net (note 22)	—	—	—	—	161	161
Unrealized postretirement benefit plan actuarial loss, net (note 22(d))	—	—	—	—	(176)	(176)
Unrealized net gain on cash flow hedging instruments, net (note 21)	—	—	—	—	(117)	(117)
Realization of cash flow hedging gains upon settlement, net (note 21)	—	—	—	—	(494)	(494)
Unrealized change in market value of available-for-sale investment, net (note 21)	—	—	—	—	(427)	(427)
Balance as at December 31, 2011	**65,052,740**	**$ 303,395**	**$17,510**	**$ (128,503)**	**$ (2,534)**	**$ 189,868**
Net income	—	—	—	41,337	—	41,337
Paid-in capital for non-employee stock options granted (note 15(c))	—	—	115	—	—	115
Employee stock options exercised	1,414,685	9,946	(1,279)	—	—	8,667
Non-employee stock options exercised	15,000	403	(150)	—	—	253
Paid-in capital for employee stock options granted (note 15(c))	—	—	12,359	—	—	12,359
Disgorgement of profit	—	—	314	—	—	314
Utilization of windfall tax benefits from employee stock options (note 10(f))	—	—	23	—	—	23
Unrealized defined benefit plan actuarial loss, net (note 22)	—	—	—	—	(819)	(819)
Amortization of defined benefit plan actuarial loss, net (note 22)	—	—	—	—	274	274
Unrealized postretirement benefit plan actuarial loss, net (note 22(d))	—	—	—	—	(96)	(96)
Unrealized change in cash flow hedging instruments, net (note 21)	—	—	—	—	531	531
Realization of cash flow hedging gains upon settlement, net (note 21)	—	—	—	—	(174)	(174)
Change in market value of available-for-sale investment, net (note 21)	—	—	—	—	296	296
Other-than-temporary impairment of available-for-sale investment, net (note 21)	—	—	—	—	131	131
Balance as at December 31, 2012	**66,482,425**	**$313,744**	**$ 28,892**	**$ (87,166)**	**$ (2,391)**	**$ 253,079**

(The accompanying notes are an integral part of these consolidated financial statements)

IMAX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In accordance with United States Generally Accepted Accounting Principles
(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

1. Description of the Business

IMAX Corporation together with its consolidated wholly-owned subsidiaries (the "Company") is an entertainment technology company specializing in digital and film-based motion picture technologies, whose principal activities are the:

- design, manufacture, sale and lease of proprietary theater systems for IMAX theaters principally owned and operated by commercial and institutional customers located in 53 countries as at December 31, 2012;
- production, digital re-mastering, post-production and/or distribution of certain films shown throughout the IMAX theater network;
- provision of other services to the IMAX theater network, including ongoing maintenance and extended warranty services for IMAX theater systems;
- operation of certain theaters primarily in the United States; and
- other activities, which includes short-term rental of cameras and aftermarket sales of projector system components.

The Company refers to all theaters using the IMAX theater system as "IMAX theaters."

The Company's revenues from equipment and product sales include the sale and sales-type leasing of its theater systems and sales of their associated parts and accessories, contingent rentals on sales-type leases and contingent additional payments on sales transactions.

The Company's revenues from services include the provision of maintenance and extended warranty services, digital re-mastering services, film production and film post-production services, film distribution, and the operation of certain theaters.

The Company's rentals include revenues from the leasing of its theater systems that are operating leases, contingent rentals on operating leases, joint revenue sharing arrangements and the rental of the Company's cameras and camera equipment.

The Company's finance income represents interest income arising from the sales-type leases and financed sales of the Company's theater systems.

The Company's other revenues include the settlement of contractual obligations with customers.

2. Summary of Significant Accounting Policies

Significant accounting policies are summarized as follows:

The Company prepares its consolidated financial statements in accordance with U.S. GAAP.

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company together with its wholly-owned subsidiaries, except for subsidiaries which the Company has identified as variable interest entities ("VIEs") where the Company is not the primary beneficiary.

The Company has evaluated its various variable interests to determine whether they are VIEs as required by the Consolidation Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or "Codification"). The Company has 9 film production companies that are VIEs. For 2 of the Company's film production companies, the Company has determined that it is the primary beneficiary of these entities as the Company has the power to direct the activities of the respective VIE that most significantly impact the respective VIE's economic performance and has the obligation to absorb losses of the VIE that

could potentially be significant to the respective VIE or the right to receive benefits from the respective VIE that could potentially be significant to the respective VIE. The Company continues to consolidate these entities, with no material impact on the operating results or financial condition of the Company, as these production companies have total assets of $nil (December 31, 2011 — $nil) and total liabilities of $nil as at December 31, 2012 (December 31, 2011 — $nil). For the other 7 film production companies which are VIEs, the Company did not consolidate these film entities since it does not have the power to direct activities and does not absorb the majority of the expected losses or expected residual returns. The Company equity accounts for these entities. As at December 31, 2012, these 7 VIEs have total assets and total liabilities of $15.9 million (December 31, 2011 — $12.7 million). Earnings of the investees included in the Company's consolidated statement of operations amounted to $nil in 2012 (2011 — $nil). The carrying value of these investments in VIEs that are not consolidated is $nil at December 31, 2012 (December 31, 2011 — $nil). A loss in value of an investment other than a temporary decline is recognized as a charge to the consolidated statement of operations. The Company's exposure, which is determined based on the level of funding contributed by the Company and the development stage of the respective film, is $0.9 million at December 31, 2012 (2011 — $nil).

The Company accounts for investments in new business ventures using the guidance of the FASB ASC 323 "Investments – Equity Method and Joint Ventures" ("ASC 323") and ASC 320 "Investments in Debt and Equity Securities" ("ASC 320"), as appropriate. At December 31, 2012, the equity method of accounting is being utilized for an investment with a carrying value of $3.1 million (December 31, 2011 — $4.1 million). The Company has determined it is not the primary beneficiary of this VIE, and therefore it has not been consolidated. In addition, the Company has an investment in preferred stock of another business venture of $1.5 million which meets the criteria for classification as a debt security under ASC 320 and is recorded at its fair value of $1.3 million at December 31, 2012 (December 31, 2011 — $1.0 million). This investment is classified as an available-for-sale investment. The total carrying value of investments in new business ventures at December 31, 2012 and December 31, 2011 is $4.4 million and $5.1 million, respectively, and is recorded in Other Assets.

All significant intercompany accounts and transactions, including all unrealized intercompany profits on transactions with equity-accounted investees, have been eliminated.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be materially different from these estimates. Significant estimates made by management include, but are not limited to: selling prices associated with the individual elements in multiple element arrangements; residual values of leased theater systems; economic lives of leased assets; allowances for potential uncollectibility of accounts receivable, financing receivables and net investment in leases; provisions for inventory obsolescence; ultimate revenues for film assets; impairment provisions for film assets, long-lived assets and goodwill; depreciable lives of property, plant and equipment; useful lives of intangible assets; pension plan assumptions; accruals for contingencies including tax contingencies; valuation allowances for deferred income tax assets; and, estimates of the fair value of stock-based payment awards.

(c) Cash and Cash Equivalents

The Company considers all highly liquid investments convertible to a known amount of cash and with an original maturity of three months or less to be cash equivalents.

(d) Accounts Receivable and Financing Receivables

Allowances for doubtful accounts receivable are based on the Company's assessment of the collectibility of specific customer balances, which is based upon a review of the customer's credit worthiness, past collection history and the underlying asset value of the equipment, where applicable. Interest on overdue accounts receivable is recognized as income as the amounts are collected.

For trade accounts receivable that have characteristics of both a contractual maturity of one year or less, and arose from the sale of other goods or services, the Company charges off the balance against the allowance for doubtful accounts when it is known that a provided amount will not be collected.

The Company monitors the performance of the theaters to which it has leased or sold theater systems which are subject to ongoing payments. When facts and circumstances indicate that there is a potential impairment in the net investment in lease or a financing receivable, the Company will evaluate the potential outcome of either renegotiations involving changes in the terms of the receivable or defaults on the existing lease or financed sale agreements. The Company will record a provision if it is considered probable that the Company will be unable to collect all amounts due under the contractual terms of the arrangement or a renegotiated lease amount will cause a reclassification of the sales-type lease to an operating lease.

When the net investment in lease or the financing receivable is impaired, the Company will recognize a provision for the difference between the carrying value in the investment and the present value of expected future cash flows discounted using the effective interest rate for the net investment in the lease or the financing receivable. If the Company expects to recover the theater system, the provision is equal to the excess of the carrying value of the investment over the fair value of the equipment.

When the minimum lease payments are renegotiated and the lease continues to be classified as a sales-type lease, the reduction in payments is applied to reduce unearned finance income.

These provisions are adjusted when there is a significant change in the amount or timing of the expected future cash flows or when actual cash flows differ from cash flow previously expected.

Once a net investment in lease or financing receivable is considered impaired, the Company does not recognize interest income until the collectibility issues are resolved. When finance income is not recognized, any payments received are applied against outstanding gross minimum lease amounts receivable or gross receivables from financed sales. Once the collectability issues are resolved, the Company will once again commence the recognition of interest income.

(e) Inventories

Inventories are carried at the lower of cost, determined on an average cost basis, and net realizable value except for raw materials, which are carried at the lower of cost and replacement cost. Finished goods and work-in-process include the cost of raw materials, direct labor, theater design costs, and an applicable share of manufacturing overhead costs.

The costs related to theater systems under sales and sales-type lease arrangements are relieved from inventory to costs and expenses applicable to revenues-equipment and product sales when revenue recognition criteria are met. The costs related to theater systems under operating lease arrangements and joint revenue sharing arrangements are transferred from inventory to assets under construction in property, plant and equipment when allocated to a signed joint revenue sharing arrangement or when the arrangement is first classified as an operating lease.

The Company records provisions for excess and obsolete inventory based upon current estimates of future events and conditions, including the anticipated installation dates for the current backlog of theater system contracts, technological developments, signings in negotiation, growth prospects within the customers' ultimate marketplace and anticipated market acceptance of the Company's current and pending theater systems.

Finished goods inventories can contain theater systems for which title has passed to the Company's customer (as the theater system has been delivered to the customer) but the revenue recognition criteria as discussed in note 2(m) have not been met.

(f) Film Assets

Costs of producing films, including labor, allocated overhead, capitalized interest, and costs of acquiring film rights are recorded as film assets and accounted for in accordance with Entertainment-Films Topic of the FASB ASC. Production financing provided by third parties that acquire substantive rights in the film is recorded as a reduction of the cost of the production. Film assets are amortized and participation costs are accrued using the individual-film-forecast method in the same ratio that current gross revenues

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bear to current and anticipated future ultimate revenues. Estimates of ultimate revenues are prepared on a title-by-title basis and reviewed regularly by management and revised where necessary to reflect the most current information. Ultimate revenues for films include estimates of revenue over a period not to exceed ten years following the date of initial release.

Film exploitation costs, including advertising costs, are expensed as incurred.

Costs, including labor and allocated overhead, of digitally re-mastering films where the copyright is owned by a third party and the Company shares in the revenue of the third party are included in film assets. These costs are amortized using the individual-film-forecast method in the same ratio that current gross revenues bear to current and anticipated future ultimate revenues from the re-mastered film.

The recoverability of film assets is dependent upon commercial acceptance of the films. If events or circumstances indicate that the recoverable amount of a film asset is less than the unamortized film costs, the film asset is written down to its fair value. The Company determines the fair value of its film assets using a discounted cash flow model.

(g) Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives as follows:

Theater system components[1]	—	over the equipment's anticipated useful life (7 to 20 years)
Camera equipment	—	5 to 10 years
Buildings	—	20 to 25 years
Office and production equipment	—	3 to 5 years
Leasehold improvements	—	over the shorter of the initial term of the underlying leases plus any reasonably assured renewal terms, and the useful life of the asset

(1) includes equipment under joint revenue sharing arrangements.

Equipment and components allocated to be used in future operating leases and joint revenue sharing arrangements, as well as direct labor costs and an allocation of direct production costs, are included in assets under construction until such equipment is installed and in working condition, at which time the equipment is depreciated on a straight-line basis over the lesser of the term of the joint revenue sharing arrangement and the equipment's anticipated useful life.

The Company reviews the carrying values of its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group might not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent when testing for, and measuring for, impairment. In performing its review of recoverability, the Company estimates the future cash flows expected to result from the use of the asset or asset group and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized in the consolidated statements of operations. Measurement of the impairment loss is based on the excess of the carrying amount of the asset or asset group over the fair value calculated using discounted expected future cash flows.

A liability for the fair value of an asset retirement obligation associated with the retirement of tangible long-lived assets and the associated asset retirement costs are recognized in the period in which the liability and costs are incurred if a reasonable estimate of fair value can be made using a discounted cash flow model. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently amortized over the asset's useful life. The liability is accreted over the period to expected cash outflows.

(h) Other Assets

Other assets include insurance recoverable, deferred charges on debt financing, deferred selling costs that are direct and incremental to the acquisition of sales contracts, foreign currency derivative gains, lease incentives and investments in new business ventures.

Costs of debt financing are deferred and amortized over the term of the debt using the effective interest method.

Selling costs related to an arrangement incurred prior to recognition of the related revenue are deferred and expensed to costs and expenses applicable to revenues upon (i) recognition of the contract's theater system revenue or (ii) abandonment of the sale arrangement.

Foreign currency derivative gains are accounted for at fair value using quoted prices in closed exchanges (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy).

The Company may provide lease incentives to certain exhibitors which are essential to entering into the respective lease arrangement. Lease incentives include payments made to or on behalf of the exhibitor. These lease incentives are recognized as a reduction in rental revenue on a straight-line basis over the term of the lease.

Investments in new business ventures are accounted for using ASC 323 as described in note 2(a). The Company currently accounts for its 10.1% investment in 3net, a 3D television channel operated by a limited liability corporation owned by the Company, using the equity method of accounting. The Company accounts for in-kind contributions to its equity investment in accordance with ASC 845 "Non-Monetary Transactions" ("ASC 845") whereby if the fair value of the asset or assets contributed is greater than the carrying value a partial gain shall be recognized.

The Company's investment in debt securities is classified as an available-for-sale investment in accordance with ASC 320. Unrealized holding gains and losses for this investment is excluded from earnings and reported in other comprehensive income until realized. Realization occurs upon sale of a portion of or the entire investment. The investment is impaired if the fair value is less than cost, which is assessed in each reporting period. When the Company intends to sell a specifically identified beneficial interest, a write-down for other-than-temporary impairment shall be recognized in earnings.

(i) Goodwill

Goodwill represents the excess of purchase price over the fair value of net identifiable assets acquired in a purchase business combination. Goodwill is not subject to amortization and is tested for impairment annually, or more frequently if events or circumstances indicate that the asset might be impaired. The Company first assesses certain qualitative factors to determine whether the existence of events or circumstances leads to determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carry amount, then performing the two-step impairment test is unnecessary. When necessary, impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair value of the reporting unit is estimated using a discounted cash flow approach. If the carrying amount of the reporting unit exceeds its fair value, then a second step is performed to measure the amount of impairment loss, if any, by comparing the fair value of each identifiable asset and liability in the reporting unit to the total fair value of the reporting unit. Any impairment loss is expensed in the consolidated statement of operations and is not reversed if the fair value subsequently increases.

(j) Other Intangible Assets

Patents, trademarks and other intangibles are recorded at cost and are amortized on a straight-line basis over estimated useful lives ranging from 4 to 10 years except for intangible assets that have an identifiable pattern of consumption of the economic benefit of the asset, which are amortized over the consumption pattern.

The Company reviews the carrying values of its other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group might not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent when testing for, and measuring for, impairment. In performing its review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset or asset group and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized in the consolidated statement of operations. Measurement of the impairment loss is based on

the excess of the carrying amount of the asset or asset group over the fair value calculated using discounted expected future cash flows.

(k) Deferred Revenue

Deferred revenue represents cash received prior to revenue recognition criteria being met for theater system sales or leases, film contracts, maintenance and extended warranty services, film related services and film distribution.

(l) Income Taxes

Income taxes are accounted for under the liability method whereby deferred income tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the accounting and tax bases of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates or laws is recognized in the consolidated statement of operations in the period in which the change is enacted. Investment tax credits are recognized as a reduction of income tax expense.

The Company assesses realization of deferred income tax assets and, based on all available evidence, concludes whether it is more likely than not that the net deferred income tax assets will be realized. A valuation allowance is provided for the amount of deferred income tax assets not considered to be realizable.

The Company is subject to ongoing tax exposures, examinations and assessments in various jurisdictions. Accordingly, the Company may incur additional tax expense based upon the outcomes of such matters. In addition, when applicable, the Company adjusts tax expense to reflect the Company’s ongoing assessments of such matters which require judgment and can materially increase or decrease its effective rate as well as impact operating results. The Company provides for such exposures in accordance with the Income Taxes Topic of the FASB ASC.

(m) Revenue Recognition

Multiple Element Arrangements

The Company’s revenue arrangements with certain customers may involve multiple elements consisting of a theater system (projector, sound system, screen system and, if applicable, 3D glasses cleaning machine); services associated with the theater system including theater design support, supervision of installation, and projectionist training; a license to use of the IMAX brand; 3D glasses; maintenance and extended warranty services; and licensing of films. The Company evaluates all elements in an arrangement to determine what are considered deliverables for accounting purposes and which of the deliverables represent separate units of accounting based on the applicable accounting guidance in the Leases Topic of the FASB ASC; the Guarantees Topic of the FASB ASC; the Entertainment – Films Topic of FASB ASC; and the Revenue Recognition Topic of the FASB. If separate units of accounting are either required under the relevant accounting standards or determined to be applicable under the Revenue Recognition Topic, the total consideration received or receivable in the arrangement is allocated based on the applicable guidance in the above noted standards.

Theater Systems

The Company has identified the projection system, sound system, screen system and, if applicable, 3D glasses cleaning machine, theater design support, supervision of installation, projectionist training and the use of the IMAX brand to be a single deliverable and a single unit of accounting (the “System Deliverable”). When an arrangement does not include all the elements of a System Deliverable, the elements of the System Deliverable included in the arrangement are considered by the Company to be a single deliverable and a single unit of accounting. The Company is not responsible for the physical installation of the equipment in the customer’s facility; however, the Company supervises the installation by the customer. The customer has the right to use the IMAX brand from the date the Company and the customer enter into an arrangement.

The Company’s System Deliverable arrangements involve either a lease or a sale of the theater system. Consideration in the Company’s arrangements, that are not joint revenue sharing arrangements, consist of upfront or initial payments made before and after the final installation of the theater system equipment and ongoing payments throughout the term of the lease or over a period of time, as specified in the arrangement. The ongoing payments are the greater of an annual fixed minimum amount or a certain percentage of the theater box-office. Amounts received in excess of the annual fixed minimum amounts are considered contingent payments. The

Company's arrangements are non-cancellable, unless the Company fails to perform its obligations. In the absence of a material default by the Company, there is no right to any remedy for the customer under the Company's arrangements. If a material default by the Company exists, the customer has the right to terminate the arrangement and seek a refund only if the customer provides notice to the Company of a material default and only if the Company does not cure the default within a specified period.

Sales Arrangements

For arrangements qualifying as sales, the revenue allocated to the System Deliverable is recognized in accordance with the Revenue Recognition Topic of the FASB ASC, when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and are in full working condition, (ii) the 3D glasses cleaning machine, if applicable, has been delivered, (iii) projectionist training has been completed and (iv) the earlier of (a) receipt of written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater, provided there is persuasive evidence of an arrangement, the price is fixed or determinable and collectibility is reasonably assured.

The initial revenue recognized consists of the initial payments received and the present value of any future initial payments and fixed minimum ongoing payments that have been attributed to this unit of accounting. Contingent payments in excess of the fixed minimum ongoing payments are recognized when reported by theater operators, provided collectibility is reasonably assured.

The Company has also agreed, on occasion, to sell equipment under lease or at the end of a lease term. Consideration agreed to for these lease buyouts is included in revenues from equipment and product sales, when persuasive evidence of an arrangement exists, the fees are fixed or determinable, collectibility is reasonably assured and title to the theater system passes from the Company to the customer.

In a certain sales arrangement not subject to the provisions of the amended FASB ASC 605-25, "Revenue Recognition: Multiple-Element Arrangements" ("ASC 605-25"), as the arrangement was entered into before January 1, 2011 and not materially modified subsequently, the Company provided a customer with digital upgrades on several systems, including several specified upgrades to an as-of-yet undeveloped product. At the current-period-end, the Company has not yet established the fair value of this product, and as a result, the Company cannot determine the arrangement's consideration nor its allocation of consideration between delivered and undelivered items. Consequently, revenue recognition has been deferred for all delivered items in the arrangement. Once the Company determines an objective and reliable fair value of the undeveloped specified upgrade, the Company will be able to calculate total arrangement consideration and consequently, the Company will be able to recognize revenue on the delivered elements of the arrangement. If the arrangement is materially modified in the future such that contract consideration becomes fixed, the arrangement in its entirety would be subject to the provisions of the amended FASB ASC 605-25 and the Company would be required to develop, absent an established selling price for the undeveloped specified upgrade, a best estimated selling price for the undeveloped specified upgrade, allocate the arrangement's consideration on a relative selling price allocation basis, and recognize revenue on the delivered elements based on that allocation.

Lease Arrangements

The Company uses the Leases Topic of FASB ASC to evaluate whether an arrangement is a lease within the scope of the accounting standard. Arrangements not within the scope of the accounting standard are accounted for either as a sales or services arrangement, as applicable.

For lease arrangements, the Company determines the classification of the lease in accordance with the Lease Topic of FASB ASC. A lease arrangement that transfers substantially all of the benefits and risks incident to ownership of the equipment is classified as a sales-type lease based on the criteria established by the accounting standard; otherwise the lease is classified as an operating lease. Prior to commencement of the lease term for the equipment, the Company may modify certain payment terms or make concessions. If these circumstances occur, the Company reassesses the classification of the lease based on the modified terms and conditions.

For sales-type leases, the revenue allocated to the System Deliverable is recognized when the lease term commences, which the Company deems to be when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and are in full working condition, (ii) the 3D glasses cleaning machine, if applicable, has been delivered, (iii) projectionist training has been completed and (iv) the earlier of (a) receipt of the written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater, provided collectibility is reasonably assured.

The initial revenue recognized for sales-type leases consists of the initial payments received and the present value of future initial payments and fixed minimum ongoing payments computed at the interest rate implicit in the lease. Contingent payments in excess of the fixed minimum payments are recognized when reported by theater operators, provided collectibility is reasonably assured.

For operating leases, initial payments and fixed minimum ongoing payments are recognized as revenue on a straight-line basis over the lease term. For operating leases, the lease term is considered to commence when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and in full working condition, (ii) the 3D glasses cleaning machine, if applicable, has been delivered, (iii) projectionist training has been completed and (iv) the earlier of (a) receipt of written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater. Contingent payments in excess of fixed minimum ongoing payments are recognized as revenue when reported by theater operators, provided collectibility is reasonably assured.

Revenue from joint revenue sharing arrangements with upfront payments that qualify for classification as sales-type leases is recognized in accordance with the sales-type lease criteria discussed above. Contingent revenues from joint revenue sharing arrangements is recognized as box office results and concessions revenues are reported by the theater operator, provided collectibility is reasonably assured.

Finance Income

Finance income is recognized over the term of the sales-type lease or financed sales receivable, provided collectibility is reasonably assured. Finance income recognition ceases when the Company determines that the associated receivable is not collectible.

Finance income is suspended when the Company identifies a theater that is delinquent, non-responsive or not negotiating in good faith with the Company. Once the collectability issues are resolved the Company will resume recognition of finance income.

Improvements and Modifications

Improvements and modifications to the theater system after installation are treated as separate revenue transactions, if and when the Company is requested to perform these services. Revenue is recognized for these services when the performance of the services has been completed, provided there is persuasive evidence of an arrangement, the fee is fixed or determinable and collectibility is reasonably assured.

Cost of Equipment and Product Sales

Theater systems and other equipment subject to sales-type leases and sales arrangements includes the cost of the equipment and costs related to project management, design, delivery and installation supervision services as applicable. The costs related to theater systems under sales and sales-type lease arrangements are relieved from inventory to costs and expenses applicable to revenues-equipment and product sales when revenue recognition criteria are met. In addition, the Company defers direct selling costs such as sales commissions and other amounts related to these contracts until the related revenue is recognized. These costs included in costs and expenses applicable to revenues-equipment and product sales, totaled $2.7 million in 2012 (2011 – $2.4 million, 2010 – $1.9 million). The cost of equipment and product sales prior to direct selling costs was $34.8 million in 2012 (2011 – $36.3 million, 2010 – $34.5 million). The Company may have warranty obligations at or after the time revenue is recognized which require replacement of certain parts that do not affect the functionality of the theater system or services. The costs for warranty obligations for known issues are accrued as charges to costs and expenses applicable to revenues-equipment and product sales at the time revenue is recognized based on the Company’s past historical experience and cost estimates.

Cost of Rentals

For theater systems and other equipment subject to an operating lease or placed in a theater operators’ venue under a joint revenue sharing arrangement, the cost of equipment and those costs that result directly from and are essential to the arrangement, is included within property, plant and equipment. Depreciation and impairment losses, if any, are included in cost of rentals based on the accounting policy set out in note 2(g). Commissions are recognized as costs and expenses applicable to revenues-rentals in the month they are earned, which is typically the month of installation. These costs totaled $1.5 million in 2012 (2011 — $2.3 million, 2010 — $2.1 million). Direct advertising and marketing costs for each theater are charged to costs and expenses applicable to revenues-rentals as incurred. These costs totaled $1.9 million in 2012 (2011 — $3.2 million, 2010 — $2.1 million).

Terminations, Consensual Buyouts and Concessions

The Company enters into theater system arrangements with customers that contain customer payment obligations prior to the scheduled installation of the theater system. During the period of time between signing and the installation of the theater system, which may extend several years, certain customers may be unable to, or elect not to, proceed with the theater system installation for a number of reasons including business considerations, or the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the arrangement may be terminated under the default provisions of the arrangement or by mutual agreement between the Company and the customer (a “consensual buyout”). Terminations by default are situations when a customer does not meet the payment obligations under an arrangement and the Company retains the amounts paid by the customer. Under a consensual buyout, the Company and the customer agree, in writing, to a settlement and to release each other of any further obligations under the arrangement or an arbitrated settlement is reached. Any initial payments retained or additional payments received by the Company are recognized as revenue when the settlement arrangements are executed and the cash is received, respectively. These termination and consensual buyout amounts are recognized in Other revenues.

In addition, the Company could agree with customers to convert their obligations for other theater system configurations that have not yet been installed to arrangements to acquire or lease the IMAX digital theater system. The Company considers these situations to be a termination of the previous arrangement and origination of a new arrangement for the IMAX digital theater system. For all arrangements entered into or modified prior to the date of adoption of the amended FASB ASC 605-25, the Company continues to defer an amount of any initial fees received from the customer such that the aggregate of the fees deferred and the net present value of the future fixed initial and ongoing payments to be received from the customer equals the selling price of the IMAX digital theater system to be leased or acquired by the customer. Any residual portion of the initial fees received from the customer for the terminated theater system is recorded in other revenues at the time when the obligation for the original theater system is terminated and the new theater system arrangement is signed. Under the amended FASB ASC 605-25, for all arrangements entered into or materially modified after the date of adoption, the total arrangement consideration to be received is allocated on a relative selling price basis to the digital upgrade and the termination of the previous theater system. The arrangement consideration allocated to the termination of the existing arrangement is recorded in Other revenues at the time when the obligation for the original theater system is terminated and the new theater system arrangement is signed.

The Company may offer certain incentives to customers to complete theater system transactions including payment concessions or free services and products such as film licenses or 3D glasses. Reductions in, and deferral of, payments are taken into account in determining the sales price either by a direct reduction in the sales price or a reduction of payments to be discounted in accordance with the Leases or Interests Topic of the FASB ASC. Free products and services are accounted for as separate units of accounting. Other consideration given by the Company to customers are accounted for in accordance with the Revenue Recognition Topic of the FASB ASC.

Maintenance and Extended Warranty Services

Maintenance and extended warranty services may be provided under a multiple element arrangement or as a separately priced contract. Revenues related to these services are deferred and recognized on a straight-line basis over the contract period and are recognized in Services revenues. Maintenance and extended warranty services includes maintenance of the customer’s equipment and replacement parts. Under certain maintenance arrangements, maintenance services may include additional training services to the customer’s technicians. All costs associated with this maintenance and extended warranty program are expensed as incurred. A loss on maintenance and extended warranty services is recognized if the expected cost of providing the services under the contracts exceeds the related deferred revenue.

Film Production and IMAX DMR Services

In certain film arrangements, the Company produces a film financed by third parties whereby the third party retains the copyright and the Company obtains exclusive distribution rights. Under these arrangements, the Company is entitled to receive a fixed fee or to retain as a fee the excess of funding over cost of production (the “production fee”). The third parties receive a portion of the revenues received by the Company from distributing the film, which is charged to costs and expenses applicable to revenues-services. The production fees are deferred, and recognized as a reduction in the cost of the film based on the ratio of the Company’s distribution revenues recognized in the current period to the ultimate distribution revenues expected from the film. Film exploitation costs, including advertising and marketing totaled $3.3 million in 2012 (2011 — $3.8 million, 2010 — $2.1 million) and are recorded in costs and expenses applicable to revenues-services as incurred.

Revenue from film production services where the Company does not hold the associated distribution rights are recognized in Services revenues when performance of the contractual service is complete, provided there is persuasive evidence of an agreement, the fee is fixed or determinable and collectibility is reasonably assured.

Revenues from digitally re-mastering (IMAX DMR) films where third parties own or hold the copyrights and the rights to distribute the film are derived in the form of processing fees and recoupments calculated as a percentage of box-office receipts generated from the re-mastered films. Processing fees are recognized as Services revenues when the performance of the related re-mastering service is completed provided there is persuasive evidence of an arrangement, the fee is fixed or determinable and collectibility is reasonably assured. Recoupments, calculated as a percentage of box-office receipts, are recognized as Services revenue when box-office receipts are reported by the third party that owns or holds the related film rights, provided collectibility is reasonably assured.

Losses on film production and IMAX DMR services are recognized as costs and expenses applicable to revenues-services in the period when it is determined that the Company's estimate of total revenues to be realized by the Company will not exceed estimated total production costs to be expended on the film production and the cost of IMAX DMR services.

Film Distribution

Revenue from the licensing of films is recognized in Services revenues when persuasive evidence of a licensing arrangement exists, the film has been completed and delivered, the license period has begun, the fee is fixed or determinable and collectibility is reasonably assured. When license fees are based on a percentage of box-office receipts, revenue is recognized when box-office receipts are reported by exhibitors, provided collectibility is reasonably assured. Film exploitation costs, including advertising and marketing, totaled $1.5 million in 2012 (2011 — $1.9 million, 2010 — $0.7 million) and are recorded in costs and expenses applicable to revenues-services as incurred.

Film Post-Production Services

Revenues from post-production film services are recognized in Services revenues when performance of the contracted services is complete provided there is persuasive evidence of an arrangement, the fee is fixed or determinable and collectibility is reasonably assured.

Other

The Company recognizes revenue in Services revenues from its owned and operated theaters resulting from box-office ticket and concession sales as tickets are sold, films are shown and upon the sale of various concessions. The sales are cash or credit card transactions with theatergoers based on fixed prices per seat or per concession item.

In addition, the Company enters into commercial arrangements with third party theater owners resulting in the sharing of profits and losses which are recognized in Services revenues when reported by such theaters. The Company also provides management services to certain theaters and recognizes revenue over the term of such services.

Revenues on camera rentals are recognized in Rental revenues over the rental period.

Revenue from the sale of 3D glasses is recognized in Equipment and product sales revenue when the 3D glasses have been delivered to the customer.

Other service revenues are recognized in Service revenues when the performance of contracted services is complete.

(n) Research and Development

Research and development costs are expensed as incurred and primarily include projector and sound parts, labor, consulting fees, allocation of overheads and other related materials which pertain to the Company's development of ongoing product and services. Research and development costs pertaining to fixed and intangible assets that have alternative future uses are capitalized and amortized under their related policies.

(o) Foreign Currency Translation

Monetary assets and liabilities of the Company's operations which are denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the end of the period. Non-monetary items are translated at historical exchange rates. Revenue and expense transactions are translated at exchange rates prevalent at the transaction date. Such exchange gains and losses are included in the determination of earnings in the period in which they arise. The Company has determined that the functional currency of all its wholly-owned subsidiaries is the United States dollar.

Foreign currency derivatives are recognized and measured in the balance sheet at fair value. Changes in the fair value (gains or losses) are recognized in the consolidated statement of operations except for derivatives designated and qualifying as foreign currency hedging instruments. For foreign currency hedging instruments, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in other comprehensive income and reclassified to the consolidated statement of operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the consolidated statement of operations.

(p) Stock-Based Compensation

The Company's stock-based compensation is recognized in accordance with the FASB ASC Topic 505, "Equity" and Topic 718, "Compensation-Stock Compensation."

The Company estimates the fair value of employee stock-based payment awards on the date of grant using fair value measurement techniques such as an option-pricing model. The value of the portion of the employee award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's consolidated statement of operations.

The Company utilizes a lattice-binomial option-pricing model ("Binomial Model") to determine the fair value of stock-based payment awards. The fair value determined by the Binomial Model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The Binomial Model also considers the expected exercise multiple which is the multiple of exercise price to grant price at which exercises are expected to occur on average. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because the Company's employee stock options have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion, the Binomial Model best provides a fair measure of the fair value of the Company's employee stock options. See note 15(c) for the assumptions used to determine the fair value of stock-based payment awards.

Stock-based compensation expense includes compensation cost for employee stock-based payment awards granted and all modified, repurchased or cancelled employee awards. In addition, compensation expense includes the compensation cost, based on the grant-date fair value calculated for pro forma disclosures under ASC 718-10-55, for the portion of awards for which required service had not been rendered that were outstanding. Compensation expense for these employee awards is recognized using the straight-line single-option method. As stock-based compensation expense recognized is based on awards ultimately expected to vest, it has been adjusted for estimated forfeitures. The Codification requires forfeitures to be estimated at the time of grant and revised, if subsequent information indicates that the actual forfeitures are likely to be different from previous estimates. The Company utilizes the market yield on U.S. treasury securities (also known as nominal rate) over the contractual term of the instrument being issued.

Stock Option Plan

As the Company stratifies its employees into homogeneous groups in order to calculate fair value under the Binomial Model, ranges of assumptions used are presented for expected option life and annual termination probability. The Company uses historical data to estimate option exercise and employee termination within the valuation model; various groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected volatility rate is estimated based on a blended volatility method which takes into consideration the Company's historical share price volatility, the Company's implied volatility which is implied by the observed current market prices of the Company's traded options and the Company's peer group volatility. The Company utilizes an expected term method to determine expected option life based on such data as vesting periods of awards, historical data that includes past exercise and post-vesting cancellations and stock price history.

The Company's policy is to issue new shares from treasury to satisfy stock options which are exercised.

Restricted Common Shares and Stock Appreciation Rights

The Company's restricted common shares and SARs have been classified as liabilities in accordance with Topic 505. The Company utilizes the Binomial Model to determine the value of these instruments settleable in cash.

Awards to Non-Employees

Stock-based awards for services provided by non-employees are accounted for based on the fair value of the services received or the stock-based award, whichever is more reliably determinable. If the fair value of the stock-based award is used, the fair value is measured at the date of the award and remeasured until the earlier of the date that the Company has a performance commitment from the non-employees, the date performance is completed, or the date the awards vest.

(q) Pension Plans and Postretirement Benefits

The Company has a defined benefit pension plan, the Supplemental Executive Retirement Plan (the "SERP"). As the Company's SERP is unfunded, as at December 31, 2012, a liability is recognized for the projected benefit obligation.

Assumptions used in computing the defined benefit obligations are reviewed annually by management in consultation with its actuaries and adjusted for current conditions. Actuarial gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefits cost are recognized as a component of other comprehensive income. Amounts recognized in accumulated other comprehensive income including unrecognized actuarial gains or losses and prior service costs are adjusted as they are subsequently recognized in the consolidated statement of operations as components of net periodic benefit cost. Prior service costs resulting from the pension plan inception or amendments are amortized over the expected future service life of the employees, cumulative actuarial gains and losses in excess of 10% of the projected benefit obligation are amortized over the expected average remaining service life of the employees, and current service costs are expensed when earned. The remaining weighted average future service life of the employee used in computing the defined benefit obligation for the year ended December 31, 2012 was 2.0 years.

For defined contribution pension plans, required contributions by the Company are recorded as an expense.

A liability is recognized for the unfunded accumulated benefit obligation of the postretirement benefits plan. Assumptions used in computing the accumulated benefit obligation are reviewed by management in consultation with its actuaries and adjusted for current conditions. Current service cost is recognized as incurred and actuarial gains and losses are recognized as a component of other comprehensive income (loss). Amounts recognized in accumulated other comprehensive income (loss) including unrecognized actuarial gains or losses are adjusted as they are subsequently recognized in the consolidated statement of operations as components of net periodic benefit cost.

(r) Guarantees

The FASB ASC Guarantees Topic requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of certain guarantees. Disclosures as required under the accounting guidance have been included in note 14(g).

3. New Accounting Standards and Accounting Changes

Changes in Accounting Policies

In May 2011, the FASB issued ASU No. 2011-04, "Fair Value Measurement (ASC Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" ("ASU 2011-04"). The standards set forth in ASU 2011-04 supersede most of the accounting guidance currently found in Topic 820 of the FASB's ASC. The amendments will improve comparability of fair value measurements presented and disclosed in financial statements prepared with U.S. GAAP and International Financial Reporting Standards ("IFRS"). The amendments also clarify the application of existing fair value measurement requirements. These amendments include (1) the application of the highest and best use and valuation premise concepts, (2) measuring the fair value of an instrument classified in a reporting entity's shareholders' equity and (3) disclosing quantitative information about the unobservable inputs used within the Level 3 hierarchy. For public entities, the amendments are effective for interim and annual periods beginning after December 15, 2011 on a prospective basis. Early application by public entities is not permitted. On January 1, 2012, the Company adopted the disclosure requirements amendments in ASU 2011-04 relating to Level 3 fair value measurements and accordingly, has expanded disclosures as presented in note 21(b).

In October 2012, The FASB issued ASU No. 2012-07, “Entertainment – Films (Topic 926): Accounting for Fair Value Information That Arises after the Measurement Date and Its Inclusion in the Impairment Analysis of Unamortized Film Costs” (“ASU 2012-07”). ASU 2012-07 eliminates the presumption that conditions leading to the write-off after the Balance Sheet date existed at the Balance Sheet date and also eliminates the requirement that changes to estimates due to consideration of a subsequent event are considered in the fair value measurements, unless the information would have been considered by the market participants. For public entities, the amendments are effective for impairment assessments performed on or after December 15, 2012 on a prospective basis. On December 31, 2012, the Company adopted the amendments in ASU 2012-07. No changes in the assessment of film costs or additional disclosures were required as a result of the adoption of ASU 2012-07.

Recently Issued FASB Accounting Standard Codification Updates

In December 2011, the FASB issued ASU No. 2011-11, “Balance Sheet—Disclosures about Offsetting Assets and Liabilities (ASC Topic 210)”. The purpose of the amendment is to provide greater clarity within disclosures between entities reporting in U.S. GAAP versus IFRS that have offsetting (netting) assets and liabilities. Entities will be required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. An entity is required to apply the amendments in ASU 2011-11 for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. It is to be applied retrospectively for all comparative periods presented. On January 1, 2013 the Company adopted the amended ASC 210 standard. The adoption of this standard is not expected to have a material impact however it may expand the Company’s disclosures in its condensed consolidated financial statements for the period ending March 31, 2013.

4. Revision of Previously Issued Financial Statements

During the fourth quarter review of the Company’s existing benefit packages, the Company determined that Canadian employees, upon meeting certain eligibility requirements, are entitled to postretirement health and welfare benefits for which the obligation had not been included in the prior financial statements as required under ASC Topic 715 “Compensation – Retirement Benefits”. The Company understated accrued and other liabilities and overstated shareholders’ equity as at December 31, 2011 by $4.1 million and $3.0 million, respectively. In accordance with the relevant guidance, management assessed the materiality of the error and concluded that the errors were not material to any previously issued financial statements. The Company has revised its previously issued audited consolidated financial statements, as applicable.

The following table presents the impact of the revisions on the Company’s previously issued audited consolidated balance sheet as at December 31, 2011[(1)]:

(in thousands of U.S dollars, except per share amounts)	As Reported	As Revised
Deferred income tax asset	$ 50,033	$ 51,046
Total assets	$ 406,236	$ 407,249
Accrued and other liabilities	$ 54,803	$ 58,855
Total liabilities	$ 213,329	$ 217,381
Deficit	$(125,666)	$(128,503)
Accumulated other comprehensive loss	$ (2,332)	$ (2,534)
Shareholders’ equity	$ 192,907	$189,868

(1) The net impact of the revision adjustments to shareholders’ equity (deficiency) as of January 1, 2010 and December 31, 2010, was a net increase of $2.9 million and $2.6 million, respectively.

The following table presents the impact of the revisions on the Company’s previously issued audited consolidated statements of operations and comprehensive income for the years ended December 31:

(in thousands of U.S dollars, except per share amounts)	2011		2010	
	As Reported	As Revised	As Reported	As Revised
Selling, general and administrative expenses	$72,779	$73,157	$ 78,428	$ 78,757
Income from operations	$28,492	$ 28,114	$ 50,974	$ 50,645
Income from operations before income taxes	$26,722	$ 26,344	$ 49,488	$49,159
(Provision for) recovery of income taxes	$ (9,388)	$ (9,293)	$ 51,784	$ 52,574
Net income	$15,543	$15,260	$100,779	$101,240
Net income per share—basic	$ 0.24	$ 0.24	$ 1.59	$ 1.59
Net income per share—diluted	$ 0.23	$ 0.22	$ 1.51	$ 1.52
Other comprehensive loss	$ (1,723)	$ (1,957)	$ (2,899)	$ (3,136)
Income tax recovery allocated to other comprehensive loss	$ 388	$ 446	$ 996	$ 1,067
Comprehensive income	$ 14,208	$ 13,749	$ 98,876	$99,171

Subsequent to year-end, the Company amended its Canadian postretirement plan, resulting in a significant curtailment of the benefit liability. See note 22(d) for further information.

5. Lease Arrangements

(a) General Terms of Lease Arrangements

A number of the Company's leases are classified as sales-type leases. Certain arrangements that are legal sales are also classified as sales-type leases as certain clauses within the arrangements limit transfer of title or provide the Company with conditional rights to the system. The customer's rights under the Company's lease arrangements are described in note 2(m). The Company classifies its lease arrangements at inception of the arrangement and, if required, after a modification of the lease arrangement, to determine whether they are sales-type leases or operating leases. Under the Company's lease arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company's lease portfolio terms are typically non-cancellable for 10 to 20 years with renewal provisions from inception. Except for those sales arrangements that are classified as sales-type leases, the Company's leases generally do not contain an automatic transfer of title at the end of the lease term. The Company's lease arrangements do not contain a guarantee of residual value at the end of the lease term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and extended warranty generally after the first year of the lease until the end of the lease term. The customer is responsible for obtaining insurance coverage for the theater systems commencing on the date specified in the arrangement's shipping terms and ending on the date the theater systems are delivered back to the Company.

The Company has assessed the nature of its joint revenue sharing arrangements and concluded that, based on the guidance in the Revenue Recognition Topic of the ASC, the arrangements contain a lease. Under joint revenue sharing arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company's joint revenue sharing arrangements are typically non-cancellable for 7 to 10 years with renewal provisions. Title to equipment under joint revenue sharing arrangements does not transfer to the customer. The Company's joint revenue sharing arrangements do not contain a guarantee of residual value at the end of the term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and extended warranty throughout the term. The customer is responsible for obtaining insurance coverage for the theater systems commencing on the date specified in the arrangement's shipping terms and ending on the date the theater systems are delivered back to the Company.

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(b) Financing Receivables

Financing receivables, consisting of net investment in sales-type leases and receivables from financed sales of theater systems are as follows:

	As at December 31,	
	2012	2011
Gross minimum lease payments receivable	$ 18,880	$ 29,603
Unearned finance income	(4,705)	(8,356)
Minimum lease payments receivable	14,175	21,247
Accumulated allowance for uncollectible amounts	(1,130)	(1,833)
Net investment in leases	13,045	19,414
Gross financed sales receivables	114,492	95,686
Unearned finance income	(33,278)	(28,070)
Financed sales receivables	81,214	67,616
Accumulated allowance for uncollectible amounts	(66)	(316)
Net financed sales receivables	81,148	67,300
Total financing receivables	$ 94,193	$ 86,714
Net financed sales receivables due within one year	$ 10,482	$ 8,694
Net financed sales receivables due after one year	$ 70,666	$ 58,606

In 2012, the financed sales receivables had a weighted average effective interest rate of 8.7% (2011 — 8.9%).

(c) Contingent Fees

Contingent fees that meet the Company's revenue recognition policy, from customers under various arrangements, have been reported in revenue as follows:

	Years Ended December 31,		
	2012	2011	2010
Sales	$ 1,797	$ 976	$ 1,608
Sales-type leases	308	517	1,054
Operating leases	930	1,232	1,675
Subtotal—sales, sales-type leases and operating leases	3,035	2,725	4,337
Joint revenue sharing arrangements	57,526	30,764	41,757
	$ 60,561	$ 33,489	$ 46,094

(d) Future Minimum Rental Payments

Future minimum rental payments receivable from operating and sales-type leases at December 31, 2012, for each of the next five years are as follows:

	Operating Leases	Sales-Type Leases
2013	$ 2,145	$ 3,087
2014	1,652	2,732
2015	1,309	2,475
2016	1,090	1,957
2017	1,031	1,550
Thereafter	4,698	5,460
Total	$ 11,925	$ 17,261

Total future minimum rental payments receivable from sales-type leases at December 31, 2012 exclude $1.6 million which represents amounts billed but not yet received.

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6. Inventories

	As at December 31,	
	2012	2011
Raw materials	$ 5,424	$ 5,803
Work-in-process	338	1,515
Finished goods	10,032	12,429
	$15,794	$19,747

At December 31, 2012, finished goods inventory for which title had passed to the customer and revenue was deferred amounted to $6.8 million (December 31, 2011 — $5.7 million).

Inventories at December 31, 2012 include provisions for excess and obsolete inventory based upon current estimates of net realizable value considering future events and conditions of $4.4 million (December 31, 2011 —$4.0 million).

7. Film Assets

	As at December 31,	
	2012	2011
Completed and released films, net of accumulated amortization of $67,363 (2011 — $51,848)	$2,959	$1,356
Films in production	380	639
Films in development	398	393
	$ 3,737	$ 2,388

The Company expects to amortize film costs of $3.0 million for released films within five years from December 31, 2012 (December 31, 2011 — $2.2 million), included is $2.4 million which reflects the portion of the costs of the Company's completed films that are expected to be amortized within the next year. The amount of participation payments to third parties related to these films that the Company expects to pay during 2013 is $5.8 million (2012 — $6.4 million).

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8. Property, Plant and Equipment

	As at December 31, 2012		
	Cost	Accumulated Depreciation	Net Book Value
Equipment leased or held for use			
Theater system components[1][2]	$ 131,240	$ 39,140	$ 92,100
Camera equipment[5]	4,668	4,306	362
	135,908	43,446	92,462
Assets under construction[3]	6,910	—	6,910
Other property, plant and equipment			
Land	1,593	—	1,593
Buildings	15,242	9,864	5,378
Office and production equipment[4]	25,777	19,779	5,998
Leasehold improvements	9,734	8,465	1,269
	52,346	38,108	14,238
	$195,164	$ 81,554	$113,610

	As at December 31, 2011		
	Cost	Accumulated Depreciation	Net Book Value
Equipment leased or held for use			
Theater system components[1][2]	$122,691	$ 39,773	$ 82,918
Camera equipment[5]	6,355	6,088	267
	129,046	45,861	83,185
Assets under construction[3]	4,972	—	4,972
Other property, plant and equipment			
Land	1,593	—	1,593
Buildings	14,633	9,352	5,281
Office and production equipment[4]	29,220	24,772	4,448
Leasehold improvements	9,396	7,622	1,774
	54,842	41,746	13,096
	$ 188,860	$ 87,607	$101,253

(1) Included in theater system components are assets with costs of $8.1 million (2011 — $18.4 million) and accumulated depreciation of $7.3 million (2011 — $17.8 million) that are leased to customers under operating leases. In 2012, the Company identified and wrote off $10.6 million of theater system components that are no longer in use and fully amortized.

(2) Included in theater system components are assets with costs of $118.5 million (2011 — $100.2 million) and accumulated depreciation of $29.2 million (2011 — $19.1 million) that are used in joint revenue sharing arrangements.

(3) Included in assets under construction are components with costs of $4.1 million (2011 — $3.7 million) that will be utilized to construct assets to be used in joint revenue sharing arrangements.

(4) Fully amortized office and production equipment is still in use by the Company.

(5) Fully amortized camera equipment is still in use by the Company. In 2012, the Company identified and wrote off $1.9 million of camera equipment that is no longer in use and fully amortized.

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9. Other Assets

	As at December 31,	
	2012	2011
Insurance recoverable (note 14(d))	$ 11,474	$ 918
Lease incentives provided to theaters	4,554	4,285
Equity-accounted investments	3,074	4,055
Commissions and other deferred selling expenses	2,645	2,967
Investment in new business ventures	1,350	1,012
Deferred charges on debt financing	569	1,001
Foreign currency derivatives	297	—
	$23,963	$14,238

10. Income Taxes

(a) Income (loss) from continuing operations before income taxes by tax jurisdiction are comprised of the following:

	Years Ended December 31,		
	2012	2011 As Revised	2010 As Revised
Canada	$55,477	$23,023	$47,625
United States	2,636	8,655	2,088
China	(476)	(5,722)	—
Other	141	388	(554)
	$57,778	$26,344	$49,159

(b) The (provision) recovery for income taxes related to income from continuing operations is comprised of the following:

	Years Ended December 31,		
	2012	2011 As Revised	2010 As Revised
Current:			
Canada	$ (370)	$ (1,174)	$ (1,026)
Foreign	15	(125)	(1,465)
	(355)	(1,299)	(2,491)
Deferred:(1)			
Canada	(14,441)	(8,586)	50,401
Foreign	(283)	592	4,664
	(14,724)	(7,994)	55,065
	$(15,079)	$(9,293)	$ 52,574

(1) For the year ended December 31, 2012, the Company has increased the valuation allowance by $0.1 million (2011 — release of $1.9 million) relating to the future utilization of deductible temporary differences, tax credits, and certain net operating loss carryforwards, of which less than $0.1 million was recorded to deferred income tax expense and less than $0.1 million was recorded to share capital. Also included in the provision for income taxes is the deferred tax related to the amortization of the defined benefit plan actuarial loss and realized foreign exchange gains and losses on effectively hedged forward contracts reclassified from other comprehensive income in the year of less than $0.1 million.

(c) The (provision for) recovery of income taxes from continuing operations differs from the amount that would have resulted by applying the combined Canadian federal and provincial statutory income tax rates to earnings due to the following:

	Years Ended December 31,		
	2012	2011 As Revised	2010 As Revised
Income tax provision at combined statutory rates	$ (15,311)	$ (7,442)	$(15,241)
Adjustments resulting from:			
Non-deductible stock based compensation	(3,166)	(2,752)	(1,713)
Other non-deductible/non-includable items	12	(246)	420
(Increase) decrease in valuation allowance relating to current year temporary differences	(93)	1,264	12,708
Decrease in valuation allowance relating to reversal of future temporary differences	—	—	55,512
Tax effect of pension settlement and postretirement plan reclassified from other comprehensive income	—	—	(528)
Withholding and other taxes	(1,095)	(895)	(1,041)
Changes to tax reserves	833	99	13
U.S. federal and state taxes	45	(345)	(1,465)
Income tax at different rates in foreign and other provincial jurisdictions	(56)	(916)	(394)
Impact of changes in future enacted tax rates on current year temporary differences	—	(521)	4,444
Carryforward of investment and other tax credits (non-refundable)	2,463	1,526	1,642
Effect of changes in legislation relating to enacted tax rate increases	494	—	—
Changes to deferred tax assets and liabilities resulting from audit and other tax return adjustments	483	226	14
Expiration of losses and credits carried forward	—	—	(1,558)
Tax effect of loss from equity-accounted investments	463	642	168
Other	(151)	67	(407)
(Provision for) recovery of income taxes, as reported	$(15,079)	$(9,293)	$ 52,574

(d) The net deferred income tax asset is comprised of the following:

	As at December 31,	
	2012	2011 As Revised
Net operating loss carryforwards	$15,475	$ 16,787
Investment tax credit and other tax credit carryforwards	6,101	5,192
Write-downs of other assets	690	712
Excess tax over accounting basis in property, plant and equipment and inventories	14,020	29,897
Accrued pension liability	6,615	5,813
Other accrued reserves	2,340	2,706
Total deferred income tax assets	45,241	61,107
Income recognition on net investment in leases	(2,667)	(4,022)
Other	—	15
	42,574	57,100
Valuation allowance	(6,113)	(6,054)
Net deferred income tax asset	$ 36,461	$ 51,046

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The gross deferred tax assets include a liability of $0.4 million relating to the remaining tax effect resulting from the Company's defined benefit pension plan, the related actuarial gains and losses, unrealized net gains on cash flow hedging instruments and the unrealized change in market value of available-for-sale investments recorded in accumulated other comprehensive income.

The Company has not provided Canadian taxes on cumulative earnings of non-Canadian affiliates and associated companies that have been reinvested indefinitely. Taxes are provided for earnings of non-Canadian affiliates and associated companies when the Company determines that such earnings are no longer indefinitely reinvested.

(e) Estimated net operating loss carryforwards and estimated tax credit carryforwards expire as follows:

	Investment Tax Credits and Other Tax Credit Carryforwards	Net Operating Loss Carryforwards
2013	$ 17	$ —
2014	—	11
2015	—	20
2016	—	—
2017	—	—
Thereafter	7,897	51,454
	$ 7,914	$ 51,485

Estimated net operating loss carryforwards can be carried forward to reduce taxable income through to 2032. Investment tax credits and other tax credits can be carried forward to reduce income taxes payable through to 2032.

As at December 31, 2012, the Company had approximately $14.8 million of U.S. consolidated federal tax net operating loss carryforwards and certain other state tax net loss carryforwards. Realization of some or all of the benefit from these U.S. net tax operating losses is dependent on the absence of certain "ownership changes" of the Company's common shares. An "ownership change," as defined in the applicable federal income tax rules, would place possible limitations, on an annual basis, on the use of such net operating losses to offset any future taxable income that the Company may generate. Such limitations, in conjunction with the net operating loss expiration provisions, could significantly reduce or effectively eliminate the Company's ability to use its U.S. net operating losses to offset any future taxable income.

(f) Valuation allowance

The provision for income taxes in the year ended December 31, 2012 includes a net income tax provision of $0.1 million (2011—$1.3 million net income tax benefit) in continuing operations related to an increase in the valuation allowance for the Company's deferred tax assets and other tax adjustments. In 2012, the Company added an additional $0.1 million in valuation allowance relating to the current period deductible temporary differences and loss carryforwards, of which less than $0.1 million was included in the provision for income taxes and less than $0.1 million, was included directly to shareholders' equity. During the year ended December 31, 2012, after considering all available evidence, both positive (including recent profits, projected future profitability, backlog, carryforward periods for utilization of net operating loss carryovers and tax credits, discretionary deductions and other factors) and negative (including cumulative losses in past years and other factors), it was concluded that the valuation allowance against the Company's deferred tax assets should be increased by approximately $0.1 million (2011—$1.9 million decrease). The remaining $6.1 million (2011—$6.1 million) balance in the valuation allowance as at December 31, 2012 is primarily attributable to certain U.S. federal and state net operating loss carryovers and federal tax credits that are likely to expire unutilized. If the remaining $14.8 million in U.S. consolidated federal tax net operating loss carryforwards are realized in a future period, the related $5.1 million valuation allowance release will be recorded against Other Equity. As at December 31, 2010, the Company had determined that based on the improvement of the Company's operating results in 2009 and 2010 and the Company's assessment of projected future results of operations, realization of a deferred income tax benefit was more likely than not. As a result, the judgment about the need for a full valuation allowance against deferred tax assets changed, and a reduction in the valuation allowance of $55.5 million was recorded as a benefit within the recovery for income taxes from continuing operations.

(g) Uncertain tax positions

In connection with the Company's adoption of FIN 48, as of January 1, 2007, the Company recorded a net increase to its deficit of $2.1 million (including approximately $0.9 million related to accrued interest and penalties) related to the measurement of potential international withholding tax requirements and a decrease in reserves for income taxes. As at December 31, 2012 and December 31, 2011, the Company had total unrecognized tax benefits (including interest and penalties) of $2.8 million and $4.4 million, respectively, for international withholding taxes. All of the unrecognized tax benefits could impact the Company's effective tax rate if recognized. While the Company believes it has adequately provided for all tax positions, amounts asserted by taxing authorities could differ from the Company's accrued position. Accordingly, additional provisions on federal, provincial, state and foreign tax-related matters could be recorded in the future as revised estimates are made or the underlying matters are settled or otherwise resolved.

A reconciliation of the beginning and ending amount of unrecognized tax benefits (excluding interest and penalties) for the years ended December 31, is as follows:

(In thousands of U.S. Dollars)	2012	2011	2010
Balance at beginning of the year	$ 3,119	$3,219	$ 3,237
Additions based on tax positions related to the current year	392	404	410
Additions for tax positions of prior years	—	16	—
Reductions for tax positions of prior years	(77)	—	(10)
Settlements	(38)	—	—
Reductions resulting from lapse of applicable statute of limitations and administrative practices	(1,110)	(520)	(418)
Balance at the end of the year	$ 2,286	$3,119	$3,219

Consistent with its historical financial reporting, the Company has elected to classify interest and penalties related to income tax liabilities, when applicable, as part of the interest expense in its consolidated statements of operations rather than income tax expense. The Company recovered approximately $0.8 million in potential interest and penalties associated with unrecognized tax benefits for the years ended December 31, 2012 (2011—$0.1 million expense, 2010—$nil).

The number of years with open tax audits varies depending on the tax jurisdiction. The Company's major taxing jurisdictions include Canada, the province of Ontario, the United States (including multiple states) and China.

The Company's 2007 through 2012 tax years remain subject to examination by the IRS for U.S. federal tax purposes, and the 2006 through 2012 tax years remain subject to examination by the appropriate governmental agencies for Canadian federal tax purposes. There are other on-going audits in various other jurisdictions that are not material to the financial statements.

(h) Income Tax Effect on Comprehensive Income

The income tax benefit (expense) related to the following items included in other comprehensive income are:

	2012	2011 As Revised	2010 As Revised
Amortization of actuarial loss on defined benefit plan	$ (91)	$ (53)	$ —
Unrecognized actuarial loss on defined benefit plan	285	145	661
Realization of actuarial gain on settlement of defined benefit pension liability	—	—	517
Unrecognized actuarial loss on postretirement benefit plan	33	58	71
Other-than-temporary impairment of available-for-sale investment	(19)	—	—
Change in market value of available-for-sale investment	(42)	61	—
Unrealized change in cash flow hedging instruments	(185)	45	(182)
Realized change in cash flow hedging instruments upon settlement	62	190	—
	$ 43	$ 446	$ 1,067

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11. Other Intangible Assets

	As at December 31, 2012		
	Cost	Accumulated Amortization	Net Book Value
Patents and trademarks	$ 8,499	$ 5,670	$ 2,829
Licenses and intellectual property	19,790	1,730	18,060
Other	7,022	—	7,022
	$ 35,311	$ 7,400	$27,911

	As at December 31, 2011		
	Cost	Accumulated Amortization	Net Book Value
Patents and trademarks	$ 8,014	$ 5,304	$ 2,710
Licenses and intellectual property	19,407	254	19,153
Other	3,050	—	3,050
	$ 30,471	$ 5,558	$ 24,913

The Company expects to amortize an average of $2.0 million for each of the next 5 years, respectively. Fully amortized other intangible assets are still in use by the Company.

During 2012, the Company acquired $5.0 million in other intangible assets, which is comprised mainly of the Company's investment in a new enterprise resource planning system, which will commence being amortized upon commissioning on January 1, 2013. The net book value of these other intangible assets was $4.8 million as at December 31, 2012. The weighted average amortization period for these additions was 10 years.

During 2012, the Company incurred costs of $0.1 million to renew or extend the term of acquired patents and trademarks which were recorded in selling, general and administrative expenses (2011 — $0.1 million).

12. Credit Facility

Prior Credit Facility

On June 2, 2011, the Company amended and restated the terms of its senior secured credit facility, which had been scheduled to mature on October 31, 2013. The Company's amended and restated facility (the "Prior Credit Facility"), with a scheduled maturity of October 31, 2015, had a maximum borrowing capacity of $110.0 million, consisting of revolving asset-based loans of up to $50.0 million subject to a borrowing base calculation (as described below) and including a sublimit of $20.0 million for letters of credit, and a revolving term loan of up to $60.0 million. Certain of the Company's subsidiaries serve as guarantors (the "Guarantors") of the Company's obligations under the Prior Credit Facility. The Prior Credit Facility was collateralized by a first priority security interest in substantially all of the present and future assets of the Company and the Guarantors.

The terms of the Prior Credit Facility was set forth in the Second Amended and Restated Credit Agreement (the "Prior Credit Agreement"), dated June 2, 2011, among the Company, Wells Fargo Capital Finance Corporation (Canada), as agent, lender, sole lead arranger and sole bookrunner ("Wells Fargo Canada"), and Export Development Canada, as lender ("EDC", together with Wells Fargo Canada, the "Prior Lenders") and in various collateral and security documents entered into by the Company and the Guarantors. Each of the Guarantors also entered into a guarantee in respect of the Company's obligations under the Prior Credit Facility.

The revolving asset-based portion of the Prior Credit Facility permitted maximum aggregate borrowings equal to the lesser of:

(i) $50.0 million, and

(ii) a collateral calculation based on the percentages of the book values of certain of the Company's net investment in sales-type leases, financing receivables, certain trade accounts receivable, finished goods inventory allocated to backlog contracts and the appraised values of the expected future cash flows related to operating leases and the Company's owned real property, reduced by certain accruals and accounts payable and subject to other conditions, limitations and reserve right requirements.

The revolving asset-based portion and the revolving term portion of the Prior Credit Facility bore interest, at the Company's option, at (i) LIBOR plus a margin of 2.00% per annum, or (ii) Wells Fargo Canada's prime rate plus a margin of 0.50% per annum. Under the Prior Credit Facility, the effective interest rate for the year ended December 31, 2012 for the revolving term loan portion was 2.42% (2011 – 2.50%). There was no amount drawn on the revolving asset-based portion of the Prior Credit Facility.

The Prior Credit Facility provides that the Company will be required to maintain a ratio of funded debt (as defined in the Prior Credit Agreement) to EBITDA (as defined in the Prior Credit Agreement) of not more than 2:1. The Company will also be required to maintain a Fixed Charge Coverage Ratio (as defined in the Prior Credit Agreement) of not less than 1.1:1.0. At all times under the terms of the Prior Credit Facility, the Company was required to maintain minimum Excess Availability of not less than $5.0 million and minimum Cash and Excess Availability of not less than $15.0 million. These amounts were $55.0 million and $76.3 million at December 31, 2012, respectively. The Company was in compliance with all of these requirements at December 31, 2012.

The Prior Credit Facility contained typical affirmative and negative covenants, including covenants that limit or restrict the ability of the Company and the Guarantors to: incur certain additional indebtedness; make certain loans, investments or guarantees; pay dividends; make certain asset sales; incur certain liens or other encumbrances; conduct certain transactions with affiliates and enter into certain corporate transactions.

The Prior Credit Facility also contained customary events of default, including upon an acquisition or change of control or upon a change in the business and assets of the Company or a Guarantor that in each case is reasonably expected to have a material adverse effect on the Company or Guarantor. If an event of default occurs and is continuing under the Prior Credit Facility, the Prior Lenders may, among other things, terminate their commitments and require immediate repayment of all amounts owed by the Company.

Bank indebtedness includes the following:

	As at December 31,	
	2012	2011
Revolving Term Loan	$11,000	$55,083

Total amounts drawn and available under the Prior Credit Facility at December 31, 2012 were $11.0 million and $99.0 million, respectively (December 31, 2011 — $55.1 million and $52.0 million, respectively).

At December 31, 2012, the Company's current borrowing capacity under the revolving asset-based portion of the Prior Credit Facility was $50.0 million after deduction for letters of credit of $nil and the minimum Excess Availability reserve of $5.0 million (December 31, 2011 — $47.1 million) and borrowing capacity under the revolving term portion of the Prior Credit Facility was $49.0 million (December 31, 2011 — $4.9 million).

As at December 31, 2012, the Company did not have any letters of credit and advance payment guarantees outstanding (December 31, 2011 — $3.0 million), under the Prior Credit Facility.

In accordance with the loan agreement, the Company is obligated to make payments on the principal of the term loan as follows:

2013	$ —
2014	—
2015	11,000
2016	—
2017	—
Thereafter	—
	$11,000

New Credit Facility

On February 7, 2013, the Company amended and restated the terms of its Prior Credit Facility. The amended and restated facility (the "New Credit Facility"), with a scheduled maturity of February 7, 2018, has a maximum borrowing capacity of $200.0 million. The Prior Credit Facility had a maximum borrowing capacity of $110.0 million. Certain of the Company's subsidiaries will serve as

guarantors (the "Guarantors") of the Company's obligations under the New Credit Facility. The New Credit Facility is collateralized by a first priority security interest in substantially all of the present and future assets of the Company and the Guarantors.

The terms of the New Credit Facility are set forth in the Third Amended and Restated Credit Agreement (the "Credit Agreement"), dated February 7, 2013, among the Company, the Guarantors, the lenders named therein, Wells Fargo Bank, National Association ("Wells Fargo"), as agent and issuing lender (Wells Fargo, together with the lenders named therein, the "Lenders") and Wells Fargo Securities, LLC, as Sole Lead Arranger and Sole Bookrunner and in various collateral and security documents entered into by the Company and the Guarantors. Each of the Guarantors has also entered into a guarantee in respect of the Company's obligations under the New Credit Facility.

The New Credit Facility permits the Company to undertake up to $150.0 million in stock buybacks and dividends, provided certain covenants in the Credit Agreement are maintained. In the event that the Company undertakes stock buybacks or makes dividend payments, any amounts outstanding under the revolving portion of the New Credit Facility up to the first $75.0 million of any such stock buybacks and dividend payments will be converted to a term loan.

At closing, the Company borrowed $18.0 million from the New Credit Facility to repay outstanding indebtedness under the Prior Credit Facility and to pay fees and closing costs related to entry into the New Credit Facility.

The amounts outstanding under the New Credit Facility bear interest, at the Company's option, at (i) LIBOR plus a margin of (a) 1.50%, 1.75% or 2.00% depending on the Company's Total Leverage Ratio (as defined in the Credit Agreement) per annum, or (ii) Wells Fargo's prime rate plus a margin of 0.50% per annum. Term loans, if any, under the New Credit Facility must be repaid under a 5-year straight line amortization, with a balloon payment due at maturity. The Company is required to provide an interest rate hedge for 50% of any term loans outstanding.

The New Credit Facility provides that the Company will be required to maintain a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) of not less than 1.1:1.0. The Company will also be required to maintain minimum EBITDA (as defined in the Credit Agreement) of $70.0 million between closing and December 30, 2013, which requirement increases to $80.0 million on December 31, 2013, $90.0 million on December 31, 2014, and $100.0 million on December 31, 2015. The Company must also maintain a Maximum Total Leverage Ratio (as defined in the Credit Agreement) of 2.5:1.0 between closing and December 30, 2013, which requirement decreases to (i) 2.25:1.0 on December 31, 2013; (ii) 2.00:1:0 on December 31, 2014; and (iii) 1.75:1.0 on December 31, 2015.

The New Credit Facility contains typical affirmative and negative covenants, including covenants that limit or restrict the ability of the Company and the guarantors to: incur certain additional indebtedness; make certain loans, investments or guarantees; pay dividends; make certain asset sales; incur certain liens or other encumbrances; conduct certain transactions with affiliates and enter into certain corporate transactions.

The New Credit Facility also contains customary events of default, including upon an acquisition or change of control or upon a change in the business and assets of the Company or a Guarantor that in each case is reasonably expected to have a material adverse effect on the Company or a Guarantor. If an event of default occurs and is continuing under the New Credit Facility, the Lenders may, among other things, terminate their commitments and require immediate repayment of all amounts owed by the Company.

Wells Fargo Foreign Exchange Facility

Under the New Credit Facility, the Company is able to purchase foreign currency forward contracts and/or other swap arrangements. There is no settlement risk on its foreign currency forward contracts at December 31, 2012 as the fair value exceeded the notional value of the forward contracts. As at December 31, 2012, the Company has $8.1 million of such arrangements outstanding.

Bank of Montreal Facilities

As at December 31, 2012, the Company has available a $10.0 million facility (December 31, 2011 — $10.0 million) with the Bank of Montreal for use solely in conjunction with the issuance of performance guarantees and letters of credit fully insured by EDC (the "Bank of Montreal Facility"). As at December 31, 2012, the Company has letters of credit and advance payment guarantees outstanding of $0.9 million (2011 — $0.8 million) under the Bank of Montreal Facility.

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13. Commitments

(a) The Company's lease commitments consist of rent and equipment under operating leases. The Company accounts for any incentives provided over the term of the lease. Total minimum annual rental payments to be made by the Company as at December 31, 2012 for each of the years ended December 31, are as follows:

	Operating Leases	Capital Leases
2013	$ 6,931	$ 20
2014	5,142	—
2015	1,177	—
2016	511	—
2017	511	—
Thereafter	813	—
	$ 15,085	$ 20

Rent expense was $6.2 million for 2012 (2011 — $4.9 million, 2010 — $4.8 million) net of sublease rental of $nil (2011 — less than $0.1 million, 2010 — $0.4 million).

Recorded in the accrued liabilities balance as at December 31, 2012 is $2.4 million (December 31, 2011 — $3.5 million) related to accrued rent and lease inducements being recognized as an offset to rent expense over the term of the respective leases.

Purchase obligations under long-term supplier contracts as at December 31, 2012 were $12.1 million (December 31, 2011 — $12.9 million).

(b) As at December 31, 2012 the Company did not have any letters of credit and advance payment guarantees outstanding (December 31, 2011 — $3.0 million), under the Prior Credit Facility. As at December 31, 2012 the Company had letters of credit and advance payment guarantees outstanding of $0.9 million as compared to $0.8 million as at December 31, 2011, under the Bank of Montreal Facility.

(c) The Company compensates its sales force with both fixed and variable compensation. Commissions on the sale or lease of the Company's theater systems are payable in graduated amounts from the time of collection of the customer's first payment to the Company up to the collection of the customer's last initial payment. At December 31, 2012, $1.8 million (December 31, 2011—$1.3 million) of commissions have been accrued and will be payable in future periods.

14. Contingencies and Guarantees

The Company is involved in lawsuits, claims, and proceedings, including those identified below, which arise in the ordinary course of business. In accordance with the Contingencies Topic of the FASB ASC, the Company will make a provision for a liability when it is both probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company believes it has adequate provisions for any such matters. The Company reviews these provisions in conjunction with any related provisions on assets related to the claims at least quarterly and adjusts these provisions to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other pertinent information related to the case. Should developments in any of these matters outlined below cause a change in the Company's determination as to an unfavorable outcome and result in the need to recognize a material provision, or, should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on the Company's results of operations, cash flows, and financial position in the period or periods in which such a change in determination, settlement or judgment occurs.

The Company expenses legal costs relating to its lawsuits, claims and proceedings as incurred.

(a) In March 2005, the Company, together with Three-Dimensional Media Group, Ltd. ("3DMG"), filed a complaint in the U.S. District Court for the Central District of California, Western Division, against In-Three, Inc. ("In-Three") alleging patent infringement. On March 10, 2006, the Company and In-Three entered into a settlement agreement settling the dispute between the Company and In-Three. Despite the settlement reached between the Company and In-Three, co-plaintiff 3DMG refused to dismiss its claims against In-Three. Accordingly, the Company and In-Three moved jointly for a motion to dismiss the Company's and In-Three's claims. On August 24, 2010, the Court dismissed all of the claims pending between the Company and In-Three, thus dismissing the Company from the litigation.

On May 15, 2006, the Company initiated arbitration against 3DMG before the International Centre for Dispute Resolution in New York (the "ICDR"), alleging breaches of the license and consulting agreements between the Company and 3DMG. On June 15, 2006, 3DMG filed an answer denying any breaches and asserting counterclaims that the Company breached the parties' license agreement. On June 21, 2007, the ICDR unanimously denied 3DMG's Motion for Summary Judgment filed on April 11, 2007 concerning the Company's claims and 3DMG's counterclaims. The proceeding was suspended on May 4, 2009 due to failure of 3DMG to pay fees associated with the proceeding. The proceeding was further suspended on October 11, 2010 pending resolution of reexamination proceedings currently pending involving one of 3DMG's patents. The Company will continue to pursue its claims vigorously and believes that all allegations made by 3DMG are without merit. The Company further believes that the amount of loss, if any, suffered in connection with the counterclaims would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of the arbitration.

(b) In January 2004, the Company and IMAX Theatre Services Ltd., a subsidiary of the Company, commenced an arbitration seeking damages before the International Court of Arbitration of the International Chambers of Commerce (the "ICC") with respect to the breach by Electronic Media Limited ("EML") of its December 2000 agreement with the Company. In June 2004, the Company commenced a related arbitration before the ICC against EML's affiliate, E-City Entertainment (I) PVT Limited ("E-City"), seeking damages as a result of E-City's breach of a September 2000 lease agreement. An arbitration hearing took place in November 2005 against E-City which considered all claims by the Company. On February 1, 2006, the ICC issued an award on liability finding unanimously in the Company's favor on all claims. Further hearings took place in July 2006 and December 2006. On August 24, 2007, the ICC issued an award unanimously in favor of the Company in the amount of $9.4 million, consisting of past and future rents owed to the Company under its lease agreements, plus interest and costs. In the award, the ICC upheld the validity and enforceability of the Company's theater system contract. The Company thereafter submitted its application to the arbitration panel for interest and costs. On March 27, 2008, the arbitration panel issued a final award in favor of the Company in the amount of $11.3 million, plus an additional $2,512 each day in interest from October 1, 2007 until the date the award is paid, which the Company is seeking to enforce and collect in full. In July 2008, E-City commenced a proceeding in Mumbai, India seeking an order that the ICC award may not be recognized in India. The Company has opposed that application on a number of grounds and seeks to have the ICC award recognized in India. That Mumbai proceeding is still pending. On June 24, 2011, the Company commenced an application to the Ontario Superior Court of Justice for recognition of the final award. On December 2, 2011, the Ontario court issued an order recognizing the final award and requiring E-City to pay the Company $30,000 to cover the costs of the application. On January 18, 2012, the Company filed an application in New York State Supreme Court seeking recognition of the Ontario order in New York. On April 11, 2012, the New York court issued an order granting the Company's application leading to an entry of $15.5 million judgment in favor of the Company on May 4, 2012. On January 30, 2013, the Company filed an action in the New York Supreme Court seeking to collect the amount due under the New York judgment from certain entities and individuals affiliated with E-City.

(c) In June 2003, Robots of Mars, Inc. ("Robots") initiated an arbitration proceeding against the Company in California with the American Arbitration Association pursuant to arbitration provisions in two film production agreements entered into in 1994 and 1995 between Robots' predecessor-in-interest and a discontinued subsidiary of the Company ("Ridefilm"), asserting claims for breach of contract, fraud, breach of fiduciary duty and intentional interference with the contract. The Company discontinued its Ridefilm business through a sale of the Ridefilm business and its assets to a third party in March 2001. Robots sought an award of over $5.0 million in damages including contingent compensation that it claims was owed under two production agreements, damages for tort claims, and punitive damages. The arbitration hearings of this matter occurred in June and October 2009. The arbitrator issued a final award on March 16, 2011, awarding Robots $0.4 million in damages and $0.3 million in pre-judgment interest to date on its claim for breach of one of the Ridefilm production agreements. The arbitrator found in the Company's favor on Robots' tort claims, and awarded Robots no damages on its claim for breach of the second production agreement. Despite finding in the Company's favor on the vast majority of Robots' claims, the arbitrator awarded Robots $1.2 million in attorneys' fees and costs pursuant to the attorneys' fee provision set forth in the production agreements. Robots initiated two separate proceedings in California and in Ontario, Canada, to confirm the award. On July 13, 2011, a California district court granted Robots' petition to confirm the award, and denied the Company's petition to vacate the award. On August 18, 2011, the Company appealed the district court's denial of its petition to vacate to the United States Court of Appeals for the Ninth Circuit. On January 12, 2012, the Company, Ridefilm and Robots entered into a confidential settlement agreement, pursuant to which the parties fully and finally resolved and settled all claims between them relating to this dispute. The Company dismissed the Ninth Circuit appeal on January 27, 2012, and the parties filed their respective Notices of Abandonment of the Ontario proceedings with the court of February 17, 2012, resulting in a dismissal of those proceedings.

(d) The Company and certain of its officers and directors were named as defendants in eight purported class action lawsuits filed between August 11, 2006 and September 18, 2006, alleging violations of U.S. federal securities laws. These eight actions were filed in the U.S. District Court for the Southern District of New York. On January 18, 2007, the Court consolidated all eight class action lawsuits and appointed Westchester Capital Management, Inc. as the lead plaintiff and Abbey Spanier Rodd & Abrams, LLP as lead plaintiff's counsel. On October 2, 2007, plaintiffs filed a consolidated amended class action complaint. The amended complaint, brought on behalf of shareholders who purchased the Company's common stock on the NASDAQ between February 27, 2003 and July 20, 2007 (the "U.S. Class"), alleges primarily that the defendants engaged in securities fraud by disseminating materially false and misleading statements during the class period regarding the Company's revenue recognition of theater system installations, and failing to disclose material information concerning the Company's revenue recognition practices. The amended complaint also added PricewaterhouseCoopers LLP, the Company's auditors, as a defendant. On April 14, 2011, the Court issued an order appointing The Merger Fund as the lead plantiff and Abbey Spanier Rodd & Abrams, LLP as lead plantiff's counsel. On November 2, 2011, the parties entered into a memorandum of understanding containing the terms and conditions of a settlement of this action. On January 26, 2012, the parties executed and filed with the Court a formal stipulation of settlement and proposed form of notice to the class, which the Court preliminarily approved on February 1, 2012. Under the terms of the settlement, members of the U.S. Class who did not opt out of the settlement will release defendants from liability for all claims that were alleged in this action or could have been alleged in this action or any other proceeding (including the action in Canada as described in (e) of this note (the "Canadian Action")) relating to the purchase of IMAX securities on the NASDAQ from February 27, 2003 and July 20, 2007 or the subject matter and facts relating to this action. As part of the settlement and in exchange for the release, defendants will pay $12.0 million to a settlement fund which amount will be funded by the carriers of the Company's directors and officers insurance policy and by PricewaterhouseCoopers LLP. On March 26, 2012, the parties executed and filed with the Court an amended formal stipulation of settlement and proposed form of notice to the class, which the court preliminarily approved on March 28, 2012. On June 20, 2012, the court issued an order granting final approval of the settlement. The settlement is conditioned on the Company's receipt of an order from the court in the Canadian Action excluding from the class in the Canadian Action every member of the class in both actions who has not opted out of the U.S. settlement. The hearing on the motion for the order from the court in the Canadian Action occurred on July 30, 2012 and a decision from the court is pending.

(e) A class action lawsuit was filed on September 20, 2006 in the Ontario Superior Court of Justice against the Company and certain of its officers and directors, alleging violations of Canadian securities laws. This lawsuit was brought on behalf of shareholders who acquired the Company's securities between February 17, 2006 and August 9, 2006. The lawsuit seeks $210.0 million in compensatory and punitive damages, as well as costs. For reasons released December 14, 2009, the Court granted leave to the Plaintiffs to amend their statement of claim to plead certain claims pursuant to the Securities Act (Ontario) against the Company and certain individuals and granted certification of the action as a class proceeding. These are procedural decisions, and do not contain any conclusions binding on a judge at trial as to the factual or legal merits of the claim. Leave to appeal those decisions was denied. The Company believes the allegations made against it in the statement of claim are meritless and will vigorously defend the matter, although no assurance can be given with respect to the ultimate outcome of such proceedings. The Company's directors and officers insurance policy provides for reimbursement of costs and expenses incurred in connection with this lawsuit as well as potential damages awarded, if any, subject to certain policy limits, exclusions and deductibles.

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(f) In addition to the matters described above, the Company is currently involved in other legal proceedings which, in the opinion of the Company's management, will not materially affect the Company's financial position or future operating results, although no assurance can be given with respect to the ultimate outcome of any such proceedings.

(g) In the normal course of business, the Company enters into agreements that may contain features that meet the definition of a guarantee. The Guarantees Topic of the FASB ASC defines a guarantee to be a contract (including an indemnity) that contingently requires the Company to make payments (either in cash, financial instruments, other assets, shares of its stock or provision of services) to a third party based on (a) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty, (b) failure of another party to perform under an obligating agreement or (c) failure of another third party to pay its indebtedness when due.

Financial Guarantees

The Company has provided no significant financial guarantees to third parties.

Product Warranties

The following summarizes the accrual for product warranties that was recorded as part of accrued liabilities in the consolidated balance sheets:

	As at December 31,	
	2012	2011
Balance at the beginning of the year	$ 94	$ 160
Warranty redemptions	(66)	(152)
Warranties issued	53	146
Revisions	(49)	(60)
Balance at the end of the year	$ 32	$ 94

Director/Officer Indemnifications

The Company's General By-law contains an indemnification of its directors/officers, former directors/officers and persons who have acted at its request to be a director/officer of an entity in which the Company is a shareholder or creditor, to indemnify them, to the extent permitted by the *Canada Business Corporations Act*, against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by them in connection with any action, suit or proceeding in which the directors and/or officers are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Company. The nature of the indemnification prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The Company has purchased directors' and officers' liability insurance. No amount has been accrued in the consolidated balance sheet as at December 31, 2012 and December 31, 2011 with respect to this indemnity.

Other Indemnification Agreements

In the normal course of the Company's operations, the Company provides indemnifications to counterparties in transactions such as: theater system lease and sale agreements and the supervision of installation or servicing of the theater systems; film production, exhibition and distribution agreements; real property lease agreements; and employment agreements. These indemnification agreements require the Company to compensate the counterparties for costs incurred as a result of litigation claims that may be suffered by the counterparty as a consequence of the transaction or the Company's breach or non-performance under these agreements. While the terms of these indemnification agreements vary based upon the contract, they normally extend for the life of the agreements. A small number of agreements do not provide for any limit on the maximum potential amount of indemnification; however, virtually all of the Company's system lease and sale agreements limit such maximum potential liability to the purchase price of the system. The fact that the maximum potential amount of indemnification required by the Company is not specified in some cases prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. Historically, the Company has not made any significant payments under such indemnifications and no amounts have been accrued in the condensed consolidated financial statements with respect to the contingent aspect of these indemnities.

15. Capital Stock

(a) Authorized

Common Shares

The authorized capital of the Company consists of an unlimited number of common shares. The following is a summary of the rights, privileges, restrictions and conditions of the common shares.

The holders of common shares are entitled to receive dividends if, as and when declared by the directors of the Company, subject to the rights of the holders of any other class of shares of the Company entitled to receive dividends in priority to the common shares.

The holders of the common shares are entitled to one vote for each common share held at all meetings of the shareholders.

(b) Changes during the Year

In 2012, the Company issued 1,429,685 (2011 — 907,167, 2010 — 1,313,599) common shares pursuant to the exercise of stock options for cash proceeds of $8.9 million (2011 — $7.9 million, 2010 — $8.3 million).

(c) Stock-Based Compensation

The Company has five stock-based compensation plans that are described below. The compensation costs recorded in the consolidated statement of operations for these plans were $13.1 million in 2012 (2011 — $11.9 million, 2010 — $27.7 million). Total stock-based compensation expense related to nonvested employee stock-based payment awards not yet recognized at December 31, 2012 and the weighted average period over which the awards are expected to be recognized is $20.6 million and 3.6 years, respectively (2011 — $19.9 million and 3.1 years, 2010 — $18.0 million and 2.7 years).

Stock Option Plan

The Company's Stock Option Plan, which is shareholder approved, permits the grant of options to employees, directors and consultants. The Company recorded an expense of $12.4 million in 2012 (2011 — $9.4 million, 2010 — $4.1 million), related to grants issued to employees and directors in the plan. No income tax benefit is recorded in the consolidated statement of operations for these costs.

The Company's policy is to issue new shares from treasury to satisfy stock options which are exercised.

The Company utilizes the lattice-binomial option-pricing model ("Binomial Model") to determine the fair value of stock-based payment awards. The fair value determined by the Binomial Model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The Binomial Model also considers the expected exercise multiple which is the multiple of exercise price to grant price at which exercises are expected to occur on average. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because the Company's employee stock options have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion, the Binomial Model best provides a fair measure of the fair value of the Company's employee stock options.

The weighted average fair value of all common share options, granted to employees in 2012 at the measurement date was $7.45 per share (2011 — $9.07 per share, 2010 — $8.01 per share). For the years ended December 31, the following assumptions were used:

	2012	2011	2010
Average risk-free interest rate	1.36%	2.61%	3.18%
Expected option life (in years)	2.89 - 6.26	1.78 - 6.60	2.82 - 5.41
Expected volatility	50%	50%	50% - 61%
Annual termination probability	0% - 8.76%	0% - 8.76%	0% - 9.69%
Dividend yield	0%	0%	0%

As at December 31, 2012, the Company has reserved a total of 13,296,485 (December 31, 2011— 13,010,548) common shares for future issuance under the Stock Option Plan, of which options in respect of 7,441,068 common shares are outstanding at December 31, 2012. All awards of stock options are made at fair market value of the Company's common shares on the date of grant. The fair market value of a common share on a given date means the higher of the closing price of a common share on the grant date (or the most recent trading date if the grant date is not a trading date) on the NYSE, the TSX and such national exchange, as may be designated by the Company's Board of Directors (the "Fair Market Value"). The options generally vest between one and 5 years and expire 10 years or less from the date granted. The Stock Option Plan provides that vesting will be accelerated if there is a change of control, as defined in the plan and upon certain conditions. At December 31, 2012, options in respect of 3,480,160 common shares were vested and exercisable.

China Long Term Incentive Plan ("CLTIP")

A separate stock option plan was adopted by a subsidiary of the Company in October 2012. Each stock option issued under the CLTIP generally represents an opportunity to participate economically in the future growth and value creation of the subsidiary. The CLTIP options issued by the subsidiary ("China Options") operate in tandem with the Company's Stock Option Plan ("SOP Options") granted to certain employees discussed above.

The China Options issued by the subsidiary vest and become exercisable only upon specific performance events, including upon the occurrence of a qualified initial public offering or a change in control on or prior to the fifth anniversary of the grant date. In the event the performance event occurs, the China Options vest over a 5 year period beginning on the date of grant and the SOP Options are forfeited. The term of the China Options is 7 years. The total stock option expense associated with the China Options if a specific performance event and vesting were to occur is $2.7 million.

The SOP Options vest in full if the specific performance event does not occur on or prior to the fifth anniversary of the grant date. Upon vesting of the SOP Options, the China Options are forfeited.

In 2012, an aggregate of 146,623 SOP Options were granted in conjunction with the China Options to certain employees to purchase the Company's common stock with an average price of $22.39 in accordance with the CLTIP. The SOP Options have a contractual life of 7 years. As at December 31, 2012 there were 146,623 outstanding and unvested SOP Options issued under the CLTIP with a weighted average exercise price of $22.39. The weighted average fair value of these SOP Options granted in 2012 at the measurement date was $6.96 per share. The total fair value of the SOP Options granted with respect to the CLTIP is $1.6 million. The Company is recognizing this expense over a 5 year period. If a performance event occurs, the 146,623 SOP Options issued forfeit immediately and the related charge would be reversed.

The Company has included a charge of less than $0.1 million within its employee Stock Option Plan related to the SOP Options issued thereunder.

The following table summarizes certain information in respect of option activity under the Stock Option Plan:

	Number of Shares			Weighted Average Exercise Price Per Share		
	2012	2011	2010	2012	2011	2010
Options outstanding, beginning of year	7,200,721	6,743,272	6,173,795	$ 14.60	$ 10.79	$ 6.52
Granted	1,833,485	1,547,342	2,001,703	24.59	28.11	21.72
Exercised	(1,429,685)	(907,167)	(1,313,599)	6.24	8.67	6.30
Forfeited	(154,958)	(182,726)	(23,825)	23.03	18.00	8.35
Expired	—	—	(94,802)	—	—	26.08
Cancelled	(8,495)	—	—	22.07	—	—
Options outstanding, end of period	7,441,068	7,200,721	6,743,272	18.48	14.60	10.79
Options exercisable, end of period	3,480,160	3,467,242	3,090,755	14.50	9.51	5.64

In 2012, the Company cancelled 8,495 stock options from its Stock Option Plan (2011 — nil, 2010 — nil) surrendered by Company employees.

As at December 31, 2012, 6,354,481 options were fully vested or are expected to vest with a weighted average exercise price of $17.89, aggregate intrinsic value of $44.0 million and weighted average remaining contractual life of 4.8 years. As at December 31, 2012, options that are exercisable have an intrinsic value of $34.3 million and a weighted average remaining contractual life of 4.5 years. The intrinsic value of options exercised in 2012 was $23.4 million (2011 — $16.4 million, 2010 — $15.0 million).

Options to Non-Employees

During 2012, an aggregate of 12,500 (2011 — 103,944, 2010 — 135,217) common share options to purchase the Company's common stock with an average exercise price of $22.82 (2011 — $27.64, 2010 — $15.92) were granted to certain advisors and strategic partners of the Company. These options have a maximum contractual life of 7 years and vest between one and 5 years. These options were granted under the Stock Option Plan.

As at December 31, 2012 non-employee options outstanding amounted to 120,001 options (2011 — 142,251, 2010 — 132,168) with a weighted average exercise price of $14.14 (2011 — $12.93, 2010 — $13.53). Included within the non-employee outstanding options are 15,000 unvested options which were modified in 2011 from service based employee awards to performance based non-employee awards. 35,717 options (2011 — 50,500, 2010 — 4,500) were exercisable with an average weighted exercise price of $11.57 (2011 — $11.50, 2010 — $14.60) and the vested options have an aggregate intrinsic value of $0.4 million (2011 — $0.3 million, 2010 — $0.1 million). The weighted average fair value of options granted to non-employees during 2012 at the measurement date was $11.73 per share (2011 — $13.75 per share, 2010 — $12.71 per share), utilizing a Binomial Model with the following underlying assumptions:

	Years Ended December 31		
	2012	2011	2010
Average risk-free interest rate	1.28%	2.38%	2.09%
Contractual option life	7 years	6 years	1.70 - 6.25 years
Average expected volatility	50%	50%	50% - 61%
Dividend yield	0%	0%	0%

In 2012, the Company recorded a charge of $0.1 million, (2011 — $0.9 million 2010 — $1.8 million) to costs and expenses related to revenues – services and selling, general and administrative expenses related to the non-employee stock options. Included in accrued liabilities is an accrual of $0.1 million for non-employee stock options recorded (December 31, 2011—$0.1 million).

Restricted Common Shares

Under the terms of certain employment agreements dated July 12, 2000, the Company was required to issue either 160,000 restricted common shares or pay their cash equivalent upon request by the employees at any time. The Company accounted for the obligation as a liability, which was classified within accrued liabilities. In December 2010, upon request by the employees, the Company paid $4.2 million in cash to settle the equivalent of the remaining 160,000 restricted common shares under these agreements. The Company recorded an expense of $2.0 million in 2010 related to the restricted common shares.

Stock Appreciation Rights

There has been no stock appreciation rights ("SARs") granted since 2007. During 2007, 2,280,000 SARs with a weighted average exercise price of $6.20 per right were granted in-lieu of stock options to certain Company executives. For the year ended December 31, 2012, 15,000 SARs were cash settled for $0.3 million (2011 — 999,500 SARs were cash settled for $23.7 million). The average exercise price for the settled SARs for the year ended December 31, 2012 was $6.86 (2011 — $6.86) per SAR. As at December 31, 2012, 118,000 SARs were outstanding and exercisable. None of the SARs were forfeited, cancelled, or expired for the years ended December 31, 2012 and 2011. The SARs vesting period ranges from immediately upon granting to 5 years, with a remaining contractual life of 5.00 years as at December 31, 2012. The outstanding SARs had a weighted average fair value of $16.23 per right as at December 31, 2012 (December 31, 2011 — $12.43). The Company accounts for the obligation of these SARs as a liability (December 31, 2012 — $1.9 million, December 31, 2011 — $1.6 million), which is classified within accrued liabilities. The Company has recorded an expense of $0.6 million for 2012 (2011 — $1.6 million, 2010 — $19.8 million) to selling, general and administrative expenses related to these SARs. The following assumptions were used for measuring the fair value of the SARs:

	As at December 31,	
	2012	2011
Average risk-free interest rate	0.72%	1.09%
Expected option life (in years)	2.17	3.18 to 3.46
Expected volatility	50%	50%
Annual termination probability	8.52%	8.76%
Dividend yield	0%	0%

(d) Income per share

Reconciliations of the numerator and denominator of the basic and diluted per-share computations are comprised of the following:

	Years Ended December 31,		
	2012	2011 As Revised	2010 As Revised
Net income from continuing operations applicable to common shareholders	$ 41,337	$ 15,260	$ 101,240
Weighted average number of common shares (000's):			
Issued and outstanding, beginning of period	65,053	64,146	62,832
Weighted average number of shares issued during the period	801	358	744
Weighted average number of shares used in computing basic earnings per Share	65,854	64,504	63,576
Assumed exercise of stock options, net of shares assumed	2,079	3,355	3,108
Weighted average number of shares used in computing diluted earnings per Share	67,933	67,859	66,684

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16. Consolidated Statements of Operations Supplemental Information

(a) Other Revenues

The Company enters into theater system arrangements with customers that typically contain customer payment obligations prior to the scheduled installation of the theater systems. During the period of time between signing and theater system installation, certain customers each year are unable to, or elect not to, proceed with the theater system installation for a number of reasons, including business considerations, or the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the customer and/or the Company may terminate the arrangement by default or by entering into a consensual buyout. In these situations the parties are released from their future obligations under the arrangement, and the initial payments that the customer previously made to the Company are typically not refunded and are recognized as Other Revenues. In addition, the Company enters into agreements with customers to terminate their obligations for additional theater system configurations, which were in the Company's backlog. Other revenues from settlement arrangements were $0.7 million, $3.8 million and $0.4 million in 2012, 2011 and 2010, respectively.

(b) Foreign Exchange

Included in selling, general and administrative expenses for the December 31, 2012 is a $1.2 million gain, for net foreign exchange gains/losses related to the translation of foreign currency denominated monetary assets and liabilities and unhedged foreign exchange contracts compared with a loss of $1.3 million for the year ended December 31, 2011 and a gain of $1.5 million for the year ended December 31, 2010, respectively. See note 21(d) for additional information.

(c) Collaborative Arrangements

Joint Revenue Sharing Arrangements

In a joint revenue sharing arrangement, the Company receives a portion of a theater's box-office and concession revenues, and in some cases a small upfront or initial payment, in exchange for placing a theater system at the theater operator's venue. Under joint revenue sharing arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company's joint revenue sharing arrangements are typically non-cancellable for 7 to 10 years with renewal provisions. Title to equipment under joint revenue sharing arrangements does not transfer to the customer. The Company's joint revenue sharing arrangements do not contain a guarantee of residual value at the end of the term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and extended warranty throughout the term. The customer is responsible for obtaining insurance coverage for the theater systems commencing on the date specified in the arrangement's shipping terms and ending on the date the theater systems are delivered back to the Company.

The Company has signed joint revenue sharing agreements with 29 exhibitors for a total of 453 theater systems, of which 316 theaters were operating as at December 31, 2012, the terms of which are similar in nature, rights and obligations. The accounting policy for the Company's joint revenue sharing arrangements is disclosed in note 2(m).

Amounts attributable to transactions arising between the Company and its customers under joint revenue sharing arrangements are included in Rentals revenue and at December 31, 2012 amounted to $57.5 million (2011 — $30.8 million, 2010—$41.8 million).

IMAX DMR

In an IMAX DMR arrangement, the Company transforms conventional motion pictures into the Company's large screen format, allowing the release of Hollywood content to the IMAX theater network. In a typical IMAX DMR film arrangement, the Company will absorb its costs for the digital re-mastering and then recoup this cost from a percentage of the gross box-office receipts of the film, which generally range from 10-15%. The Company does not typically hold distribution rights or the copyright to these films.

In 2012, the majority of IMAX DMR revenue was earned from the exhibition of 35 IMAX DMR films through the IMAX theater network. The accounting policy for the Company's IMAX DMR arrangements is disclosed in note 2(m).

Amounts attributable to transactions arising between the Company and its customers under IMAX DMR arrangements are included in Services revenues and for December 31, 2012 amounted to $78.1 million (2011 — $50.6 million, 2010—$63.5 million).

Co-Produced Film Arrangements

In certain film arrangements, the Company co-produces a film with a third party whereby the third party retains the copyright and rights to the film, except that the Company obtains exclusive theatrical distribution rights to the film. Under these arrangements, both parties contribute funding to the Company's wholly-owned production company for the production of the film and for associated exploitation costs. Clauses in the film arrangements generally provide for the third party to take over the production of the film if the cost of the production exceeds its approved budget or if it appears as though the film will not be delivered on a timely basis.

As at December 31, 2012, the Company has 4 significant co-produced film arrangements which make up greater than 50% of the VIE total assets and liabilities balance of $15.9 million and 3 other co-produced film arrangements, the terms of which are similar. The accounting policies relating to co-produced film arrangements are disclosed in notes 2(a) and 2(n).

In 2012, amounts totaling $6.1 million (2011 —$7.5 million, 2010—$7.7 million) attributable to transactions between the Company and other parties involved in the production of the films have been included in cost and expenses applicable to revenues-services.

17. Receivable Provisions, Net of Recoveries

The following table reflects the Company's receivable provisions net of recoveries recorded in the consolidated statements of operations:

	Years Ended December 31,		
	2012	2011	2010
Accounts receivable provisions, net of recoveries	$606	$ 333	$ 499
Financing receivable provisions, net of recoveries	(82)	1,237	944
Receivable provisions, net of recoveries	$ 524	$1,570	$1,443

18. Asset Impairments

	Years Ended December 31,		
	2012	2011	2010
Property, plant and equipment	$—	$ 28	$ 45
Total	$—	$ 28	$ 45

The Company records asset impairment charges against property, plant and equipment after an assessment of the carrying value of certain groups in light of their future expected cash flows.

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19. Consolidated Statements of Cash Flows Supplemental Information

(a) Changes in other non-cash operating assets and liabilities are comprised of the following:

	Years Ended December 31,		
	2012	2011	2010
Decrease (increase) in:			
Accounts receivable	$ 4,110	$ (7,486)	$ (2,423)
Financing receivables	(7,349)	(14,623)	(11,874)
Inventories	(422)	(1,264)	(3,828)
Prepaid expenses	(706)	(294)	(223)
Commissions and other deferred selling expenses	322	382	(432)
Insurance recoveries	444	978	156
Other assets	(752)	(2,357)	(25)
Increase (decrease) in:			
Accounts payable	(8,139)	5,592	100
Accrued and other liabilities (1)	(2,266)	(31,013)	(25,823)
Deferred revenue	(504)	706	15,690
	$(15,262)	$(49,379)	$(28,682)

(1) Decrease in accruals and other liabilities for 2012 includes payments of $0.3 million for stock-based compensation (2011—$23.7 million, 2010—$14.7 million payment of pension benefits and $14.5 million payments for stock-based compensation).

(b) Cash payments made on account of:

	Years Ended December 31,		
	2012	2011	2010
Income taxes	$1,283	$ 3,349	$ 682
Interest	$ 1,374	$1,260	$1,719

(c) Depreciation and amortization are comprised of the following:

	Years Ended December 31,		
	2012	2011	2010
Film assets (1)	$15,515	$ 12,934	$ 10,900
Property, plant and equipment			
Joint revenue sharing arrangements	10,125	7,098	5,315
Other property, plant and equipment	4,440	3,992	3,525
Other intangible assets	2,006	465	448
Other assets	532	286	7
Deferred financing costs	170	388	341
	$ 32,788	$25,163	$20,536

(1) Included in film asset amortization is a charge of $0.1 million (2011 —$0.5 million, 2010 — less than $0.1 million) relating to changes in estimates based on the ultimate recoverability of future films.

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(d) Write-downs, net of recoveries, are comprised of the following:

	Years Ended December 31,		
	2012	2011	2010
Asset impairments			
Property, plant and equipment	$ —	$ 28	$ 45
Other charges (recoveries)			
Accounts receivables	606	333	499
Financing receivables	(82)	1,237	944
Inventories[(1)]	898	—	999
Impairment of available-for-sale investment	150	—	—
Property, plant and equipment[(2)]	18	356	—
Other intangible assets	11	—	64
Other assets	6	—	—
	$1,607	$1,954	$2,551
Inventory charges			
Recorded in costs and expenses applicable to revenues—product & equipment sales	$ 795	$ —	$ 827
Recorded in costs and expenses applicable to revenues—services	103	—	172
	$ 898	$ —	$ 999

(1) In 2012, the Company recorded a charge of $0.9 million (2011 — $nil, 2010 — $1.0 million, respectively) in costs and expenses applicable to revenues, primarily for its film-based projector inventories. Specifically, IMAX systems includes an inventory charge of $0.8 million (2011 — $nil, 2010 — $0.8 million). Theater system maintenance includes inventory write-downs of $0.1 million (2011 — $nil, 2010 — $0.2 million).

(2) The Company disposed of assets that no longer meet capitalization requirements as the assets were no longer in use. No cash was received for these assets.

20. Segmented Information

The Company has seven reportable segments identified by category of product sold or service provided: IMAX systems; theater system maintenance; joint revenue sharing arrangements; film production and IMAX DMR; film distribution; film post-production; and other. The IMAX systems segment designs, manufactures, sells or leases IMAX theater projection system equipment. The theater system maintenance segment maintains IMAX theater projection system equipment in the IMAX theater network. The joint revenue sharing arrangements segment provides IMAX theater projection system equipment to an exhibitor in exchange for a share of the box-office and concession revenues. The film production and IMAX DMR segment produces films and performs film re-mastering services. The film distribution segment distributes films for which the Company has distribution rights. The film post-production segment provides film post-production and film print services. The Company refers to all theaters using the IMAX theater system as “IMAX theaters.” The other segment includes certain IMAX theaters that the Company owns and operates, camera rentals and other miscellaneous items. The accounting policies of the segments are the same as those described in note 2.

The Company’s Chief Operating Decision Maker (“CODM”), as defined in the Segment Reporting Topic of the FASB ASC, assesses segment performance based on segment revenues, gross margins and film performance. Selling, general and administrative expenses, research and development costs, amortization of intangibles, receivables provisions (recoveries), write-downs net of recoveries, interest income, interest expense and tax (provision) recovery are not allocated to the segments.

Transactions between the film production and IMAX DMR segment and the film post-production segment are valued at exchange value. Inter-segment profits are eliminated upon consolidation, as well as for the disclosures below.

Transactions between the other segments are not significant.

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(a) Operating Segments

	Years Ended December 31,		
	2012	2011	2010
Revenue[1]			
IMAX systems	$ 83,405	$ 93,200	$ 76,004
Theater system maintenance	28,629	24,840	21,444
Joint revenue sharing arrangements	57,526	30,764	41,757
Films			
Production and IMAX DMR	78,050	50,592	63,462
Distribution	14,222	16,074	17,937
Post-production	7,904	8,235	7,702
Other	14,554	12,851	20,308
Total	$284,290	$236,556	$ 248,614
Gross margins			
IMAX systems[2][4]	$ 50,245	$ 56,929	$ 43,983
Theater system maintenance[2]	10,970	9,437	10,084
Joint revenue sharing arrangements[3][4]	37,308	17,605	31,703
Films			
Production and IMAX DMR[4]	49,355	23,574	41,159
Distribution[4]	2,356	3,025	5,205
Post-production	1,954	2,985	2,891
Other	545	(337)	2,627
Total	$152,733	$ 113,218	$137,652

	Years Ended December 31,		
	2012	2011	2010
Depreciation and amortization			
IMAX systems	$ 2,946	$ 1,770	$ 2,253
Theater systems maintenance	212	184	—
Joint revenue sharing arrangements	11,836	7,939	5,322
Films			
Production and IMAX DMR	14,471	12,843	10,360
Distribution	1,631	980	1,334
Post-production	608	590	588
Other	172	156	132
Corporate and other non-segment specific assets	912	701	547
Total	$ 32,788	$ 25,163	$ 20,536

	Years Ended December 31,		
	2012	2011	2010
Asset impairments and write-downs, net of recoveries			
IMAX systems	$ 1,480	$1,915	$ 2,271
Theater systems maintenance	103	—	171
Joint revenue sharing arrangements	24	12	—
Films			
Production and IMAX DMR	—	—	64
Other	—	27	45
Total	$1,607	$ 1,954	$2,551

	Years Ended December 31,		
	2012	2011	2010
Purchase of property, plant and equipment			
IMAX systems	$ 2,958	$ 1,076	$ 3,441
Theater system maintenance	36	10	18
Joint revenue sharing arrangements	23,257	33,290	21,275
Films			
Production and IMAX DMR	1,175	1,150	450
Distribution	178	49	90
Post-production	—	638	514
Other	—	719	541
Corporate and other non-segment specific assets	1,708	1,886	284
Total	$29,312	$38,818	$26,613

	As at December 31,	
	2012	2011 As Revised
Assets		
IMAX systems(5)	$ 153,201	$ 154,312
Theater systems maintenance(5)	14,632	13,008
Joint revenue sharing arrangements(5)	125,602	120,483
Films		
Production and IMAX DMR	17,653	16,577
Distribution	6,790	4,504
Post-production	3,694	4,185
Other	3,142	2,718
Corporate and other non-segment specific assets	97,158	91,462
Total	$ 421,872	$ 407,249

(1) The Company's two largest customers as at December 31, 2012 collectively represent 15.9% of total revenues (2011 – 17.4%, 2010 – 17.3%). In the third quarter of 2012, Dalian Wanda Group Co., Ltd., the parent company of Wanda Cinema Line Corporation ("Wanda"), acquired AMC Entertainment Holdings, Inc. ("AMC"). Prior to this transaction, AMC and Wanda were the Company's first and third largest customers. Under common ownership, the Wanda/AMC entity is the Company's largest customer. Revenues from this customer are included across all of the Company's segments. Prior year figures have been restated to reflect the change in the Company's largest customers.

(2) In 2012, the Company recorded a charge of $0.9 million (2011 – $nil, 2010 – $1.0 million, respectively) in costs and expenses applicable to revenues, primarily for its film-based projector inventories. Specifically, IMAX systems includes an inventory charge of $0.8 million (2011 – $nil, 2010 – $0.8 million). Theater system maintenance includes inventory write-downs of $0.1 million (2011 – $nil, 2010 – $0.2 million).

(3) In 2010, the Company adjusted the estimated useful life of its IMAX digital projection systems in use for those joint revenue sharing theaters, on a prospective basis, to reflect the change in term from 7 years to 10 years. This resulted in decreased depreciation expense of $1.0 million in 2010.

(4) IMAX systems include commission costs of $2.7 million, $2.4 million and $1.9 million in 2012, 2011 and 2010, respectively. Joint revenue sharing arrangements segment margins include advertising, marketing, and commission costs of $3.4 million, $5.4 million and $4.2 million in 2012, 2011 and 2010, respectively. Production and DMR segment margins include marketing costs of $3.3 million, $3.8 million and $2.1 million in 2012, 2011 and 2010, respectively. Distribution segment margins include marketing costs of $1.5 million, $1.9 million and $0.7 million in 2012, 2011 and 2010, respectively.

(5) Goodwill is allocated on a relative fair market value basis to the IMAX systems segment, theater system maintenance segment and joint revenue sharing segment.

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(b) Geographic Information

Revenue by geographic area is based on the location of the customer. Revenue related to IMAX DMR is presented based upon the geographic location of the theaters that exhibit the re-mastered films. IMAX DMR revenue is generated through contractual relationships with studios and other third parties and these may not be in the same geographical location as the theater. Prior years' figures have been reclassified to conform to the current year geographical classification.

	Years Ended December 31,		
	2012	2011	2010
Revenue			
United States	$128,082	$ 110,124	$142,899
Canada	19,109	21,232	9,204
Greater China	44,922	33,265	21,680
Western Europe	26,309	18,895	24,011
Asia (excluding Greater China)	28,899	22,186	19,646
Russia & the CIS	20,130	16,157	17,099
Latin America	9,419	6,051	5,221
Rest of the World	7,420	8,646	8,854
Total	$284,290	$236,556	$ 248,614

No single country in the Rest of the World, Western Europe or Asia (excluding Greater China) classifications comprise more than 5% of total revenue.

	As at December 31,	
	2012	2011
Property, plant and equipment		
United States	$55,658	$ 54,133
Canada	21,779	19,004
Greater China	24,764	16,785
Asia (excluding Greater China)	7,134	6,486
Western Europe	3,556	3,945
Rest of the World	719	900
Total	$113,610	$ 101,253

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21. Financial Instruments

(a) Financial Instruments

The Company maintains cash with various major financial institutions. The Company's cash is invested with highly rated financial institutions.

The Company's accounts receivables and financing receivables are subject to credit risk. The Company's accounts receivable and financing receivables are concentrated with the theater exhibition industry and film entertainment industry. To minimize the Company's credit risk, the Company retains title to underlying theater systems leased, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimate of potentially uncollectible amounts. The Company believes it has adequately provided for related exposures surrounding receivables and contractual commitments.

(b) Fair Value Measurements

The carrying values of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities due within one year approximate fair values due to the short-term maturity of these instruments. The Company's other financial instruments at December 31, are comprised of the following:

	As at December 31, 2012		As at December 31, 2011	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Borrowings under the Prior Credit Facility	$(11,000)	$(11,000)	$(55,083)	$(55,083)
Net financed sales receivable	$ 81,148	$ 78,933	$ 67,300	$ 65,846
Net investment in sales-type leases	$ 13,045	$ 13,513	$ 19,414	$ 20,448
Available-for-sale investment	$ 1,350	$ 1,350	$ 1,012	$ 1,012
Foreign exchange contracts — designated forwards	$ 297	$ 297	$ (182)	$ (182)
Foreign exchange contracts — non-designated forwards	$ —	$ —	$ (645)	$ (645)

The carrying value of borrowings under the Prior Credit Facility approximates fair value as the interest rates offered under the Prior Credit Facility are close to December 31, 2012 and 2011 market rates for the Company for debt of the same remaining maturities (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at December 31, 2012 and 2011, respectively.

The estimated fair values of the net financed sales receivable and net investment in sales-type leases are estimated based on discounting future cash flows at currently available interest rates with comparable terms (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at December 31, 2012 and 2011, respectively.

The fair value of the Company's available-for-sale investment is determined using the present value of expected cash flows based on projected earnings and other information readily available from the business venture (Level 3 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at December 31, 2012 and 2011, respectively. The discounted cash flow valuation technique is based on significant unobservable inputs of revenue and expense projections, appropriately risk weighted, as the investment is in a start-up entity. The significant unobservable inputs used in the fair value measurement of the Company's available-for-sale investment are long-term revenue growth and pretax operating margin. A significant increase (decrease) in any of those inputs in isolation would result in a lower or higher fair value measurement.

The fair value of foreign currency derivatives are determined using quoted prices in active markets (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at December 31, 2012 and 2011, respectively. These identical instruments are traded on a closed exchange.

There were no significant transfers between Level 1 and Level 2 during the year ended December 31, 2012 or 2011. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. The table below sets forth a summary of changes in the fair value of the Company's available-for-sale investment measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period:

	Available For Sale Investments	
	2012	2011
Beginning balance, January 1,	$1,012	$1,500
Transfers into/out of Level 3	—	—
Total gains or losses (realized/unrealized)		
Included in earnings	—	—
Included in other comprehensive income	338	(488)
Purchases, issuances, sales and settlements	—	—
Ending balance, December 31,	$1,350	$1,012
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$ (150)	$ —

There were no transfers in or out of the Company's level 3 assets during the year ended December 31, 2012.

In the year ended December 31, 2012, the Company recognized a $0.2 million other-than-temporary impairment of its available-for-sale investment, in "Impairment of available-for-sale investment" in the consolidated statement of operations, as the value is not expected to recover based on the length of time and extent to which the market value has been less than cost.

(c) Financing Receivables

The Company's net investment in leases and its net financed sale receivables are subject to the disclosure requirements of ASC 310 "Receivables". Due to differing risk profiles of its net investment in leases and its net financed sales receivables, the Company views its net investment in leases and its net financed sale receivables as separate classes of financing receivables. The Company does not aggregate financing receivables to assess impairment.

The Company monitors the credit quality of each customer on a frequent basis through collections and aging analyses. The Company also holds meetings monthly in order to identify credit concerns and whether a change in credit quality classification is required for the customer. A customer may improve in their credit quality classification once a substantial payment is made on overdue balances or the customer has agreed to a payment plan with the Company and payments have commenced in accordance to the payment plan. The change in credit quality indicator is dependent upon management approval.

The Company classifies its customers into four categories to indicate the credit quality worthiness of its financing receivables for internal purposes only:

Good standing — Theater continues to be in good standing with the Company as the client's payments and reporting are up-to-date.

Credit Watch — Theater operator has begun to demonstrate a delay in payments, has been placed on the Company's credit watch list for continued monitoring, but active communication continues with the Company. Depending on the size of outstanding balance, length of time in arrears and other factors, transactions may need to be approved by management. These financing receivables are considered to be in better condition than those receivables related to theaters in the "Pre-approved transactions" category, but not in as good of condition as those receivables in "Good standing."

Pre-approved transactions only — Theater operator is demonstrating a delay in payments with little or no communication with the Company. All service or shipments to the theater must be reviewed and approved by management. These financing receivables are considered to be in better condition than those receivables related to theaters in the "All transactions suspended" category, but not in as good of condition as those receivables in "Credit Watch." Depending on the individual facts and circumstances of each customer, finance income recognition may be suspended if management believes the receivable to be impaired.

All transactions suspended — Theater is severely delinquent, non-responsive or not negotiating in good faith with the Company. Once a theater is classified as "All transactions suspended", the theater is placed on nonaccrual status and all revenue recognitions related to the theater are stopped.

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The following table discloses the recorded investment in financing receivables by credit quality indicator:

	As at December 31, 2012			As at December 31, 2011		
	Minimum Lease Payments	Financed Sales Receivables	Total	Minimum Lease Payments	Financed Sales Receivables	Total
In good standing	$11,508	$69,310	$ 80,818	$15,667	$55,907	$71,574
Credit Watch	—	10,930	10,930	1,506	3,718	5,224
Pre-approved transactions	467	293	760	1,837	7,272	9,109
Transactions suspended	2,200	681	2,881	2,237	719	2,956
	$14,175	$81,214	$95,389	$ 21,247	$67,616	$88,863

While recognition of finance income is suspended, payments received by a customer are applied against the outstanding balance owed. If payments are sufficient to cover any unreserved receivables, a recovery of provision taken on the billed amount, if applicable, is recorded to the extent of the residual cash received. Once the collectibility issues are resolved and the customer has returned to being in good standing, the Company will resume recognition of finance income. During the year ended December 31, 2012, a financing receivable was modified as a troubled debt restructuring. The customer has paid all overdue amounts in accordance with such restructuring which has resulted in a change in the credit quality classification from 'pre-approved transactions' to 'in good standing'.

The Company's investment in financing receivables on nonaccrual status is as follows:

	As at December 31, 2012		As at December 31, 2011	
	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance
Net investment in leases	$2,666	$ (1,130)	$4,692	$ (1,833)
Net financed sales receivables	1,322	(66)	1,329	(316)
Total	$ 3,988	$(1,196)	$ 6,021	$(2,149)

The Company considers financing receivables with aging between 60-89 days as indications of theaters with potential collection concerns. The Company will begin to focus its review on these financing receivables and increase its discussions internally and with the theater regarding payment status. Once a theater's aging exceeds 90 days, the Company's policy is to review and assess collectibility on theater's past due accounts. Over 90 days past due is used by the Company as an indicator of potential impairment as invoices up to 90 days outstanding could be considered reasonable due to the time required for dispute resolution or for the provision of further information or supporting documentation to the customer.

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The Company's aged financing receivables are as follows:

	As at December 31, 2012							
	Current	30-89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Total Recorded Investment	Related Allowances	Recorded Investment Net of Allowances
Net investment in leases	$ 144	$ 202	$ 1,240	$1,586	$12,589	$ 14,175	$ (1,130)	$ 13,045
Net financed sales receivables	1,063	670	1,267	3,000	78,214	81,214	(66)	81,148
Total	$1,207	$ 872	$2,507	$4,586	$ 90,803	$95,389	$(1,196)	$94,193

	As at December 31, 2011							
	Current	30-89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Total Recorded Investment	Related Allowances	Recorded Investment Net of Allowances
Net investment in leases	$ 350	$261	$1,754	$2,365	$ 18,882	$ 21,247	$ (1,833)	$19,414
Net financed sales receivables	723	593	1,029	2,345	65,270	67,616	(316)	67,300
Total	$1,073	$ 854	$ 2,783	$ 4,710	$ 84,152	$ 88,863	$ (2,149)	$86,714

The Company's recorded investment in past due financing receivables for which the Company continues to accrue finance income is as follows:

	As at December 31, 2012						
	Current	30-89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Related Allowance	Recorded Investment Past Due and Accruing
Net investment in leases	$ 11	$ 59	$ 23	$ 93	$ 1,449	$ —	$ 1,542
Net financed sales receivables	223	382	864	1,469	16,173	—	17,642
Total	$ 234	$ 441	$ 887	$1,562	$17,622	$ —	$ 19,184

	As at December 31, 2011						
	Current	30-89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Related Allowance	Recorded Investment Past Due and Accruing
Net investment in leases	$ 67	$ 118	$ 144	$ 329	$ 3,766	$ —	$ 4,095
Net financed sales receivables	202	345	674	1,221	16,343	—	17,564
Total	$ 269	$ 463	$ 818	$1,550	$ 20,109	$ —	$21,659

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The Company considers financing receivables to be impaired when it believes it to be probable that it will not recover the full amount of principal or interest owing under the arrangement. The Company uses its knowledge of the industry and economic trends, as well as its prior experiences to determine the amount recoverable for impaired financing receivables. The following table discloses information regarding the Company's impaired financing receivables:

	Impaired Financing Receivables For the Year Ended December 31, 2012				
	Recorded Investment	Unpaid Principal	Related Allowance	Average Recorded Investment	Interest Income Recognized
Recorded investment for which there is a related allowance:					
Net financed sales receivables	$ 187	$ 220	$ (66)	$ 201	$ —
Recorded investment for which there is no related allowance:					
Net financed sales receivables	377	13	—	479	22
Total recorded investment in impaired loans:					
Net financed sales receivables	$ 564	$ 233	$ (66)	$ 680	$ 22

	Impaired Financing Receivables For the Year Ended December 31, 2011				
	Recorded Investment	Unpaid Principal	Related Allowance	Average Recorded Investment	Interest Income Recognized
Recorded investment for which there is a related allowance:					
Net financed sales receivables	$ 927	$ 402	$ (316)	$ 972	$ —
Total recorded investment in impaired loans:					
Net financed sales receivables	$ 927	$ 402	$ (316)	$ 972	$ —

The Company's activity in the allowance for credit losses for the period and the Company's recorded investment in financing receivables is as follows:

	Year Ended December 31, 2012	
	Net Investment in Leases	Net Financed Sales Receivables
Allowance for credit losses:		
Beginning balance	$ 1,833	$ 316
Charge-offs	(1,019)	(109)[(1)]
Provision	316	(141)
Ending balance	$ 1,130	$ 66
Ending balance: individually evaluated for impairment	$ 1,130	$ 66
Financing receivables:		
Ending balance: individually evaluated for impairment	$ 14,174	$ 81,215

	Year Ended December 31, 2011	
	Net Investment in Leases	Net Financed Sales Receivables
Allowance for credit losses:		
Beginning balance	$ 4,838	$ 66
Charge-offs	(4,526)	—
Provision	1,521	250
Ending balance	$ 1,833	$ 316
Ending balance: individually evaluated for impairment	$ 1,833	$ 316
Financing receivables:		
Ending balance: individually evaluated for impairment	$ 21,247	$ 67,616

(1) As a result of a troubled debt restructuring in the year ended December 31, 2012, the Company recorded a $0.1 million write-down on a $0.5 million recorded investment.

(d) Foreign Exchange Risk Management

The Company is exposed to market risk from changes in foreign currency rates. A majority portion of the Company's revenues is denominated in U.S. dollars while a substantial portion of its costs and expenses is denominated in Canadian dollars. A portion of the net U.S. dollar cash flows of the Company is periodically converted to Canadian dollars to fund Canadian dollar expenses through the spot market. In Japan, the Company has ongoing operating expenses related to its operations in Japanese yen. Net Japanese yen cash flows are converted to U.S. dollars generally through the spot market. The Company also has cash receipts under leases denominated in Chinese Renminbi, Japanese yen, Canadian dollar and Euros which are converted to U.S. dollars generally through the spot market. The Company's policy is to not use any financial instruments for trading or other speculative purposes.

The Company entered into a series of foreign currency forward contracts to manage the Company's risks associated with the volatility of foreign currencies. Certain of these foreign currency forward contracts met the criteria required for hedge accounting under the Derivatives and Hedging Topic of the FASB ASC at inception, and continue to meet hedge effectiveness tests at December 31, 2012 (the "Foreign Currency Hedges"), with settlement dates throughout 2013. Foreign currency derivatives are recognized and measured in the balance sheet at fair value. Changes in the fair value (gains or losses) are recognized in the consolidated statement of operations except for derivatives designated and qualifying as foreign currency hedging instruments. For foreign currency hedging instruments, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in other comprehensive income and reclassified to the consolidated statement of operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the consolidated statement of operations.

The following tabular disclosures reflect the impact that derivative instruments and hedging activities have on the Company's consolidated financial statements:

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Notional value of foreign exchange contracts:

	As at December 31,	
	2012	2011
Derivatives designated as hedging instruments:		
Foreign exchange contracts — Forwards	$8,069	$20,581
Derivatives not designated as hedging instruments:		
Foreign exchange contracts — Forwards	—	67,341
	$8,069	$87,922

Fair value of derivatives in foreign exchange contracts:

	Balance Sheet Location	As at December 31,	
		2012	2011
Derivatives designated as hedging instruments:			
Foreign exchange contracts — Forwards	Other assets (Accrued liabilities)	$297	$ (182)
Derivatives not designated as hedging instruments:			
Foreign exchange contracts — Forwards	Accrued liabilities	—	(645)
		$297	$ (827)

Derivatives in Foreign Currency Hedging relationships are as follows:

		Years Ended December 31,		
		2012	2011	2010
Foreign exchange contracts—Forwards	Derivative Gain (Loss) Recognized in OCI (Effective Portion)	$716	$(162)	$ 797
		$716	$(162)	$ 797

	Location of Derivative Gain Reclassified from AOCI into Income (Effective Portion)	Years Ended December 31,		
		2012	2011	2010
Foreign exchange contracts—Forwards	Selling, general and administrative expenses	$236	$ 684	$665
		$236	$ 684	$665

Non Designated Derivatives in Foreign Currency relationships are as follows:

	Location of Derivative Gain (Loss)	Years Ended December 31,		
		2012	2011	2010
Foreign exchange contracts—Forwards	Selling, general and administrative expenses	$1,184	$(1,014)	$2,036
		$1,184	$(1,014)	$2,036

(e) Investments in New Business Ventures

The Company accounts for investments in new business ventures using the guidance of the FASB ASC 323 and the FASB ASC 320, as appropriate. As at December 31, 2012, the equity method of accounting is being utilized for an investment with a carrying value of $3.1 million (December 31, 2011 — $4.1 million). For the year ended December 31, 2012, gross revenues, cost of revenue and net loss for the investment were $9.0 million, $12.7 million and $13.4 million, respectively (2011 — $2.3 million, $9.8 million, and $17.7 million, respectively). The Company has determined it is not the primary beneficiary of this VIE, and therefore it has not been consolidated. The difference between the Company's investment balance and the amount of underlying equity in net assets owned by the Company amounts to $1.1 million and relates to goodwill. In addition, the Company has an investment in preferred stock of another business venture of $1.5 million which meets the criteria for classification as a debt security under the FASB ASC 320 and is recorded at its fair value of $1.3 million at December 31, 2012 (December 31, 2011 — $1.0 million). In the year ended December 31, 2012, the Company recognized an other-than-temporary impairment for its investment of $0.2 million (2011 — $nil). This investment is classified as an available-for-sale investment. The total carrying value of investments in new business ventures at December 31, 2012 and 2011 is $4.4 million and $5.1 million, respectively, and is recorded in Other Assets.

22. Employees' Pension and Postretirement Benefits

(a) Defined Benefit Plan

The Company has an unfunded U.S. defined benefit pension plan, the SERP, covering Richard L. Gelfond, Chief Executive Officer ("CEO") of the Company and Bradley J. Wechsler, Chairman of the Company's Board of Directors. The SERP provides for a lifetime retirement benefit from age 55 determined as 75% of the member's best average 60 consecutive months of earnings over the member's employment history. The benefits were 50% vested as at July 2000, the SERP initiation date. The vesting percentage increases on a straight-line basis from inception until age 55. As at December 31, 2010, the benefits of Mr. Gelfond were 100% vested. Upon a termination for cause, prior to a change of control, the executive shall forfeit any and all benefits to which such executive may have been entitled, whether or not vested.

Under the terms of the SERP, if Mr. Gelfond's employment is terminated other than for cause, he is entitled to receive SERP benefits in the form of a lump sum payment. SERP benefit payments to Mr. Gelfond are subject to a deferral for six months after the termination of his employment, at which time Mr. Gelfond will be entitled to receive interest on the deferred amount credited at the applicable federal rate for short-term obligations. The term of Mr. Gelfond's current employment agreement has been extended through December 31, 2013, although Mr. Gelfond has not informed the Company that he intends to retire at that time. Under the terms of the extension, Mr. Gelfond also agreed that any compensation earned during 2011, 2012 and 2013 would not be included in calculating his entitlement under the SERP.

In 2010, under the terms of the SERP, the Company made a lump sum payment of $14.7 million to Mr. Wechsler in accordance with the terms of the plan, representing a settlement in full of Mr. Wechsler's entitlement under the SERP.

The following assumptions were used to determine the obligation and cost status of the Company's SERP at the plan measurement dates:

	As at December 31,	
	2012	2011
Discount rate	0.96%	1.43%
Lump sum interest rate:		
First 25 years	n/a	n/a
First 20 years	2.67%	3.74%
Thereafter	3.01%	3.70%
Cost of living adjustment on benefits	1.20%	1.20%
Rate of increase in qualifying compensation levels	0.00%	0.00%

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The amounts accrued for the SERP are determined as follows:

	Years Ended December 31,	
	2012	2011
Projected benefit obligation:		
Obligation, beginning of year	$18,990	$ 18,108
Interest cost	272	279
Actuarial loss	1,104	603
Obligation, end of year and unfunded status	$ 20,366	$18,990

The following table provides disclosure of the pension benefit obligation recorded in the consolidated balance sheets:

	As at December 31,	
	2012	2011
Accrued benefits cost	$ (20,366)	$(18,990)
Accumulated other comprehensive loss	3,367	2,628
Net amount recognized in the consolidated balance sheets	$(16,999)	$(16,362)

The following table provides disclosure of pension expense for the SERP for the year ended December 31:

	Years ended December 31		
	2012	2011	2010
Service cost	$—	$—	$ 448
Interest cost	272	279	351
Amortization of actuarial loss	365	214	—
Realized actuarial gain of settlement of pension liability	—	—	(385)
Pension expense	$ 637	$ 493	$ 414

The accumulated benefit obligation for the SERP was $20.4 million at December 31, 2012 (2011 — $19.0 million).

The following amounts were included in accumulated other comprehensive income and will be recognized as components of net periodic benefit cost in future periods:

	As at December 31,		
	2012	2011	2010
Unrecognized actuarial loss	$3,367	$2,628	$2,239

No contributions were made for the SERP during 2012. The Company expects interest costs of $0.2 million and amortization of actuarial losses of $0.4 million to be recognized as a component of net periodic benefit cost in 2013.

The following benefit payments are expected to be made as per the current SERP assumptions and the terms of the SERP in each of the next five years, and in the aggregate:

2013	$ —
2014	21,058
2015	—
2016	—
2017	—
Thereafter	—
	$21,058

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(b) Defined Contribution Pension Plan

The Company also maintains defined contribution pension plans for its employees, including its executive officers. The Company makes contributions to these plans on behalf of employees in an amount up to 5% of their base salary subject to certain prescribed maximums. During 2012, the Company contributed and expensed an aggregate of $1.1 million (2011 — $1.0 million, 2010 — $0.9 million) to its Canadian plan and an aggregate of $0.3 million (2011 — $0.2 million, 2010 — $0.2 million) to its defined contribution employee pension plan under Section 401(k) of the U.S. Internal Revenue Code.

(c) Postretirement Benefits—Executives

The Company has an unfunded postretirement plan for Messrs. Gelfond and Wechsler. The plan provides that the Company will maintain health benefits for Messrs. Gelfond and Wechsler until they become eligible for Medicare and, thereafter, the Company will provide Medicare supplemental coverage as selected by Messrs. Gelfond and Wechsler.

The amounts accrued for the plan are determined as follows:

	As at December 31,	
	2012	2011
Obligation, beginning of year	$ 502	$ 476
Interest cost	13	26
Actuarial loss	9	—
Obligation, end of year	$ 524	$ 502

The following details the net cost components, all related to continuing operations, and underlying assumptions of postretirement benefits other than pensions:

	Years Ended December 31,		
	2012	2011	2010
Interest cost	$ 13	$ 26	$ 26
Actuarial loss (gain)	9	—	(6)
	$ 22	$ 26	$ 20

Weighted average assumptions used to determine the benefit obligation are:

	As at December 31,		
	2012	2011	2010
Discount rate	3.75 %	4.20 %	5.30 %

Weighted average assumptions used to determine the net postretirement benefit expense are:

	Years Ended December 31		
	2012	2011	2010
Discount rate	4.50 %	4.50 %	4.50 %

The following benefit payments are expected to be made as per the current plan assumptions in each of the next five years:

2013	$ 18
2014	$ 19
2015	$ 21
2016	$ 44
2017	$ 30
Thereafter	$392
Total	$524

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(d) Postretirement Benefits – Canadian Employees

The Company has an unfunded postretirement plan for its Canadian employees upon meeting specific eligibility requirements. The Company will provide eligible participants, upon retirement, with health and welfare benefits.

The amounts accrued for the plan are determined as follows:

	As at December 31,	
	2012	2011
Obligation, beginning of year	$4,052	$ 3,440
Interest cost	194	183
Service cost	231	195
Actuarial loss	129	234
Obligation, end of year	$4,606	$4,052

The following details the net cost components, all related to continuing operations, and underlying assumptions of postretirement benefits other than pensions:

	Years Ended December 31,		
	2012	2011	2010
Interest cost	$194	$ 183	$168
Service cost	231	195	160
	$425	$ 378	$ 328

Weighted average assumptions used to determine the benefit obligation and net postretirement benefit expense are:

	As at December 31,		
	2012	2011	2010
Discount rate	4.00 %	4.50 %	5.00 %

The following benefit payments are expected to be made as per the current plan assumptions in each of the next five years:

2013	$ 65
2014	$ 60
2015	$ 67
2016	$ 84
2017	$ 98
Thereafter	$ 4,232
Total	$4,606

In February 2013, the Company amended the Canadian postretirement plan to reduce future benefits provided under the plan. As a result of this change, the Company anticipates the postretirement liability to be reduced by $2.7 million, resulting in a pre-tax curtailment gain in the first quarter of 2013 of approximately $2.4 million.

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23. Asset Retirement Obligations

The Company has accrued costs related to obligations in respect of required reversion costs for its owned and operated theaters under long-term real estate leases which will become due in the future. The Company does not have any legal restrictions with respect to settling any of these long-term leases. A reconciliation of the Company's liability in respect of required reversion costs is shown below:

	Years Ended December 31,		
	2012	2011	2010
Beginning balance, January 1	$ 230	$286	$267
Accretion expense	19	17	19
Reduction in asset retirement obligation due to lease renegotiation	—	(73)	—
Ending balance, December 31	$249	$ 230	$286

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None

Item 9A. ***Controls and Procedures***

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods and that such information is accumulated and communicated to management, including the CEO and CFO, to allow timely discussions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

The Company's management, with the participation of its CEO and its CFO, has evaluated the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) as at December 31, 2012 and has concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures was effective. The Company will continue to periodically evaluate its disclosure controls and procedures and will make modifications from time to time as deemed necessary to ensure that information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

Management has used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework in Internal Control-Integrated Framework to assess the effectiveness of the Company's internal control over financial reporting.

Management has assessed the effectiveness of the Company's internal control over financial reporting, as at December 31, 2012, and has concluded that such internal control over financial reporting was effective as at that date.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP has audited the effectiveness of the Company's internal control over financial reporting as at December 31, 2012 as stated in their report on page 78.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting which occurred during the quarter ended December 31, 2012, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. ***Other Information***

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by Item 10 is incorporated by reference from the information under the following captions in the Company's Proxy Statement: "Item No. 1—Election of Directors;" "Executive Officers;" "Section 16(a) Beneficial Ownership Reporting Compliance;" "Code of Ethics;" and "Audit Committee."

Item 11. *Executive Compensation*

The information required by Item 11 is incorporated by reference from the information under the following captions in the Company's Proxy Statement: "Compensation Discussion and Analysis;" "Summary Compensation Table;" "Grant of Plan-Based Awards;" "Outstanding Equity Awards at Fiscal Year-End;" "Options Exercised;" "Pension Benefits;" "Employment Agreements and Potential Payments upon Termination or Change-in-Control;" "Compensation of Directors;" and "Compensation Committee Interlocks and Insider Participation."

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by Item 12 is incorporated by reference from the information under the following captions in the Company's Proxy Statement: "Equity Compensation Plans;" "Principal Shareholders of Voting Shares;" and "Security Ownership of Directors and Management."

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by Item 13 is incorporated by reference from the information under the following caption in the Company's Proxy Statement: "Certain Relationships and Related Transactions," "Review, Approval and Ratification of Transactions with Related Persons," and "Director Independence."

Item 14. *Principal Accounting Fees and Services*

The information required by Item 14 is incorporated by reference from the information under the following captions in the Company's Proxy Statement: "Audit Fees;" "Audit-Related Fees;" "Tax Fees;" "All Other Fees;" and "Audit Committee's Pre-Approved Policies and Procedures."

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a)(1) Financial Statements

The consolidated financial statements filed as part of this Report are included under Item 8 in Part II.

Report of Independent Registered Public Accounting Firm, which covers both the financial statements and financial statement schedule in (a)(2), is included under Item 8 in Part II.

(a)(2) Financial Statement Schedules

Financial statement schedule for each year in the three-year period ended December 31, 2012.

II. Valuation and Qualifying Accounts.

(a)(3) Exhibits

The items listed as Exhibits 10.1 to 10.26 relate to management contracts or compensatory plans or arrangements.

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Exhibit No.	Description
3.1	Articles of Amalgamation of IMAX Corporation, dated January 1, 2002, as amended by the Articles of Amendment of IMAX Corporation, dated June 25, 2004. Incorporated by reference to Exhibit 4.1 to IMAX Corporation's Registration statement on Form S-3 (File No. 333-157300).
3.2	By-Law No. 1 of IMAX Corporation enacted on June 3, 2004. Incorporated by reference to Exhibit 3.2 to IMAX Corporation's Form 10-K for the year ended December 31, 2009 (File No. 000-24216).
*4.1	Shareholders' Agreement, dated as of January 3, 1994, among WGIM Acquisition Corporation, the Selling Shareholders as defined therein, Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., Bradley J. Wechsler, Richard L. Gelfond and Douglas Trumbull (the "Selling Shareholders' Agreement").
*4.2	Amendment, dated as of March 1, 1994, to the Selling Shareholders' Agreement.
*4.3	Registration Rights Agreement, dated as of February 9, 1999, by and among IMAX Corporation, Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., WPPN Inc., the Michael J. Biondi Voting Trust, Bradley J. Wechsler and Richard L. Gelfond.
10.1	Stock Option Plan of IMAX Corporation, dated June 18, 2008. Incorporated by reference to Exhibit 10.1 to IMAX Corporation Form 10-K for the year ended December 31, 2010 (File No. 001-35066).
*10.2	IMAX Corporation Supplemental Executive Retirement Plan, as amended and restated as of January 1, 2006.
*10.3	Employment Agreement, dated July 1, 1998, between IMAX Corporation and Bradley J. Wechsler.
*10.4	Amended Employment Agreement, dated July 12, 2000, between IMAX Corporation and Bradley J. Wechsler.
10.5	Amended Employment Agreement, dated March 8, 2006, between IMAX Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 10.5 to IMAX Corporation's Form 10-K for the year ended December 31, 2011 (File No. 001-35066).
10.6	Amended Employment Agreement, dated February 15, 2007, between IMAX Corporation and Bradley, J. Wechsler. Incorporated by reference to Exhibit 10.6 to IMAX Corporation's Form 10-K for the year ended December 31, 2011 (File No. 001-35066).
10.7	Amended Employment Agreement, dated December 31, 2007, between IMAX Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 10.7 to IMAX Corporation's Form 10-K for the year ended December 31, 2007 (File No. 000-24216).
10.8	Services Agreement, dated December 11, 2008, between IMAX Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 10.8 to IMAX Corporation's Form 10-K for the year ended December 31, 2008 (File No. 000-24216).
10.9	Services Agreement Amendment, dated February 14, 2011, between IMAX Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 10.9 to IMAX Corporation's Form 10-K for the year ended December 31, 2010 (File No. 001-35066).
*10.10	Employment Agreement, dated July 1, 1998, between IMAX Corporation and Richard L. Gelfond.
*10.11	Amended Employment Agreement, dated July 12, 2000, between IMAX Corporation and Richard L. Gelfond.
10.12	Amended Employment Agreement, dated March 8, 2006, between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.12 to IMAX Corporation's Form 10-K for the year ended December 31, 2011 (File No. 001-35066).
10.13	Amended Employment Agreement, dated February 15, 2007, between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.13 to IMAX Corporation's Form 10-K for the year ended December 31, 2011 (File No. 001-35066).
10.14	Amended Employment Agreement, dated December 31, 2007, between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.12 to IMAX Corporation's Form 10-K for the year ended December 31, 2007 (File No. 000-24216).
10.15	Amended Employment Agreement, dated December 11, 2008, between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.14 to IMAX Corporation's Form 10-K for the year ended December 31, 2008 (File No. 000-2416).
10.16	Amended Employment Agreement, dated December 20, 2010, between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.16 to IMAX Corporation's Form 10-K for the year ended December 31, 2010 (File No. 001-35066).
10.17	Amended Employment Agreement, dated December 12, 2011, between IMAX Corporation and Richard L. Gelfond.

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	Incorporated by reference to Exhibit 10.17 to IMAX Corporation's Form 10-K for the year ended December 31, 2011 (File No. 001-35066).
10.18	Employment Agreement, dated March 9, 2006, between IMAX Corporation and Greg Foster. Incorporated by reference to Exhibit 10.18 to IMAX Corporation's Form 10-K for the year ended December 31, 2011 (File No. 001-35066).
10.19	First Amending Agreement, dated December 31, 2007, between IMAX Corporation and Greg Foster. Incorporated by reference to Exhibit 10.14 to IMAX Corporation's Form 10-K for the year ended December 31, 2007 (File No. 000-24216).
10.20	Second Amending Agreement, dated April 29, 2010, between IMAX Corporation and Greg Foster. Incorporated by reference to IMAX Corporation's Form 10-Q for the quarter ended June 30, 2010 (File No. 000-24216).
*10.21	Employment Agreement, dated May 14, 2007, between IMAX Corporation and Joseph Sparacio.
10.22	First Amending Agreement, dated May 14, 2009, between IMAX Corporation and Joseph Sparacio. Incorporated by reference to IMAX Corporation's Form 10-K for the year ended December 31, 2009 (File No. 000-24216).
10.23	Second Amending Agreement, dated May 14, 2010, between IMAX Corporation and Joseph Sparacio. Incorporated by reference to IMAX Corporation's Form 10-Q for the quarter ended June 30, 2010 (File No. 000-24216).
10.24	Third Amending Agreement, dated January 23, 2012, between IMAX Corporation and Joseph Sparacio. Incorporated by reference to Exhibit 10.24 to IMAX Corporation's Form 10-K for the year ended December 31, 2011 (File No. 001-35066).
10.25	Summary of Employment Agreement, effective October 3, 2011 between IMAX Corporation and Mark Welton. Incorporated by reference to Exhibit 10.38 to IMAX Corporation's Form 10-Q for the quarter ended September 30, 2011 (File No. 001-35066).
10.26	Statement of Directors' Compensation, dated June 5, 2012. Incorporated by reference to Exhibit 10.26 to IMAX Corporation's Form 10-Q for the quarter ended June 30, 2012 (File No. 001-35066).
10.27	Second Amended and Restated Credit Agreement, dated June 2, 2011 by and between IMAX Corporation, Wells Fargo Capital Finance Corporation and Export Development Canada. Incorporated by reference to Exhibit 10.37 to IMAX Corporation Form 10-Q for the quarter ended June 20, 2011 (File No. 001-35066).
*10.28	Third Amended and Restated Credit Agreement, dated February 7, 2013, by and between IMAX Corporation, the Guarantors referred to therein, the Lenders referred to therein, Wells Fargo Bank National Association and Wells Fargo Securities, LLC.
10.29	Securities Purchase Agreement, dated as of May 5, 2008, by and between IMAX Corporation, Douglas Family Trust, James Douglas and Jean Douglas Irrevocable Descendants' Trust, James E. Douglas, III, and K&M Douglas Trust. Incorporated by reference to Exhibit 10.32 to IMAX Corporation's Form 10-Q for the quarter ended March 31, 2008 (File No. 000-24216).
10.30	Amendment No. 1 to Securities Purchase Agreement, dated December 1, 2008, by and between IMAX Corporation, Douglas Family Trust, James Douglas and Jean Douglas Irrevocable Descendants' Trust, James E. Douglas, III, and K&M Douglas Trust. Incorporated by reference to Exhibit 10.34 to IMAX Corporation's Form 10-K for the year ended December 31, 2008 (File No. 000-24216).
*21	Subsidiaries of IMAX Corporation.
*23	Consent of PricewaterhouseCoopers LLP.
*24	Power of Attorney of certain directors.
*31.1	Certification Pursuant to Section 302 of the Sarbanes—Oxley Act of 2002, dated February 21, 2013, by Richard L. Gelfond.
*31.2	Certification Pursuant to Section 302 of the Sarbanes—Oxley Act of 2002, dated February 21, 2013, by Joseph Sparacio.
*32.1	Certification Pursuant to Section 906 of the Sarbanes—Oxley Act of 2002, dated February 21, 2013, by Richard L. Gelfond.
*32.2	Certification Pursuant to Section 906 of the Sarbanes—Oxley Act of 2002, dated February 21, 2013, by Joseph Sparacio.

* Filed herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IMAX CORPORATION

By /s/ JOSEPH SPARACIO
Joseph Sparacio
Executive Vice-President & Chief Financial Officer

Date: February 21, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 21, 2013.

/S/ RICHARD L. GELFOND	/S/ JOSEPH SPARACIO	/S/ JEFFREY VANCE
Richard L. Gelfond Chief Executive Officer & Director (Principal Executive Officer)	Joseph Sparacio Executive Vice President & Chief Financial Officer (Principal Financial Officer)	Jeffrey Vance Senior Vice-President, Finance & Controller (Principal Accounting Officer)
*	*	*
Bradley J. Wechsler Chairman of the Board & Director	Neil S. Braun Director	David W. Leebron Director
*	*	*
Eric A. Demirian Director	Garth M. Girvan Director	Marc A. Utay Director
*		
Martin Pompadur Director		

By * /s/ JOSEPH SPARACIO
Joseph Sparacio
(as attorney-in-fact)

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IMAX CORPORATION
Schedule II
Valuation and Qualifying Accounts
(In thousands of U.S. dollars)

	Balance at beginning of year	Additions/ (recoveries) charged to expenses	Other additions/ (deductions)[1]	Balance at end of year
Allowance for net investment in leases				
Year ended December 31, 2010	$ 5,734	$ 1,056	$ (1,952)	$ 4,838
Year ended December 31, 2011	$ 4,838	$ 1,519	$ (4,526)	$ 1,831
Year ended December 31, 2012	$ 1,831	$ (1,018)	$ 317	$ 1,130
Allowance for financed sale receivables				
Year ended December 31, 2010	$ 178	$ (112)	$ —	$ 66
Year ended December 31, 2011	$ 66	$ —	$ 250	$ 316
Year ended December 31, 2012	$ 316	$ (109)	$ (141)	$ 66
Allowance for doubtful accounts receivable				
Year ended December 31, 2010	$ 2,770	$ 499	$ (1,281)	$ 1,988
Year ended December 31, 2011	$ 1,988	$ 788	$ (936)	$ 1,840
Year ended December 31, 2012	$ 1,840	$ 606	$ (882)	$ 1,564
Inventories valuation allowance				
Year ended December 31, 2010	$ 3,750	$ 665	$ (16)	$ 4,399
Year ended December 31, 2011	$ 4,399	$ —	$ (382)	$ 4,017
Year ended December 31, 2012	$ 4,017	$ 552	$ (151)	$ 4,418
Deferred income tax valuation allowance				
Year ended December 31, 2010	$77,999	$(68,220)	$ (1,850)	$7,929
Year ended December 31, 2011	$ 7,929	$ (1,264)	$ (611)	$ 6,054
Year ended December 31, 2012	$ 6,054	$ 93	$ (34)	$ 6,113

(1) Deductions represent write-offs of amounts previously charged to the provision.

IMAX CORPORATION
EXHIBIT 4.1

SHAREHOLDERS' AGREEMENT

SHAREHOLDERS' AGREEMENT, dated as of January 3, 1994, by and among WGIM Acquisition Corporation, a corporation organized under the laws of Canada (the "Company"), the persons listed as "Selling Shareholders" on the signature pages hereof (collectively, the " Selling Shareholders"), Wasserstein Perella Partners, L.P., a Delaware limited partnership, Wasserstein Perella Offshore Partners, L.P., a Delaware limited partnership (the two immediately preceding parties referred to herein collectively as " WP"), Bradley J. Wechsler ("Wechsler"), Richard L. Gelfond ("Gelfond" and, together with Wechsler, the "GW Shareholders") and Douglas Trumbull ("Trumbull"); the Selling Shareholders and Trumbull being collectively referred to herein as the "Original Shareholders"; the Selling Shareholders, the GW Shareholders, Trumbull and WP sometimes being collectively referred to herein as the "Shareholders".

W I T N E S S E T H:

WHEREAS, the Company has entered into a Share Purchase Agreement dated as of the date hereof (the " Acquisition Agreement") with the Selling Shareholders pursuant to which the Company has agreed, subject to the terms and conditions thereof, to purchase all of the outstanding shares of common stock of Imax Corporation, a corporation organized under the laws of Canada (" Imax") (the "Acquisition") from the Selling Shareholders;

WHEREAS, upon the Closing (as defined in the Acquisition Agreement), each of Gelfond and Wechsler will be the registered holder and beneficial owner of an aggregate of 323,728 common shares of the Company (the " Common Stock") and warrants (the "GW Warrants") to purchase 143,879 shares of Common Stock;

WHEREAS, upon the Closing, WP will be the registered holder and beneficial owner of 240,000 Class A Preferred Shares (" Class A Preferred Shares") of the Company and warrants ("Warrants") to purchase 3,107,786 shares of Common Stock;

WHEREAS, upon the Closing, each Selling Shareholder will be the registered holder and beneficial owner of such number of Class B Convertible Preferred Shares ("Class B

Preferred Shares") of the Company and of such number of Class C Preferred Shares (" Class C Preferred Shares" which, together with Class A Preferred Shares and Class D Preferred Shares, are referred to collectively herein as the " Preferred Stock" of the Company), in each case set forth opposite such shareholder's name on Schedule A hereto;

WHEREAS, Trumbull has entered into an Agreement (the " Agreement") to sell all the shares of the Trumbull Company, Inc., a Delaware corporation ("TCI") to the Company in return for 60,000 Class D Preferred Shares (" Class D Preferred Shares") of the Company and employee stock options ("Options") to purchase 129,491 shares of Common Stock.

WHEREAS, the Shareholders desire to enter into an agreement to provide for certain restrictions on the transferability of Shares (as hereinafter defined) held by the Original Shareholders, pursuant to which the Original Shareholders are granted registration rights with respect to their Shares in the manner and for the purposes specified herein, and to provide for certain other matters, all as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and legal sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions

The terms set forth below shall have following definitions:

"Acquisition" has the meaning set forth in the Recitals hereto.

"Acquisition Agreement" has the meaning set forth in the Recitals hereto.

"Act" means the Securities Act of 1933, as amended.

"Advice" has the meaning set forth in Section 4(b) hereof.

"Affiliate" of any Person means a Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Person. A Person shall be deemed to "control" (including the correlative meanings, the terms "controlling", "controlled by", and "under common control with") another Person if the

controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies, of the controlled Person, whether through ownership of voting securities, by contract or otherwise.

"Class A Preferred Shares" has the meaning set forth in the Recitals hereto.

"Class B Preferred Shares" has the meaning set forth in the Recitals hereto.

"Class C Preferred Shares" has the meaning set forth in the Recitals hereto.

"Class D Preferred Shares" has the meaning set forth in the Recitals hereto.

"Closing" has the meaning set forth in the Recitals hereto.

"Come Along Notice" has the meaning set forth in Section 2(e) hereof.

"Commission" has the meaning set forth in Section 4(b) hereof.

"Common Stock" has the meaning set forth in the Recitals hereto.

"Company" has the meaning set forth in the introductory paragraph hereto; provided that, after the effectiveness of the amalgamation referred to in Section 3, all references herein to the "Company" shall refer to the new corporation formed by such amalgamation.

"Exchange Act" has the meaning set forth in Section 4(e) hereof.

"GW Warrants" has the meaning set forth in the Recitals hereto.

"Imax" has the meaning set forth in the Recitals hereto.

"Inspectors" has the meaning set forth in Section 4(b) hereof.

"NASD" has the meaning set forth in Section 4(b) hereof.

"Original Shareholders" has the meaning set forth in the introductory paragraph hereto.

"Person" means any individual, corporation, partnership, joint venture, trust, unincorporated or governmental organization or any agency or political subdivision thereof.

"Piggyback Registration" has the meaning set forth in Section 4(a) hereof.

"Preferred Stock" has the meaning set forth in the Recitals hereto.

"Proposed Registration" has the meaning set forth in Section 4(a) hereof.

"Prospective Transferee" has the meaning set forth in Section 2(d) hereof.

"Records" has the meaning set forth in Section 4(b) hereof.

"Registration Expenses" has the meaning set forth in Section 4(d) hereof.

"Registrable Securities" means the shares of Common Stock issuable upon conversion of the Class B Preferred Shares, but with respect to any such share, only so long as such share continues to be a Restricted Security.

"Restricted Security" means a share of Common Stock or a share of Preferred Stock (or a share of Common Stock issuable upon conversion of Preferred Stock) until such time as such share (i) has been effectively registered under the Act and disposed of in accordance with the registration statement covering it, (ii) has been sold publicly pursuant to Rule 144 (or any similar provision then in force) under the Act, or (iii) has been otherwise transferred and the Company has delivered a new certificate or other evidence of ownership for it not subject to any legal or other restriction and not being a legend restricting its transfer without registration or an exemption therefrom.

"Second Anniversary" means the second anniversary of the Closing.

"Shares" means the Preferred Stock, the Warrants, the GW Warrants, and the Common Stock, including the Common Stock

issuable upon conversion of the Class B Preferred Shares and upon exercise of the Warrants, as the context requires.

"Shareholders" has the meaning set forth in the introductory paragraph hereto.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the Board of

Directors of their equivalents of such Person shall, at the time as of which any determination is being made, be owned by the Company, either directly or through Subsidiaries.

"Take-Along Notice" has the meaning set forth in Section 2(d) hereof.

"transfer" has the meaning set forth in Section 2(a) hereof.

"Warrants" has the meaning set forth in the Recitals hereto.

"WP" has the meaning set forth in the introductory paragraph hereto.

Section 2. Restrictions on Transfers of Shares and Rights of Co-Sale; Financial Statements .

(a) Restrictions on Transfers of Shares. No transfer, sale, assignment, pledge or other hypothecation or disposition, voluntary or involuntary (each, a "transfer"), of Shares held by an Original Shareholder shall be valid unless the terms and conditions of this Agreement shall have been complied with. Any attempted transfer in violation of the terms and conditions of this Agreement shall be ab initio void.

(b) Legends. (i) The Company shall be entitled to affix to each certificate evidencing Shares held by an Original Shareholder a legend in substantially the following form:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF TRANSFER OF SUCH SECURITIES WILL BE MADE ON THE BOOKS OF THE ISSUER UNLESS SUCH TRANSFER IS MADE IN CONNECTION WITH AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT OR SUCH ACT DOES NOT APPLY.

THE SECURITIES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN A SHAREHOLDERS' AGREEMENT, DATED AS OF JANUARY 3, 1994, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF THE ISSUER. NO REGISTRATION OF TRANSFER OF SUCH SECURITIES WILL BE MADE ON THE BOOKS OF THE ISSUER UNLESS AND UNTIL SUCH RESTRICTIONS SHALL HAVE BEEN COMPLIED WITH."

(ii) In the event that any Shares held by an Original Shareholder shall cease to be Restricted Securities, the Company shall, upon the written request of the holder thereof, issue to such holder a new certificate evidencing such Shares without the first paragraph of the legend required by Section 2(b)(i) endorsed thereon. In the event that any Shares shall cease to be subject to the restrictions on transfer set forth in this Agreement, the Company shall, upon the written request of the holder thereof, issue to such holder a new certificate evidencing such Shares without the second paragraph of the legend required by Section 2(b)(i).

(c) Certain Restrictions on Transfer. Each Original Shareholder agrees that he will not, directly or indirectly, make or solicit any transfer of any Share held by such Shareholder other than (i) any transfer to a person (A) by will or the laws of descent and distribution or (B) by transfer of any kind for tax or estate planning purposes, provided, however, that such transferee is (I) the issue or spouse of an Original Shareholder, (II) a company controlled by any combination of an Original Shareholder, the issue or the spouse of an Original Shareholder (provided that such company continues to be so controlled), or (III) any trust established for the benefit of an Original Shareholder, the issue or the spouse of an Original Shareholder, or any combination thereof; (ii) any transfer that is made in compliance with the procedures, and subject to the limitations, set forth in Sections 2(d) and 2(e); (iii) any transfer pursuant to an effective registration statement under the Act or under Rule 144 under the Act (or any similar or successor rule). Notwithstanding the foregoing, except as otherwise expressly provided in this Agreement, all transfers permitted by the foregoing clause (i) shall be subject to, and shall not be made other than in compliance with, the provisions of Section 2(f).

(d) Take-Along Right. If any of WP, Gelfond or Wechsler, as the case may be, proposes to sell or transfer any of their Shares (other than Preferred Stock) in one or more related transactions which will result in a sale or transfer

by WP, Gelfond or Wechsler, as the case may be, of a majority of the aggregate number of Shares held by such parties, then WP, Gelfond or Wechsler, as the case may be, shall promptly give written notice thereof (a " Take-Along Notice") to the Original Shareholders at least 30 days prior to the closing of such sale or transfer. The Take-Along Notice shall specify the precise number of Shares or percentage of holdings to be sold or transferred and shall describe in reasonable detail the proposed sale or transfer including, without limitation, the name and address of the prospective purchaser or transferee of the Shares (such purchaser or transferee and any other purchaser or transferee of the Shares permitted under this Agreement being a " Prospective Transferee"), the number of and type of the Shares to be sold or transferred, the proposed amount and form of the conditions of payment thereof offered by the Prospective Transferee, that the Prospective Transferee has been informed of the take-along right in this Section 2(d) and has agreed to purchase Shares in accordance with the terms hereof and any other material terms or conditions of the sale or transfer. Each Original Shareholder shall have the right, exercisable upon written notice (the "Acceptance Notice") delivered to WP, Gelfond or Wechsler, as the case may be, within 15 days after such receipt of the Take-Along Notice, to participate in such sale or transfer on the same terms and conditions as set forth in the Take-Along Notice. The Acceptance Notice shall state that such Original Shareholder wishes to transfer Shares to the Prospective Transferee on the terms described in the Take-Along Notice, and shall state the number of Shares thereof that such Original Shareholder wishes to include in the proposed transfer. If such Original Shareholder has delivered a timely Acceptance Notice it shall have the right to sell a number of Shares equal to the product obtained by multiplying (i) the aggregate number of Shares covered by the Take-Along Notice by (ii) a fraction the numerator of which is the number of Shares owned by the Original Shareholders at the time of the sale or transfer and the denominator of which is the number of Shares owned by WP, the GW Shareholders and the Original Shareholders at the time of such sale or transfer. For purposes of this Section 2(d), the number of Shares owned by a party shall be the number of shares of Common Stock owned by such party assuming that such party exercises all of its exchange, conversion and subscription and similar rights with respect to all securities of the Company.

(e) Come-Along Right. If any of WP, Gelfond or Wechsler, as the case may be, determines to transfer all of their Shares in one or more related transactions which will result in a transfer by WP, Gelfond or Wechsler, as the case may be, of a majority of the aggregate number of Shares held

by such parties, and it wishes to require the Original Shareholders to sell their Shares in such sale, then WP, Gelfond or Wechsler, as the case may be, shall give written notice thereof (the "Come-Along Notice") to the Original Shareholders, at least 20 days prior to such transfer. Such notice shall describe in reasonable detail the proposed transfer by WP, Gelfond or Wechsler, as the case may be, including, without limitation, the name and address of the Prospective Transferee, the number and type of the Shares proposed to be transferred, the proposed amount and form of the consideration to be paid and the terms and conditions of payment thereof offered by the Prospective Transferee and any other material terms or conditions of the transfer. Each Original Shareholder shall be required to sell all of his Shares to such third party or parties concurrently with the sale by WP, Gelfond or Wechsler, as the case may be, of its Shares, on the terms and conditions approved by WP, Gelfond or Wechsler, as the case may be, subject to the consideration per Share to be received by such Original Shareholder being identical to the consideration per Share being received by WP, Gelfond or Wechsler, as the case may be.

(f) Transferees to Execute Agreement. Each Original Shareholder agrees that it will not directly or indirectly make any transfer of any Shares held by such Original Shareholder, unless, prior to the consummation of any such transfer, the Prospective Transferee (i) executes and delivers to the Company an agreement, in form and substance satisfactory to the Company, whereby such Prospective Transferee confirms that, with respect to the Shares that are the subject of such transfer, it shall be deemed to be an "Original Shareholder" for the purposes of this Agreement and agrees to be bound by all the terms of this Agreement and (ii) unless the Company otherwise agrees in writing, delivers to the Company an opinion of counsel, satisfactory in form and substance to the Company, to the effect that the agreement referred to above that is delivered by such Prospective Transferee is a legal, valid and binding obligation of such Prospective Transferee enforceable against such Prospective Transferee in accordance with its terms. Upon the execution and delivery by such Prospective Transferee of the agreement referred to in clause (i) of the next preceding sentence and, if required, the delivery of the opinion of counsel referred to in clause (ii) of the next preceding sentence, such Prospective Transferee shall be deemed an "Original Shareholder" for the purposes of this Agreement, and shall have the rights and be subject to the obligations of an Original Shareholder hereunder with respect to the Shares transferred to such Prospective Transferee. Notwithstanding the foregoing, the provisions of this Section 2(f) shall not

apply to transfers of Shares made pursuant to Section 2(c)(ii) or (iii) hereof.

(g) Financial Statements. The Company will furnish to the Shareholders, contemporaneously with holders of the Company's debt securities, audited consolidated financial statements of the Company, including a balance sheet, income statement, statement of surplus and statement of changes in financial position, together with notes thereto and setting forth the corresponding figures of the previous year in comparative form.

Section 3. Amalgamation. Each party hereto acknowledges that, immediately following the Closing, Imax, a wholly-owned subsidiary of the Company, will amalgamate with the Company, pursuant to which, among other things, all Shares shall be Shares of the corporation continuing following such amalgamation. Each party hereto agrees to vote all Shares, if any, held by such party entitled to a vote thereon, in favour of such amalgamation and to cause its respective directors to vote in favor of such amalgamation. From and after such amalgamation, all references herein to the "Company" shall refer to the new corporation continuing following such amalgamation.

Section 4. Registration Rights.

(a) Piggyback Registration Rights.

(1) Right to Piggyback. Subject to the last sentence of this paragraph (1), whenever the Company proposes to register any shares of Common Stock under the Act at any time after the Second Anniversary, other than (A) a registration statement on Form S-4 or S-8 (or any successor forms or comparable foreign forms) or filed in connection with an exchange offer or (B) an offering of securities solely to the Company's existing shareholders (a "Proposed Registration"), and the registration form to be used may be used for the registration of the Registrable Securities (a " Piggyback Registration"), the Company will give prompt written notice to each Original Shareholder of its intention to effect such a registration and will, subject to Section 4(a)(2) hereof, include in such Piggyback Registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein from each Original Shareholder within 15 days after receipt of the Company's notice, provided that if, at any time after giving written notice of its intention to register any shares of Common Stock and prior to the effective date of the registration statement filed in connection with such

registration, the Company shall determine for any reason not to register or to delay registration of such shares, the Company may, at its election, give written notice of such determination to each holder of Registrable Securities and, thereupon, (1) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration, and (2) in the case of delay in registering, shall be permitted to delay registering any Registrable Securities for the same period as the delay in registering such other shares. Except as may otherwise be provided in this Agreement, Registrable Securities with respect to which such request for registration has been received will be registered by the Company and offered to the public pursuant to this Section 4 on the same terms and subject to the same conditions applicable to similar securities of the Company included in the Proposed Registration. No Original Shareholder will be entitled to include Registrable Securities pursuant to this Section 4(a) (1) in a registration statement relating to the initial public offering of shares of Common Stock (or securities exchangeable or exercisable for or convertible into Common Stock, or the Common Stock underlying such exchangeable or convertible securities).

If the Company proposes, in conjunction with a Piggyback Registration, to file a prospectus with any Canadian securities regulatory authority or otherwise to qualify the shares of Common Stock for distribution in any province of Canada (a "Canadian Offering"), the Original Shareholders shall be entitled to participate in such Canadian Offering to the same extent and on the same terms and conditions (before, during and after the Canadian Offering), mutatis mutandis, as they are entitled to participate in the Piggyback Registration under this Agreement.

(2) Priority of Piggyback Registrations. If the managing underwriter or underwriters advise the Company that in its or their opinion the number or type of securities proposed to be sold in a registration statement exceeds the number or type which can be sold in such offering (a) at a price reasonably related to the then current market value of such securities, or (b) without otherwise materially and adversely affecting the entire offering, then the Company will include in such registration the number or type of Registrable Securities which, in the opinion of such underwriter or underwriters, can be sold as follows without having the adverse effect referred to above: (i) first, all the securities that the Company proposed to sell for its own account or is required to register on behalf of any third party exercising demand registration rights and (ii) second,

to the extent that the number of securities described in clause (i) above is less than the number of securities that the Company has been advised can be sold in such offering without the adverse effect referred to above, the Registrable Securities which have been requested to be included in such registration under this Section 4(a) and all shares of Common Stock requested to be included by third parties exercising rights similar to those granted in this Section 4(a), on a pro rata basis (which shall be based on the number of shares of Common Stock then owned by each holder of Registrable Securities and each such other party, assuming exercise by them of all exchange, conversion, subscription and similar rights with respect to all securities of the Company).

(b) Registration Procedures. With respect to any Piggyback Registration, the Company will, as expeditiously as practicable:

(1) prepare and file with the Securities and Exchange Commission (the " Commission") a registration statement which includes the Registrable Securities and use all reasonable efforts to cause such registration statement to become effective;

(2) prepare and file with the Commission such amendments and post-effective amendments to the registration statement as may be necessary to keep the registration statement effective for a period of not less than 90 days (or such shorter period which will terminate when all Registrable Securities covered by such registration statement have been sold or withdrawn) cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act; and comply with the provisions of the Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(3) furnish to any holder of Registrable Securities included in such registration statement and the underwriter or underwriters, if any, without charge, at least one confirmed copy of the registration statement and any post-effective amendment thereto, upon request, and such number of copies of the prospectus (including each preliminary prospectus) and any amendments or supplements thereto, and any documents incorporated by reference therein, as such holder or underwriter may

request in order to facilitate the disposition of the Registrable Securities being sold by such holder (it being understood that the Company consents to the use of the prospectus and any amendment or supplement thereto by each holder holding Registrable Securities covered by the registration statement and the underwriter or underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by the prospectus or any amendment or supplement thereto);

(4) notify each holder of Registrable Securities included in such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Act, when the Company becomes aware of the occurrence of any event as a result of which the prospectus included in such registration statement (as then in effect) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading and, as promptly as practicable at the request of such holder, prepare and file with the Commission and furnish a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(5) use all reasonable efforts to cause all Registrable Securities included in such registration statement to be listed on each securities exchange on which the Common Stock is then listed, if any;

(6) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(7) on or prior to the date on which the registration statement is declared effective, use all reasonable efforts to register or qualify, and cooperate with the holders of Registrable Securities included in such registration statement, the underwriter or underwriters, if any, and their counsel, in connection with the registration or qualification of the Registrable Securities covered by the registration statement for

offer and sale under the securities or blue sky laws of each state and other jurisdiction as any such holder or underwriter reasonably requests in writing, to use all reasonable efforts to keep each such registration or qualification effective, including through new filings, or amendments or renewals, during the period such registration statement is required to be kept effective and to do any and all other acts or things necessary or advisable to enable the disposition in all such jurisdictions of the Registrable Securities covered by the applicable registration statement; provided, that the Company will not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to general service of process in any such jurisdiction where it is not then so subject;

(8) cooperate with the holders of Registrable Securities covered by the registration statement and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing securities to be sold under the registration statement, and enable such securities to be in such denominations and registered in such names as the managing underwriter or underwriters, if any, or such holders may request;

(9) use all reasonable efforts to cause the Registrable Securities covered by the registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such securities;

(l0) enter into such customary agreements (including, without limitation, an underwriting agreement in customary form) and take all such other actions as the holders of a majority of the Registrable Securities being sold or the underwriters retained by the holders participating in an underwritten public offering, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities;

(11) make available for inspection by any holder of Registrable Securities included in such registration statement, any underwriter participating in any disposition pursuant to such registration statement, and

any attorney, accountant or other agent retained by any such seller or underwriter (collectively, the " Inspectors") all financial and other records, pertinent corporate documents and properties of the Company (collectively, the " Records") as shall be reasonably necessary to enable the Inspectors to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Inspector in connection with such registration statement; provided that Records which the Company determines, in good faith, to be confidential and which it notifies the Inspectors are confidential shall not be disclosed to the Inspectors;

(12) use all reasonable efforts to obtain a "cold comfort" letter from the Company's independent public accountants and an opinion of outside counsel to the Company, each in customary form and covering matters of the type customarily covered by "cold comfort" letters or opinions of counsel; and

(13) cooperate with each seller of Registrable Securities and each underwriter participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc. (the " NASD").

Each holder of Registrable Securities, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 4(b)(4) will forthwith discontinue disposition of the Registrable Securities until such holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 4(b)(4) or until it is advised in writing (the " Advice") by the Company that the use of the prospectus may be resumed and has received copies of any additional or supplemental filings which are incorporated by reference in the prospectus, and, if so directed by the Company, such holder will, or will request the managing underwriter or underwriters, if any, to deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such holder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the time periods mentioned in Section 4(b)(2) shall be extended by the number of days during the period from and including the date of the giving of such notice to and including

the date when each seller of Registrable Securities covered by each registration statement shall have received the copies of the supplemented or amended prospectus contemplated by Section 4(b)(4) or the Advice.

(c) Holdback Arrangements.

(1) Restrictions on Public Sale by Holders of Registrable Securities. To the extent not inconsistent with applicable law, each holder whose Registrable Securities are included in an underwritten registration statement agrees not to effect any public sale or distribution of the securities being registered or a similar security of the Company, or any securities convertible into or exchangeable or exercisable for such securities, including a sale pursuant to Rule 144 under the Act, during the 14 days prior to, and during the 30-day period beginning on, the effective date of such registration statement, if and to the extent requested by the managing underwriter or underwriters of such underwritten public offering, other than pursuant to such underwritten public offering.

(2) Restrictions on Public Sale by the Company and Others. The Company, WP, each of Gelfond and Wechsler and each Original Shareholder agree (i) not to effect any public sale or distribution of any securities similar to those being registered, or any securities convertible into or exchangeable or exercisable for such securities (other than any such sale or distribution of such securities pursuant to registration of such securities on Form S-4 or S-8 or any successor forms or comparable foreign forms or any such sale or distribution of such securities in connection with any merger, amalgamation or consolidation involving the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of the capital equity or substantially all of the assets of any other Person) during the 14 days prior to, and during the 30-day period beginning on, the effective date of any registration statement except as part of such registration statement; and (ii) that any agreement entered into after the date of this Agreement pursuant to which the Company issues or agrees to issue any privately placed securities shall contain a provision under which holders of such securities agree not to effect any public sale or distribution of any such securities during the periods described in (i) above, in each case including a sale pursuant to Rule 144 (or any similar provision then in force) under the Act (except as part of any such registration, if permitted) provided, however, that the provisions of this Section 4(c)(2) shall

not prevent the conversion or exchange of any securities pursuant to their terms into or for other securities.

(3) Other Registrations. If the Company has previously filed a registration statement with respect to any of its Registrable Securities, and if such previous registration has not been withdrawn or abandoned, the Company will not file or cause to be effected any other registration of any of its Registrable Securities under the Act (except on Form S-4 or S-8 or any successor forms or comparable foreign forms) whether on its own behalf or at the request of any holder or holders of Registrable Securities, until a period of at least six months has elapsed from the effective date of such previous registration.

(d) Registration Expenses. All of the costs and expenses of each registration hereunder, including, without limitation, all registration and filing fees, all fees and expenses associated with filings required to be made with the NASD (including, if applicable, the fees and expenses of any "qualified independent underwriter" as such term is defined in Schedule E of the By-laws of the NASD, and of its counsel) as may be required by the rules and regulations of the NASD, fees and expenses of compliance with securities or blue sky laws of any jurisdiction (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), printing expenses, messenger and delivery expenses, internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the fees and expenses incurred in connection with the listing of the securities to be registered on any securities exchange, and fees and disbursements of counsel for the Company and its independent certified public accountants (including the expenses of any special audit or comfort letters required by or incident to such performance) securities act liability insurance (if the Company elects to obtain such insurance), the fees and expenses of any special experts retained by the Company in connection with such registration, fees and expenses of other persons retained by the Company (but not including any underwriting fees, discounts or commissions attributable to the sale of Registrable Securities or fees or expenses of counsel for holders of Registrable Securities, all of which shall be for the account of such holders) (all such expenses being herein called " Registration Expenses"), will be borne by the Company.

(e) Indemnification; Contribution.

(1) Indemnification by the Company. The Company agrees to indemnify and hold harmless each selling holder of Registrable Securities, its officers, directors, agents, employees, partners and Affiliates and each Person, if any, who controls such selling holder within the meaning of Section 15 of the Act or Section 20 of the Securities Exchange Act of 1934, as amended (the " Exchange Act"), from and against any and all losses, claims, damages, liabilities and expenses (including reasonable costs of investigation) arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus relating to the Registrable Securities or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or expenses arise out of, or are based upon, any such untrue statement or omission based upon information with respect to such selling holder furnished in writing to the Company by such selling holder expressly for use therein. The Company also agrees to indemnify any underwriters of the Registrable Securities, their officers, directors, agents, employees, partners and Affiliates and each Person who controls such underwriters on substantially the same basis as that of the indemnification of the selling holders provided in this Section 4(e).

(2) Conduct of Indemnification Proceedings. If any action or proceeding (including any governmental investigation) shall be brought or asserted against any selling holder (or any of its officers, directors, agents, employees, partners or Affiliates) or any Person controlling any such selling holder in respect of which indemnity may be sought from the Company, the Company shall be permitted, unless in the reasonable judgment of such indemnified party a conflict of interest may exist between such indemnified party and the Company with respect to such claim, to assume the defense thereof, including the employment of counsel reasonably satisfactory to such selling holder, and shall assume the payment of all expenses. Whether or not such defense is assumed by the Company, the Company shall not be liable for any settlement of any such action or proceeding effected without its written consent. The Company will

not consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation. If the Company is not entitled to, or elects not to, assume the defense of a claim, it will not be obligated to pay the fees and expenses of more than one counsel with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim, in which event the Company shall be obligated to pay the fees and expenses of such additional counsel or counsels. Any selling holder entitled to indemnification hereunder agrees to give prompt written notice to the Company after the receipt by such selling holder of any written notice of the commencement of any action, suit, proceeding or investigation or threat thereof made in writing for which such selling holder will claim indemnification or contribution pursuant to this Agreement.

(3) Indemnification by Holders of Registrable Securities . Each selling holder of Registrable Securities agrees to indemnify and hold harmless the Company, its officers, directors, agents, employees, partners and Affiliates, and each Person, if any, who controls the Company within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to the selling holders of Registrable Securities, but only with respect to information furnished in writing by such selling holder with respect to such selling holder expressly for use in any registration statement or prospectus relating to the Registrable Securities which contained a material misstatement of fact or omission of a material fact, or any amendment or supplement thereto, or any preliminary prospectus. In case any action or proceeding shall be brought against the Company or its officers, directors, agents, employees, partners or Affiliates, or any such controlling Person, in respect of which indemnity may be sought against any selling holder, such selling holder shall have the rights and duties given to the Company, and the Company or its officers, directors, agents, employees, partners or Affiliates, or such controlling Person shall have the rights and duties given to such selling holders by Section 4(e)(2).

Each selling holder of Registrable Securities also agrees to indemnify and hold harmless underwriters of the

Registrable Securities, their officers, directors, agents, employees, partners and Affiliates, and each Person who controls such underwriters on substantially the same basis as that of the indemnification of the Company provided in this Section 4(e)(3).

(4) Contribution. If the indemnification provided for in this Section 4(e) is unavailable to the Company, the selling holders or the underwriters in respect of any losses, claims, damages, liabilities or judgments referred to herein, then each such indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities and judgments in such proportion as is appropriate to reflect the relative fault of the indemnifying parties and indemnified parties in connection with such statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement of omission.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 4(e)(4) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable consideration referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities, or judgments referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 4(e)(4), no underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such underwriter has otherwise been required to pay by reason of such

untrue or alleged untrue statement or omission or alleged omission, and no selling holder shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities of such selling holder were offered to the public exceeds the amount of any damages which such selling holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(f) Participation in Underwritten Registrations. No holder of Registrable Securities may participate in any underwritten registration hereunder unless such holder (i) agrees to sell its securities on the basis provided in any underwriting arrangements approved by the holders as provided herein and (ii) completes and executes all questionnaires, powers of attorneys, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and these registration rights.

(g) Participation under Rule 144. The Company covenants that it will file any reports required to be filed by it under the Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder (or, if the Company is not required to file such reports, it will, upon the request of any holder of Registrable Securities, make publicly available other information so long as necessary to permit sales under Rule 144 under the Act) and that it will take such further action as the holders of Registrable Securities may reasonably request, all to the extent required from time to time to enable the holders of Registrable Securities to sell Registrable Securities without registration under the Act within the limitation of the exemption provided by Rule 144, as it may be amended from time to time (or any similar rule or regulation hereafter adopted by the Commission).

(h) Termination. This Section 4 shall continue in full force and effect until none of the Shares are Registrable Securities, except that paragraph (e) shall survive any termination of this Section 4.

Section 5. Miscellaneous.

(a) Effectiveness. The provisions of this Agreement shall be effective as of the Closing Date (as defined in the Acquisition Agreement).

(b) Termination. The provision of Section 2(c) shall terminate on the Second Anniversary. The provisions of Section 2(d) and 2(e) shall terminate on the tenth anniversary of the Closing. The provisions of Section 2(a) and (b) and Section 3 shall survive indefinitely. The provisions of Section 4 shall terminate as provided in Section 4(h).

(c) Entire Agreement. This Agreement represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written of the parties.

(d) Amendments, etc. This Agreement can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought.

(e) Severability. If any provision of this Agreement is invalid or unenforceable, the balance of this Agreement shall remain in full force and effect and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

(f) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(g) Notices. All communications provided for under this Agreement shall be in writing and shall be delivered by hand or by first-class regular mail, postage prepaid, to the following addresses, or such other addresses as shall be given by notice delivered hereunder, and shall be deemed to have been given on the day of personal delivery thereof or the third business day after such mailing:

If to WP, to:

Wasserstein Perella & Co., Inc.
31 West 52nd Street
26th Floor
New York, New York 10019
Attention: W. Townsend Ziebold

Wasserstein Perella Partners, L.P.
31 West 52nd Street
26th Floor
New York, New York 10019
Attention: W. Townsend Ziebold

Wasserstein Perella Offshore Partners, L.P.
31 West 52nd Street
26th Floor
New York, New York 10019
Attention: W. Townsend Ziebold

with a copy to:

Shea & Gould
1251 Avenue of the Americas
New York, New York 10020
Attention: Richard L. Smithline, Esq.

If to Gelfond or Wechsler, to:

Bradley J. Wechsler
88 East Middle Patent Road
Bedford, New York 10506

and

Richard L. Gelfond
4 Cheviot Road
Southampton, New York 11968

with a copy to:

Shearman & Sterling
599 Lexington Avenue
New York, New York 10022
Attention: Peter D. Lyons, Esq.

If to the Company, to:

IMAX Corporation
John Davison
45 Charles Street
Toronto, Ontario M4Y1N1

If to Trumbull, to:

The Trumbull Company, Inc.
P.O. Box 847

Riverview Road
Lenox, Massachusetts 01240
Attention: Douglas Trumbull

with a copy to:

Douglas Trumbull
P.O. Box 55
Southfield, Massachusetts 01259

If to a Selling Shareholder, to the address set forth in Exhibit A for such Shareholder,

or to such other Persons or at such other addresses as shall be furnished by any such party by like notice given to the other parties of this Agreement.

(h) Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Ontario and to laws of Canada applicable therein.

(i) Benefit; Successors and Assigns. Except as otherwise provided herein, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns; provided, however, that this Agreement shall not inure to the benefit of any Prospective Transferee unless such Prospective Transferee shall have complied with the terms of Section 2(f). No Original Shareholder may assign any of its rights hereunder to any Person other than a transferee that has complied with the requirements of Section 2(f) in all respects to the extent required thereby. Nothing in this Agreement either express or implied is intended to confer on any person other than the parties hereto and their respective successors and permitted assigns, any rights, remedies or obligations under or by reason of this Agreement.

(j) Injunctive Relief. Each party recognizes that in the event such party fails to perform, observe or discharge any of such party's obligations or liabilities under this Agreement, no remedy at law will provide adequate relief to the injured parties, and agree that the injured parties shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages and without being required to post a bond or other security.

(k) Limitation of Liability. No personal liability or responsibility of either GW Shareholder shall at any time be enforceable against either GW Shareholder on account of any representation, warranty, undertaking, covenant or agreement

made by it hereunder, either express or implied, all such personal liability, if any, being expressly waived by each party to this Agreement and by all Persons claiming by, through or under any such party, provided that any party to this Agreement making claim hereunder may realize upon the Securities held by each GW Shareholder for satisfaction of the same.

(l) Execution in Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed as of the day and year first above written.

WGIM ACQUISITION CORPORATION

By /s/ Bradley J. Wechsler
Name: Bradley J. Wechsler
Title: President

WASSERSTEIN PERELLA PARTNERS, L.P.
By Wasserstein Perella Management Partners, Inc.
its general partner

By
Name:
Title:

WASSERSTEIN PERELLA OFFSHORE PARTNERS, L.P.
By Wasserstein Perella Management Partners, Inc.
its general partner

By
Name:
Title:

/s/ Richard L. Gelfond
Richard L. Gelfond

/s/ Bradley J. Wechsler
Bradley J. Wechsler

/s/ Douglas Trumbull
Douglas Trumbull

Jonathan Barker	by	* Jonathan Barker	as attorney-in-fact
Nancy Bell	by	* Nancy Bell	as attorney-in-fact
Gregory J. Breen	by	* Gregory J. Breen	as attorney-in-fact
C.W. Breukelman	by	* C.W. Breukelman	as attorney-in-fact
David Breukelman	by	* David Breukelman	as attorney-in-fact
Elaine Breukelman	by	* Elaine Breukelman	as attorney-in-fact
Marion Breukelman	by	* Marion Breukelman	as attorney-in-fact
Tanya Breukelman	by	* Tanya Breukelman	as attorney-in-fact
W.A. Breukelman	by	* W.A. Breukelman	as attorney-in-fact
Canmont Investment Corp. Ltd.	by	* Canmont Investment Corp. Ltd.	as attorney-in-fact
James B. Cawthon, Jr.	by	* James B. Cawthon, Jr.	as attorney-in-fact
Elizabeth Chaplin	by	* Elizabeth Chaplin	as attorney-in-fact

Diana Chaplin	by	* Diana Chaplin	as attorney-in-fact
Gordon Chaplin	by	* Gordon Chaplin	as attorney-in-fact
434786 Ontario Limited	by	* 434786 Ontario Limited	as attorney-in-fact
434787 Ontario Limited	by	* 434787 Ontario Limited	as attorney-in-fact
James D. Chaplin	by	* James D. Chaplin	as attorney-in-fact
Janet Chaplin	by	* Janet Chaplin	as attorney-in-fact
Richard Chaplin	by	* Richard Chaplin	as attorney-in-fact
Charlford Investments Inc.	by	* Charlford Investments Inc.	as attorney-in-fact
Ann Cochren	by	* Ann Cochren	as attorney-in-fact
Doug Daymond	by	* Doug Daymond	as attorney-in-fact
Stewart Daymond	by	* Stewart Daymond	as attorney-in-fact
Daedalus Investments Ltd.	by	* Daedalus Investments Ltd.	as attorney-in-fact
John M. Davison	by	* John M. Davison	as attorney-in-fact

Executronics Limited	by	* Executronics Limited	as attorney-in-fact
Allison Ferguson	by	* Allison Ferguson	as attorney-in-fact
Betty Ferguson	by	* Betty Ferguson	as attorney-in-fact
Graeme Ferguson	by	* Graeme Ferguson	as attorney-in-fact
Munro Ferguson	by	* Munro Ferguson	as attorney-in-fact
Joan Fisk	by	* Joan Fisk	as attorney-in-fact
Forden Investments Ltd.	by	* Forden Investments Ltd.	as attorney-in-fact
Nancy Garrett	by	* Nancy Garrett	as attorney-in-fact
Michael A. Gibbon	by	* Michael A. Gibbon	as attorney-in-fact
Graeholdings Ltd.	by	* Graeholdings Ltd.	as attorney-in-fact
Jano Holdings Inc.	by	* Jono Holdings Inc.	as attorney-in-fact
David Bedford Keighley	by	* David Bedford Keighley	as attorney-in-fact
Patricia Anne Keighley	by	* Patricia Anne Keighley	as attorney-in-fact

Barbara Kerr	by	* Barbara Kerr	as attorney-in-fact
Robert Kerr	by	* Robert Kerr	as attorney-in-fact
Janet Kroitor	by	* Janet Kroitor	as attorney-in-fact
Paul Kroitor	by	* Paul Kroitor	as attorney-in-fact
Roman Kroitor	by	* Roman Kroitor	as attorney-in-fact
Stephanie Kroitor	by	* Stephanie Kroitor	as attorney-in-fact
Tanya Kroitor	by	* Tanya Kroitor	as attorney-in-fact
Yvanna Kroitor	by	* Yvanna Kroitor	as attorney-in-fact
Karen Kucera	by	* Karen Kucera	as attorney-in-fact
Ian Maxwell	by	* Ian Maxwell	as attorney-in-fact
Lynn A. McCroskey	by	* Lynn A. McCroskey	as attorney-in-fact
Andre Picard	by	* Andre Picard	as attorney-in-fact

Jennifer H. Rae	by	* Jennifer H. Rae	as attorney-in-fact
G. Mary Ruby	by	* G. Mary Ruby	as attorney-in-fact
Scocam Investment Corp.	by	* Scocam Investment Corp.	as attorney-in-fact
Sero Sed Serio Inc.	by	* Sero Sed Serio Inc.	as attorney-in-fact
James Scott Shaw	by	* James Scott Shaw	as attorney-in-fact
William C. Shaw	by	* William C. Shaw	as attorney-in-fact
Alexandra Shea	by	* Alexandra Shea	as attorney-in-fact
Stephen Low Productions Inc.	by	* Stephen Low Productions Inc.	as attorney-in-fact
Martha Turner	by	* Martha Turner	as attorney-in-fact
Alvis P. Wales, Jr.	by	* Alvis P. Wales, Jr.	as attorney-in-fact
Robert Andrew Warnock	by	* Robert Andrew Warnock	as attorney-in-fact
James Warnock	by	* James Warnock	as attorney-in-fact
Anne D. Watkinson	by	* Anne D. Watkinson	as attorney-in-fact

* William A. Breukelman, by signing his name hereto, does hereby sign this Shareholders Agreement on behalf of each of the Selling Shareholders after whose typed names asterisks appear pursuant to a power of attorney duly executed by each such Selling Shareholder.

By /s/ William A. Breukelman
Attorney-in-fact

/s/ William A. Breukelman
William A. Breukelman

Schedule A

Selling Shareholder	Associated Group B Seller	Class B Convertible Preferred Shares	Class C Preferred Shares
Jonathan Barker		1,448	290
Nancy Bell		666	133
Gregory J. Breen		1,448	290
C.W. Breukelman		1,293	259
David Breukelman		376	75
Elaine Breukelman		376	75
Marion E. Breukelman		376	75
Tanya Breukelman		376	75
W. A. Breukelman	Executronics Limited	1,546	309
Canmont Investment Corp. Ltd.		1,940	388
James B. Cawthon, Jr.		290	58
Elizabeth Chaplin		405	81
Diana Chaplin		405	81
434786 Ontario Limited		579	116
434787 Ontario Limited		5,417	1,083
James D. Chaplin	434787 Ontario Limited	41	8
Janet Chaplin		405	81
Richard Chaplin		405	81
Charlford Investments Inc.		985	197
Ann Cochren		434	87
Doug Daymond		145	29
Daedalus Investments Ltd.		5,174	1,035
John M. Davison		1,086	217
Executronics Limited		19,961	3,992
Allison Ferguson		1,361	272
Betty Ferguson		16,912	3,382
Graeme Ferguson	Graeholdings Ltd.	1,059	212
Munro Ferguson		1,361	272
Joan Fisk		695	139
Forden Investments Ltd.		956	191
Nancy Garrett		550	110
Michael A. Gibbon		1,014	203
Graeholdings Ltd.		22,635	4,527
Janro Holdings Inc.		16,668	3,334
David Bedford Keighley		413	83
Patricia Anne Keighley		413	83
Barbara Kerr		666	133
Robert Kerr	Sero Sed Serio Inc.	1,332	266
Janet Kroitor	Janro Holdings Inc.	1,484	297
Paul Kroitor		681	136
Roman Kroitor	Janro Holdings Inc.	1,149	230
Stephanie Kroitor		681	136
Tanya Kroitor		681	136
Yvanna Kroitor		681	136

Original Shareholder	Associated Group B Seller	Class B Convertible Preferred Shares	Class C Preferred Shares
Karen Kucera		666	133
Ian Maxwell		290	58
Lynn A. McCroskey		290	58
Andre Picard		64	13
Jennifer H. Rae		290	58
G. Mary Ruby		507	101
Scocam Investment Corp.		19,842	3,968
Sero Sed Serio Inc.		22,564	4,513
James Scott Shaw		666	133
William C. Shaw	Scocam Investment Corporation	1,332	266
Alexander Shea		681	136
Stephen Low Productions Inc.		579	116
Martha Turner		290	58
Alvis F. Wales, Jr.		290	58
Andrew Warnock		463	93
James Warnock		463	93
Anne D. Watkinson		290	58

NAMES OF SELLERS	ADDRESSES
Jonathan Barker	28 Neville Park Boulevard TORONTO, Ontario M4E 3P6
Nancy Bell	178 Edgemont Street S. HAMILTON, Ontario L8K 2H9
Gregory J. Breen	64 Greencroft Crescent UNIONVILLE, Ontario L3R 3Y5
C.W. Breukelman	4104 Burkeridge Place WEST VANCOUVER, British Columbia V7V 3M9
David Breukelman	4138 Perivale Road MISSISSAUGA, Ontario L5C 3V6
Elaine Breukelman	1801 Stonepath Crescent MISSISSAUGA, Ontario L4X 1Y1
Marion E. Breukelman	46 Miranda Avenue TORONTO, Ontario M6E 4G4
Tanya Breukelman	1801 Stonepath Crescent MISSISSAUGA, Ontario L4X 1Y1
W. A. Breukelman	1801 Stonepath Crescent MISSISSAUGA, Ontario L4X 1Y1
Canmont Investment Corp. Ltd.	18A Hazelton Avenue Apt 406 East TORONTO, Ontario M5R 2E2
James B. Cawthon, Jr.	600 Stratton Court BIRMINGHAM, Alabama 35209
Diana Chaplin	c/o Mrs. Janet Young 2743 West First Avenue VANCOUVER, British Columbia V6K 1H2

NAMES OF SELLERS	ADDRESSES
Elizabeth Chaplin	Sea to Sky Real Estate Ltd. P.O. Box 1500 4202 Village Square WHISTLER VILLAGE, British Columbia V0N 1B0
James D. Chaplin	R.R. # 4 CAMBRIDGE, Ontario N1R 5S5
Janet Chaplin	58 Blair Road CAMBRIDGE, Ontario N1S 2J1
Richard Chaplin	R.R. # 4 CAMBRIDGE, Ontario N1R 5S5
Charlford Investments Inc.	Suite 1055 Place du Canada MONTREAL, Quebec H3B 2N2
Ann Cochren	13 Cumminsville Road Box 7 MILLGROVE, Ontario L0R 1V0
Daedalus Investments Ltd.	c/o Sontair Limited 2450 Derry Road East, Hanger # 9 MISSISSAUGA, Ontario L5S 1B2
John M. Davison	64 Hanna Road TORONTO, Ontario M4G 3N1
Doug Daymond	R. R. # 22 CAMBRIDGE, Ontario N3C 2V2

NAMES OF SELLERS	ADDRESSES
Executronics Limited	c/o 38 Isabella Street TORONTO, Ontario M4Y 1N1 Attention: W.A. Breukelman
Allison Ferguson	R.R. # 2 PUSLINCH, Ontario N0B 2J0
Betty Ferguson	R.R. # 2 PUSLINCH, Ontario N0B 2J0
Graeme Ferguson	R.R. # 1 Norway Point BAYSVILLE, Ontario P0B 1A0
Munro Ferguson	4622 Esplanade Avenue MONTREAL, Quebec H2T 2Y5
Joan Fisk	50 Charles Street CAMBRIDGE, Ontario N1S 2W8
Forden Investments Ltd.	Suite 1055 Place du Canada MONTREAL, Quebec H3B 2N2
Nancy Ellen Garrett	50 Charles Street CAMBRIDGE, Ontario N1S 2W8
Michael A. Gibbon	1430 Monk’s Passage OAKVILLE, Ontario L6M 1J5
Graeholdings Ltd.	R.R. # 1 Norway Point BAYSVILLE, Ontario P0B 1A0
Janro Holdings Inc.	255 Chemin de la Rouge R.R. # 3 ARUNDEL, Quebec J0T 1A0

NAMES OF SELLERS	ADDRESSES
David Bedford Keighley	7 McCarty Crescent MARKHAM, Ontario L3P 4R4
Patricia Anne Keighley	7 McCarty Crescent MARKHAM, Ontario L3P 4R4
Barbara Kerr	55A Avenue Road Apartment 412 TORONTO, Ontario M5R 2G3
Robert Kerr	55A Avenue Road Apartment 412 TORONTO, Ontario M5R 2G3
Janet Kroitor	255 Chemin de la Rouge R.R. # 3 ARUNDEL, Quebec J0T 1A0
Paul Kroitor	c/o 255 Chemin de la Rouge R.R. # 3 ARUNDEL, Quebec J0T 1A0
Roman Kroitor	255 Chemin de la Rouge R.R. # 3 ARUNDEL, Quebec J0T 1A0
Stephanie Kroitor	255 Chemin de la Rouge R.R. # 3 ARUNDEL, Quebec J0T 1A0
Tanya Kroitor	R.R. # 2 PUSLINCH, Ontario N0B 2J0
Yvanna Kroitor	198 Arlington Avenue Apartment # 2 OTTAWA, Ontario K1R 5S9
Karen Kucera	7 Joycelyn Drive STREETSVILLE, Ontario L5M 1T5

NAMES OF SELLERS	ADDRESSES
Ian Maxwell	233 Vance Drive OAKVILLE, Ontario L6L 3K9
Lynn A. McCroskey	4912 Brandywood Drive BIRMINGHAM, Alabama 35223
Andre Picard	2496 Route 125 NOTRE-DAME-DE-LA- MERCI, Quebec J0T 2A0
Jennifer H. Rae	470 Wellesley Street East TORONTO, Ontario M4X 1H9
G. Mary Ruby	113 Inglewood Drive TORONTO, Ontario M4T 1H6
Scocam Investment Corp.	300 West River Road R.R. #4 CAMBRIDGE, Ontario N1R 5S5
Sero Sed Serio Inc.	55A Avenue Road Apartment 412 TORONTO, Ontario M5R 2G3 ATTENTION: Robert Kerr
James Scott Shaw	2418 Glenwood School Drive Unit 42 BURLINGTON, Ontario L7R 3S2
William C. Shaw	300 West River Road R.R. #4 CAMBRIDGE, Ontario N1R 5S5
Alexander Shea	1217 Northshore Drive SUDBURY, Ontario P3B 1E7

NAMES OF SELLERS	ADDRESSES
Stephen Low Productions Inc.	1015 Lakeshore Drive DORVAL, Quebec H9S 2C9 ATTENTION: Stephen Low
Martha Turner	R.R. # 4 7 Taylor Court CAMBRIDGE, Ontario N1R 5S5
Alvis F. Wales, Jr.	4933 Stone Mill Road BIRMINGHAM, Alabama 35223
Andrew Warnock	180 Salisbury Avenue CAMBRIDGE, Ontario N1S 1K4
James Warnock	31 Brant Road North CAMBRIDGE, Ontario N1S 2W3
Anne D. Watkinson	22 Southport Street Apartment # 123 TORONTO, Ontario M6S 4Y9
434786 Ontario Limited	Gordon Chaplin Canadian General-Tower Ltd. 52 Middleton Street CAMBRIDGE, Ontario N1R 5T6
434787 Ontario Limited	James D. Chaplin Canadian General-Tower Ltd. 52 Middleton Street CAMBRIDGE, Ontario N1R 5T6

Exhibit 4.2

IMAX CORPORATION

[EXECUTION COPY]

AMENDMENT TO SHAREHOLDERS' AGREEMENT
(SELLING SHAREHOLDERS)

March 1, 1994

To the Parties Named on
the Signature Pages Hereto

Gentlemen:

We refer to the Shareholders Agreement dated as of January 3, 1994 (the "Shareholders Agreement") among the undersigned and you. Unless otherwise defined herein, the terms defined in the Shareholders Agreement shall be used herein as therein defined.

The parties desire to amend the Shareholders Agreement as provided herein. Accordingly, it is hereby agreed by you and us that the second and third recitals of the Shareholders Agreement are, effective as of the date first above written, hereby amended and restated in their entirety to read as follows:

> WHEREAS, upon the Closing (as defined in the Acquisition Agreement), each of Gelfond and Wechsler will be the registered holder and beneficial owner of an aggregate of 387,945 common shares of the Company (the "Common Stock") and warrants (the "GW Warrants") to purchase 143, 879 shares of Common Stock;
>
> WHEREAS, upon the Closing, WP and certain of its partners and affiliates will be the registered holders and beneficial owners of an aggregate of 225,000 Class A Preferred Shares ("Class A Preferred Shares") of the Company and warrants ("Warrants") to purchase an aggregate of 3,562,060 shares of Common Stock;

On an after the effective date of this letter amendment, each reference in the Shareholders Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Shareholders Agreement shall mean and be a reference to the Shareholders Agreement as amended by this letter amendment. The Shareholders Agreement, as amended by this letter amendment, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed.

If you agree to the terms and provisions hereof, please evidence such agreement by executing and returning a counterpart of this letter amendment to the undersigned.

This letter amendment may be executed and delivered (including by facsimile transmission) in any number of counterparts and by and combination of the parties hereto in separate counterparts, each of which counterparts shall be an original and all of which taken together shall constitute one and the same instrument.

Very truly yours,

WGIM ACQUISITION CORPORATION

By /s/ Peter D. Lyons
Name: Peter D. Lyons
Title: Vice President and Assistant Secretary

Agreed as of the date first above written:

/s/ Richard L. Gelfond
Richard L. Gelfond

/s/ Bradley J. Wechsler
Bradley J. Wechsler

/s/ Douglas Trumbull
Douglas Trumbull

WASSERSTEIN PERELLA PARTNERS, L.P.

By WASSERSTEIN PERELLA MANAGEMENT PARTNERS, INC., its general partner

By /s/ W. Townsend Ziebold
Name: W. Townsend Ziebold
Title: Attorney-in-Fact

WASSERSTEIN PERELLA OFFSHORE PARTNERS, L.P.

By WASSERSTEIN PERELLA MANAGEMENT
PARTNERS, INC., its general partner

By /s/ W. Townsend Ziebold
Name: W. Townsend Ziebold
Title: Attorney-in-Fact

Jonathan Barker	by	*	as attorney-in-fact
		Jonathan Barker	
Nancy Bell	by	*	as attorney-in-fact
		Nancy Bell	
Gregory J. Breen	by	*	as attorney-in-fact
		Gregory J. Breen	
C.W. Breukelman	by	*	as attorney-in-fact
		C.W. Breukelman	
David Breukelman	by	*	as attorney-in-fact
		David Breukelman	
Elaine Breukelman	by	*	as attorney-in-fact
		Elaine Breukelman	
Marion Breukelman	by	*	as attorney-in-fact
		Marion Breukelman	
Tanya Breukelman	by	*	as attorney-in-fact
		Tanya Breukelman	

W.A. Breukelman	by	* W.A. Breukelman	as attorney-in-fact
Canmont Investment Corp. Ltd.	by	* Canmont Investment Corp. Ltd.	as attorney-in-fact
James B. Cawthon, Jr.	by	* James B. Cawthon, Jr.	as attorney-in-fact
Elizabeth Chaplin	by	* Elizabeth Chaplin	as attorney-in-fact
Diana Chaplin	by	* Diana Chaplin	as attorney-in-fact
Gordon Chaplin	by	* Gordon Chaplin	as attorney-in-fact
434786 Ontario Limited	by	* 434786 Ontario Limited	as attorney-in-fact
434787 Ontario Limited	by	* 434787 Ontario Limited	as attorney-in-fact
James D. Chaplin	by	* James D. Chaplin	as attorney-in-fact
Janet Chaplin	by	* Janet Chaplin	as attorney-in-fact
Richard Chaplin	by	* Richard Chaplin	as attorney-in-fact

Charlford Investments Inc.	by	* Charlford Investments Inc.	as attorney-in-fact
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Doug Daymond	by	* Doug Daymond	as attorney-in-fact
Stewart Daymond	by	* Stewart Daymond	as attorney-in-fact
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John M. Davison	by	* John M. Davison	as attorney-in-fact
Executronics Limited	by	* Executronics Limited	as attorney-in-fact
Allison Ferguson	by	* Allison Ferguson	as attorney-in-fact
Betty Ferguson	by	* Betty Ferguson	as attorney-in-fact
Graeme Ferguson	by	* Graeme Ferguson	as attorney-in-fact
Munro Ferguson	by	* Munro Ferguson	as attorney-in-fact

Joan Fisk	by	* Joan Fisk	as attorney-in-fact
Forden Investments Ltd.	by	* Forden Investments Ltd.	as attorney-in-fact
Nancy Garrett	by	* Nancy Garrett	as attorney-in-fact
Michael A. Gibbon	by	* Michael A. Gibbon	as attorney-in-fact
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Patricia Anne Keighley	by	* Patricia Anne Keighley	as attorney-in-fact
Barbara Kerr	by	* Barbara Kerr	as attorney-in-fact
Robert Kerr	by	* Robert Kerr	as attorney-in-fact
Janet Kroitor	by	* Janet Kroitor	as attorney-in-fact

Paul Kroitor	by	* Paul Kroitor	as attorney-in-fact
Roman Kroitor	by	* Roman Kroitor	as attorney-in-fact
Stephanie Kroitor	by	* Stephanie Kroitor	as attorney-in-fact
Tanya Kroitor	by	* Tanya Kroitor	as attorney-in-fact
Yvanna Kroitor	by	* Yvanna Kroitor	as attorney-in-fact
Karen Kurcera	by	* Karen Kurcera	as attorney-in-fact
Ian Maxwell	by	* Ian Maxwell	as attorney-in-fact
Lynn A. McCroskey	by	* Lynn A. McCroskey	as attorney-in-fact
Andre Picard	by	* Andre Picard	as attorney-in-fact
Jennifer H. Rae	by	* Jennifer H. Rae	as attorney-in-fact
G. Mary Ruby	by	* G. Mary Ruby	as attorney-in-fact

Scocam Investment Corp.	by	* Scocam Investment Corp.	as attorney-in-fact
Sero Sed Serio Inc.	by	* Sero Sed Serio Inc.	as attorney-in-fact
James Scott Shaw	by	* James Scott Shaw	as attorney-in-fact
William C. Shaw	by	* William C. Shaw	as attorney-in-fact
Alexandra Shea	by	* Alexandra Shea	as attorney-in-fact
Stephen Low Productions Inc.	by	* Stephen Low Productions Inc.	as attorney-in-fact
Martha Turner	by	* Martha Turner	as attorney-in-fact
Alvis P. Wales, Jr.	by	* Alvis P. Wales, Jr.	as attorney-in-fact
Robert Andrew Warnock	by	* Robert Andrew Warnock	as attorney-in-fact
James Warnock	by	* James Warnock	as attorney-in-fact

Anne D. Watkinson by * as attorney-in-fact

Anne D. Watkinson

* William A. Breukelman, by signing his name hereto, does hereby sign this letter amendment on behalf of each of the Selling Shareholders after whose typed names asterisks appear pursuant to a power of attorney duly executed by each such Selling Shareholder.

By /s/ William A. Breukelman

Attorney-in-fact

By /s/ William A. Breukelman

William A. Breukelman

IMAX CORPORATION
EXHIBIT 4.3

EXECUTION COPY

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this "Agreement"), dated as of February 9, 1999, by and among Imax Corporation, a corporation organized under the laws of Canada (the "Company"), Wasserstein Perella Partners, L.P., a Delaware limited partnership ("WPLP"), Wasserstein Perella Offshore Partners, L.P., a Delaware limited partnership ("WPOP"), WPPN, Inc., a Delaware corporation ("WPPN"), the Michael J. Biondi Voting Trust (together with WPLP, WPOP and WPPN, "WP"), Bradley J. Wechsler ("Wechsler") and Richard L. Gelfond ("Gelfond") and, together with Wechsler, the ("GW Shareholders").

W I T N E S S E T H:

WHEREAS, WP is the beneficial holder of common shares of the Company ("Common Shares");

WHEREAS, the GW Shareholders are the beneficial holders of Common Shares and options to purchase Common Shares ("Options"); and

WHEREAS, contemporaneously herewith, the parties are entering into a Second Amended and Restated Shareholders' Agreement (the "1999 Shareholders' Agreement") and the parties are entering into an Amended and Restated Standstill Agreement (the "1999 Standstill Agreement").

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth herein and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions.

The terms set forth below shall have the following definitions:

"1999 Shareholders' Agreement" has the meaning set forth in the Recitals hereto.

"1999 Standstill Agreement" has the meaning set forth in the Recitals hereto.

"Advice" has the meaning set forth in Section 3(c) hereof.

"Affiliate" of any Person means a Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such

Person, and, in the case of a Person who is a natural person, such natural person's family, including any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, and shall include adoptive relationships, and any personal representatives. A Person shall be deemed to "control" (including the correlative meanings, the terms "controlling", "controlled by", and "under common control with") another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of voting securities, by contract or otherwise.

"Best Efforts" shall mean an undertaking by a party to perform or satisfy an obligation or duty or otherwise act in a manner reasonably calculated to obtain the intended result by action not disproportionate, unreasonably burdensome or otherwise unreasonable under the circumstances; provided, that the foregoing shall not include efforts which require the performing party to, among other things, expend any funds in an amount disproportionate, unreasonably burdensome or otherwise unreasonable under the circumstances or to institute litigation.

"Business Day" means a day of the year other than a day on which banks are authorized or obligated to be closed in New York, New York.

"Canadian Offering" has the meaning set forth in Section 3(a)(1) hereof.

"Commission" has the meaning set forth in Section 3(b)(1) hereof.

"Common Shares" has the meaning set forth in the Recitals hereto.

"Company" has the meaning set forth in the introductory paragraph hereto.

"Demand Notice" has the meaning set forth in Section 3(b)(1) hereof.

"Demand Registration" has the meaning set forth in Section 3(b)(1) hereof.

"Exchange Act" has the meaning set forth in Section 3(f)(1) hereof.

"Gelfond" has the meaning set forth in the introductory paragraph hereto.

"GW Shareholders" has the meaning set forth in the introductory paragraph hereto.

"Inspectors" has the meaning set forth in Section 3(c)(14) hereof.

"IPO Closing" means the closing of the Company's initial public offering of Common Shares.

"IPO Shares" means the Liquidation Shares and the Common Shares, including Common Shares subject to Options and warrants, beneficially owned by the parties on the date of the IPO Closing, subject to adjustment to reflect any stock dividend, stock split, reverse stock split, recapitalization or other similar transaction after the date of the IPO Closing.

"Liquidation Notice" has the meaning set forth in Section 2(c).

"Liquidation Shares" has the meaning set forth in the 1999 Shareholders' Agreement.

"Majority Amount" has the meaning set forth in Section 3(a) hereof.

"NASD" means the National Association of Securities Dealers, Inc.

"Note Purchase Agreement" means the Note Purchase Agreement, dated as of January 3, 1994, by and among WPOP, WPLP and the Company, as amended.

"Options" has the meaning set forth in the Recitals hereto.

"Person" means any individual, corporation, partnership, joint venture, trust, unincorporated or governmental organization or any agency or political subdivision thereof.

"Piggyback Registration" has the meaning set forth in Section 3(a) hereof.

"Proposed Registration" has the meaning set forth in Section 3(a) hereof.

"Records" has the meaning set forth in Section 3(c) hereof.

"Registrable Securities" means the Common Shares (including the Common Shares issuable upon exercise of options and all WP Shares), but with respect to any such Common Share, only so long as such Common Share continues to be a Restricted Security or the holder of such share is an Affiliate of the Company.

"Registration Expenses" has the meaning set forth in Section 3(e) hereof.

"Restricted Security" means a Common Share, (or a Common Share issuable upon exercise of an Option) until such time as such Common Share or Option (i) has been effectively registered under the Securities Act or qualified for distribution in Canada pursuant to Canadian law in circumstances exempt under the Securities Act or when the Securities Act does not apply and disposed of in accordance with the registration statement or prospectus, as the case may be, covering it, (ii) has been sold publicly pursuant to Rule 144 under the Securities Act (or any similar provision in force, including any similar provision under the Securities Act or under any relevant Canadian law), or (iii) has been otherwise transferred and the Company has delivered a new

certificate or other evidence of ownership for it not subject to any legal or other restriction and not bearing a legend restricting its transfer without registration or an exemption therefrom.

"Securities" means the Common Shares, including the Common Shares issuable upon exercise of the Options.

"Securities Act" means the Securities Act of 1933, as amended.

"Shareholders" means the GW Shareholders together with WP.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the Board of Directors of their equivalents of such Person shall, at the time as of which any determination is being made, be owned by the Company, either directly or through Subsidiaries.

"Wechsler" has the meaning set forth in the introductory paragraph hereto.

"Working Capital Facility" has the meaning set forth in the Note Purchase Agreement.

"WP" has the meaning set forth in the introductory paragraph hereto.

"WP Shares " has the meaning set forth in the 1999 Shareholders' Agreement.

"WPLP" has the meaning set forth in the introductory paragraph hereto.

"WPOP" has the meaning set forth in the introductory paragraph thereto.

Section 2. Issuance of Securities; Share Certificates; Miscellaneous Agreements

(a) Legend. (i) The Company shall be entitled to affix to each certificate evidencing Restricted Securities held by a party to this Agreement a legend in substantially the following form:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO TRANSFER OF SUCH SECURITIES MAY BE MADE UNLESS SUCH TRANSFER IS MADE IN CONNECTION WITH AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT OR SUCH ACT DOES NOT APPLY.

(ii) In the event that any Securities held by a party to this Agreement shall cease to be Restricted Securities, the Company shall, upon the written request of the holder

thereof, issue to such holder a new certificate evidencing such Securities without the legend required by Section 2(a) endorsed thereon.

(b) Exclusive Right to Negotiate. In the event that (i) the GW Shareholders own at least 25% of the IPO Shares owned by them at the time of the IPO Closing, (ii) WP has received cash distributions in an amount such that on a compounded annual basis it shall have received a return on its original investment in the Company (including amounts invested to purchase securities pursuant to the Working Capital Facility) as well as a 30% compounded annual return on such investment (and such distributions shall not be subject to return by it to the Company) and (iii) WP, rather than the Board of Directors of the Company, initiates the sale of the Company as an entirety, the Company shall give the GW Shareholders written notice thereof. WP agrees that for 60 days after receipt by the GW Shareholders of such written notice it will not solicit, initiate or encourage submission of inquiries, proposals or offers or negotiate with any party other than the GW Shareholders with regard to the sale of the Company and that for 120 days after receipt by the GW Shareholders of such written notice it will not enter into any agreement for any such sale to any party other than the GW Shareholders.

(c) Liquidating Rights of GW Shareholders. If the GW Shareholders desire to exercise the rights set forth in this Section 2(c), they shall send written notice of such desire to the Company and WP between March 1 and March 31 of any of 1999, 2000 or 2001 (the " Liquidation Notice"). The GW Shareholders shall only be entitled to send one Liquidation Notice pursuant to this Section 2(c). The Company shall then use its Best Efforts to cause at its option either (i) the sale of the Company within a period of 180 days from its receipt of such Liquidation Notice, which in the case of a sale to WP or an Affiliate of WP, or in the case of a sale in a transaction where the fees to be received by WP or an Affiliate of WP are not customary fees charged by comparable entities for similar services, shall be at a price per Common Share deemed to be fair by a nationally recognized investment banking firm that is not Affiliated with WP or any Person holding an interest in any fund of WP, (ii) the filing of a registration statement pursuant to the Securities Act within a period of 120 days from its receipt of such Liquidation Notice pursuant to which the GW Shareholders may sell all of their Securities; or (iii) subject to applicable Canadian law, the Company to purchase all of the GW Shareholders' Securities for cash within the time and at the fair market value thereof determined as set forth below. The Company shall have 30 days after receipt of such Liquidation Notice to notify the GW Shareholders in writing which of the foregoing provisions it will use Best Efforts to comply with.

If the Company elects to use Best Efforts to pursue the purchase of the Securities as set forth in clause (iii) above, the GW Shareholders shall have 10 days from their receipt of such notice from the Company to notify the Company in writing of what they believe to be the fair market value of such Securities. The Company shall have 10 days from its receipt of such notice from the GW Shareholders to notify the GW Shareholders in writing that it does not concur with their determination of the fair market value for such Securities. If the Company notifies the GW Shareholders in writing within such period that it objects to such valuation, the GW Shareholders shall have an additional 30 days to notify the Company of the fair market value of the Securities as determined by a nationally recognized investment banking firm selected by the GW Shareholders. The GW Shareholders shall include with such notification a

copy of the valuation opinion delivered to them by such investment banking firm. The Company shall have 10 days from the receipt of such notification and valuation opinion to notify the GW Shareholders in writing that it does not concur with the fair market value for such Securities as set forth in such opinion. If the Company notifies the GW Shareholders in writing within such period that it objects to such valuation, it shall have an additional 30 days to notify the GW Shareholders of the fair market value of the Securities as determined by a nationally recognized investment banking firm selected by the Company. The Company shall include with such notification a copy of the valuation opinion delivered to it by such investment banking firm. If the fair market value of the Securities as determined by the nationally recognized investment banking firm selected by the Company is greater than or equal to 95% of the fair market value of the Securities as determined by the nationally recognized investment banking firm selected by the GW Shareholders, the fair market value of the Securities shall be equal to half of the sum of the fair market values of such Securities as set forth in such opinions. If the provisions of the preceding sentence do not apply and if within 10 days of the GW Shareholders' receipt of notice from the Company of the fair market value of the Securities as determined by the nationally recognized investment banking firm selected by the Company, the GW Shareholders and the Company are still unable to agree on such fair market value, then the two investment banking firms will select a third investment banking firm who will have 30 days to deliver its opinion to the Company and the GW Shareholders as to its determination of the fair market value of the Securities. The determination by such third investment banking firm shall be conclusive and binding on the Company and the GW Shareholders; provided that in no event will such value be less than the value determined by the investment banking firm selected by the Company or more than the value determined by the investment banking firm selected by the GW Shareholders. All determinations of the value of the GW Shareholders' Securities made by investment banking firms in connection with the Company's election to purchase the GW Shareholders' Securities pursuant to this Section 2(c) shall value such Securities by reference to such Securities' pro rata portion of the going concern equity value of the Company as of the date of such determination, considered in the context of a hypothetical purchase of the Company negotiated between a willing buyer and a willing seller, neither of whom is under a compulsion to act, without any discount for a minority interest, transfer restrictions, illiquidity or other similar factors. The GW Shareholders shall bear the fees, costs and expenses of the investment banking firm retained by them and WP shall bear the fees, costs and expenses of the investment banking firm retained by the Company. The fees, costs and expenses of the third investment banking firm, if any, shall be borne 50% by WP, on the one hand, and 50% by the GW Shareholders, on the other hand. The Company shall be obligated to purchase the Securities on a date no later than 10 days after the fair market value thereof is agreed to as set forth above.

Section 3. Registration Rights.

(a) Piggyback Registration Rights.

(1) Right to Piggyback. Subject to the last sentence of this paragraph (1), whenever the Company proposes to register any Common Shares under the Securities Act, other than a registration statement on Form S-4 or S-8 (or any successor forms or comparable foreign forms) or filed in connection with an exchange offer or an offering of securities solely to the Company's existing stockholders (a "Proposed Registration") and the registration form to be used

may be used for the registration of the Registrable Securities (a " Piggyback Registration"), the Company will give prompt written notice to WP and the GW Shareholders of its intention to effect such a registration and will, subject to Section 3(a)(2) hereof, include in such Piggyback Registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein from WP and the GW Shareholders within 15 days after receipt of the Company's notice, provided that if, at any time after giving written notice of its intention to register any Common Shares and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such shares, the Company may, at its election, give written notice of such determination to each holder of Registrable Securities and, thereupon, (a) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration, and (b) in the case of delay in registering, shall be permitted to delay registering any Registrable Securities for the same period as the delay in registering such other shares. Except as may otherwise be provided in this Agreement, Registrable Securities with respect to which such request for registration has been received will be registered by the Company and offered to the public pursuant to this Section 3 on the same terms and subject to the same conditions applicable to similar securities of the Company included in the Proposed Registration.

If the Company proposes, in conjunction with a Piggyback Registration, to file a prospectus with any Canadian securities regulatory authority or otherwise to qualify the Common Shares for distribution in any province of Canada (a " Canadian Offering"), each holder of Registrable Securities shall be entitled, subject to applicable Canadian securities law, to participate in such Canadian Offering to the same extent and on the same terms and conditions (before, during and after the Canadian Offering), mutatis mutandis, as such holder is entitled to participate in the Piggyback Registration under this Agreement.

(2) Priority of Piggyback Registrations. If the managing underwriter or underwriters advise the Company in writing that in its or their opinion the number or type of securities proposed to be sold in a registration statement exceeds the number or type which can be sold in such offering (a) at a price reasonably related to the then current market value of such securities, or (b) without otherwise materially and adversely affecting the entire offering, then the Company will include in such registration the number or type of Registrable Securities which, in the opinion of such underwriter or underwriters, can be sold as follows: (i) first, the securities that the Company proposes to sell for its own account or is required to register on behalf of any Person exercising demand registration rights, and (ii) second, to the extent that the number of securities described in clause (i) above is less than the number of securities that the Company has been advised can be sold in such offering without the adverse effect referred to above, the Registrable Securities of WP and the GW Shareholders which have been requested to be included in such registration under this Section 3(a) and all Common Shares requested to be included by third parties exercising rights similar to those granted in this Section 3(a), on a pro rata basis (which, in the case of Common Shares, shall be based on the number of shares of Common Shares then owned by each holder of Registrable Securities and each such other party assuming exercise of all of their exchange, conversion and subscription rights with respect to all securities of the Company).

(3) Selection of Underwriters. If any Piggyback Registration is an underwritten offering, the Company will select a managing underwriter or underwriters to administer the offering, which managing underwriter or underwriters will be of nationally recognized standing and which will be reasonably acceptable (A) to WP (after consultation with the GW Shareholders) if the Piggyback Registration is being made in connection with the exercise by WP of its Demand Registration Rights under Section 3(b), (B) to the GW Shareholders (after consultation with WP) if such Piggyback Registration is being made in connection with the exercise by the GW Shareholders of their Demand Registration rights under Section 3(b), (C) if the foregoing clauses (A) and (B) do not apply, to WP (after consultation with the GW Shareholders), so long as WP is a participant in such underwritten offering and either (i) holds at least 75% of the IPO Shares held by it at the time of the IPO Closing or (ii) holds more of the Securities (in each case assuming exercise of all exchange, conversion or subscription rights with respect to all securities of the Company then held by it) than any other holder, or (D) if the foregoing clauses (A), (B) and (C) do not apply, to persons holding a majority of each type of the Registrable Securities to be included in such registration statement (a " Majority Amount").

(b) Demand Registration Rights.

(1) Right to Demand. WP or the GW Shareholders may make a written request to the Company for registration with the Securities and Exchange Commission (the "Commission") under and in accordance with the provisions of the Securities Act of all or part of its Registrable Securities. Within 10 days after receipt of any such request, the Company will serve written notice (the " Demand Notice") of such registration request to WP and the GW Shareholders and the Company will include in such registration all Registrable Securities of WP and the GW Shareholders with respect to which the Company has received written requests for inclusion therein within 15 Business Days after the receipt by the applicable holder of the Demand Notice. All requests made pursuant to this Section 3(b)(1) (each, a "Demand Registration") will specify the aggregate number and type of the Registrable Securities to be registered and will also specify the intended methods of disposition thereof. WP shall be entitled to four Demand Registrations and the GW Shareholders shall be entitled to two Demand Registrations.

(2) Priority on Demand Registrations. If the managing underwriter or underwriters of a Demand Registration (or, in the case of a Demand Registration not being underwritten, if (A) WP (after consultation with the GW Shareholders) if such Demand Registration is being made at the request of WP pursuant to Section 3(b), (B) the GW Shareholders (after consultation with WP) if such Demand Registration is being made at the request of the GW Shareholders pursuant to Section 3(b), (C) if the foregoing clauses (A) and (B) do not apply, WP so long as WP either (i) holds at least 75% of the IPO Shares held by it at the time of the IPO Closing or (ii) holds more of the Securities (in each case assuming exercise of all exchange, conversion and subscription rights with respect to all securities of the Company) than any other holder or (D) if the foregoing clauses (A), (B) and (C) do not apply, a Majority Amount of each type of holders registering Registrable Securities therein) advise the Company in writing that in its or their opinion the number or type of securities proposed to be sold in such Demand Registration exceeds the number which can be sold in such offering (a) at a price

reasonably related to the then current market value of such securities, or (b) without otherwise materially and adversely affecting the entire offering, then the Company will include in such registration only the number or type of securities which, in the opinion of such underwriter or underwriters (or holders, as the case may be) can be sold in such offering without the adverse effect referred to above, (x) first, Registrable Securities requested to be included in such offering by the party or parties exercising a right to a Demand Registration, and (y) second, other securities of the Company proposed to be included in such offering, in accordance with the priorities then existing among the Company and the holders of such other securities.

(3) Selection of Underwriters. If any Demand Registration is an underwritten offering, (A) WP (after consultation with the GW Shareholders) if such Demand Registration is being made at the request of WP pursuant to Section 3(b), (B) the GW Shareholders (after consultation with WP) if such Demand Registration is being made at the request of the GW Shareholders pursuant to Section 3(b), (C) if the foregoing clauses (A) and (B) do not apply, WP (after consultation with the GW Shareholders), so long as WP is a participant in such underwritten offering and either (i) holds at least 75% of the IPO Shares held by it at the time of the IPO Closing or (ii) holds more of the Securities (in each case assuming exercise of all exchange, conversion and subscription rights with respect to all securities of the Company) than any other holder or (D) if the foregoing clauses (A), (B) and (C) do not apply, the holders of a Majority Amount of each type of the Registrable Securities to be included in such Demand Registration will select a managing underwriter or underwriters to administer the offering.

(c) Registration Procedures. With respect to any Piggyback or Demand Registration, the Company will, as expeditiously as practicable:

(1) prepare and file with the Commission a registration statement which includes the Registrable Securities and use its best efforts to cause such registration statement to become effective; provided that before filing a registration statement or prospectus or any amendments or supplements thereto, including documents incorporated by reference after the initial filing of the registration statement, the Company will furnish to the holders of the Registrable Securities covered by such Registration Statement and the underwriters, if any, draft copies of all such documents proposed to be filed at least five (5) business days prior thereto, which documents will be subject to the reasonable review of such holders and underwriters, and the Company will not file any registration statement or amendment thereto or any prospectus or any supplement thereto (including such documents incorporated by reference) to which (A) WP (after consultation with the GW Shareholders), if such registration is a Demand Registration being made at the request of WP pursuant to Section 3(b), (B) the GW Shareholders (after consultation with WP), if such registration is a Demand Registration being made at the request of the GW Shareholders pursuant to Section 3(b), (C) if the foregoing clauses (A) and (B) do not apply, WP so long as WP is a participant in such underwritten offering and either (i) holds at least 75% of the IPO Shares held by it at the time of the IPO Closing or (ii) holds more of the Securities (in each case assuming exercise of all exchange, conversion and subscription rights with respect to all securities of the Company then held by it) than any other holder or (D) if the foregoing clauses (A), (B) and (C) do not apply, holders of a Majority Amount of each type of the Registrable Securities covered by such registration

statement or the underwriters, if any, shall reasonably object, and will notify each holder of the Registrable Securities of any stop order issued or threatened by the Commission in connection therewith and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(2) prepare and file with the Commission such amendments and post-effective amendments to the registration statement as may be necessary to keep the registration statement effective for a period of not less than 90 days (or such shorter period which will terminate when all Registrable Securities covered by such registration statement have been sold or withdrawn, but not prior to the expiration of the 90-day period referred to in Section 4(3) of the Securities Act and Rule 174 thereunder, if applicable); cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Securities Act; and comply with the provisions of the Securities Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus. The Company shall not be deemed to have used its best efforts to keep a registration statement effective during the applicable period if it voluntarily takes any action that would result in selling holders of the Registrable Securities covered thereby not being able to sell such Registrable Securities during that period unless such action is required under applicable law;

(3) furnish to any holder of Registrable Securities included in such registration statement and the underwriter or underwriters, if any, without charge, at least one signed copy of the registration statement and any post-effective amendment thereto, upon request, and such number of conformed copies thereof and such number of copies of the prospectus (including each preliminary prospectus) and any amendments or supplements thereto, and any documents incorporated by reference therein, as such holder or underwriter may request in order to facilitate the disposition of the Registrable Securities being sold by such holder (it being understood that the Company consents to the use of the prospectus and any amendment or supplement thereto by each holder holding Registrable Securities covered by the registration statement and the underwriter or underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by the prospectus or any amendment or supplement thereto); provided that before filing a registration statement or prospectus or any amendment or supplements thereto, the Company will furnish to one counsel selected by (A) WP (after consultation with the GW Shareholders) if such registration is a Demand Registration being made at the request of WP pursuant to Section 3(b), (B) the GW Shareholders (after consultation with WP), if such registration is a Demand Registration being made at the request of the GW Shareholders pursuant to Section 3(b), (C) if the foregoing clauses (A) and (B) do not apply, WP so long as WP is a participant in such underwritten offering and either (i) holds at least 75% of the IPO Shares held by it at the time of the IPO Closing or (ii) holds more of the Securities (in each case assuming exercise of all exchange, conversion and subscription rights with respect to all securities of the Company then held by it) than any other holder or (D) if the foregoing clauses (A), (B) or (C) do not apply, the holders of a Majority Amount of each type of the Registrable Securities covered by such registration

statement, copies of all documents proposed to be filed which documents will be subject to the review and comments of such counsel;

(4) notify each holder of Registrable Securities included in such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, when the Company becomes aware of the occurrence of any event as a result of which the prospectus included in such registration statement (as then in effect) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading and, as promptly as practicable thereafter, prepare and file with the Commission and furnish a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(5) use its Best Efforts to cause all Registrable Securities included in such registration statement to be listed, by the date of the first sale of Registrable Securities pursuant to such registration statement, on each securities exchange on which the Common Shares are then listed or proposed to be listed, if any;

(6) make generally available to its security holders an earnings statement satisfying the provisions of Section 11(a) of the Securities Act no later than 45 days after the end of the 12-month period beginning with the first day of the Company's first fiscal quarter commencing after the effective date of the registration statement, which earnings statement shall cover said 12-month period;

(7) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(8) if requested by the managing underwriter or underwriters or any holder of Registrable Securities covered by the registration statement, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters or such holder requests to be included therein, including, without limitation, with respect to the number of Registrable Securities, being sold by such holder to such underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of the underwritten offering of the Registrable Securities to be sold in such offering; and promptly make all required filings of such prospectus supplement or post-effective amendment;

(9) as promptly as practicable after filing with the Commission of any document which is incorporated by reference into a registration statement, deliver a copy of such document to each holder of Registrable Securities covered by such registration statement;

(10) on or prior to the date on which the registration statement is declared effective, use its Best Efforts to register or qualify, and cooperate with the holders of Registrable Securities included in such registration statement, the underwriter or underwriters, if any, and their counsel, in connection with the registration or qualification of the Registrable Securities covered by the registration statement for offer and sale under the securities or blue sky laws of each state and other jurisdiction as any such holder or underwriter reasonably requests in writing, to use its best efforts to keep each such registration or qualification effective, including through new filings, or amendments or renewals, during the period such registration statement is required to be kept effective and to do any and all other acts or things necessary or advisable to enable the disposition in all such jurisdictions of the Registrable Securities covered by the applicable registration statement; provided that the Company will not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to general service of process in any such jurisdiction where it is not then so subject;

(11) cooperate with the holders of Registrable Securities covered by the registration statement and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing securities to be sold under the registration statement, and enable such securities to be in such denominations and registered in such names as the managing underwriter or underwriters, if any, or such holders may request;

(12) use its Best Efforts to cause the Registrable Securities covered by the registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such securities;

(13) enter into such customary agreements (including, without limitation, an underwriting agreement in customary form) and take all such other actions (A) WP (after consultation with the GW Shareholders), if such registration is a Demand Registration being made at the request of WP pursuant to Section 3(b), (B) the GW Shareholders (after consultation with WP) if such registration is a Demand Registration being made at the request of the GW Shareholders pursuant to Section 3(b), (C) if the foregoing clauses (A) or (B) do not apply, WP so long as WP is a participant in such underwritten offering and either (i) holds at least 75% of the IPO Shares held by it at the time of the IPO Closing or (ii) holds more of the Securities (in each case assuming exercise of all exchange, conversion and subscription rights with respect to all securities of the Company then held by it) than any other holder or (D) if the foregoing clauses (A), (B) and (C) do not apply, the holders of a Majority Amount of each type of the Registrable Securities being sold or the underwriters retained by the holders participating in an underwritten public offering, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities;

(14) make available for inspection by any holder of Registrable Securities included in such registration statement, any underwriter participating in any disposition

pursuant to such registration statement, and any attorney, accountant or other agent retained by any such seller or underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Company (collectively, the " Records") as shall be reasonably necessary to enable the Inspectors to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Inspector in connection with such registration statement; provided that Records which the Company determines, in good faith, to be confidential and which it notifies the Inspectors are confidential shall not be disclosed to the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction; provided further, however, that any decision not to disclose information pursuant to clause (i) shall be made after consultation with counsel for the Company and counsel for such Inspectors; and each holder of Registrable Securities included in such registration statement agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to the Company and allow the Company, at the Company's expense to undertake appropriate action to prevent disclosure of the Records deemed confidential;

(15) use its Best Efforts to obtain a cold comfort letter from the Company's independent public accountants and an opinion of outside counsel to the Company, each in customary form and covering such matters of the type customarily covered by cold comfort letters or opinions of counsel, as the case may be, as (A) WP, if such registration is a Demand Registration being made at the request of WP pursuant to Section 3(b), (B) the GW Shareholders, if such registration is a Demand Registration being made at the request of the GW Shareholders pursuant to Section 3(b), (C) if the foregoing clauses (A) and (B) do not apply, WP so long as WP is a participant in such underwritten Offering and either (i) holds at least 75% of the IPO Shares held by it at the time of the IPO Closing or (ii) holds more of the Securities (in each case assuming exercise of all exchange, conversion and subscription rights with respect to all securities of the Company then held by it) than any other holder or (D) if the foregoing clauses (A), (B) and (C) do not apply, the holders of a Majority Amount of each type of the Registrable Securities being sold reasonably request;

(16) cooperate with each seller of Registrable Securities and each underwriter participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the NASD; and

(17) use its reasonable efforts to take all other steps necessary to effect the registration of the Registrable Securities contemplated hereby.

Each holder of Registrable Securities, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(c)(4) will forthwith discontinue disposition of the Registrable Securities until such holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(c)(4) or until it is advised in writing (the "Advice") by the Company that the use of the prospectus may be resumed and has

received copies of any additional or supplemental filings which are incorporated by reference in the prospectus, and, if so directed by the Company, such holder will, or will request the managing underwriter or underwriters, if any, to deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such holder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the time periods mentioned in Section 3(c)(2) shall be extended by the number of days during the period from and including the date of the giving of such notice to and including the date when each seller of Registrable Securities covered by each registration statement shall have received the copies of the supplemented or amended prospectus contemplated by Section 3(c)(4) or the Advice.

(d) Holdback Arrangements.

(1) Restrictions on Public Sale by Holders of Registrable Securities. To the extent not inconsistent with applicable law, each holder whose Registrable Securities are included in an underwritten registration statement agrees not to effect any public sale or distribution of the securities being registered or a similar security of the Company, or any securities convertible into or exchangeable or exercisable for such securities, including a sale pursuant to Rule 144 under the Securities Act, during the 14 days prior to, and during the 30-day period beginning on, the effective date of such registration statement, if and to the extent requested by the managing underwriter or underwriters of such underwritten public offering, other than pursuant to such underwritten public offering.

(2) Restrictions on Public Sale by the Company and Others. The Company and the Shareholders agree (i) not to effect any public sale or distribution of any securities similar to those being registered, or any securities convertible into or exchangeable or exercisable for such securities (other than any such sale or distribution of such securities pursuant to registration of such securities on Form S-4 or S-8 or any successor forms or comparable foreign forms or any such sale or distribution of such securities in connection with any merger or consolidation involving the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of the capital equity or substantially all of the assets of any other Person), during the 14 days prior to, and during the 30-day period beginning on, the effective date of any registration statement except as part of such registration statement; and (ii) that any agreement entered into after the date of this Agreement pursuant to which the Company issues or agrees to issue any privately placed securities shall contain a provision under which holders of such securities agree not to effect any public sale or distribution of any such securities during the periods described in (i) above, in each case including a sale pursuant to Rule 144 (or any similar provision then in force) under the Securities Act (except as part of any such registration, if permitted); provided, however, that the provisions of this Section 3(d)(2) shall not prevent the conversion or exchange of any securities pursuant to their terms into or for other securities.

(3) Other Registrations. If the Company has previously filed a registration statement with respect to any of its Registrable Securities, and if such previous registration has not been withdrawn or abandoned, the Company will not file or cause to be effected any other registration of any of its Registrable Securities under the Securities Act (except on Form S-4 or S-8 or any successor forms or comparable foreign forms), whether on its own behalf or at the

request of any holder or holders of Registrable Securities, until a period of at least six months has elapsed from the effective date of such previous registration (provided that in the case of a Demand Registration such period shall commence on the date the Company is first served the Notice and shall continue until at least six months have elapsed from the effective date of such Demand Registration).

(e) Registration Expenses. All of the costs and expenses of each registration hereunder, including, without limitation, all registration and filing fees, all fees and expenses associated with filings required to be made with the NASD (including, if applicable, the fees and expenses of any "qualified independent underwriter" as such term is defined in Schedule E of the By-laws of the NASD, and of its counsel), as may be required by the rules and regulations of the NASD, fees and expenses of compliance with securities or blue sky laws of any jurisdiction (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), printing expenses, messenger and delivery expenses, the Company's internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the fees and expenses incurred in connection with the listing of the securities to be registered on any securities exchange, and fees and disbursements of counsel for the Company and its independent certified public accountants (including the expenses of any special audit or comfort letters required by or incident to such performance), Securities Act liability insurance (if the Company elects to obtain such insurance), the fees and expenses of any special experts retained by the Company in connection with such registration, fees and expenses of other persons retained by the Company, reasonable fees and expenses of one counsel for the holders of the Registrable Securities in connection with each registration hereunder (but not including any underwriting fees, discounts or commissions attributable to the sale of Registrable Securities which shall be for the account of such holders) and any reasonable out-of-pocket expenses of the holders of the Registrable Securities (or agents who manage their accounts) (all such expenses being herein called " Registration Expenses"), will be borne by the Company.

(f) Indemnification; Contribution.

(1) Indemnification by the Company. The Company agrees to indemnify and hold harmless each selling holder of Registrable Securities, its officers, directors, agents, employees, partners and Affiliates and each Person, if any, who controls such selling holder within the meaning of Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the " Exchange Act"), from and against any and all losses, claims, damages, liabilities and expenses (including reasonable costs of investigation) arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus relating to the Registrable Securities or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or expenses arise out of, or are based upon, any such untrue statement or omission based upon information with respect to such selling holder furnished in writing to the Company by such selling holder expressly for use therein. The Company also agrees to indemnify any underwriters of the Registrable Securities, their officers, directors, agents,

employees, partners and Affiliates and each Person who controls such underwriters on substantially the same basis as that of the indemnification of the selling holders provided in this Section 3(f).

(2) Conduct of Indemnification Proceedings. If any action or proceeding (including any governmental investigation) shall be brought or asserted against any selling holder (or any of its officers, directors, agents, employees, partners or Affiliates) or any Person controlling any such selling holder in respect of which indemnity may be sought from the Company, the Company shall be permitted, unless in the reasonable judgment of such indemnified party a conflict of interest may exist between such indemnified party and the Company with respect to such claim, to assume the defense thereof, including the employment of counsel reasonably satisfactory to such selling holder, and shall assume the payment of all expenses. Whether or not such defense is assumed by the Company, the Company shall not be liable for any settlement of any such action or proceeding effected without its written consent (but such consent will not be unreasonably withheld). The Company will not consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation. If the Company is not entitled to, or elects not to, assume the defense of a claim, it will not be obligated to pay the fees and expenses of more than one counsel with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim, in which event the Company shall be obligated to pay the fees and expenses of such additional counsel or counsels. Any selling holder entitled to indemnification hereunder agrees to give prompt written notice to the Company after the receipt by such selling holder of any written notice of the commencement of any action, suit, proceeding or investigation or threat thereof made in writing for which such selling holder will claim indemnification or contribution pursuant to this Agreement.

(3) Indemnification by Holders of Registrable Securities. Each selling holder of Registrable Securities agrees to indemnify and hold harmless the Company, its officers, directors, agents, employees, partners and Affiliates, and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to the selling holders of Registrable Securities, but only with respect to information furnished in writing by such selling holder with respect to such selling holder expressly for use in any registration statement or prospectus relating to the Registrable Securities which contained a material misstatement of fact or omission of a material fact, or any amendment or supplement thereto, or any preliminary prospectus. In no event shall the liability of any selling holder hereunder be greater in amount than the dollar amount of the proceeds received by such selling holder upon the sale of the Registrable Securities giving rise to such indemnification obligation. In case any action or proceeding shall be brought against the Company or its officers, directors, agents, employees, partners or Affiliates, or any such controlling Person, in respect of which indemnity may be sought against any selling holder, such selling holder shall have the rights and duties given to the Company, and the Company or its officers, directors, agents, employees, partners or Affiliates, or such controlling Person shall have the rights and duties given to such selling holders by Section 3(f)(2). Each selling holder of Registrable Securities also agrees to

indemnify and hold harmless underwriters of the Registrable Securities, their officers, directors, agents, employees, partners and Affiliates, and each Person who controls such underwriters on substantially the same basis as that of the indemnification of the Company provided in this Section 3(f)(3).

(4) Contribution. If the indemnification provided for in this Section 3(f) is unavailable to the Company, the selling holders or the underwriters in respect of any losses, claims, damages, liabilities or judgments referred to herein, then each such indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities and judgements in such proportion as is appropriate to reflect the relative fault of the indemnifying parties and indemnified parties in connection with such statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 3(f)(4) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable consideration referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities, or, judgments referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 3(f)(4), no underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, and no selling holder shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities of such selling holder were offered to the public exceeds the amount of any damages which such selling holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(g) Participation in Underwritten Registrations. No holder of Registrable Securities may participate in any underwritten registration hereunder unless such holder (a) agrees to sell its securities on the basis provided in any underwriting arrangements approved by the holders as provided herein and (b) completes and executes all questionnaires, powers of attorneys, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and these registration rights.

(h) Rule 144 Etc. The Company covenants that it will file any reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder (or, if the Company is not required to file such reports, it will, upon the request of any holder of Registrable Securities, make publicly available other information so long as necessary to permit sales under Rule 144, Rule 144A and Regulation S under the Securities Act) that it will take such further action as the holders of Registrable Securities may reasonably request, all to the extent required from time to time to enable the holders of Registrable Securities to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144, Rule 144A or Regulation S under the Securities Act, as such Rules or such Regulation may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the Commission.

(i) Other Registration Rights. The Company will not grant any Person any demand or piggyback registration rights with respect to its securities other than registration rights that would not be inconsistent with the terms of this Section 3. The Company will not have the right to piggyback on any Demand Registration and the Company will not grant any registration rights that would permit any Person the right to piggyback on any Demand Registration.

(j) Termination. This Section 3 shall continue in full force and effect until none of the Securities are Registrable Securities, except that paragraph (f) shall survive any termination of this Section 3.

Section 4. Miscellaneous.

(a) Stop Transfer Order. The Company may enter a stop transfer order with the transfer agent or agents of voting securities against the transfer of voting securities except in compliance with the requirements of this Agreement. The Company agrees to remove promptly any stop transfer order with respect to certificates for any voting securities that are no longer subject to the restrictions contained in this Agreement.

(b) Binding Effect. Unless otherwise provided herein, the provisions of this Agreement shall be binding upon and accrue to the benefit of the parties hereto and their respective successors, assigns and transferees.

(c) Entire Agreement. This Agreement, together with the 1999 Shareholders' Agreement and the 1999 Standstill Agreement, represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the parties, including, without limitation, the Amended and Restated Shareholders' Agreement, dated as of June 16, 1994, among WP, the GW Shareholders and the Company.

(d) Amendments, Etc. This Agreement can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought.

(e) Severability. If any provision of this Agreement is invalid or unenforceable, the balance of this Agreement shall remain in full force and effect and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

(f) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(g) Notices. All communications provided for under this Agreement shall be in writing and shall be delivered by hand, by telecopy, telegram or telex, or by mail (registered or certified mail, postage prepaid, return receipt requested) to the following addresses, or such other addresses as shall be given by notice delivered hereunder, and shall be deemed to have been given on the day of such hand delivery thereof or the third business day after such mailing:

If to WPLP, WPOP, WPPN or
the Michael J. Biondi Voting Trust, to such party:

c/o Wasserstein Perella Management Partners, Inc.
31 West 52nd Street
26th Floor
New York, New York 10019

Telecopier: (212) 969-7836
Attention: W. Townsend Ziebold

with a copy to:

Stikeman, Elliott
Suite 5300
Commerce Court West
Toronto, Ontario
M5L1B9
Telecopier: (416) 947-0866
Attention: Marvin Yontef/Mihkel Voore

and a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, NY 10022
Telecopier: (212) 735-2000
Attention: Robert Chilstrom/Avinash Ganatra

If to Wechsler, to:

Bradley J. Wechsler
88 East Middle Patent Road
Bedford, New York 10506

with a copy to:

Shearman & Sterling
599 Lexington Avenue
New York, New York 10022
Telecopier: (212) 848-7179
Attention: Peter D. Lyons

If to Gelfond, to:

Richard L. Gelfond
2 Squabble Lane
Southampton, New York 11969

with a copy to:

Shearman & Sterling
599 Lexington Avenue
New York, New York 10022

Telecopier: (212) 848-7179
Attention: Peter D. Lyons

If to the Company, to:

Imax Corporation
110 East 59th Street
Suite 2100
New York, New York 10022
Telecopier: (212) 371-5510
Attention: Chief Executive Officer

With a copy to:

Imax Corporation
2525 Speakman Drive
Mississauga, Ontario
L5K 1B1 Canada
Telecopier: (905) 403-6468
Attention: Corporate Secretary

and a copy to:

McCarthy Tétrault
Suite 4700
Toronto Dominion Bank Tower
Toronto Dominion Centre
Toronto, Ontario
M5K 1E6 Canada
Telecopier: (416) 868-0673
Attention: Garth M. Girvan

and a copy to:

Shearman & Sterling
599 Lexington Avenue
New York, New York 10022
Telecopier: (212) 848-7179
Attention: Peter D. Lyons

or to such other Persons or at such other addresses as shall be furnished by any such party by like notice given to the other parties of this Agreement.

(h) Governing Law; Submission to Jurisdiction. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without regard to principles of conflicts of laws. Each of the parties hereto hereby irrevocably consents to personal jurisdiction and venue in any court of the State of New York or any Federal court sitting in the Southern District of New York for the purposes of any suit, action or other proceeding arising out of this Agreement or any of the agreements or transactions contemplated hereby, which is brought by or against such party, and hereby agrees that all claims in respect of any such suit, action or proceeding may be heard and determined in any such court. Each of the parties hereto hereby irrevocably consents to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to such party at its address set forth above, such service to become effective ten (10) days after such mailing. ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM OR ACTION ARISING OUT OF THIS AGREEMENT OR CONDUCT IN CONNECTION WITH THIS AGREEMENT IS HEREBY WAIVED.

(i) Injunctive Relief. The Company and the Shareholders recognize that in the event they fail to perform, observe or discharge any of their respective obligations or liabilities under this Agreement, no remedy at law will provide adequate relief to the injured parties, and agree that the injured parties shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages and without being required to post a bond or other security.

(j) Termination. This Agreement shall terminate if at any time WP ceases to own at least 10% of the IPO Shares owned by them at the time of the IPO Closing, except that (i) the provisions of Section 2(c) shall terminate on April 1, 2001 and (ii) the provisions of Section 3 hereof shall terminate as provided in Section 3(j), except as otherwise provided therein.

(k) Limitation of Liability. No personal liability or responsibility of either GW Shareholder or any partner or shareholder of WP shall at any time be enforceable against either GW Shareholder or any partner or shareholder of WP on account of any representation, warranty, undertaking, covenant or agreement made by it hereunder, either express or implied, all such

personal liability, if any, being expressly waived by each party to this Agreement and by all Persons claiming by, through or under any such party, provided that any party to this Agreement making claim hereunder may realize upon the Securities held by either the GW Shareholder and each partner or shareholder of WP at such time for satisfaction of the same.

(l) Execution in Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed as of the day and year first above written.

WASSERSTEIN PERELLA PARTNERS, L.P.

By WASSERSTEIN PERELLA MANAGEMENT
CK PARTNERS, INC., its General Partner

By: /s/ W. Townsend Ziebold
Name: W. Townsend Ziebold
Title: Vice President

WASSERSTEIN PERELLA OFFSHORE PARTNERS, L.P.

By WASSERSTEIN PERELLA MANAGEMENT
CK PARTNERS, INC., its General Partner

By: /s/ W. Townsend Ziebold
Name: W. Townsend Ziebold
Title: Vice President

WPPN, INC.

By: /s/ James C. Kingsbury
Name: James C. Kingsbury
Title: Treasurer and Secretary

MICHAEL J. BIONDI VOTING TRUST

By: /s/ James C. Kingsbury
Name: James C. Kingsbury
Title: Attorney-in-Fact

/s/ Richard L. Gelfond
Richard L. Gelfond

/s/ Bradley J. Wechsler
Bradley J. Wechsler

IMAX CORPORATION

By: /s/ John M. Davison
Name: John M. Davison
Title: Director

By: /s/ Garth M. Girvan
Name: Garth M. Girvan
Title: Director

Exhibit 10.2

IMAX CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

As amended and Restated as of January 1, 2006

IMAX CORPORATION

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

ARTICLE I

Definitions

For purposes of this IMAX Corporation Supplemental Executive Retirement Plan, the following words and phrases shall have the following meanings.

1.1 “Actuarial Equivalent” and “Actuarially Equal” mean a benefit of equal actuarial value to another benefit determined by using the following actuarial assumptions:

(a) Interest

The lesser of (x) 7% or (y) the interest rate used by the Pension Benefit Guaranty Corporation as of the first day of the Plan year in which falls the Annuity Starting Date to value a benefit upon termination of an insufficient trusteed single-employer plan.

(b) Mortality

The UP-1984 Mortality Table.

(c) Cost of Living

As of any Annuity Starting Date, a fraction, not less than one, the numerator of which shall be the Cost-of-Living Index for the October immediately preceding such Annuity Starting Date and the denominator of which shall be the Cost of Living Index for the immediately preceding October.

1.2 “Affiliate” means any partnership, association, corporation, trust, limited liability company or other business entity directly or indirectly controlling, controlled by or under common control with the Company.

1.3 “Annuity Starting Date” means the day specified in Article III hereof.

1.4 “Benefit” means (i) with respect to a Participating Executive, the benefit earned by such Participating Executive under the Plan, including without limitation, the spousal benefit described in Section 3.6 and (ii) with respect to a Surviving Spouse, the benefit to which such Surviving Spouse is entitled under Section 3.6 of the Plan.

1.5 “Cause” shall have the meaning ascribed to such term under the Participating Executive’s employment agreement with the Company dated July 1, 1998, as extended on July 12, 2000.

1.6 "Change in Control" shall have the meaning ascribed to such term under the Participating Executive's employment agreement with the Company dated July 1, 1998, as extended on July 12, 2000, provided that for purposes of Article III of the Plan only, a Change in Control will not have been deemed to have occurred unless such circumstances would constitute a change in control as defined by Section 409A of the Code.

1.7 "Code" means the Internal Revenue Code of 1986, as amended.

1.8 "Company" means IMAX Corporation and any successor thereto.

1.9 "Cost-of-Living Adjustment" means an adjustment to the Monthly Annuity , effective as of each January 1 following the Annuity Starting Date with respect to such Monthly Annuity, and continuing for as long as such Benefit continues to be payable, such that the amount of the monthly payment in respect of such Benefit shall be adjusted by adding 50% of the product of (i) the amount of such monthly payment as in effect immediately prior to such January 1 by (ii) a fraction, not less than one, the numerator of which shall be the Cost-of-Living Index for the October immediately preceding such Annuity Starting Date and the denominator of which shall be the Cost of Living Index for the immediately preceding October; provided, however, that with respect to the adjustment on the first January 1 following the Annuity Starting Date for each Benefit, the fraction described in the preceding clause (ii) shall be further multiplied by a fraction, the numerator of which is the number of full months from the applicable Annuity Starting Date through such January 1 and the denominator of which is twelve.

1.10 "Cost-of-Living Index" means the Consumer Price Index for All Urban Consumers (CPI-U) All Items Unadjusted published by the Bureau of Labor Statistics of the United States Department of Labor. In the event such Index ceases to be published, the Company and each Participating Executive (or upon the death of a Participating Executive, such Participating Executive's Surviving Spouse) shall agree on a comparable index to be used with respect to the Benefit of such Participating Executive or Surviving Spouse.

1.11 "Deferred Retirement" means a Termination of Employment after the Participating Executive's Normal Retirement Date other than by reason of death, Disability, or by the Company for Cause.

1.12 "Disability Retirement" means a Termination of Employment due to a "disability" entitling the Participating Executive to benefits under the long-term disability policy of the Company in which he is entitled to participate. If there is no such policy, then "disability" means a physical or mental condition which a physician selected by the Company determines has prevented the Participating Executive from substantially performing his responsibilities for the Company for a period of at least 180 consecutive days.

1.13 "Final Average Compensation" means the Participating Executive's average annual compensation from the Company and its Affiliates determined by considering the sixty (60) consecutive months which afford the highest such average during the Participating Executive's employment by the Company and its Affiliates. For this calculation, compensation shall include only base salary and regular annual bonus, including amounts deferred as before tax contributions to plans maintained under Sections 401(k) or 125 of the Code. Compensation does

not include the value of any awards under any long-term incentive plan, any benefits in the nature of severance pay, or any amounts of additional W-2 income representing taxable employee benefits and employer payments of additional withholding (commonly referred to as “grossed up” compensation). Final Average Compensation is determined without regard to transfers between or among the Company and any Affiliate.

1.14 “Involuntary Retirement” means a Termination of Employment that is directed by the Company or its Affiliates and is involuntary on the part of the Participating Executive prior to the Participating Executive’s Normal Retirement Date for any reason other than for Cause or by reason of Disability Retirement or death.

1.15 “Lump Sum Payment” means, with respect to any Benefit, a payment which is the Actuarial Equivalent of all, or the remaining portion, of such Benefit (including, for a Participating Executive, the survivor portion of the Benefit earned by him), which payment shall serve to discharge any and all obligations of the Company to provide such Benefit. For purposes of clarity, (x) the value of a Participant’s Benefit shall be determined at the Participant’s Annuity Starting Date and shall not be redetermined thereafter (including following the death of the Participant) and (y) the Lump Sum Payment shall reflect the projected Cost-of-Living Adjustment.

1.16 “Monthly Annuity” means a monthly annuity payable for the life of the Participating Executive with a survivor benefit payable for the life of the Participating Executive’s Surviving Spouse in monthly amounts initially equal to 50% of the amount payable to the Participating Executive immediately prior to his death (determined without regard to Section 3.3(c) hereof), such amounts to be adjusted to reflect the Cost of Living Adjustment.

1.17 “Normal Retirement” means a Termination of Employment on the Participating Executive’s Normal Retirement Date other than by reason of death, Disability, or by the Company for Cause.

1.18 “Normal Retirement Date” means, with respect to each Participating Executive, the first day of the calendar month coincident with or next following such Participating Executive’s 55th birthday.

1.19 “Participating Executive” means a key employee of the Company or any of its Affiliates who has been designated as a participant by the Company as provided in Section 2.1 hereof.

1.20 “Plan” means the IMAX Corporation Supplemental Executive Retirement Plan, as it may be amended from time to time.

1.21 “Rabbi Trust” means a trust in form and substance as agreed by the Company and the Participating Executives.

1.22 “Surviving Spouse” means the person to whom a Participating Executive is married on the earlier of the date of his death or his Annuity Starting Date. A spouse of a Participating Executive shall not be considered a Surviving Spouse if, at the time that spouse’s right to a Benefit otherwise would be determined, it is established to the satisfaction of the

Committee that (a) the spouse cannot be located; or (b) the Participating Executive is legally separated or the Participating Executive has been abandoned (as determined in accordance with the local law) and the Participating Executive has a court order to such effect.

1.23 "Termination of Employment" means circumstances which would constitute a "separation from service" with the Company and its Affiliates for purposes of Section 409A of the Code. In the case of Disability Retirement, Termination of Employment shall be deemed to occur (i) upon the commencement of disability payments under the Company's long-term disability policy or (ii) upon the determination described in Section 1.12 hereof, as the case may be.

1.24 "Vesting Percentage" shall have the same meaning ascribed to it in Section 4.1 hereof.

1.25 "Voluntary Retirement" means a Termination of Employment that is directed by such Participating Executive and is voluntary on the part of the Participating Executive prior to his Normal Retirement Date other than by reason of his death or Disability.

ARTICLE II

Participants

2.1 Designation of Participating Executives.

The Company, in its sole discretion, shall designate those key employees of the Company or its Affiliates who are eligible to participate in the Plan.

2.2 Effectiveness.

The designation of an employee as a Participating Executive shall be effective from the date of such designation. A Participating Executive shall cease to be a Participating Executive (a) upon his death, (b) upon the payment of his entire nonforfeitable Benefit under the Plan or (c) upon his Termination of Employment for Cause.

ARTICLE III

Benefits

3.1 Normal Retirement.

(a) Subject to Section 3.8 and 3.9 herein, upon Normal Retirement, a Participating Executive will be entitled to receive a Benefit that has a value that is Actuarially Equal to the value of a Monthly Annuity providing annual payments to him equal to 75% of his Final Average Compensation increased to reflect the Cost-of-Living Adjustment and payments to his Surviving Spouse as set forth herein. If the Participating Executive's Normal Retirement occurs prior to August 1, 2010, then the Benefit shall be paid in monthly installments, each of which shall be equal to the amount of the Monthly Annuity payments, until the earlier of (i) a Change in Control or (ii) August 1, 2010, at which time the Participating Executive shall receive

the Lump Sum Payment that has an Actuarially Equivalent value to the excess, if any, of (i) the value of the Benefit earned by such Participating Executive (including the survivor portion thereof) determined as of his Annuity Starting Date over (ii) the value, adjusted for interest at the rate of 7% per annum, of such installment payments previously paid, provided that, if a Change in Control occurs after the Participating Executive's Normal Retirement and prior to January 1, 2007, then (x) on the date of the consummation of the Change in Control, the Lump Sum Payment will be deposited into a Rabbi Trust and (y) the amount held in the Rabbi Trust will be distributed to the Participating Executive on January 2, 2007. If the Participating Executive's Normal Retirement occurs on or after August 1, 2010, then the Benefit shall be paid in its entirety as a Lump Sum Payment the value of which is Actuarially Equal to the value of the Benefit earned by such Participating Executive.

(b) The Participating Executive's Annuity Starting Date shall be his Normal Retirement Date.

(c) Upon the death of the Participating Executive, the Participating Executive's Surviving Spouse will be entitled to receive a Benefit as specified in Section 3.6 herein.

3.2 Deferred Retirement.

(a) Subject to Section 3.8 and 3.9 herein, upon Deferred Retirement, a Participating Executive will be entitled to receive a Benefit that has a value that is Actuarially Equal to the value of a Monthly Annuity providing annual payments to him initially equal to the product of (i) 75% of his Final Average Compensation, and (ii) a fraction, not less than one, the numerator of which shall be the Cost-of-Living Index for the month that is two months prior to the Participating Executive's Annuity Starting Date and the denominator of which shall be the Cost-of-Living Index for the month that is two months prior to the month in which occurs the Participating Executive's Normal Retirement Date, and payments to his Surviving Spouse as set forth herein. Such annual payments shall be adjusted after the Annuity Starting Date by the Cost of Living Adjustment. If the Participating Executive's Deferred Retirement occurs prior to August 1, 2010, then the Benefit shall be paid in monthly installments, each of which shall be equal to the amount of the Monthly Annuity payments, until the earlier of (i) a Change in Control or (ii) August 1, 2010, at which time the Participating Executive shall receive the Lump Sum Payment that has an Actuarially Equivalent value to the excess, if any, of (i) the value of the Benefit earned by such Participating Executive (including the survivor portion thereof) determined as of his Annuity Starting Date over (ii) the value, adjusted for interest at the rate of 7% per annum, of such installment payments previously paid, provided that, if a Change in Control occurs after the Participating Executive's Deferred Retirement and prior to January 1, 2007, then (x) on the date of the consummation of the Change in Control, the Lump Sum Payment will be deposited into a Rabbi Trust and (y) the amount held in the Rabbi Trust will be distributed to the Participating Executive on January 2, 2007. If the Participating Executive's Deferred Retirement occurs on or after August 1, 2010, then the Benefit shall be paid in its entirety as a Lump Sum Payment the value of which is Actuarially Equal to the value of the Benefit earned by such Participating Executive.

(b) The Participating Executive's Annuity Starting Date shall be the first day of the month following the effective date of his Termination of Employment.

(c) Upon the death of the Participating Executive, the Participating Executive's Surviving Spouse will be entitled to receive a Benefit as specified in Section 3.6 herein.

3.3. Disability Retirement.

(a) Subject to Section 3.8 and 3.9 herein, upon Disability Retirement, a Participating Executive will be entitled to receive a Benefit that has a value that is Actuarially Equal to the value of a Monthly Annuity providing annual payments to him equal to 75% of his Final Average Compensation increased to reflect the Cost-of-Living Adjustment, and payments to his Surviving Spouse as set forth herein. If the Participating Executive's Disability Retirement occurs prior to August 1, 2010, then the Benefit shall be paid in monthly installments, each of which shall be equal to the amount of the Monthly Annuity payments, until the earlier of (i) a Change in Control or (ii) August 1, 2010, at which time the Participating Executive shall receive the Lump Sum Payment that has an Actuarially Equivalent value to the excess, if any, of (i) the value of the Benefit earned by such Participating Executive (including the survivor portion thereof) determined as of his Annuity Starting Date over (ii) the value, adjusted for interest at the rate of 7% per annum, of such installment payments previously paid, provided that, if a Change in Control occurs after the Participating Executive's Disability Retirement and prior to January 1, 2007, then (x) on the date of the consummation of the Change in Control, the Lump Sum Payment will be deposited into a Rabbi Trust and (y) the amount held in the Rabbi Trust will be distributed to the Participating Executive on January 2, 2007. If the Participating Executive's Disability Retirement occurs on or after August 1, 2010, then the Benefit shall be paid in its entirety as a Lump Sum Payment the value of which is Actuarially Equal to the value of the Benefit earned by such Participating Executive.

(b) The Participating Executive's Annuity Starting Date shall be the first day of the month following the effective date of his Termination of Employment.

(c) The amount of the payments payable pursuant to Section 3.3(a) shall be reduced on an after-tax basis by the Actuarially Equivalent value of the benefit payable to a Participating Executive pursuant to any disability insurance policy maintained by the Company or its Affiliates.

(d) Upon the death of the Participating Executive, the Participating Executive's Surviving Spouse will be entitled to receive a Benefit as specified in Section 3.6 herein.

3.4 Involuntary Retirement.

(a) Subject to Section 3.8 and 3.9 herein, upon Involuntary Retirement, a Participating Executive will be entitled to receive a Benefit that has a value that is Actuarially Equal to the value of a Monthly Annuity providing annual payments to him equal to 75% of his Final Average Compensation increased to reflect the Cost-of-Living Adjustment, and payments to his Surviving Spouse as set forth herein. If the Participating Executive's Involuntary

Retirement occurs prior to August 1, 2010, then the Benefit shall be paid in monthly installments, each of which shall be equal to the amount of the Monthly Annuity payments, until the earlier of (i) a Change in Control or (ii) August 1, 2010, at which time the Participating Executive shall receive the Lump Sum Payment that has an Actuarially Equivalent value to the excess, if any, of (i) the value of the Benefit earned by such Participating Executive (including the survivor portion thereof) determined as of his Annuity Starting Date over (ii) the value, adjusted for interest at the rate of 7% per annum, of such installment payments previously paid, provided that, if a Change in Control occurs after the Participating Executive's Involuntary Retirement and prior to January 1, 2007, then (x) on the date of the consummation of the Change in Control, the Lump Sum Payment will be deposited into a Rabbi Trust and (y) the amount held in the Rabbi Trust will be distributed to the Participating Executive on January 2, 2007. If the Participating Executive's Involuntary Retirement occurs on or after August 1, 2010, then the Benefit shall be paid in its entirety as a Lump Sum Payment the value of which is Actuarially Equal to the value of the Benefit earned by such Participating Executive.

(b) The Participating Executive's Annuity Starting Date shall be the first day of the month following the effective date of his Termination of Employment.

(c) Upon the death of the Participating Executive, the Participating Executive's Surviving Spouse will be entitled to receive a Benefit as specified in Section 3.6 herein.

3.5 Voluntary Retirement.

(a) Subject to Section 3.8 and 3.9 herein, upon Voluntary Retirement, a Participating Executive will be entitled to receive a Benefit that has a value that is Actuarially Equal to the value of a Monthly Annuity providing annual payments to him equal to the product of (x) his Vesting Percentage and (y) 75% of his Final Average Compensation increased to reflect the Cost-of-Living Adjustment, and payments to his Surviving Spouse as set forth herein. If the Participating Executive's Voluntary Retirement occurs prior to August 1, 2010, then the Benefit shall be paid in monthly installments, each of which shall be equal to the amount of the Monthly Annuity payments, until the earlier of (i) a Change in Control or (ii) August 1, 2010, at which time the Participating Executive shall receive the Lump Sum Payment that has an Actuarially Equivalent value to the excess, if any, of (i) the value of the Benefit earned by such Participating Executive (including the survivor portion thereof) determined as of his Annuity Starting Date over (ii) the value, adjusted for interest at the rate of 7% per annum, of such installment payments previously paid, provided that, if a Change in Control occurs after the Participating Executive's Voluntary Retirement and prior to January 1, 2007, then (x) on the date of the consummation of the Change in Control, the Lump Sum Payment will be deposited into a Rabbi Trust and (y) the amount held in the Rabbi Trust will be distributed to the Participating Executive on January 2, 2007. If the Participating Executive's Voluntary Retirement occurs on or after August 1, 2010, then the Benefit shall be paid in its entirety as a Lump Sum Payment the value of which is Actuarially Equal to the value of the Benefit earned by such Participating Executive.

(b) The Participating Executive's Annuity Starting Date shall be the first day of the month following the effective date of his Termination of Employment.

(c) Upon the death of the Participating Executive, the Participating Executive's Surviving Spouse will be entitled to receive a Benefit as specified in Section 3.6 herein.

3.6 Death Benefit.

(a) The Surviving Spouse of a Participating Executive who dies while an employee of the Company or its Affiliates shall be entitled to receive a Benefit that has an Actuarially Equivalent value to the Monthly Annuity earned by such Participating Executive (including the survivor portion thereof) determined as if the Participating Executive had a Termination of Employment (treated as set forth in the following sentence) on the day preceding the date of his death (and determined without regard to the Participating Executive's actual death). For purposes of clarity, such Benefit shall be Actuarially Equivalent to the 50% joint and survivor annuity that constitutes the Monthly Annuity, determined as if the Participating Executive had a Termination of Employment on the day preceding the date of his death. If the Participating Executive's death occurs on or prior to his Normal Retirement Date, then such Termination of Employment shall be treated as if it was a Normal Retirement and otherwise such Termination of Employment shall be treated as if it was a Deferred Retirement.

(b) The Surviving Spouse of a Participating Executive who dies after a Termination of Employment and prior to the Participating Executive having received a Lump Sum Payment of his entire Benefit shall be entitled to receive a Benefit that has a value equal to the excess, if any, of (i) the Actuarially Equivalent value of the Monthly Annuity earned by such Participating Executive (including the survivor portion thereof) determined as of his Annuity Starting Date (and determined without regard to the Participating Executive's actual death) over (ii) the value, adjusted for interest at the rate of 7% per annum, of the payments made pursuant to the Plan to the Participating Executive during his life.

(c) The benefits payable under this Section 3.6 shall be paid in the form of a Lump Sum Payment payable as soon as practicable, but not more than 30 days following, the Participating Executive's death.

3.7 Termination of Employment Due to Cause.

Upon a Participating Executive's Termination of Employment by the Company or its Affiliates for Cause prior to a Change in Control, the Participating Executive (and his Surviving Spouse) shall forfeit any and all Benefits to which he may have been entitled, whether or not vested.

3.8 Change in Control

(a) Notwithstanding anything to the contrary herein, in the event of a Change in Control coincident with or prior to the Participating Executive's Termination of Employment, the Participating Executive shall be entitled to receive a Benefit (payable in the form of a Lump Sum Payment as set forth below) that has an Actuarially Equivalent value to the sum of (i) the Actuarially Equivalent value of the Benefit earned by such Participating Executive (including the survivor portion thereof) determined as if the Participating Executive had a Termination of Employment (treated as set forth in the following sentence) on the date of the Change in Control

(the "Adjusted Amount") and (ii) the Actuarially Equivalent value of 60% of the excess of the Prior Amount (as defined below) over the Adjusted Amount. If the Change in Control occurs on or prior to the Participating Executive's Normal Retirement Date, then such Termination of Employment shall be treated as if it was a Normal Retirement and if the Change in Control occurs after the Participating Executive's Normal Retirement Date then such Termination of Employment shall be treated as if it was a Deferred Retirement. For purposes of this paragraph, the term "Prior Amount" means the Adjusted Amount determined by replacing "50%" in the definition of the term "Monthly Annuity" herein with "100%" and by replacing "50%" in the definition of the term "Cost-of-Living Adjustment" herein with "100%." The Benefit shall be payable in the form of an Actuarially Equivalent Lump Sum Payment on the date of the Change in Control, provided that, if the Change in Control occurs prior to January 1, 2007, then (x) on the date of the consummation of the Change in Control, the Lump Sum Payment will be deposited into a Rabbi Trust and (y) the amount held in the Rabbi Trust will be distributed on January 2, 2007.

(b) Subject to Section 3.7 hereof, in the event of a Change in Control after the Participating Executive's Termination of Employment and prior to January 1, 2016, the Participating Executive (or if the Change in Control occurs after the Participating Executive's death, the Participating Executive's Surviving Spouse or her heirs or assigns) shall be entitled to receive an amount that is Actuarially Equivalent to the product of (x) amount determined under clause (ii) of paragraph (a) above, with the Prior Amount and Adjusted Amount determined as of the date of the Change in Control but based on the date of the Participating Executive's actual Termination of Employment and (y) the Participating Executive's Vesting Percentage. Such amount shall be payable in an Actuarially Equivalent Lump Sum Payment on the date of the Change in Control, provided that, if the Change in Control occurs prior to January 1, 2007, then (x) on the date of the consummation of the Change in Control, the Lump Sum Payment will be deposited into a Rabbi Trust and (y) the amount held in the Rabbi Trust will be distributed on January 2, 2007. The amount payable pursuant to this paragraph 3.8(b) shall be in addition to, and not in lieu of, any other amount payable under the Plan.

3.9 Section 409A Six Month Rule

Notwithstanding anything herein to the contrary, to the extent required by Section 409A(a)(2)(B) of the Code, in event that a Participating Executive is a "specified employee" within the meaning of such Section any distribution hereunder resulting from a Termination of Employment that is required to be made prior to six months following such Termination of Employment shall instead be made deferred and paid on the first day of the seventh month following such Termination of Employment, in which case the Participating Executive shall be entitled to receive interest on the deferred amount credited at the applicable federal rate for short-term obligations (determined pursuant to Section 7872 of the Code in effect as of the date of such Termination of Employment).

ARTICLE IV

Vesting

4.1 Vesting Percentage.

(a) The Vesting Percentage of a Participating Executive who undergoes a Termination of Employment other than by reason of Voluntary Retirement shall be 100%.

(b) The Vesting Percentage of a Participating Executive whose employment terminates by Voluntary Retirement shall be the sum of (i) 50% plus (ii) the product of (x) a fraction (not to exceed one), the numerator of which is the Participating Executive's number of whole years of service for the Company or its Affiliates from the date such Participating Executive became a Participating Executive in the Plan to the date of his Termination of Employment, and the denominator of which is the number of whole years from the date such Participating Executive became a Participating Executive in the Plan to such Participating Executive's Normal Retirement Date and (y) 50%; provided, that the Vesting Percentage shall be 100% if the Participating Executive's Termination of Employment occurs after the occurrence of a Change in Control.

ARTICLE V

Plan Administration

5.1 Amendment and Termination.

The Plan may be amended with respect to a Participating Executive only by an instrument in writing signed by such Participating Executive and the Company.

5.2 Funding.

The Company shall be solely responsible for the payment of such Participating Executive's or Surviving Spouse's Benefit. The Plan shall be unfunded. Benefits under the Plan shall be paid from the general assets of the Company and each Participating Executive's and Surviving Spouse's rights against the Company shall be those of an unsecured general creditor.

5.3 Benefits Not Assignable.

Benefits provided under the Plan may not be anticipated, assigned (either at law or in equity), alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process.

5.4 Plan Not a Contract of Employment.

The Plan is not a contract of employment, and the terms of employment of any Participating Executive shall not be affected in any way by the Plan or related instruments except as specifically provided in the Plan or such related instruments. The establishment of the Plan shall not be construed as conferring any legal rights upon any Participating Executive for a

continuation of employment, nor shall it interfere with the right of the Company to discharge any employee and to treat him without regard to the effect which such treatment might have upon him as a Participating Executive. Each Participating Executive and all persons who may have or claim any right by reason of his participation shall be bound by the terms of the Plan and all agreements entered into pursuant thereto.

5.5 Construction.

(a) The Plan is intended to qualify as a plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as referred to in Section 201(2) of the Employee Retirement Income Security Act of 1974, as amended, and its terms shall be interpreted accordingly. Otherwise, the laws of the State of New York shall control the interpretation and performance of the terms of the Plan.

(b) If any provision of the Plan, or the application of any such provision to any person or circumstances, shall be invalid under any federal or state law, neither the application of such provision to persons or circumstances other than those as to which such provision is invalid nor any other provisions of the Plan shall be affected thereby.

(c) The headings and subheadings in the Plan have been inserted for convenience of reference only, and are to be ignored in any construction of the provisions thereof.

(d) The Plan is intended not to give rise to tax under Section 409A of the Code. In the event that the Company and a Participating Executive determine that any provision of the Plan would be expected to give rise to tax under Section 409A, then the Plan shall be construed (as to such Participating Executive) in a manner that the Company and such Participating Executive agree would avoid such tax, or the Plan shall be amended in a manner and to the extent that the Company and such Participating Executive agree is necessary to avoid such tax.

5.6 Taxes.

The Company shall not be responsible for the tax consequences under federal, state or local law of any election made by any Participating Executive under the Plan. All payments under the Plan shall be subject to withholding and reporting requirements to the extent applicable law requires.

IMAX CORPORATION

By: *"Garth M. Girvan"*
Garth M. Girvan
Title: Director
Date: May 4, 2007

Exhibit 10.3

IMAX CORPORATION

EMPLOYMENT AGREEMENT dated and effective as of July 1, 1998 (the "Agreement"), between IMAX CORPORATION, a corporation organized under the laws of Canada ("Imax"), and BRADLEY J. WECHSLER (the "Executive").

WHEREAS, the Executive is currently the Chairman and Co-Chief Executive Officer of Imax and is employed pursuant to an Employment Agreement dated as of January 1, 1997, (the "1997 Agreement"); and

WHEREAS, the Imax Board of Directors (the "Board") has approved revised terms of employment, effective July 1, 1998, on August 26, 1998; and

WHEREAS, Imax wishes to enter into this Agreement to engage the Executive to continue to provide services to Imax, and the Executive wishes to be so engaged, pursuant to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Employment. (a) Imax hereby employs the Executive, and the Executive hereby agrees to serve in accordance with the terms and conditions hereof.

(b) The Executive's continued employment as Co-Chief Executive Officer under this Agreement shall commence effective July 1, 1998, and shall continue until June 30, 2001 (the "Employment Term").

(c) During the Employment Term, the Executive shall perform such services with respect to Imax's business as may be reasonably requested from time to time by the Board and which are consistent with the Executive's status and the function performed by individuals holding a similar position with similarly situated companies, and agrees to act in accordance with the written instructions of the Board. It is anticipated that such services shall be performed primarily within the United States.

(d) The Executive shall devote that portion of his business time that is necessary to perform the services reasonably required of him hereunder, which portion shall constitute a significant majority of his business time. The Executive agrees that during the Employment Term (i) he will use reasonable efforts to resolve any conflicting engagements and (ii) he will remain actively involved in Imax's business.

(e) As compensation for the services to be performed by the Executive hereunder during the Employment Term, the Executive shall be entitled to receive a base salary ("Base Salary") of U.S. $500,000 per annum, payable no less frequently than monthly in accordance with Imax's payroll practices.

(f) In addition to the Base Salary, the Executive shall be eligible to participate during the Employment Term in the annual incentive bonus plan adopted by the Board. The Executive shall be paid a bonus in respect of each of 1998, 1999, 2000 and the period January 1, 2001 to June 30, 2001 at a level of U.S. $605,000, U.S. $500,000, U.S. $500,000, and U.S. $250,000 (subject to adjustment as described below), respectively, (the "Standard"). Based on certain qualitative and quantitative measures determined by the CEO Advisors (as defined in Imax's Articles of Incorporation), for so long as Imax continues to have CEO Advisors, and the Compensation Committee (the "Committee") of the Board, as set forth below, the Committee shall determine the actual bonus paid, which shall be a multiple of the Standard ranging from 0.0x—2.0 x, provided, however, that the multiple shall be at least 1.0x if Imax's reported earnings per share (EPS) for the year (excluding any extraordinary charges approved by the Board), or the six months ended June 30, 2001, as the case may be, meet the approved budget target (except that, if in the sole discretion of the Committee, the achievement EPS target was at the expense of, or to the material detriment of, other(s) of the qualitative and quantitative measures set forth below, then such minimum shall not apply).

Among the various factors the Committee shall consider in determining the bonus to be paid for 1998, and, subject to amendment from year to year by the Committee, after good faith consultation with the Executive, for 1999, 2000 and 2001, are: (i) the actual financial performance of Imax versus the approved budget for EBITDA, EPS, revenue growth, and/or other financial targets; and (ii) the Committee shall also take into account other qualitative factors including (in no order of importance): (A) progress in theater signings, (B) development of an enhanced management team, (C) improved performance of the Ridefilm division (for 1998 only), (D) further advancement of Imax's film strategy, (E) progress in "owned and operated" strategy (this factor to have diminishing weighting beyond 1998, as Imax's "owned and operated" emphasis refocuses on theatre joint ventures with conventional cinema operators), (F) brand development, (G) continued growth of the business, and (H) other performance related issues including, but not limited to, other goals established in the budget process approved by the Board.

The bonus for 1998, 1999 and 2000 shall be paid within 50 days of the applicable year-end, and for the period January 1, 2001 to June 30, 2001 within 50 days of June 30, 2001.

(g) Pursuant to the 1997 Agreement, at the beginning of each of 1997 and 1998, Imax granted the Executive the right to receive 30,000 common shares (on a post-split basis) of Imax (the “Restricted Stock”), or, if such Restricted Stock may not be issued without shareholder approval, the 1997 Agreement provided it shall be issued as “phantom stock”. The Executive has the right to request the Restricted Stock granted on January 1, 1997 and January 1, 1998 be issued to him (or, if “phantom stock” is utilized, have payment made to him in an amount equal to the fair market value of such number of common shares of Imax on the date of such request), at any time after January 1, 1998 and January 1, 1999, respectively. It is hereby agreed that one half (i.e. 15,000) of such Restricted Stock / “phantom stock” for 1998 shall be cancelled forthwith, and that the Executive shall continue to have the right to the 30,000 Restricted Stock / “phantom stock” that have vested, and the remaining 15,000 Restricted Stock / “phantom stock” that shall vest on January 1, 1999. The Restricted Stock / “phantom stock” shall be adjusted for stock splits and other similar events. Imax agrees to indemnify the Executive, on an after-tax basis, for any income taxes imposed by any taxing authority and resulting from any taxable benefits to the Executive with respect to the Restricted Stock / “phantom stock” which arises prior to the date of any such request (it being understood that this indemnity relates to the timing of the payment of such taxes and not the ultimate tax payable). Any request for payment with respect to “phantom stock” must be made on or before December 31, 2009, after which date such “phantom stock” shall lapse. The provisions of this Section 1(g) shall survive any termination of this Agreement.

(h) *Stock Options – Grant & Vesting.* The Executive has been granted effective August 26, 1998, in accordance with the terms of the Imax Stock Option Plan (the “SOP”), 378,000 options to purchase common shares, and effective January 1, 1999 shall be granted a further 400,000 options, as follows:

Number of Options	Grant Date	Exercise Price	Vesting Date
111,333	August 26, 1998	$22.38	August 26, 1998
100,000	August 26, 1998	$22.38	January 1, 1999
166,667*	August 26, 1998	$22.38	January 1, 1999
266,667*	January 1, 2000	to be determined	January 1, 2000
133,333*	January 1, 2000	to be determined	January 1, 2001
778,000			

* These options are subject to Imax obtaining any required regulatory and shareholder approvals.

The exercise price of all options granted on August 26, 1998 in accordance with the SOP is U.S. $22.38, and all such options shall expire on August 25, 2008. The exercise price of all options to be granted on January 1, 2000 shall be determined in accordance with the SOP, and all such options shall expire on December 31, 2009. Should any required

regulatory or shareholder approvals with respect to the granting of the 566,667 options subject thereto not be obtained by Imax, Imax shall make such adjustments to the Executive's compensation hereunder as will put the Executive in the same after-tax financial position as he would have been if such approvals had been received. The provisions of this Section 1(h) shall survive any termination of this Agreement.

All of the Executive's stock options shall be adjusted for stock splits and other similar events after the effective date hereof and shall contain other terms no less favorable to the Executive than the management stock options of Imax's other senior level executives.

Resignation / Termination. If the Executive shall voluntarily resign prior to the end of the Employment Term, (i) all unvested options (including those granted pursuant to previous employment agreements between Imax and the Executive) shall be cancelled immediately upon such resignation, and (ii) all vested options shall remain exercisable for the duration of their original term.

If (i) the employment of the Executive is not continued after the end of the Employment Term, (ii) the Executive is terminated by Imax without "Cause" (as defined below), or (iii) the Executive suffers a "Permanent Disability" (as defined in the SOP), or dies: all options granted on or before August 26, 1998 shall remain exercisable for the duration of their original term.

Change of Control. Upon a "change of control" of Imax (i.e. any person or persons acting in concert acquiring greater than 50% of the outstanding common shares of Imax, whether by direct or indirect acquisition or as a result of a merger or reorganization), the vesting of the options granted on August 26, 1998 and/or January 1, 1999 shall be accelerated as follows:

Change of Control Period	% of Options Subject to Accelerated Vesting
On or Prior to December 31, 1998	12.5% of options scheduled to vest on January 1, 1999
January 1, 1999 to June 30, 1999	25% of options scheduled to vest on January 1, 2000 *
July 1, 1999 to December 31, 1999	50% of options scheduled to vest on January 1, 2000 *
January 1, 2000 to June 30, 2000	25% of options scheduled to vest on January 1, 2001
July 1, 2000 to December 31, 2000	50% of options scheduled to vest on January 1, 2001

* If a "change of control" occurs prior to the grant of such options on January 1, 2000, stock appreciation rights ("SARs") equivalent in number to the options subject to accelerated vesting shall be granted, with a reference price of U.S. $22.38, and an expiry date of December 31, 2009. The SARs shall be treated, in connection with a "change of control", in the same manner as if they were options (i.e. a cash offer for all shares and options would trigger a payout of the SARs; a "rollover" of options would result in the

continuation of the SARs, reflecting the relevant exchange ratio and with reference to the price of the substituted shares).

Miscellaneous. If the Executive is terminated with "Cause", the Executive's unvested options (including those granted pursuant to previous employment agreements between Imax and the Executive) shall be cancelled immediately, and all of the Executive's vested options must be exercised within 90 days of termination, after which date they shall be cancelled. "Cause" for purposes of this Section 1(g) only means any willful and material violation by the Executive of any law or regulation applicable to the business of Imax or one of its subsidiaries, or the Executive's conviction of a felony, or any willful perpetration by the Executive of a common law fraud. Imax's remedy for a "breach of restrictive covenants" shall be the specific enforcement thereof, and not the application of Section 14 of the SOP; and Imax shall be entitled to seek any other legal and equitable remedies it may have against the Executive. In the event of any conflict between the provisions of this Agreement and the provisions of the SOP, the provisions of this Agreement shall prevail.

(i) The Executive shall, during the Employment Term, be eligible to receive employee benefits at a level not less than those established by Imax for, or made available to, its other key employees.

(j) Imax agrees to reimburse the Executive for all reasonable out-of-pocket expenses incurred by the Executive in the performance of his obligations under this Agreement for which documentation reasonably satisfactory to Imax is provided, including expenses relating to the Executive's travel to, and performance of duties in, Toronto, Canada.

(k) Any amounts payable to the Executive under this Agreement shall be subject to applicable withholding taxes, and such other deductions as may be required under applicable law.

2. Restrictions on Competitive Employment. During the term of the Executive's employment hereunder, absent Imax's prior written approval, the Executive shall not (as principal, agent, employee, consultant or otherwise), directly or indirectly, engage in activities with, or render services to, any business engaged or about to become engaged in the business of producing or distributing projection and sound systems or films for large screen theaters or designing or supplying motion simulation theaters or producing or distributing films for movie rides (collectively, " Competitive Business"); provided, however, that, notwithstanding the foregoing, the Executive may (i) have equity interests in companies engaged in a Competitive Business so long as he is not employed by and does not consult with such companies in areas related to the Competitive Business, (ii) render consulting services to or be employed by a company

engaged in a Competitive Business so long as he is not employed in, or rendering services related to, the Competitive Business of such company or (iii) perform usual investment banking services for a company engaged in a Competitive Business.

3. Confidentiality. The Executive covenants and agrees with Imax that he will not at any time, except in performance of his obligations to Imax hereunder or with the prior written consent of Imax, directly or indirectly, disclose any secret or confidential information that he may learn or has learned by reason of his association with Imax or any of its subsidiaries. The term "confidential information" includes information not previously disclosed to the public or to the trade by Imax's management, or otherwise in the public domain, with respect to Imax's or any of its subsidiaries' products, facilities, applications and methods, trade secrets and other intellectual property, systems, procedures, manuals, confidential reports, product price lists, customer lists, technical information, financial information, business plans, prospects or opportunities, but shall exclude any information which (i) is or becomes available to the public or is generally known in the industry or industries in which Imax operates other than as a result of disclosure by the Executive in violation of his agreements under this Section 3 or (ii) the Executive is required to disclose under any applicable laws, regulations or directives of any government agency, tribunal or authority having jurisdiction in the matter or under the subpoena or other process of law.

4. Assignment. Neither this Agreement nor any right, interest or obligation hereunder shall be assignable by the Executive without the prior written consent of Imax. Neither this Agreement nor any right, interest or obligation hereunder shall be assignable by Imax without the prior written consent of the Executive, except that Imax may assign this Agreement or any such right, interest or obligation to an affiliate of Imax without consent of the Executive; provided, however, that no such assignment shall relieve Imax of any of its obligations hereunder.

5. Indemnification. (a) Imax shall hold the Executive harmless and indemnify the Executive, to the fullest extent permitted by applicable law, against any and all liabilities (and all expenses related thereto) incurred by the Executive as a result of, or in connection with, the services provided under this Agreement; provided, however, that such indemnification shall not apply with respect to any action taken by the Executive that (i) is contrary to the written instructions of the Board or (ii) constitutes gross negligence or willful misconduct. Imax shall maintain a director and officer's liability insurance policy covering the Executive and containing customary terms and conditions.

(b) Imax shall hold the Executive harmless and indemnify the Executive, on an after-tax basis, against the amount of any income taxes imposed by Revenue Canada, the United States Federal government or any state or local taxing

authority in Canada or the United States (collectively, "Taxes") with respect to any amounts payable to the Executive under Section 1 of this Agreement, to the extent such Taxes exceed the amount of Taxes that would have been imposed on such amounts had all of the services performed by the Executive under this Agreement been performed within the United States. Imax shall hold the Executive harmless and indemnify the Executive, on an after-tax basis, against the amount of any penalties or interest that are imposed on the Executive by Revenue Canada, the United States Federal government or any state or local taxing authority in Canada or the United States as a result of Imax's failure to properly withhold any tax with respect to any amounts payable to the Executive under Section 1 of this Agreement, to the extent such penalties or interest are not attributable to the failure of the Executive to file any required tax returns or pay any required taxes or any other willful act or omission of the Executive.

6. Binding Effect. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto, any successors to or permitted assigns of the parties hereto.

7. Notices. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and either delivered in person or sent by first class certified or registered mail, postage prepaid, to the parties at the following address (or to such other address or addresses as either party shall have designated in writing to the other party hereto:)

(a) if to Imax:

2525 Speakman Drive
Mississauga, Ontario, Canada
L5K 1B1
Attention: General Counsel

(b) if to the Executive:

784 Park Avenue, Apt 7B
New York, NY, 10028

8. Severability; Waiver. If any provision of this Agreement shall be determined to be invalid, illegal or unenforceable in whole or in part, neither the validity of the remaining part of such provision nor the validity of any other provision of this Agreement shall in any way be affected thereby. Failure to insist upon strict compliance with any term, covenant or condition hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times.

9. Injunctive Relief. Without intending to limit the remedies available to Imax or the Executive, as the case may be, in the event of a breach or threatened breach of any of the covenants contained in this Agreement, Imax or the Executive, as the case my be, shall be entitled to seek such injunctive relief as may be required specifically to enforce any such covenant.

10. Miscellaneous. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and, from the effective date hereof, supersedes and terminates all prior agreements, oral and written, between the parties hereto with respect to the subject matter hereof. Notwithstanding the preceding sentence, nothing in this Agreement shall abrogate the Executive's entitlement to (i) the 45,000 (post-split) Restricted Stock / "phantom stock" granted pursuant to Section 1(g) of the 1997 Agreement, as reduced from 60,000 (post-split) pursuant to Section 1(g) of this Agreement, (ii) the 40,000 options (for 80,000 post-split shares) granted January 2, 1997 and the 80,000 options (for 80,000 post-split shares) granted January 2, 1998, or (iii) the Special Bonus (as defined in Section 1(g) of the Employment Agreement between Imax and the Executive dated as of March 1, 1994) payable after a sale of Imax or upon the exercise of the Executive's liquidation rights. Further, for so long as the Executive is the Co-CEO, Imax shall continue to use its best efforts to cause the Executive to be elected to the Board and, for so long as Imax continues to have CEO Advisors, to the designation as a CEO Advisor under Imax's by-laws, provided that nothing in this sentence shall abrogate any rights the Executive may have pursuant to any other agreement. This Agreement may be modified or amended only by an instrument in writing signed by both parties hereto. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein without regard to principles of conflicts of laws.

IN WITNESS WHEREOF, Imax and the Executive have duly executed and delivered this Agreement, as of the day and year first above written, on this 3rd day of November, 1998.

IMAX CORPORATION

By: *"Garth M. Girvan"*
Garth M. Girvan
Director

By: *"John M. Davison"*
John M. Davison
Executive Vice President, Operations and
Chief Financial Officer

EXECUTIVE

"Bradley J. Wechsler l.s.
BRADLEY J. WECHSLER

Exhibit 10.4

IMAX CORPORATION

Amended Employment Agreement

Imax (the "Company") and Executive subject to Section 5(e) here, agree to cancel the last year of the term of employment of the Executive's employment agreement dated July 1, 1998 ("Original Employment Contract") and extend the employment term for three additional years with the new term from July 1, 2000 to June 30, 2003 (the "Amended Contract") on the same terms and conditions as set out in the Original Employment Contract, except as specified below. Terms used herein and not defined herein shall have the meanings assigned to them in the Original Employment Contract.

1. Cash Compensation – As set out in the Original Employment Contract.
2. Additional Option Grants – The Company agrees to issue Executive 800,000 ten-year options at a strike price equal to the closing price on the day the Board approves this agreement. Except as provided below, options will vest 1/3 on January 1, 2001, 1/3 on July 1, 2001, and 1/3 on July 1, 2002.
3. Restricted Stock Grant – The Company agrees to issue 180,000 restricted shares (or their Phantom Stock equivalent) to Executive on the day the Board approves this agreement. Except as provided below, restricted stock will vest 1/3 on January 1, 2001, 1/3 on July 1, 2001, and 1/3 on July 1, 2002.
4. Should any required regulatory or shareholder approvals with respect to the granting of the options or restricted stock not be obtained by the Company, the Company shall make such adjustments to the Executive's compensation hereunder as will put the Executive in the same after-tax financial position as he would have been if such approvals had been received.
5. Change of Control Provisions
   (a) In the event of a Change of Control (without regard of any subsequent event) there will be accelerated vesting of the Executive's stock options and restricted stock.
   (b) In the event of a Change Of Control and subsequent termination (or constructive termination) of the Executive there will be an acceleration (without any discount to present value) of the cash component of Executive's compensation under the Amended Contract (and the Original Employment Agreement if the renewal term has not yet commenced) equal to the number of years left on the Executive's

agreements (including a fraction thereof) times the total cash compensation of the Executive for the full (i.e., 12 month) fiscal year preceding termination.

(c) If there is a Change of Control by way of stock merger the options will vest (as set out in 5(a) directly above) and be converted at the stock merger conversion ratio into options of the acquiring company (if it is public) or a cash-out of the options (if it is not public).

(d) A change of control is defined as any person or persons acting in concert acquiring beneficial ownership of greater than 50% of the outstanding common shares of the Company, whether by direct or indirect acquisition or as a result of a merger or reorganization or a sale of all or substantially all of the Company's assets and will not include sale of the WP block to one or more third parties.

(e) If there is no Change of Control by 12/31/00, the contract extension component of this Amended Contract shall become void but the options and restricted stock grants included in this Amended Contract become fully vested upon the earlier of a Change of Control subsequent to 12/31/00, termination, non-renewal, constructive termination or 6/30/01. In addition, if there is no change of Control by 12/31/00, the term of the Original Employment Agreement shall be reinstated whereby Executive shall continue to render services to Company until 6/30/01.

6. Voluntary Resignation, Termination, Etc.

(a) If the Executive shall voluntarily resign, all unvested options and restricted stock shall be cancelled immediately and all vested options shall remain exercisable for the duration of their original term.

(b) If the Executive shall be terminated without cause all unvested stock options, restricted stock and cash compensation (salary and bonus without any discount to present value as described in section 5(b) above) shall immediately vest and become due.

(c) If the Executive shall be terminated for Cause all unvested options and unvested restricted stock (including those granted pursuant to previous employment agreements between Company and Executive) shall be cancelled immediately and all of the Executive's options and restricted stock must be exercised within 90 days of termination, after which date they shall be cancelled.

7. Retirement and Long Term Health Coverage

(a) The Company agrees to create a retirement plan for the Executive as set out in Exhibit 1.

(b) Company agrees to maintain retiree health benefits for Executive upon termination of the Executive's employment equal to the benefits provided for active employees until the Executive becomes eligible for Medicare and, thereafter, Medicare supplement coverage selected by Executive.

8. Restrictions on Competitive Employment – As agreed upon in the Original Employment Contract; however, the term of the Non-Compete shall be extended to four (4) years beyond termination of employment.

9. Consultancy – At the end of Executive's employment (for whatever reason), Executive agrees to consult with Company for a period of three years on such issues and items as requested by Company, including but not limited to theater signings, management issues, film strategy issues, technological issues and/or issues with respect to management transition subject to the Executive's other commitments.

10. Incorporation by Reference – All clauses in the Original Employment Contract will remain in full force and effect unless specifically amended in this agreement. In the event of any conflict between the Original Employment Contract and the Amended Contract, the Amended Contract shall prevail.

11. Arbitration – All disputes under this agreement shall be subject to binding arbitration under the AAA rules and Company shall be required to cover Executive's legal costs and the cost of arbitration.

12. Long Form Agreement – Until such time as this agreement is superceded by a long form agreement, it will represent the binding agreement for both parties.

Bradley J. Wechsler

"Bradley J. Wechsler"

7/12/00
Date

Imax Corporation

"Garth M. Girvan"
By: Garth M. Girvan

EXHIBIT 1

SERP Benefit Summary
Brad Wechsler
Imax Corporation

Retirement Age – Age 55

SERP Benefit – Retirement and Survivor Benefits

Retirement Benefit – 73.5% of final five-year average full cash compensation (including bonus)

Survivor Benefit – 100% of Retirement Benefit

Death Benefit – Survivor Benefit

Disability Benefit – SERP Benefit

Severance Benefits –

Change of Control—SERP Benefit

Termination – SERP Benefit

Resignation – SERP Benefit, according to the
Following Vesting Schedule:
50% vested, plus 50% spread over the
remaining working years to age 55

For Cause – Loss of Benefits

Cost of Living Adjustment – Applies to the Retirement and Survivor Benefits
At a rate according to the published Cost of Living Tables
(For illustrative purposes at 3.0% per annum)

Exhibit 10.10

IMAX CORPORATION

EMPLOYMENT AGREEMENT dated and effective as of July 1, 1998 (the "Agreement"), between IMAX CORPORATION, a corporation organized under the laws of Canada ("Imax"), and RICHARD L. GELFOND (the "Executive").

WHEREAS, the Executive is currently the Vice-Chairman and Co-Chief Executive Officer of Imax and is employed pursuant to an Employment Agreement dated as of January 1, 1997, (the "1997 Agreement"); and

WHEREAS, the Imax Board of Directors (the "Board") has approved revised terms of employment, effective July 1, 1998, on August 26, 1998; and

WHEREAS, Imax wishes to enter into this Agreement to engage the Executive to continue to provide services to Imax, and the Executive wishes to be so engaged, pursuant to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Employment. (a) Imax hereby employs the Executive, and the Executive hereby agrees to serve in accordance with the terms and conditions hereof.

(b) The Executive's continued employment as Co-Chief Executive Officer under this Agreement shall commence effective July 1, 1998, and shall continue until June 30, 2001 (the "Employment Term").

(c) During the Employment Term, the Executive shall perform such services with respect to Imax's business as may be reasonably requested from time to time by the Board and which are consistent with the Executive's status and the function performed by individuals holding a similar position with similarly situated companies, and agrees to act in accordance with the written instructions of the Board. It is anticipated that such services shall be performed primarily within the United States.

(d) The Executive shall devote that portion of his business time that is necessary to perform the services reasonably required of him hereunder, which portion shall constitute a significant majority of his business time. The Executive agrees that during the Employment Term (i) he will use reasonable efforts to resolve any conflicting engagements and (ii) he will remain actively involved in Imax's business.

(e) As compensation for the services to be performed by the Executive hereunder during the Employment Term, the Executive shall be entitled to receive a base salary ("Base Salary") of U.S. $500,000 per annum, payable no less frequently than monthly in accordance with Imax's payroll practices.

(f) In addition to the Base Salary, the Executive shall be eligible to participate during the Employment Term in the annual incentive bonus plan adopted by the Board. The Executive shall be paid a bonus in respect of each of 1998, 1999, 2000 and the period January 1, 2001 to June 30, 2001 at a level of U.S. $605,000, U.S. $500,000, U.S. $500,000, and U.S. $250,000 (subject to adjustment as described below), respectively, (the "Standard"). Based on certain qualitative and quantitative measures determined by the CEO Advisors (as defined in Imax's Articles of Incorporation), for so long as Imax continues to have CEO Advisors, and the Compensation Committee (the "Committee") of the Board, as set forth below, the Committee shall determine the actual bonus paid, which shall be a multiple of the Standard ranging from 0.0x—2.0 x, provided, however, that the multiple shall be at least 1.0x if Imax's reported earnings per share (EPS) for the year (excluding any extraordinary charges approved by the Board), or the six months ended June 30, 2001, as the case may be, meet the approved budget target (except that, if in the sole discretion of the Committee, the achievement EPS target was at the expense of, or to the material detriment of, other(s) of the qualitative and quantitative measures set forth below, then such minimum shall not apply).

Among the various factors the Committee shall consider in determining the bonus to be paid for 1998, and, subject to amendment from year to year by the Committee, after good faith consultation with the Executive, for 1999, 2000 and 2001, are: (i) the actual financial performance of Imax versus the approved budget for EBITDA, EPS, revenue growth, and/or other financial targets; and (ii) the Committee shall also take into account other qualitative factors including (in no order of importance): (A) progress in theater signings, (B) development of an enhanced management team, (C) improved performance of the Ridefilm division (for 1998 only), (D) further advancement of Imax's film strategy, (E) progress in "owned and operated" strategy (this factor to have diminishing weighting beyond 1998, as Imax's "owned and operated" emphasis refocuses on theatre joint ventures with conventional cinema operators), (F) brand development, (G) continued growth of the business, and (H) other performance related issues including, but not limited to, other goals established in the budget process approved by the Board.

The bonus for 1998, 1999 and 2000 shall be paid within 50 days of the applicable year-end, and for the period January 1, 2001 to June 30, 2001 within 50 days of June 30, 2001.

(g) Pursuant to the 1997 Agreement, at the beginning of each of 1997 and 1998, Imax granted the Executive the right to receive 30,000 common shares (on a post-split basis) of Imax (the "Restricted Stock"), or, if such Restricted Stock may not be issued without shareholder approval, the 1997 Agreement provided it shall be issued as "phantom stock". The Executive has the right to request the Restricted Stock granted on January 1, 1997 and January 1, 1998 be issued to him (or, if "phantom stock" is utilized, have payment made to him in an amount equal to the fair market value of such number of common shares of Imax on the date of such request), at any time after January 1, 1998 and January 1, 1999, respectively. It is hereby agreed that one half (i.e. 15,000) of such Restricted Stock / "phantom stock" for 1998 shall be cancelled forthwith, and that the Executive shall continue to have the right to the 30,000 Restricted Stock / "phantom stock" that have vested, and the remaining 15,000 Restricted Stock / "phantom stock" that shall vest on January 1, 1999. The Restricted Stock / "phantom stock" shall be adjusted for stock splits and other similar events. Imax agrees to indemnify the Executive, on an after-tax basis, for any income taxes imposed by any taxing authority and resulting from any taxable benefits to the Executive with respect to the Restricted Stock / "phantom stock" which arises prior to the date of any such request (it being understood that this indemnity relates to the timing of the payment of such taxes and not the ultimate tax payable). Any request for payment with respect to "phantom stock" must be made on or before December 31, 2009, after which date such "phantom stock" shall lapse. The provisions of this Section 1(g) shall survive any termination of this Agreement.

(h) *Stock Options – Grant & Vesting.* The Executive has been granted effective August 26, 1998, in accordance with the terms of the Imax Stock Option Plan (the "SOP"), 378,000 options to purchase common shares, and effective January 1, 1999 shall be granted a further 400,000 options, as follows:

Number of Options	Grant Date	Exercise Price	Vesting Date
111,333	August 26, 1998	$22.38	August 26, 1998
100,000	August 26, 1998	$22.38	January 1, 1999
166,667*	August 26, 1998	$22.38	January 1, 1999
266,667*	January 1, 2000	to be determined	January 1, 2000
133,333*	January 1, 2000	to be determined	January 1, 2001
778,000			

* These options are subject to Imax obtaining any required regulatory and shareholder approvals.

The exercise price of all options granted on August 26, 1998 in accordance with the SOP is U.S. $22.38, and all such options shall expire on August 25, 2008. The exercise price of all options to be granted on January 1, 2000 shall be determined in accordance with the SOP, and all such options shall expire on December 31, 2009. Should any required

regulatory or shareholder approvals with respect to the granting of the 566,667 options subject thereto not be obtained by Imax, Imax shall make such adjustments to the Executive's compensation hereunder as will put the Executive in the same after-tax financial position as he would have been if such approvals had been received. The provisions of this Section 1(h) shall survive any termination of this Agreement.

All of the Executive's stock options shall be adjusted for stock splits and other similar events after the effective date hereof and shall contain other terms no less favorable to the Executive than the management stock options of Imax's other senior level executives.

Resignation / Termination. If the Executive shall voluntarily resign prior to the end of the Employment Term, (i) all unvested options (including those granted pursuant to previous employment agreements between Imax and the Executive) shall be cancelled immediately upon such resignation, and (ii) all vested options shall remain exercisable for the duration of their original term.

If (i) the employment of the Executive is not continued after the end of the Employment Term, (ii) the Executive is terminated by Imax without "Cause" (as defined below), or (iii) the Executive suffers a "Permanent Disability" (as defined in the SOP), or dies: all options granted on or before August 26, 1998 shall remain exercisable for the duration of their original term.

Change of Control. Upon a "change of control" of Imax (i.e. any person or persons acting in concert acquiring greater than 50% of the outstanding common shares of Imax, whether by direct or indirect acquisition or as a result of a merger or reorganization), the vesting of the options granted on August 26, 1998 and/or January 1, 1999 shall be accelerated as follows:

Change of Control Period	% of Options Subject to Accelerated Vesting
On or Prior to December 31, 1998	12.5% of options scheduled to vest on January 1, 1999
January 1, 1999 to June 30, 1999	25% of options scheduled to vest on January 1, 2000 *
July 1, 1999 to December 31, 1999	50% of options scheduled to vest on January 1, 2000 *
January 1, 2000 to June 30, 2000	25% of options scheduled to vest on January 1, 2001
July 1, 2000 to December 31, 2000	50% of options scheduled to vest on January 1, 2001

* If a "change of control" occurs prior to the grant of such options on January 1, 2000, stock appreciation rights ("SARs") equivalent in number to the options subject to accelerated vesting shall be granted, with a reference price of U.S. $22.38, and an expiry date of December 31, 2009. The SARs shall be treated, in connection with a "change of control", in the same manner as if they were options (i.e. a cash offer for all shares and options would trigger a payout of the SARs; a "rollover" of options would result in the

continuation of the SARs, reflecting the relevant exchange ratio and with reference to the price of the substituted shares).

Miscellaneous. If the Executive is terminated with "Cause", the Executive's unvested options (including those granted pursuant to previous employment agreements between Imax and the Executive) shall be cancelled immediately, and all of the Executive's vested options must be exercised within 90 days of termination, after which date they shall be cancelled. "Cause" for purposes of this Section 1(g) only means any willful and material violation by the Executive of any law or regulation applicable to the business of Imax or one of its subsidiaries, or the Executive's conviction of a felony, or any willful perpetration by the Executive of a common law fraud. Imax's remedy for a "breach of restrictive covenants" shall be the specific enforcement thereof, and not the application of Section 14 of the SOP; and Imax shall be entitled to seek any other legal and equitable remedies it may have against the Executive. In the event of any conflict between the provisions of this Agreement and the provisions of the SOP, the provisions of this Agreement shall prevail.

(i) The Executive shall, during the Employment Term, be eligible to receive employee benefits at a level not less than those established by Imax for, or made available to, its other key employees.

(j) Imax agrees to reimburse the Executive for all reasonable out-of-pocket expenses incurred by the Executive in the performance of his obligations under this Agreement for which documentation reasonably satisfactory to Imax is provided, including expenses relating to the Executive's travel to, and performance of duties in, Toronto, Canada.

(k) Any amounts payable to the Executive under this Agreement shall be subject to applicable withholding taxes, and such other deductions as may be required under applicable law.

2. Restrictions on Competitive Employment. During the term of the Executive's employment hereunder, absent Imax's prior written approval, the Executive shall not (as principal, agent, employee, consultant or otherwise), directly or indirectly, engage in activities with, or render services to, any business engaged or about to become engaged in the business of producing or distributing projection and sound systems or films for large screen theaters or designing or supplying motion simulation theaters or producing or distributing films for movie rides (collectively, " Competitive Business"); provided, however, that, notwithstanding the foregoing, the Executive may (i) have equity interests in companies engaged in a Competitive Business so long as he is not employed by and does not consult with such companies in areas related to the Competitive Business, (ii) render consulting services to or be employed by a company

engaged in a Competitive Business so long as he is not employed in, or rendering services related to, the Competitive Business of such company or (iii) perform usual investment banking services for a company engaged in a Competitive Business.

3. Confidentiality. The Executive covenants and agrees with Imax that he will not at any time, except in performance of his obligations to Imax hereunder or with the prior written consent of Imax, directly or indirectly, disclose any secret or confidential information that he may learn or has learned by reason of his association with Imax or any of its subsidiaries. The term "confidential information" includes information not previously disclosed to the public or to the trade by Imax's management, or otherwise in the public domain, with respect to Imax's or any of its subsidiaries' products, facilities, applications and methods, trade secrets and other intellectual property, systems, procedures, manuals, confidential reports, product price lists, customer lists, technical information, financial information, business plans, prospects or opportunities, but shall exclude any information which (i) is or becomes available to the public or is generally known in the industry or industries in which Imax operates other than as a result of disclosure by the Executive in violation of his agreements under this Section 3 or (ii) the Executive is required to disclose under any applicable laws, regulations or directives of any government agency, tribunal or authority having jurisdiction in the matter or under the subpoena or other process of law.

4. Assignment. Neither this Agreement nor any right, interest or obligation hereunder shall be assignable by the Executive without the prior written consent of Imax. Neither this Agreement nor any right, interest or obligation hereunder shall be assignable by Imax without the prior written consent of the Executive, except that Imax may assign this Agreement or any such right, interest or obligation to an affiliate of Imax without consent of the Executive; provided, however, that no such assignment shall relieve Imax of any of its obligations hereunder.

5. Indemnification. (a) Imax shall hold the Executive harmless and indemnify the Executive, to the fullest extent permitted by applicable law, against any and all liabilities (and all expenses related thereto) incurred by the Executive as a result of, or in connection with, the services provided under this Agreement; provided, however, that such indemnification shall not apply with respect to any action taken by the Executive that (i) is contrary to the written instructions of the Board or (ii) constitutes gross negligence or willful misconduct. Imax shall maintain a director and officer's liability insurance policy covering the Executive and containing customary terms and conditions.

(b) Imax shall hold the Executive harmless and indemnify the Executive, on an after-tax basis, against the amount of any income taxes imposed by Revenue Canada, the United States Federal government or any state or local taxing

authority in Canada or the United States (collectively, "Taxes") with respect to any amounts payable to the Executive under Section 1 of this Agreement, to the extent such Taxes exceed the amount of Taxes that would have been imposed on such amounts had all of the services performed by the Executive under this Agreement been performed within the United States. Imax shall hold the Executive harmless and indemnify the Executive, on an after-tax basis, against the amount of any penalties or interest that are imposed on the Executive by Revenue Canada, the United States Federal government or any state or local taxing authority in Canada or the United States as a result of Imax's failure to properly withhold any tax with respect to any amounts payable to the Executive under Section 1 of this Agreement, to the extent such penalties or interest are not attributable to the failure of the Executive to file any required tax returns or pay any required taxes or any other willful act or omission of the Executive.

6. Binding Effect. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto, any successors to or permitted assigns of the parties hereto.

7. Notices. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and either delivered in person or sent by first class certified or registered mail, postage prepaid, to the parties at the following address (or to such other address or addresses as either party shall have designated in writing to the other party hereto:)

(a) if to Imax:

2525 Speakman Drive
Mississauga, Ontario, Canada
L5K 1B1
Attention: General Counsel

(b) if to the Executive:

975 Park Avenue, Apt 6B
New York, NY, 10028

8. Severability; Waiver. If any provision of this Agreement shall be determined to be invalid, illegal or unenforceable in whole or in part, neither the validity of the remaining part of such provision nor the validity of any other provision of this Agreement shall in any way be affected thereby. Failure to insist upon strict compliance with any term, covenant or condition hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times.

9. Injunctive Relief. Without intending to limit the remedies available to Imax or the Executive, as the case may be, in the event of a breach or threatened breach of any of the covenants contained in this Agreement, Imax or the Executive, as the case my be, shall be entitled to seek such injunctive relief as may be required specifically to enforce any such covenant.

10. Miscellaneous. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and, from the effective date hereof, supersedes and terminates all prior agreements, oral and written, between the parties hereto with respect to the subject matter hereof. Notwithstanding the preceding sentence, nothing in this Agreement shall abrogate the Executive's entitlement to (i) the 45,000 (post-split) Restricted Stock / "phantom stock" granted pursuant to Section 1(g) of the 1997 Agreement, as reduced from 60,000 (post-split) pursuant to Section 1(g) of this Agreement, (ii) the 40,000 options (for 80,000 post-split shares) granted January 2, 1997 and the 80,000 options (for 80,000 post-split shares) granted January 2, 1998, or (iii) the Special Bonus (as defined in Section 1(g) of the Employment Agreement between Imax and the Executive dated as of March 1, 1994) payable after a sale of Imax or upon the exercise of the Executive's liquidation rights. Further, for so long as the Executive is the Co-CEO, Imax shall continue to use its best efforts to cause the Executive to be elected to the Board and, for so long as Imax continues to have CEO Advisors, to the designation as a CEO Advisor under Imax's by-laws, provided that nothing in this sentence shall abrogate any rights the Executive may have pursuant to any other agreement. This Agreement may be modified or amended only by an instrument in writing signed by both parties hereto. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein without regard to principles of conflicts of laws.

IN WITNESS WHEREOF, Imax and the Executive have duly executed and delivered this Agreement, as of the day and year first above written, on this 3rd day of November, 1998.

IMAX CORPORATION

By: *"Garth M. Girvan"*
Garth M. Girvan
Director

By: *"John M. Davison*
John M. Davison
Executive Vice President, Operations and
Chief Financial Officer

EXECUTIVE

"Richard L. Gelfond" *l.s.*
RICHARD L. GELFOND

Exhibit 10.11

IMAX CORPORATION

Amended Employment Agreement

Imax (the “Company”) and Executive, subject to Section 5(e) hereof, agree to cancel the last year of the term of employment of the Executive’s employment agreement dated July 1, 1998 (“Original Employment Contract”) and extend the employment term for three additional years with the new term from July 1, 2000 to June 30, 2003 (the “Amended Contract”) on the same terms and conditions as set out in the Original Employment Contract, except as specified below. Terms used herein and not defined shall have the meanings assigned to them in the Original Employment Contract.

1. Case Compensation – As set out in the Original Employment Contract.
2. Additional Option Grants – The Company agrees to issue Executive 800,000 ten-year options at a strike price equal to the closing price on the day the Board approves this agreement. Except as provided below, options will vest 1/3 on January 1, 2001, 1/3 on July 1, 2001, and 1/3 on July 1, 2002.
3. Restricted Stock Grant – The Company agrees to issue 180,000 restricted shares (or their Phantom Stock equivalent) to Executive on the day the Board approves this agreement. Except, as provided below, restricted stock will vest 1/3 on January 1, 2001, 1/3 on July 1, 2001, and 1/3 on July 1, 2002.
4. Should any required regulatory or shareholder approvals with respect to the granting of the options or restricted stock not be obtained by the Company, the Company shall make such adjustments to the Executive’s compensation, hereunder as will put the Executive in the same after-tax financial position as he would have been if such approvals had been received.
5. Change of Control Provisions

(a) In the event of a Change of Control (without regard to any subsequent event) there will be accelerated vesting of the Executive’s stock options and restricted stock.

(b) In the event of a Change of Control and subsequent termination (or constructive termination) of the Executive there will be an acceleration (without any discount to present value) of the cash component of Executive’s compensation under the Amended Contract (and the Original Employment Agreement if the renewal term has not yet commenced) equal to the number of years left on the Executive’s agreements (including a fraction thereof) times the total cash compensation of the Executive for the full (i.e., 12 month) fiscal year preceding termination.

(c) If there is a Change of Control by way of stock merger the options will vest (as set out in 5(a) directly above) and be converted at the stock merger conversion ratio into options of the acquiring company (if it is public) or a cash-out of the options (if it is not public).

(d) A change of control is defined as any person or persons acting in concert acquiring beneficial ownership of greater than 50% of the outstanding common shares of the Company, whether by direct or indirect acquisition or as a result of a merger or reorganization or a sale of all or substantially all of the Company's assets and will not include sale of the WP block to one or more third parties.

(e) If there is no Change of Control by 12/31/00, the contract extension component of this Amended Contract shall become void but the options and restricted stock grants included in this Amended Contract become fully vested upon the earlier of a Change of Control subsequent to 12/31/00, termination, non-renewal, constructive termination or 6/30/01. In addition, of there is no Change of Control by 12/31/00, the term of the Original Employment Agreement shall be reinstated whereby Executive shall continue to render services to Company until 6/30/01.

6. Voluntary Resignation, Termination, Etc.

(a) If the Executive shall voluntarily resign, all unvested options and restricted stock shall be cancelled immediately and all vested options shall remain exercisable for the duration of their original term.

(b) If the Executive shall be terminated without cause all unvested stock options, restricted stock and cash compensation (salary and bonus without any discount to present value as described in section 5(b) above) shall immediately vest and become due.

(c) If the Executive shall be terminated for Cause all unvested options and unvested restricted stock (including those granted pursuant to previous employment agreements between Company and Executive) shall be cancelled immediately and all of the Executive's options and restricted stock must be exercised within 90 days of termination, after which date they shall be cancelled.

7. Retirement and Long Term Health Coverage

(a) The Company agrees to create a retirement plan for the Executive as set out in Exhibit 1.

(b) Company agrees to maintain retiree health benefits for Executive upon termination of the Executive's employment equal to the benefits provided for active employees until the Executive becomes eligible for Medicare and, thereafter, Medicare supplement coverage selected by Executive.

8. Restrictions on Competitive Employment – As agreed upon in the Original Employment Contract; however, the term of the Non-Compete shall be extended to four (4) years beyond termination of employment.

9. Consultancy – At the end of Executive's employment (for whatever reason), Executive agrees to consult with Company for a period of three years on such issues and items as requested by Company, including but not limited to theatre signings, management issues, film strategy issues, technological issues and/or issues with respect to management transition subject to the Executive's other commitments.

10. Incorporation by Reference – All clauses in the Original Employment Contract will remain in full force and effect unless specifically amended in this agreement. In the event of any conflict between the Original Employment Contract and the Amended Contract, the Amended Contract shall prevail.

11. Arbitration – All disputes under this agreement shall be subject to binding arbitration under the AAA Rules and Company shall be required to cover Executive's legal costs and the cost of arbitration.

12. Long Form Agreement – Until such time as this agreement is superceded by a long form agreement, it will represent the binding agreement for both parties.

Richard L. Gelfond	Imax Corporation
"Richard L. Gelfond"	*"Garth M. Girvan"*
	By: Garth M. Girvan

7/12/00
Date

EXHIBIT 1

SERP Benefit Summary
Richard Gelfond
Imax Corporation

Retirement Age – Age 55

SERP Benefit – Retirement and Survivor Benefits

Retirement Benefit – 76.5% of final five-year average full cash compensation (including bonus)

Survivor Benefit – 100% of Retirement Benefit

Death Benefit – Survivor Benefit

Disability Benefit – SERP Benefit

Severance Benefits –

Change of Control – SERP Benefit

Termination – SERP Benefit

Registration – SERP Benefit, according to the
following Vesting Schedule;
50% vested, plus 50% spread over the
remaining working years to age 55

For Cause – Loss of benefits

Cost of Living Adjustment – Applies to the Retirement and Survivor Benefits
At a rate according to the published Cost of Living Tables
(For illustrative purposes at 3.0% per annum)

Exhibit 10.21

IMAX CORPORATION

EMPLOYMENT AGREEMENT

This Employment Agreement dated and effective as of May 14, 2007 (the "Agreement"), is made between

IMAX CORPORATION
a corporation organized
under the laws of Ontario
(hereinafter referred to as the "Company")

OF THE FIRST PART

And

JOSEPH SPARACIO
of the Town of Holmdel in the
State of New Jersey
(hereinafter referred to as the "Executive")

OF THE SECOND PART

WHEREAS, the Company wishes to enter into this Agreement to engage the Executive to provide services to the Company, and the Executive wishes to be so engaged, pursuant to the terms and conditions hereinafter set forth;

AND WHEREAS the Executive is engaged to provide services to the Company as its Chief Financial Officer;

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. **EMPLOYMENT AND DUTIES**

1.1 Employment. The Company hereby agrees to employ the Executive, and the Executive hereby agrees to serve, as Executive Vice President and Chief Financial Officer of the Company, upon the terms and conditions herein contained. It is understood that the Executive will commence employment in the role of Executive Vice President, Finance, and will assume the role of Chief Financial Officer at a time that is mutually agreed by the party, but expected to be at some point prior to June 30, 2007. The Executive's primary responsibilities shall be to organize and manage the financial affairs generally of the Company and to perform such other duties commensurate with his position with the Company as are reasonably designated by the Chief Executive Officer(s) of the Company. The Executive agrees to serve the Company faithfully and to the best of his ability under the direction of the Chief Executive Officer(s) of the Company. The Executive shall report to the Chief Executive Officer(s) of the Company on all of his activities.

1.2 Exclusive Services. Except as may otherwise be approved in advance by the Chief Executive Officer(s) of the Company, the Executive shall devote his full working time throughout the Employment Term (as defined in Section 1.3) to the services required of him hereunder. The Executive shall render his services exclusively to the Company and its subsidiaries and affiliates during the Employment Term, and shall use his best efforts, judgment and energy to improve and advance the business and interests of the Company in a manner consistent with the duties of his position.

1.3 Term of Employment. The Executive's employment under this Agreement shall commence on the date hereof (the "Commencement Date") and shall terminate on the earlier of (i) the second anniversary of the Commencement Date, or (ii) termination of the Executive's employment pursuant to this Agreement. The period commencing as of the Commencement Date and ending on the second anniversary of the Commencement Date or such later date to which the term of the Executive's employment under this Agreement shall have been extended is hereinafter referred to as the "Employment Term". The Company shall notify the Executive at least six (6) months prior to the second anniversary of the Agreement of its intentions with respect to renewing the Agreement.

1.4 Place of Employment. During the Employment Term the Executive will be based , at the Company's offices in New York City with regular travel to the offices of the Company in Mississauga, Los Angeles, and other parts of the world.

1.5 Reimbursement of Expenses. The Company shall reimburse the Executive for reasonable travel and other business expenses incurred by him in the fulfilment of his duties hereunder in accordance with Company practices consistently applied.

2. COMPENSATION

2.1 Base Salary. During his employment under this Agreement, the Executive shall be paid a base salary ("Base Salary") of no less than US$ 350,000 subject to annual review on no later than Executive's anniversary date. The Executive shall be paid no less frequently than monthly in accordance with the Company's payroll practices.

2.2 Bonus. In addition to the Base Salary, during the Employment Term the Executive shall be entitled to participate in the management bonus plan of the Company which applies to senior executives of the Company. The Executive shall participate in that plan on the basis that the target annual bonus pool eligibility of the Executive shall be 35% of his Base Salary (the "Target Bonus") in any year, which will entitle the Executive to earn a bonus, according to the terms of the bonus plan, of up to 52.5% of his Base Salary. Notwithstanding the foregoing, the bonus to be paid to the Executive in respect of 2007 shall be not less than US$ 100,000 (the "Guaranteed Bonus") , which shall be paid at the time bonuses are scheduled to be paid to other senior managers participating in the plan, normally in March of the following year. The Executive acknowledges that the said bonus plan may be changed from time to time by the Company without notice to or any requirement to obtain the consent of the Executive and without the Executive having any claim against the Company with respect to any changes thereto, including any claims of constructive dismissal. Following any changes to the said plan, the Executive will be given notice of the changes in the same manner as are other executives of the Company of the Executive's stature.

2.3 Stock Options. Effective as soon as is practicable after the Commencement Date, the Executive shall be granted non-qualified options (the "Options") to purchase 75,000 shares of common stock of the Company (the "Common Shares"), at an exercise price per Common Share equal to the Fair Market Value, as defined in the Company's Stock Option Plan (the "Option Plan"). The Options shall vest and become exercisable according to the following schedule:

On the first anniversary of the grant date	10%
On the second anniversary of the grant date	15%
On the third anniversary of the grant date	20%
On the fourth anniversary of the grant date	25%
On the fifth anniversary of the grant date	30%

The Options granted hereunder shall be subject to the terms and conditions of the Option Plan and the stock option agreement to be entered into between the Company and the Executive as of the applicable date of grant pursuant to, and in accordance with, the terms of the Option Plan.

3. EXECUTIVE BENEFITS

3.1 General. The Executive shall, during the Employment Term, receive Executive benefits including vacation time, medical benefits, disability and life insurance, all at least consistent with those established by the Company for its other key executives at a level commensurate with that of the Executive. Without limitation, however, the Executive shall be entitled to the following benefits:

(i) four (4) weeks' paid vacation in each year of the Employment Term

(ii) such audio/visual, computer, fax, cellular telephone and other like equipment as may be necessary in connection with the performance of the Executive's responsibilities shall be made available to the Executive; and

(iii) a monthly automobile allowance of US$ 850.00, together with all associated operating expenses;

4. TERMINATION OF EMPLOYMENT

Definitions. As used in this Article 4, the following terms have the following meanings:

(a) "Termination Payment" means each of the following amounts to the extent that such amounts are due to be paid to and including the date upon which the Executive's employment is terminated (i) Base Salary and automobile allowance, (ii) unreimbursed business expenses as outlined in Section 1.5, (iii) any amounts to be paid pursuant to the terms of any benefit plans of the Company in which the Executive participates or pursuant to any policies of the Company applicable to the Executive, and (iv) any outstanding vacation pay calculated up to and including such date.

(b) "Without Cause" means termination of the Executive's employment by the Company other than for Cause (as defined in Section 4.2), death or disability (as set forth in Section 5).

4.1 Termination Without Cause

4.1.1 General. Subject to the provisions of Sections 4.1.2, 4.1.3 and 6, if, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company Without Cause, the Company shall pay the Termination Payment to be paid within 30 days of the date of termination and shall continue to pay the Executive the Base Salary and automobile allowance for the remainder of the Employment Term (such period being referred to hereinafter as the "Severance Period"), either at such intervals as the same would have been paid had the Executive remained in the active service of the Company or, at the option of the Company, by immediate payment to the Executive, provided however that the Severance Period shall be a minimum of six (6) months in duration in the normal course and twelve (12) months in duration following a Change of Control. It is understood that the Executive shall also be entitled to receive his Target Bonus during the Severance Period following a termination arising as a result of a Change of Control. For purposes of this agreement, a **"Change of Control"** of the Company will be deemed to occur if (i) there is a sale of more than 50% of the assets of the Company to a third party (other than to a person or group including Brad Wechsler or Rich Gelfond); or (ii) any person or group (other than a person or group including Brad Wechsler or Rich Gelfond) acquires 50% or more of the voting power of the outstanding stock of the Company or the shareholders of the Company immediately prior to any corporate transaction cease to own at least 50% of the voting power of the outstanding stock of the surviving entity. Upon any termination, the Executive shall also be entitled to continue to receive his employment benefits referred to in Section 3.1 at the Company's expense (to the extent paid for by the Company as at the date of termination) and subject to the consent of the applicable insurers.

The Executive agrees that the Company may deduct from any payment of Base Salary to be made during the Severance Period the benefit plan contributions which are to be made by the

Executive during the Severance Period in accordance with the terms of all benefit plans for the minimum period prescribed by law. The Executive shall have no further right to receive any other compensation or benefits after such termination of employment except as are necessary under the terms of the Executive benefit plans or programs of the Company or as required by applicable law. Payment of the Termination Payment, Base Salary and automobile allowance during the Severance Period and the continuation of the aforementioned Executive benefits during the Severance Period as outlined above shall be deemed to include all termination and severance pay to which the Executive is entitled pursuant to applicable statute law and common law. The date of termination of employment Without Cause shall be the date specified in a written notice of termination to the Executive and does not include the Severance Period.

4.1.2 Fair and Reasonable The parties confirm that notice and pay in lieu of notice provisions contained in Subsection 4.1.1 are fair and reasonable and the parties agree that upon any termination of this Agreement Without Cause, the Executive shall have no action, cause of action, claim or demand against the Company or any other person as a consequence of such termination other than to enforce Section 4.1.1.

4.1.3 Conditions Applicable to the Severance Period. If, during the Severance Period, the Executive breaches his obligations under Article 7 of this Agreement, the Company may, upon written notice to the Executive, terminate the Severance Period and cease to make any further payments or provide further benefits as described in Section 4.1.1.

4.2 Termination for Cause; Resignation. At any time prior to the expiration of the Employment Term the Executive's employment may be terminated by the Company immediately upon notice for Cause. If, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company for Cause, or the Executive resigns from his employment hereunder, the Executive shall only be paid, within 15 days of the date of such termination or resignation, the Termination Payment, then due to be paid. The Executive shall have no further right to receive any other compensation or benefits after such termination or resignation of employment, except as determined in accordance with the terms of the Executive benefit plans or programs of the Company. The date of termination for Cause shall be the date specified in a written notice of termination to the Executive, which notice shall set forth the basis for the termination. The date of resignation shall be sixty (60) days following the date or receipt of notice of resignation from the Executive to the Company.

4.3 Cause. Termination for "Cause" shall mean termination of the Executive's employment because of:

(i) the cessation of the Executive's ability to work legally in the United States or Canada other than for reasons not within the Executive's reasonable control;

(ii) any act or omission that constitutes a material breach by the Executive of any of his obligations under this Agreement, which breach has not been remedied within thirty (30) days after written notice specifying such breach has been given to the Executive by the Company;

(iii) the continued failure or refusal of the Executive to perform the duties reasonably required of him as Chief Financial Officer, which failure or refusal has not been remedied within 30 days after written notice specifying such failure or refusal has been given to the Executive

(iv) any material violation by the Executive of any Canadian or United States federal, provincial, state or local law or regulation applicable to the business of the Company, which violation is injurious to the financial condition or business reputation of the Company or the Executive's conviction of a felony or commission of an indictable offense for which he is not pardoned, or any perpetration by the Executive of a common law fraud;

(v) any other action by the Executive which is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company, or which results in a violation by the Company of any Canadian or United States federal, provincial, state or local law or regulation applicable to the business of the Company, which violation is injurious to the financial condition or business reputation of the Company.

5. DEATH OR DISABILITY

In the event of termination of employment by reason of death or Permanent Disability (as hereinafter defined), the Executive (or his estate, as applicable) shall be paid the Termination Payment then due to be paid within 30 days of the date of such termination of employment. Both the employment of the Executive and the entitlement of the Executive to be paid amounts under Section 4.1.1, in respect of the Severance Period, shall terminate immediately and without notice upon his death or upon his Permanent Disability (as hereinafter defined). Any benefits thereafter shall be determined in accordance with the benefit plans maintained by the Company, and the Company shall have no further obligation hereunder. For purposes of this Agreement, "Permanent Disability" means a physical or mental disability or infirmity of the Executive that prevents the normal performance of substantially all his duties under this Agreement as an Executive of the Company, which disability or infirmity shall exist for any continuous period of 180 days. The parties agree that such Permanent Disability cannot be accommodated short of undue hardship.

6. MITIGATION

Subject to Section 7.1 and 7.2, the Executive shall be required to mitigate the amount of any payment provided for in Section 4.1.1 by seeking other employment or remunerative activity reasonably comparable to his duties hereunder. Upon the date of the Executive's obtaining such other employment or remunerative activity any payment of the remaining portion of the Executive's Base Salary, and Target Bonus in the event of a termination following a Change of Control, to be made by the Company under Section 4.1.1 will be reduced by a total of one half (1/2). The Executive shall be required as a condition of any payment under Section 4.1.1 (other than the Termination Payment) promptly to disclose to the Company any such mitigation compensation.

7. NON-SOLICITATION, CONFIDENTIALITY, NON-COMPETITION

7.1 Non-solicitation. For so long as the Executive is employed by the Company and continuing for two years thereafter, notwithstanding whether the Executive's employment is terminated with or Without Cause or whether the Executive resigns, the Executive shall not, without the prior written consent of the Company, directly or indirectly, for the Executive’s own benefit or the benefit of any other person, whether as a sole proprietor, member of a partnership, stockholder or investor (other than a stockholder or investor owning not more than a 5% interest), officer or director of a corporation, or as a trustee, executive, associate, consultant, principal or agent of any person, partnership, corporation or other business organization or entity other than the Company: (x) solicit or endeavour to entice away from the Company, any person or entity who is, or, during the then most recent 12-month period, was employed by, or had served as an agent or consultant of the Company; or (y) solicit, endeavour to entice away or gain the custom of, canvass or interfere in the Company's relationship with any person or entity who is, or was within the then most recent 12-month period, a supplier, customer or client (or reasonably anticipated to become a supplier, customer or client of the Company and with whom the Executive had dealings during his employment with the Company. The Executive confirms that all restrictions in this Section are reasonable and valid and waives all defences to the strict enforcement thereof.

7.2 Non-Competition For so long as the Executive is employed by the Company and continuing for a period of two years after the date of the termination of the employment of the Executive with the Company, notwithstanding whether the Executive’s employment is terminated with or Without Cause or whether the Executive resigns, the Executive shall not, without the prior written consent of the Company, directly or indirectly anywhere within Canada, the United States, Europe or Asia, as a sole proprietor, member of a partnership, stockholder or investor (other than a stockholder or investor owning not more than a 5% interest), officer or director of a corporation, or as a trustee, Executive, associate, consultant, principal or agent of any person, partnership, corporation or other business organization or entity other than the Company, render any service to or in any way be affiliated with a competitor (or any person or entity that is, at the time the Executive would otherwise commence rendering services to or become, affiliated with such person or entity, reasonably anticipated to become a competitor) of the Company (a “Competitor”), which is engaged or reasonably anticipated to become engaged in designing or supplying large format theatres, designing or distributing projection or sound systems for large format theatres, designing or supplying digital or other electronic film projection systems (regardless of image delivery system used) or sound technology. The Executive confirms that all restrictions in this Section are reasonable and valid and waives all defenses to the strict enforcement thereof.

7.3 Confidentiality. The Executive covenants and agrees that he will not at any time during employment hereunder or thereafter, except in performance of his obligations to the Company hereunder or with the prior written consent of the senior operating officer of the Company, directly or indirectly, disclose or use any secret or confidential information that he may learn or has learned by reason of his association with the Company. The term “confidential information” includes information not previously disclosed to the public or to the trade by the Company's management, or otherwise in the public domain, with respect to the Company's products, facilities, applications and methods, trade secrets and other intellectual property, systems, procedures, manuals, confidential reports, product price lists, customer lists, technical information, financial information, business plans, prospects or opportunities, but shall exclude any information which (i) is or becomes available to the public or is generally known in the industry or industries in which the Company operates other than as a result of disclosure by the Executive in violation of his agreements under this Section 7.3 or (ii) the Executive is required to disclose under any applicable laws, regulations or directives of any government agency, tribunal or authority having jurisdiction in the matter or under subpoena or other process of law. The Executive confirms that all restrictions in this Section 7.3 are reasonable and valid and waives all defences to the strict enforcement thereof.

7.4 Exclusive Property. The Executive confirms that all confidential information is and shall remain the exclusive property of the Company. All business records, papers and documents regardless of the form of their records kept or made by Executive relating to the business of the Company shall be and remain the property of the Company, and shall be promptly returned by the Executive to the Company upon any termination of employment.

7.5 Injunctive Relief. Without intending to limit the remedies available to the Company, the Executive acknowledges that a material breach of any of the covenants contained in Article 7 will result in material and irreparable injury to the Company for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company shall be entitled to seek a temporary restraining order and/or a preliminary, interim or permanent injunction restraining the Executive from engaging in activities prohibited by Article 7 or such other relief as may be required specifically to enforce any of the covenants in Article 7. The Executive waives any defences to the strict enforcement by the Company of the covenants contained in Article 7. If for any reason it is held that the restrictions under Article 7 are not reasonable or that consideration therefor is inadequate, such restrictions shall be interpreted or modified to include as much of the duration and scope identified in Article 7 as will render such restrictions valid and enforceable.

7.6 Representation. The Executive represents and warrants that he is not subject to any non-competition covenant or any other agreement with any party which would in any manner restrict or limit his ability to render the services required of him hereunder.

8. MISCELLANEOUS

8.1 Notices. All notices or communications hereunder shall be in writing, addressed as follows:

To the Company:	Imax Corporation 2525 Speakman Drive Mississauga, Ontario L5K 1B1 Telecopier No: (905) 403-6468 Attention: Legal Department
To the Executive:	Joseph Sparacio 9 Jennifer Drive Holmdel, New Jersey 07733 Telecopier No:

All such notices shall be conclusively deemed to be received and shall be effective, (i) if sent by hand delivery, upon receipt or (ii) if sent by registered or certified mail, on the fifth day after the day on which such notice is mailed.

8.2 Severability. Each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. The parties agree that Sections 4, 5, 6 and 7 shall survive the termination of this Agreement.

8.3 Assignment. This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Executive and the assigns and successors of the Company, if any are permitted by law and provided that the Company and its assignee shall each remain liable to the Executive in the event of any assignment, but neither this Agreement nor any rights hereunder shall be assignable or otherwise subject to hypothecation by the Executive. The Executive expressly agrees that the Company may assign any of its rights, interest or obligations hereunder to any affiliate without the consent of the Executive; provided, however, that no such assignment shall relieve the assignor of any of its obligations hereunder.

8.4 Entire Agreement: Amendment. This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Company and the Executive. This Agreement may only be amended at any time by mutual written agreement of the parties hereto.

8.5 Withholding. The payment of any amount pursuant to this Agreement shall be subject to any applicable withholding and payroll taxes, and such other deductions as may be required under applicable law or the Company's Executive benefit plans, if any.

8.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein without regard to principles of conflicts of laws.

IN WITNESS WHEREOF, the Company and the Executive have duly executed and delivered this Agreement as of the 31 st day of March, 2007.

IMAX CORPORATION:

By: *"Mary Sullivan"*
Name:
Title:

By: *"Bradley J. Wechsler"*
Name:
Title:

SIGNED, SEALED AND DELIVERED
in the presence of:

"Michael J. Ferrador
Witness

EXECUTIVE:

"Joseph Sparacio"
Joseph Sparacio

IMAX CORPORATION
Exhibit 10.28

Published CUSIP Number: C4548VAA7
Revolving Loan CUSIP Number: C4548VAB5
Term Loan CUSIP Number: C4548VAC3

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

by and between

IMAX CORPORATION

as Borrower

- and -

THE GUARANTORS REFERRED TO HEREIN

as Guarantors

- and -

THE LENDERS REFERRED TO HEREIN

as Lenders

- and -

WELLS FARGO BANK, NATIONAL ASSOCIATION

as Agent and Issuing Lender

- and -

WELLS FARGO SECURITIES, LLC,

as Sole Lead Arranger and Sole Bookrunner

Dated: February 7, 2013

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THIRD AMENDED AND RESTATED CREDIT AGREEMENT

This Third Amended and Restated Credit Agreement dated February 7, 2013 is entered into by and between IMAX Corporation, a corporation incorporated pursuant to the laws of Canada, as Borrower, the guarantors who are a party to this Agreement and who may become a party hereto pursuant to the terms hereof, as Guarantors, the lenders who are a party to this Agreement and who may become a party hereto pursuant to the terms hereof, as Lenders, and Wells Fargo Bank, National Association, a national banking association, as Agent for the Secured Parties.

W I T N E S S E T H:

WHEREAS Borrower and Congress Financial Corporation (Canada) (" **Original Lender**") entered into a loan agreement dated February 6, 2004 which was amended pursuant to:

(a) a first amendment to the Loan Agreement dated June 30, 2005;

(b) a second amendment to the Loan Agreement dated May 16, 2006;

(c) a second amendment to the Loan Agreement dated May 16, 2006 (which amended, restated and replaced in its entirety the second amendment to the Loan Agreement referred to in clause (b) above);

(d) a third amendment to the Loan Agreement dated September 30, 2007;

(e) a fourth amendment to the Loan Agreement dated December 5, 2007; and

(f) a fifth amendment to the Loan Agreement dated May 5, 2008,

(collectively, the "**Original Loan Agreement**");

WHEREAS Wachovia Capital Finance Corporation (Canada) (formerly known as Congress Financial Corporation (Canada)) as agent (the " **Original Agent**") and lender, Borrower and Export Development Canada ("**EDC**"), as lender, amended and restated the Original Loan Agreement pursuant to an amended and restated credit agreement dated November 16, 2009 as amended by a first amendment to the amended and restated credit agreement dated January 21, 2011 (as amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the " **First Amended and Restated Credit Agreement**");

WHEREAS Wells Fargo Capital Finance Corporation Canada (formerly known as Wachovia Capital Finance Corporation (Canada)), as Original Agent and lender, Borrower and EDC, as lender, amended and restated the First Amended and Restated Credit Agreement pursuant to a second amended and restated credit agreement dated June 2, 2011 (as amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the " **Second Amended and Restated Credit Agreement**");

WHEREAS Agent (as successor agent to the Original Agent), Borrower and Lenders desire to amend and restate the Second Amended and Restated Credit Agreement as set forth herein; and

WHEREAS each Lender is willing to (severally and not jointly) make loans and provide such financial accommodations to Borrower on a *pro rata* basis according to their Revolving Loan Commitment to Borrower on the terms and conditions set forth herein and Agent is willing to act as agent for Secured Parties on the terms and conditions set forth herein and the other Financing Agreements;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

All terms used herein which are defined in the PPSA (as defined below) shall have the meanings given therein unless otherwise defined in this Agreement. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural unless the context otherwise requires. All references to Borrower, Credit Parties, Guarantors, Lenders, Issuing Lender and Agent pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. The words "**hereof**", "**herein**", "**hereunder**", "**this Agreement**" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. The word "**including**" when used in this Agreement shall mean "**including, without limitation**". References herein to any statute or any provision thereof include such statute or provision as amended, revised, re-enacted, and/or consolidated from time to time and any successor statute thereto. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 12.3 or, without derogating from the cure rights, if any, provided to Credit Parties in Article 10 hereof, is cured in a manner satisfactory to Agent, if such Event of Default is capable of being cured as determined by Agent. Any accounting term used herein unless otherwise defined in this Agreement shall have the meanings customarily given to such term in accordance with GAAP. If, after the Closing Date, there shall be any change in the application of the accounting principles used in preparation of Borrower's financial statements as a result of any changes in GAAP including International Financial Reporting Standards becoming applicable to Borrower, which changes (a) result in a change in the method of calculation of, or (b) impact on, financial covenants or other covenants applicable to Borrower found in this Agreement or the other Financing Agreements, Borrower and Agent shall promptly enter into negotiations in good faith in order to amend such financial covenants or other covenants so as to reflect equitably such changes with the desired result that the evaluations of Borrower's financial condition shall be the same after such changes as if such changes had not been made. Canadian Dollars and the sign "**CDN$**" mean lawful money of Canada. "**US Dollars**" and the sign "**$**" mean lawful money of the United States of America. All monetary amounts referred to in this Agreement are in US Dollars unless otherwise stated. For purposes of this Agreement, the following terms shall have the respective meanings given to them below:

"**Accounts**" means all present and future rights of any Credit Party to payment for goods sold or leased or for services rendered, which are not evidenced by instruments or chattel paper, and whether or not earned by performance.

"**Adjusted Euro Dollar Rate**" means, with respect to each Interest Period for any Euro Dollar Rate Loan, the rate *per annum* (rounded upwards, if necessary, to the next 1/16th of 1%) determined by dividing:

(a) the Euro Dollar Rate for such Interest Period by:

(b) a percentage equal to:

(i) one (1) minus

(ii) the Reserve Percentage.

For purposes hereof, "**Reserve Percentage**" shall mean the reserve percentage, expressed as a decimal, prescribed by any United States or foreign banking authority for determining the reserve requirement which is or would be applicable to deposits of US Dollars in a non-United States or an international banking office of the US Reference Bank used to fund a Euro Dollar Rate Loan or any Euro Dollar Rate Loan made with the proceeds of such deposit, whether or not US Reference Bank actually holds or has made any such deposits or loans. The Adjusted Euro Dollar Rate shall be adjusted on and as of the effective day of any change in the Reserve Percentage.

"**Affiliate**" or "**affiliate**" shall have the meaning ascribed thereto in the *Business Corporations Act* (Canada).

"**Agent**" means Wells Fargo, in its capacity as administrative and collateral agent hereunder, and any successor thereto appointed pursuant to Section 11.11.

"**Agreed Currency**" shall have the meaning set forth in Section 13.7 hereof.

"**Aggregate Amount**" shall have the meaning set forth in Section 2.3(a) hereof.

"**Applicable Margin**" means the corresponding percentages *per annum* as set forth below based on the Total Leverage Ratio:

Pricing Level	Total Leverage Ratio	Applicable Margin for Eurodollar Rate Loans and Letter of Credit Accommodations	Applicable Margin for Commitment Fees
I	Less than 1.00:1.00	1.50%	0.25%
II	Greater than or equal to 1.00:1.00 but less than 2.00:1.00	1.75%	0.375%
III	Greater than or equal to 2.00:1.00	2.00%	0.50%

The Applicable Margin shall be determined and adjusted quarterly on the date (each an " **AM Calculation Date**") 10 Business Days after the day by which Borrower is required to provide a Compliance Certificate pursuant to Section 7.6(a) for the most recently ended Fiscal Quarter; provided that (a) the Applicable Margin shall be based on Pricing Level I until the first AM Calculation Date occurring after the Closing Date and, thereafter the Pricing Level shall be determined by reference to the Total Leverage Ratio as of the last day of the most recently ended Fiscal Quarter preceding the applicable AM Calculation Date, and (b) if Borrower fails to provide the Compliance Certificate as required by Section 7.6(a) for the most recently ended Fiscal Quarter preceding the applicable AM Calculation Date, the Applicable Margin from such AM Calculation Date shall be based on Pricing Level III until such time as an appropriate Compliance Certificate is provided, at which time the Pricing Level shall be determined by reference to the Total Leverage Ratio as of the last day of the most recently ended Fiscal Quarter preceding such AM Calculation Date. The Applicable Margin shall be effective from one AM Calculation Date until the next AM Calculation Date. Any adjustment in the Applicable Margin shall be applicable to all Loans or Letter of Credit Accommodations then existing or subsequently made or issued.

Notwithstanding the foregoing, in the event that any financial statement or Compliance Certificate delivered pursuant to Section 7.6(a) is shown to be inaccurate (regardless of whether (i) this Agreement is in effect, (ii) the Revolving Loan Commitment is in effect, or (iii) any Loan or Letter of Credit Accommodation is outstanding when such inaccuracy is discovered or such financial statement or Compliance Certificate was delivered), and such inaccuracy, if corrected, would have led to the application of a higher Applicable Margin for any period (an " **Applicable Period**") than the Applicable Margin applied for such Applicable Period, then (A) Borrower shall immediately deliver to Agent a corrected Compliance Certificate for such Applicable Period, (B) the Applicable Margin for such Applicable Period shall be determined as if the Total Leverage Ratio in the corrected Compliance Certificate were applicable for such Applicable Period, and (C) Borrower shall immediately and retroactively be obligated to pay to Agent the accrued additional interest and fees owing as a result of such increased Applicable Margin for such Applicable Period, which payment shall be promptly applied by Agent in accordance with Section 5.3. Borrower's obligations under this paragraph shall survive the termination of the Revolving Loan Commitments and the repayment of all other Obligations hereunder.

"**Arranger**" means Wells Fargo Securities, LLC, in its role hereunder as sole lead arranger and sole bookrunner.

"**Asset Disposition**" means (a) the disposition of any or all of the assets of any Credit Party thereof whether by sale, lease, transfer or otherwise and (b) any issuance of Capital Stock by any Subsidiary of Borrower to any Person that is not a Credit Party or any Subsidiary thereof.

"**Assignment and Assumption Agreement** " means an assignment and assumption agreement entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 11.1), and accepted by Agent, in substantially the form attached hereto as Exhibit A or any other form approved by Agent.

"**BIA**" means the *Bankruptcy and Insolvency Act* (Canada).

"BMO" means Bank of Montreal.

"BMO Term Sheet" means the term sheet dated January 4, 2013 between Borrower and BMO with respect to the issuance of:

(a) a $10,000,000 Demand, Revolving Letter of Credit Facility by BMO in favour of Borrower (the " **BMO LC Facility**");

(b) a CDN$175,000 Mastercard Businesscard Facility by BMO in favour of Borrower (the " **Mastercard Facility**"); and

(c) a $4,000,000 Directline for Business – Foreign Exchange Settlement Facility by BMO in favour of Borrower (the " **F/X Facility**").

"**Borrower**" means IMAX Corporation, a corporation incorporated pursuant to the laws of Canada.

"**Business Day**" means a day (other than a Saturday, Sunday or statutory holiday in Ontario or New York) on which Agent's Toronto office and banks in New York City are open for business in the normal course.

"**Calculation Date**" shall have the meaning set forth in Section 2.3(a) hereof.

"**Capital Expenditures**" means, with respect to Borrower and its Subsidiaries, capital expenditures as determined in accordance with GAAP, excluding capital expenditures made with respect to (a) the land and construction costs of the Santa Monica Facility and (b) Borrower's, IMAX China Multimedia's and IMAX China Theatre's operations in China funded by the proceeds of the IMAX China Capital Raise in Section 8.3(k)(iii) such capital expenditure exclusion amount in this clause (b) not to exceed $40,000,000.

"**Capital Lease Obligations**" means all monetary obligations of Borrower and its Subsidiaries under a capital lease and, for the purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"**Capital Stock**" means (a) in the case of a corporation or company, capital stock or shares (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (c) in the case of a partnership,

partnership interests (whether general or limited), (d) in the case of a limited liability company, membership interests, (e) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person and (f) any and all warrants, rights or options to purchase any of the foregoing.

"**Cash Compensation**" means cash compensation to senior management and directors of Credit Parties and any Subsidiary thereof (including payments made pursuant to the USERP) not captured under GAAP in their respective income statements but captured under GAAP in their respective cash flow statements.

"**Cash Equivalents**" means (a) marketable direct obligations issued or unconditionally guaranteed by the Canadian or U.S. federal government and backed by the full faith and credit of such government, as applicable; (b) domestic and euro dollar certificates of deposit and time deposits, bankers' acceptances and floating rate certificates of deposit issued by any commercial bank organized under the laws of Canada or the United States, any province or state thereof, any foreign bank, or its branches or agencies, the long-term indebtedness of which institution at the time of acquisition is rated A—(or better) by Standard & Poor's Rating Services ("**S&P**") or A3 (or better) by Moody's Investors Service, Inc. ("**Moody's**"), and which deposits are fully protected against currency fluctuations for any such deposits with a term of more than 90 days; (c) shares of money market, mutual or similar funds having assets in excess of $100,000,000 and the investments of which are limited to (i) investment grade securities (i.e., securities rated at least BBB by S&P or rated at least Baa by Moody's) and (ii) commercial paper of Canadian, U.S. and foreign banks and bank holding companies and their subsidiaries and Canadian, U.S. and foreign finance, commercial industrial or utility companies which, at the time of acquisition, are rated A-1 (or better) by S&P or P-1 (or better) by Moody's (all such institutions being, "**Qualified Institutions**"); (d) commercial paper of Qualified Institutions; and (e) auction rate securities (long-term, variable rate bonds tied to short-term interest rates) that are rated AAA by S&P and Aaa by Moody's; provided that the maturities of such Cash Equivalents shall not exceed 365 days from the date of acquisition.

"**Cash Management Agreement**" means any agreement to provide cash management services, including treasury, depository, overdraft, credit or debit card, electronic funds transfer and other cash management arrangements.

"**Cash Management Bank**" means any Person that, at the time it enters into a Cash Management Agreement, is a Lender, an Affiliate of a Lender, Agent or an Affiliate of Agent, in its capacity as a party to such Cash Management Agreement.

"**CCAA**" means the *Companies' Creditors Arrangement Act* (Canada).

"**CCAA Plan**" shall have the meaning set forth in Section 8.7 hereof.

"**Closing Date**" means February 7, 2013.

"**Code**" means the *United States Internal Revenue Code* of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"**Collateral**" means, collectively, all of the undertaking, property and assets, real or personal, tangible or intangible, now existing or hereafter acquired by any Credit Party that may at any time be or become subject to a Lien in favour of Agent to secure any or all of the Obligations; provided that, for greater certainty, any and all assets of IMAX China Multimedia and IMAC China Theatre shall be excluded from, and not form part of, the Collateral.

"**Compliance Certificate**" means the compliance certificate substantially in the form attached hereto as Exhibit B.

"**Credit Parties**" means, collectively, Borrower and Guarantors.

"**Default**" means an event, circumstance or omission which, with any of the giving of notice or a lapse of time or both would constitute an Event of Default.

"**EBITDA**" means, for any period with respect to Borrower, an amount equal to the consolidated net income or net loss before interest, taxes, depreciation, amortization and any other non-cash and non-operating charges or other impairments as approved by Agent. For purposes of calculating compliance with the financial covenants in Sections 9.1, 9.2 and 9.3 hereof, EBITDA shall be calculated without taking into account any contribution to consolidated net income or net loss with respect to (i) any Future Permitted Transaction and (ii) non-cash equity income or loss from joint ventures.

"EDC Indemnity Agreement" means the indemnity agreement dated May 3, 2010 given by Borrower in favour of EDC.

"**Eligible Transferee**" means

(a) any Lender;

(b) the parent company of any Lender and/or any Affiliate of such Lender;

(c) any Person that is engaged in the business of making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or with respect to any Lender that is a fund which invests in commercial loans and similar extensions of credit, any other fund that invests in commercial loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor; and

(d) any other commercial bank, financial institution or "**accredited investor**" (as defined under Ontario Securities Commission Rule 45-106) approved by Agent and, unless an Event of Default has occurred and is continuing, Borrower (each such approval not to be unreasonably withheld or delayed),

provided, however, that,

(i) neither Borrower nor any Affiliate of Borrower;

(ii) nor any Person to whom any indebtedness (other than the Obligations) is owed by any Credit Party;

(iii) nor any natural person;

(iv) nor any Person that is a competitor of Borrower,

in each case of the foregoing clauses (i), (ii) and (iii), and (iv), shall qualify as an Eligible Transferee (each, a "**Prohibited Transferee**").

"**Environmental Laws**" means with respect to any Person all federal (United States of America and Canada), state, provincial, district, local, municipal and foreign laws, statutes, rules, regulations, ordinances, orders, directives, permits, licenses and consent decrees relating to health, safety, hazardous, dangerous or toxic substances, waste or material, pollution and environmental matters, as now or at any time hereafter in effect, applicable to such Person and/or its business and facilities (whether or not owned by it), including laws relating to emissions, discharges, releases or threatened releases of pollutants, contamination, chemicals, or hazardous, toxic or dangerous substances, materials or wastes into the environment (including, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the generation, manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals, or hazardous, toxic or dangerous substances, materials or wastes.

"**ERISA**" means the *Employee Retirement Income Security Act of 1974*, together with all rules, regulations and interpretations thereunder or related thereto.

"**ERISA Affiliate**" means any person required to be aggregated with any Credit Party or any of its Subsidiaries under Sections 414(b), 414(c), 414(m) or 414(o) of the Code.

"**ERISA Event**" means

(a) any "**reportable event**" as defined in Section 4043(c) of ERISA or the regulations issued thereunder, with respect to a US Pension Plan, other than events as to which the requirement of notice has been waived in regulations by the Pension Benefit Guaranty Corporation;

(b) the adoption of any amendment to a US Pension Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA;

(c) a complete or partial withdrawal by any Credit Party or any ERISA Affiliate from a Multiemployer Plan or a cessation of operations which is treated as such a withdrawal or notification that a Multiemployer Plan is in reorganization;

(d) the filing of a notice of intent to terminate a US Pension Plan under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the Pension Benefit Guaranty Corporation to terminate a US Pension Plan;

(e) an event or condition which would reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan;

(f) the imposition of any liability under Title IV of ERISA, other than the Pension Benefit Guaranty Corporation premiums due but not delinquent under Section 4007 of ERISA, upon any Credit Party or any ERISA Affiliate in excess of $500,000; and

(g) any other event or condition with respect to any US Pension Plan subject to Title IV of ERISA maintained, or contributed to, by any ERISA Affiliate that could reasonably be expected to result in liability of any Credit Party in excess of $500,000.

"**Euro Dollar Rate**" means the rate of interest, based on a 360 day year, appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such service or any successor to or substitute for such service as determined by Agent) as the London interbank offered rate for deposits in US Dollars for a term comparable to the applicable Interest Period as selected by Borrower (but if more than one rate is specified on such page, the rate will be an arithmetic average of all such rates rounded upwards, in Agent's discretion, to the nearest 1/100th of one 1%) on or about 9:00 a.m. New York time 3 Business Days prior to the commencement of such Interest Period.

"**Euro Dollar Rate Loans**" means any Loans or portion thereof denominated in US Dollars and on which interest is payable based on the Adjusted Euro Dollar Rate in accordance with the terms hereof.

"**Event of Default**" shall have the meaning set forth in Section 10.1 hereof.

"**Fee Letter**" means the separate fee letter agreement dated December 10, 2012 among Borrower, Agent and Arranger.

"**Film Fund Subsidiary**" means any special purpose vehicle Subsidiary of Borrower (other than a Credit Party) that Borrower establishes for the purpose of producing, marketing and owning new IMAX documentaries and films.

"**Financing Agreements**" means, collectively, this Agreement, the Original Loan Agreement, the First Amended and Restated Credit Agreement, the Second Amended and Restated Credit Agreement, the Fee Letter and all notes, guarantees, security agreements and other agreements, documents and instruments previously, now or at any time hereafter executed and/or delivered by any Credit Party in connection with this Agreement, the Original Loan Agreement, the First Amended and Restated Credit Agreement and the Second Amended and Restated Credit Agreement, in each case, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, but excluding any Secured Hedge Agreement and Secured Cash Management Agreement.

"**Financing Receivables**" means financing receivables determined in accordance with GAAP and presented on the consolidated balance sheet of Borrower.

"**Fiscal Quarter**" means each of the following 3 month periods in any Fiscal Year of Borrower: January 1 to March 31, April 1 to June 30, July 1 to September 30 and October 1 to December 31.

"**Fiscal Year**" means the fiscal year of Borrower being the 12 month period of January 1 to December 31.

"**Fixed Charge Coverage Ratio**" means, with respect to Borrower and its Subsidiaries on a consolidated basis for any applicable period, determined in accordance with GAAP, the quotient of, for each applicable period:

(a) EBITDA minus Capital Expenditures minus the sum of federal, provincial, state, local and foreign taxes paid in cash in the period (less tax refunds in cash received by Borrower and its Subsidiaries in the period) minus the sum of payments made pursuant to Section 8.4(i)(c), (e) and (i) (but excluding any such payments to the extent funded through issuances of Capital Stock of Borrower) minus Cash Compensation not included in EBITDA (but excluding up to $2,500,000 in severance costs up to December 31, 2013) minus increases in Financing Receivables; divided by:

(b) interest paid and interest due within the period that the test is being done but which has not been paid at the time of the test plus any principal due plus payments under Section 8.5 (but excluding any principal and interest paid and due with respect to indebtedness incurred pursuant to Section 8.3(h)). For the avoidance of doubt, any computations under this clause (b) shall not include any principal payments or repayments in respect of Loans (as defined in the Second Amended and Restated Credit Agreement) under the Second Amended and Restated Credit Agreement made on the Closing Date to give effect to the terms of this Agreement.

"**Funding Bank**" shall have the meaning set forth in Section 3.2(a)(i) hereof.

"**Future Permitted Transaction**" means any infrequent or unusual transaction requested by Borrower to be designated as such to the extent any such transaction has been pre-approved in writing by Agent and Required Lenders.

"**GAAP**" means generally accepted accounting principles in the United States of America as in effect from time to time as set forth in the opinions and pronouncements of the relevant U.S. public and private accounting boards and institutes which are applicable to the circumstances as of the date of determination consistently applied.

"**General Restricted Payment Basket**" shall have the meaning set forth in Section 8.5(e)(ii) hereof.

"**General Security Agreement**" shall mean the amended and restated general security agreement dated November 16, 2009 given by Borrower in favour of Agent as security for payment and performance of the Obligations, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

"**Governmental Authority**" means any government, parliament, legislature, municipal or local government, or any regulatory authority, agency, commission or board of any government, parliament or legislature, or any court or (without limitation to the foregoing) any other law, regulation or rule-making entity (including any central bank, fiscal or monetary authority regulating banks), having or purporting to have jurisdiction in the relevant circumstances, or any Person acting or purporting to act under the authority of any of the foregoing (including any arbitrator).

"**Guarantors**" means, other than Borrower, any guarantor, endorser, acceptor, surety or other person liable on or with respect to the Obligations or who is the owner of any property which is security for the Obligations, including:

(a) IMAX U.S.A. Inc., a Delaware corporation;

(b) 1329507 Ontario Inc., an Ontario corporation;

(c) IMAX II U.S.A. Inc., a Delaware corporation;

(d) David Keighley Productions 70 MM Inc., a Delaware corporation; and

(e) IMAX Barbados.

"**Hazardous Materials**" means any hazardous, toxic or dangerous substances, materials and wastes, including hydrocarbons (including naturally occurring or man-made petroleum and hydrocarbons), flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, biological substances, polychlorinated biphenyls, pesticides, herbicides and any other kind and/or type of pollutants or contaminants (including materials which include hazardous constituents), sewage, sludge, industrial slag, solvents and/or any other similar substances, materials, or wastes and including any other substances, materials or wastes that are or become regulated under any Environmental Law (including any that are or become classified as hazardous or toxic under any Environmental Law).

"**Hedge Agreement**" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement, all as amended, modified, supplemented, extended, renewed, restated or replaced from time to time.

“**Hedge Bank**” means any Person that at the time it enters into a Hedge Agreement is a Lender, an Affiliate of a Lender, Agent or an Affiliate of Agent, in its capacity as a party to such Hedge Agreement.

“**IMAX Barbados**” means IMAX (Barbados) Holding, Inc., a Barbados corporation.

“**IMAX Cayman**” means IMAX China Holding, Inc., a Cayman Islands exempted company.

“**IMAX China Capital Raise**” shall have the meaning set forth in Section 8.3(k).

“**IMAX China Multimedia**” means IMAX (Shanghai) Multimedia Technology Co., Ltd., a People’s Republic of China corporation.

“**IMAX China Theatre**” means IMAX (Shanghai) Theatre Technology Services Co., Ltd., a People’s Republic of China corporation.

“**IMAX Japan**” means IMAX Japan Inc., a Japanese corporation.

“**Information Certificates**” means, collectively, the Information Certificates of each Credit Party constituting Exhibit C hereto containing material information with respect to each Credit Party and its business and assets provided by or on behalf of each Credit Party to Agent in connection with the preparation of the Financing Agreements and the financing arrangements provided for herein.

“**Insurance and Condemnation Event**” means the receipt by any Credit Party of any cash insurance proceeds or condemnation award payable by reason of theft, loss, physical destruction or damage, taking or similar event with respect to any of its properties or assets.

“**Interest Period**” means, with respect to each Euro Dollar Rate Loan, a period of 1, 2, 3 or 6 months duration as Borrower may elect, the exact duration to be determined in accordance with customary practice in the applicable Euro Dollar Rate market or customary practice of Agent; provided that:

(a) Borrower may not elect an Interest Period which will end after the Maturity Date; and

(b) Interest Periods shall be selected by Borrower so as to permit Borrower to make the quarterly principal installment payments pursuant to Section 2.3(b) without payment of any amounts pursuant to Article 3.

“**Interest Rate**” means:

(a) as to Euro Dollar Rate Loans, the Adjusted Euro Dollar Rate plus the Applicable Margin *per annum*; or

(b) as to US Prime Rate Loans, the US Prime Rate plus 0.50% *per annum*; or

(c) notwithstanding the rates described in clause (a) and (b) above, the rate of 3% *per annum* in excess of the applicable Interest Rate described above and all fees payable in connection herewith shall apply (and shall be payable on demand by Agent):

(i) automatically upon the occurrence and continuation of an Event of Default under Section 10.1(a)(i)(A), 10.1(e)(i), 10.1(i) or 10.1(j); and

(ii) at the election of Required Lenders (or Agent at the direction of Required Lenders) upon the occurrence and continuation of any other Event of Default.

"**Inventory**" means all of a Credit Party's now owned and hereafter existing or acquired raw materials, work in process, finished goods and all other inventory of whatsoever kind or nature, wherever located.

"**Investment Amount**" shall have the meaning set forth in Section 9.1(b) hereof.

"**IP Collateral**" means all of the Intellectual Property as such term is defined in the General Security Agreement.

"**IP Collateral License Agreement**" means the amended and restated intellectual property license agreement dated November 16, 2009 granting Agent and its successors, transferees and assignees, a non-exclusive, royalty free perpetual license to the IP Collateral, but effective only upon the occurrence and continuance of an IP Grace Period, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

"**IP Grace Period**" means the period commencing the date upon which Agent exercises its remedies pursuant to Sections 10.2(a) and/or Section 10.2(b) hereof and ending 120 days thereafter.

"**Issuing Lender**" means with respect to Letter of Credit Accommodations issued hereunder on or after the Closing Date, Wells Fargo, in its capacity as issuer thereof, or any successor thereto.

"**Lenders**" means each Person executing this Agreement as a Lender (including Revolving Lenders and Term Lenders) on the Closing Date and any other Person that shall have become a party to this Agreement as a Lender (including Revolving Lenders and Term Lenders) pursuant to an Assignment and Assumption, other than any Person that ceases to be a party hereto as a Lender pursuant to an Assignment and Assumption.

"**Letter of Credit Accommodations**" means the letters of credit, merchandise purchase or other guarantees denominated in US Dollars which are from time to time either (a) issued or opened by Issuing Lender for the account of any Credit Party or (b) with respect to which Issuing Lender has agreed to indemnify the issuer or guaranteed to the issuer the performance by any Credit Party of its obligations to such issuer, and shall include the existing letters of credit, merchandise purchase and other guarantees issued and currently outstanding under the Second Amended and Restated Credit Agreement.

"**License Agreements**" shall have the meaning set forth in the General Security Agreement.

"**Lien**" means any security interest, mortgage, pledge, hypothec, lien, charge or other lien of any nature whatsoever (including those created by statute).

"**Loans**" means, collectively, the Revolving Loans and the Term Loans.

"**Material Adverse Effect**" means, with respect to Borrower and its Subsidiaries, (a) a material adverse effect on the properties, business, operations or condition (financial or otherwise) of any such Persons, taken as a whole, (b) a material impairment of the ability of any such Person to perform its obligations under the Financing Agreements to which it is a party, (c) a material impairment of the rights and remedies of Agent or any Lender under any Financing Agreement or (d) a material impairment of the legality, validity, binding effect or enforceability against any Credit Party of any Financing Agreement to which it is a party.

"**Material Subsidiary**" means any Subsidiary of any Credit Party that accounts for greater than 10% of the revenues of Borrower on a consolidated basis other than IMAX China Multimedia, IMAX China Theatre and IMAX Japan.

"**Maturity Date**" means the earlier of:

(a) demand for payment under Section 10.2; and

(b) the 5th anniversary of the Closing Date.

"**Maximum Credit**" means the amount of $200,000,000.

"**Maximum Revolving Credit**" means the amount of $200,000,000 as reduced from time to time pursuant to the terms of Section 2.3 hereof.

"**Maximum Term Credit**" shall have the meaning set forth in Section 2.3(a)(ii)(C) hereof.

"**Multiemployer Plan**" means a "**multi-employer plan**" as defined in Section 4001(a)(3) of ERISA which is or was at any time during the current year or the immediately preceding 6 years contributed to by Borrower or any ERISA Affiliate or with respect to which Borrower or any ERISA Affiliate may incur any liability.

"**Net Cash Proceeds**" means, as applicable, (a) with respect to any Asset Disposition or Insurance and Condemnation Event, the gross proceeds received by any Credit Party or Subsidiary thereof therefrom (including any cash, cash equivalents, deferred payment pursuant to, or by monetization of, a note receivable or otherwise, as and when received) less the sum of (i) all income taxes and other taxes imposed by a Governmental Authority as a result of such transaction or event, (ii) all reasonable and customary out-of-pocket fees and expenses incurred in connection with such transaction or event and (iii) the principal amount of, premium, if any, and interest on any indebtedness secured by a Lien on the asset (or a portion thereof) disposed of, which indebtedness is required to be repaid in connection with such transaction or event, and (b) with respect to any incurrence of indebtedness, the gross cash proceeds received by any Credit

Party or any Subsidiary thereof therefrom less all reasonable and customary out-of-pocket legal, underwriting and other fees and expenses incurred in connection therewith.

"**Non-Funding Lender**" shall have the meaning set forth in Section 11.13(a)(iii) hereof.

"**Non-Recourse Debt**" means indebtedness of a Subsidiary of Borrower (other than a Credit Party) that (a) has not been guaranteed by any Credit Party or other Subsidiary thereof, (b) no Credit Party or other Subsidiary thereof has provided security or other financial assistance or accommodations with respect thereto and (c) the applicable creditor has no other recourse to any Credit Party or other Subsidiary thereof for payment including by means of demand, action or proceeding.

"**Notice of Borrowing**" means a notice of borrowing substantially in the form attached as Exhibit D hereto.

Notice of Conversion/Continuation" means a notice of conversion/continuation substantially in the form attached as Exhibit E hereto.

"**Notice of Prepayment**" means a notice of prepayment substantially in the form attached as Exhibit F hereto.

"**Obligations**" means any and all Loans, Letter of Credit Accommodations and all other obligations, liabilities and indebtedness of every kind, nature and description owing by any Credit Party to Agent, Lenders and their respective Affiliates including principal, interest, charges, indemnifications for Letter of Credit Accommodations or otherwise, fees, costs and expenses, however evidenced, whether as principal or otherwise, arising under or in connection with the Financing Agreements, Secured Hedge Agreements and Secured Cash Management Agreements, as amended, supplemented, restated or superseded, in whole or in part, from time to time and/or applicable laws, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of this Agreement or after the commencement of any proceeding with respect to any Credit Party under the BIA, the CCAA, or any similar statute in any jurisdiction (including the payment of interest and other amounts which would accrue and become due but for the commencement of such proceeding, whether or not such amounts are allowed or allowable in whole or in part in such proceeding), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured. For greater certainty, the obligations, liabilities and indebtedness owing under or in connection with the BMO Term Sheet are not included in "**Obligations**".

"**OFAC**" means the U.S. Department of the Treasury's Office of Foreign Assets Control.

"**Other Currency**" shall have the meaning set forth in Section 13.7 hereof.

"**Other Lender**" shall have the meaning set forth in Section 11.13(d) hereof.

"**Patriot Act**" means the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*, Pub. L. 107-56, signed into law October 26, 2001.

"**Pension Plans**" means each of the pension plans, if any, that are registered in accordance with the *Income Tax Act* (Canada) which any Credit Party sponsors or administers or into which any Credit Party makes contributions.

"**Permitted Liens**" means, collectively, the Liens permitted pursuant to Section 8.2(a) through (m) (inclusive).

"**Person**" or "**person**" means any individual, sole proprietorship, partnership, limited partnership, corporation, limited liability company, business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

"**Plan**" means an employee benefit plan (as defined in Section 3(3) of ERISA) which Borrower sponsors, maintains, or to which it makes, is making, or is obligated to make contributions or, in the case of a Multiemployer Plan, has made contributions at any time during the immediately preceding 6 plan years or with respect to which Borrower may incur liability. For greater certainty, "**Plan**" does not include a Pension Plan that is not a US Pension Plan.

"**PPSA**" means the *Personal Property Security Act* (Ontario); provided that, if the attachment, perfection or priority of Agent's security in respect of any Collateral is governed by the laws of any jurisdiction other than Ontario, PPSA shall mean those other laws for the purposes hereof relating to attachment, perfection or priority.

"**Pro Rata Share**" means with respect to a Lender (a) with respect to all Revolving Loans, the percentage obtained by dividing (i) the aggregate Revolving Loan Commitments of such Lender by (ii) the aggregate Revolving Loan Commitments of all Lenders; (b) with respect to all Term Loans, the percentage obtained by dividing (i) the aggregate outstanding principal balance of the Term Loans held by such Lender by (ii) the outstanding principal balance of the Term Loans held by all Lenders; and (c) with respect to all Loans on and after the Maturity Date, the percentage obtained by dividing (i) the aggregate outstanding principal balance of the Loans held by such Lender by (ii) the outstanding principal balance of the Loans held by all Lenders.

"**Real Property**" means the property known as 2525 Speakman Drive, Mississauga, Ontario L5K 1B1 legally owned by 1329507 Ontario Inc. and beneficially owned by Borrower.

"**Receiver**" shall have the meaning set forth in Section 10.2(g) hereof.

"**Records**" means all of each Credit Party's present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of a Credit Party with respect to the foregoing maintained with or by any other person).

"**Report**" shall have the meaning set forth in Section 11.9(a) hereof.

"**Required Lenders**" means, on any date of determination, (a) Lenders holding more than 50% of the Revolving Loan Commitments and the outstanding Term Loans or (b) on and after the Maturity Date, Lenders holding more than 50% of the outstanding Loans. The Revolving Loan Commitments and outstanding Loans of Non-Funding Lenders shall be excluded from the calculation of Required Lenders.

"**Revolving Loan Commitment**" means (a) as to any Lender with respect to Revolving Loans, the aggregate of such Lender's Revolving Loan Commitment as set forth beside such Lender's name on Exhibit G hereto or, if such Lender's name does not appear on Exhibit G hereto, in the most recent Assignment and Assumption Agreement executed by such Lender, and (b) as to all Lenders, the aggregate of all Lenders' Revolving Loan Commitments to Borrower, which aggregate commitment is $200,000,000 as of the Closing Date as reduced from time to time pursuant to Section 2.3 hereof.

"**Revolving Loans**" means US Prime Rate Loans and/or Euro Dollar Rate Loans, as the case may be, now or hereafter made by Revolving Lenders to or for the benefit of Borrower on a revolving basis (involving advances, repayments and re-advances) as set forth in Section 2.1 hereof.

"**Revolving Lenders**" means, collectively, all Lenders with a Revolving Loan Commitment or Revolving Loan.

"**Revolving Loan Exposure**" means, as to any Revolving Lender at any time, the aggregate principal amount at such time of its outstanding Revolving Loans and such Revolving Lender's participation in the Letter of Credit Accommodations at such time.

"**Revolving Loan Outstandings**" means the sum of on any date (a) the aggregate outstanding principal amount of Revolving Loans after giving effect to any borrowings and prepayments or repayments of Revolving Loans occurring on such date; plus (b) the aggregate outstanding amount of all Letter of Credit Accommodations after giving effect to any changes in the aggregate amount of the Letter of Credit Accommodations as of such date.

"**Sanctioned Entity**" means (a) an agency of the government of, (b) an organization directly or indirectly controlled by, or (c) a person resident in, in each case, a country that is subject to a sanctions program identified on the list maintained and published by OFAC and available at http://www.treas.gov/offices/enforcement/ofac/programs, or as otherwise published from time to time as such program may be applicable to such agency, organization or person.

"**Sanctioned Person**" means a person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at http://www.treas.gov/offices/enforcement/fac/sdn/index.html, or as otherwise published from time to time.

"**Santa Monica Facility**" means a potential office and support facility of Borrower to be located in the Los Angeles, California metropolitan area.

"**Santa Monica Facility Borrower**" shall have the meaning set forth in Section 8.3(g) hereof.

"**Secured Cash Management Agreement**" means any Cash Management Agreement that is entered into by and between any Credit Party and any Cash Management Bank.

"**Secured Hedge Agreement**" means any Hedge Agreement that is entered into by and between any Credit Party and any Hedge Bank.

"**Secured Parties**" shall collectively mean Agent, Lenders, and their respective Affiliates, (including Hedge Banks under any Secured Hedge Agreements and Cash Management Banks under Secured Cash Management Agreements) and any other person to which Obligations are owed or who is the beneficiary of or under a guarantee of the Obligations (and, for greater certainty, if such person ceases to be an Agent or a Lender then for any transaction entered into under a Secured Hedge Agreement or Secured Cash Management Agreement with that Agent or Lender or any of its Affiliates prior to the date that person ceases to be an Agent or Lender, that person or any of its Affiliates shall continue to be a Secured Party hereunder with respect to Borrower's obligations relating to any such transaction).

"**Settlement Date**" shall have the meaning set forth in Section 11.13(a)(iii) hereof.

"**Significant Contract**" means (a) any contract or other agreement, written or oral, of any Credit Party involving monetary liability of or to any such Person in an amount in excess of (i) $10,000,000 *per annum* for purpose of the representation and warranty made pursuant to Section 6.9(b) on the Closing Date only and (ii) $15,000,000 *per annum* in all other instances or (b) any other contract or agreement, written or oral, of any Credit Party the failure to comply with which could reasonably be expected to have a Material Adverse Effect but excluding, in the case of clause (a) and (b), such contracts or agreements between Borrower and its Subsidiaries or between such Subsidiaries.

"**Solvent**" means, with respect to any Person on any date of determination, that on such date (a) the fair value of the assets (including contingent assets) of such Person is greater than the total amount of liabilities (including contingent liabilities) of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature, (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital, and (e) such Person is able to pay its debts and liabilities, contingent obligations and other commitments as they mature in the ordinary course of business. The amount of contingent assets or liabilities at any time shall be computed as the amount that, in the light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured assets or liability, as the case may be.

"**Stock Buyback/Dividend Amount**" shall have the meaning set forth in Section 2.3(a) hereof.

"**Subsidiary**" means, with respect to any Person, any corporation, partnership or other entity of which at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons

performing similar functions of such corporation, partnership or other entity (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person.

"**Term Loans**" means US Prime Rate Loans and/or Euro Dollar Rate Loans, as the case may be, now or hereafter made by Term Lenders to or for the benefit of Borrower on a term basis as set forth in Section 2.3 hereof

"**Term Lenders**" means, collectively, all Lenders with a Term Loan hereunder.

"**Total Debt**" means, at any time, with respect to Borrower and its Subsidiaries on a consolidated basis (without duplication):

(a) all obligations for the deferred purchase price of property or services (other than current trade payables incurred in the ordinary course of business);

(b) all obligations evidence by notes, bonds, debentures or similar instruments;

(c) Capital Lease Obligations (as defined in accordance with GAAP as of the Closing Date);

(d) the aggregate outstanding amount of all Obligations;

(e) the drawn and unreimbursed amount of all issued letters of credit (including Letter of Credit Accommodations and letters of credit issued under the BMO LC Facility);

(f) the principal amount of all indebtedness with respect to purchase money security interests;

(g) the principal amount of any other indebtedness for borrowed money; and

(h) guarantees of items referenced in subsections (a) through to (g) of this definition,

but excluding indebtedness incurred pursuant to Section 8.3(g)(i), (h), (i) and (k).

"**Total Leverage Ratio**" means, as of any date of determination, the ratio of (a) Total Debt on such date to (b) EBITDA for the period of 4 consecutive Fiscal Quarters ending on or immediately prior to such date.

"**UCC**" means the Uniform Commercial Code.

"**USERP**" means the unregistered supplemental executive retirement plan dated July 12, 2000, as amended and restated as of January 1, 2006, made by Borrower in favour of its former Co-Chief Executive Officer and current Chairman of the Board, Bradley J. Wechsler, and its current Chief Executive Officer, Richard L. Gelfond.

"**US First Rate**" shall have the meaning set forth in Section 3.1(c) hereof.

"**US Pension Plan**" means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which any Credit Party sponsors, maintains, or to which any Credit Party or any ERISA Affiliate makes, is making, or is obligated to make contributions, other than a Multiemployer Plan.

"**US Prime Rate**" means the rate announced publicly by US Reference Bank from time to time as its prime rate in effect for US Dollar denominated commercial loans, whether or not such announced rate is the best rate available at such bank.

"**US Prime Rate Loans**" means any Loans or portions thereof denominated in US Dollars and on which interest is payable based on the US Prime Rate in accordance with the terms hereof.

"**US Reference Bank**" means Wells Fargo or any successor thereto, or such other major bank in the United States as Agent may from time to time designate, in its discretion, after consultation with Borrower.

"**Wells Fargo**" means Wells Fargo Bank, National Association, a national banking association, and its successors.

ARTICLE 2
CREDIT FACILITIES

2.1 Revolving Loans

(a) Availability and Repayment. Subject to, and upon the terms and conditions contained herein, each Lender severally (and not jointly) agrees to make its Pro Rata Share of Revolving Loans by way of Euro Dollar Rate Loans and US Prime Rate Loans to Borrower from time to time from the Closing Date through, but not including, the Maturity Date in amounts requested by Borrower in accordance with Section 3.1(h); provided, that (a) after the Closing Date, the Revolving Loan Outstandings shall not exceed the Revolving Loan Commitment and (b) the Revolving Loan Exposure of any Revolving Lender shall not at any time exceed such Revolving Lender's Revolving Loan Commitment. Subject to the terms and conditions hereof, Borrower at any time may borrow, repay and reborrow Revolving Loans hereunder until the Maturity Date. On the Maturity Date, the outstanding balance of the Revolving Loans (including principal, accrued and unpaid interest and other amounts due and payable with respect thereto) shall be due and be payable and the Revolving Loan Commitment shall terminate.

(b) Maximum Amounts. In the event that (i) the Revolving Loan Outstandings exceed the Revolving Loan Commitment, (ii) the Revolving Loan Exposure of any Revolving Lender exceeds such Revolving Lender's Revolving Loan Commitment, (iii) the aggregate outstanding amount of the Letter of Credit Accommodations exceeds the sub-limit for Letter of Credit Accommodations set forth in Section 2.2(c), (iv) the aggregate amount of the Revolving Loan Outstandings and the Term Loans exceed the Maximum Credit or (v) the

aggregate amount of the Term Loans exceed the Maximum Term Credit, such event shall not limit, waive or otherwise affect any rights of Agent or Lenders in that circumstance or on any future occasions and Borrower shall, upon demand by Agent, which may be made at any time or from time to time, immediately repay to Agent the entire amount of any such excess(es) for which payment is demanded.

2.2 Letter of Credit Accommodations

(a) Letter of Credit Accommodations. Subject to, and upon the terms and conditions contained herein, at the irrevocable request of Borrower pursuant to a Notice of Borrowing given by Borrower to Agent no later than 12:00 noon (Eastern Time) at least 3 Business Days prior to the requested issuance date, Issuing Lender agrees to provide or arrange for Letter of Credit Accommodations for the account of Borrower in US Dollars containing terms and conditions reasonably acceptable to Issuing Lender. Any payments made by Issuing Lender in connection with the Letter of Credit Accommodations shall constitute additional Revolving Loans to Borrower pursuant to this Article 2. Each Lender agrees to purchase an irrevocable and unconditional participation in each Letter of Credit Accommodation issued hereunder based on its Pro Rata Share. Each Letter of Credit Accommodation shall expire on a date no more than 12 months after the date of issuance or last renewal of such Letter of Credit Accommodations (subject to (a) such longer periods agreed to by Issuing Lender and (b) automatic renewal for additional 1 year periods pursuant to the terms of the letter of credit application or other documentation acceptable to Issuing Lender), which date shall be no later than the 5th Business Day prior to the Maturity Date unless Issuing Lender is satisfied that Borrower will cash collateralize the Letter of Credit Accommodations that extend beyond the 5th Business Day prior to the Maturity Date on terms acceptable to Issuing Lender.

(b) Fees and Expenses. In addition to any charges, fees or expenses charged by Issuing Bank in connection with the Letter of Credit Accommodations, Borrower shall pay to Agent a letter of credit fee at a rate equal to the Applicable Margin *per annum* on the daily outstanding balance of the Letter of Credit Accommodations for the immediately preceding Fiscal Quarter (or part thereof), payable in arrears as of the last Business Day of each Fiscal Quarter. Such letter of credit fee shall be calculated on the basis of a 360 day year and actual days elapsed and the obligation of Borrower to pay such fee shall survive the maturity or termination of this Agreement. This letter of credit fee shall not be payable to a Lender during the period it is a Non-Funding Lender.

(c) Maximum Amount. The amount of all outstanding Letter of Credit Accommodations and all other commitments and obligations made or incurred by Issuing Lender in connection therewith (including charges, fees and expenses with respect thereto) shall not at any time exceed $25,000,000 (less the face amount of all letters of credit issued pursuant to the BMO LC Facility). At any time an Event of Default exists or has occurred and is continuing, upon Agent’s

request, Borrower will furnish Agent with cash collateral to secure the reimbursement obligations of the Issuing Lender in connection with any Letter of Credit Accommodations.

(d) Indemnification. Borrower shall indemnify and hold Agent, Issuing Lender and each Lender harmless from and against any and all losses, claims, damages, liabilities, costs and expenses which Agent, Issuing Lender and each Lender may suffer or incur in connection with any Letter of Credit Accommodations and any documents, drafts or acceptances relating thereto, including, but not limited to, any losses, claims, damages, liabilities, costs and expenses due to any action taken by any issuer or correspondent with respect to any Letter of Credit Accommodation. Borrower assumes all risks with respect to the acts or omissions of the drawer under or beneficiary of any Letter of Credit Accommodation and for such purposes the drawer or beneficiary shall be deemed Borrower's agent. Borrower assumes all risks for, and agrees to pay, all foreign, federal, provincial and local taxes, duties and levies relating to any goods subject to any Letter of Credit Accommodations or any documents, drafts or acceptances thereunder. Borrower hereby releases and holds Agent, Issuing Lender and each Lender harmless from and against any acts, waivers, errors, delays or omissions, whether caused by Borrower or otherwise (other than acts, waivers, errors, delays or omissions caused by the gross negligence or wilful misconduct of Agent, Issuing Lender or a Lender as determined by a final and non-appealable judgment or court order binding on such Person) with respect to or relating to any Letter of Credit Accommodation. The provisions of this Section 2.2(d) shall survive the payment of the Obligations and the termination of this Agreement.

(e) Rights of Issuing Lender. Nothing contained herein shall be deemed or construed to grant Borrower any right or authority to pledge the credit of Agent, Issuing Lender or a Lender in any manner. Except as a result of Issuing Lender's own gross negligence or wilful misconduct as determined by a final and non-appealable judgment or court order binding on Issuing Lender, Borrower shall be bound by any interpretation made by Issuing Lender under or in connection with any Letter of Credit Accommodation or any documents, drafts or acceptances thereunder, notwithstanding that such interpretation may be inconsistent with any instructions of Borrower. At any time an Event of Default exists or has occurred and is continuing, Issuing Lender, in its own name or in Borrower's name, shall have the sole and exclusive right and authority to, and Borrower shall not: (i) approve or resolve any questions of non-compliance of documents, (ii) give any instructions as to acceptance or rejection of any documents or goods, or (iii) execute any and all applications for steamship or airway guaranties, indemnities or delivery orders. At all times other than when an Event of Default exists or has occurred and is continuing, Borrower shall be permitted, with the prior written consent of Issuing Lender to: (i) grant any extensions of the maturity of, time of payment for, or time of presentation of, any drafts, acceptances, or documents, and (ii) to agree to any amendments, renewals, extensions, modifications, changes or cancellations of any of the terms or conditions of any of the applications, Letter

of Credit Accommodations, or documents, drafts or acceptances thereunder or any letters of credit included in the Collateral.

2.3 Term Loans

(a) Conversion of Revolving Loans into Term Loans. On July 15 and January 15 of each year starting with July 15, 2013 (each, a " **Calculation Date**"), the amount of the dividends, redemptions, retirements, defeasances, purchases, acquisitions or distributions with respect to Borrower's Capital Stock and the Investment Amount in each case made by Borrower since the previous Calculation Date (the " **Stock Buyback/Dividend Amount**") together with any Stock Buyback/Dividend Amount carried forward pursuant to the terms hereof and not otherwise converted to Term Loans pursuant to the terms hereof (the "**Aggregate Amount**") shall be calculated by Borrower and provided to Agent and:

(i) in the event there are no outstanding Revolving Loans on such Calculation Date, such Stock Buyback/Dividend Amount shall be carried forward to the next Calculation Date and added to the existing Aggregate Amount;

(ii) in the event that there are outstanding Revolving Loans on such Calculation Date:

(A) the outstanding Revolving Loans shall be converted to a term loan (each, a " **Term Loan**") in a minimum amount of not less than $20,000,000 or an integral multiple of $5,000,000 in excess thereof but not to exceed the Aggregate Amount;

(B) the aggregate Revolving Loan Commitment shall be reduced by the amount of such Term Loan;

(C) such conversions and reductions shall not exceed $75,000,000 (the " **Maximum Term Credit**") in the aggregate over the term of this Agreement; and

(D) each Lender shall be deemed to hold each Term Loan to the extent of its Pro Rata Share of the converted Revolving Loans.

(b) Availability and Repayment. The Term Loans shall be available by way of Euro Dollar Rate Loans and US Prime Rate Loans. Borrower shall repay to Agent the aggregate outstanding principal amount of each Term Loan in consecutive quarterly installments of 5% of the initial principal amount thereof on the last Business Day of each Fiscal Quarter commencing with the first such Business Day following conversion. On the Maturity Date, the outstanding balance of the Term Loans (including principal, accrued and unpaid interest and other amounts due and payable with respect thereto) shall be due and be payable.

2.4 Prepayments of Loans/Cancellation of Unused Revolving Loan Commitments

(a) Optional Prepayments. Borrower shall have the right at any time and from time to time, without premium or penalty, to prepay the Term Loans, in whole or in part, with irrevocable prior written notice to Agent pursuant to a Notice of Prepayment given not later than 12:00 noon (Eastern Time) (i) on the same Business Day as each US Prime Rate Loan and (ii) at least 3 Business Days before each Euro Dollar Rate Loan, specifying the date and amount of repayment, whether the repayment is of Euro Dollar Rate Loan or US Prime Rate Loan or a combination thereof, and if a combination thereof, the amount allocable to each. Each optional partial prepayment of the Term Loans hereunder shall be in an aggregate principal amount of at least $5,000,000 or any whole multiple of $1,000,000 in excess thereof and shall be applied to reduce the remaining scheduled principal installments of the Term Loans due in the next 4 Fiscal Quarters and thereafter on a *pro rata* basis. Each repayment shall be accompanied by any amount required to be paid pursuant to Article 3 hereof. A Notice of Prepayment received after 12:00 noon (Eastern Time) shall be deemed received on the next Business Day. Agent shall promptly notify Term Lenders of each Notice of Prepayment.

(b) Optional Cancellation of Unused Revolving Loan Commitments. Borrower shall have the right at any time and from time to time, without premium or penalty, to cancel the unused Revolving Loan Commitments, in whole or in part, with irrevocable prior written notice to Agent pursuant to a Notice of Prepayment given not later than 12:00 noon (Eastern Time) on a Business Day specifying the date and amount of cancellation. Each optional partial cancellation hereunder shall be in an aggregate principal amount of at least $5,000,000 or any whole multiple of $1,000,000 in excess thereof. A Notice of Prepayment received after 12:00 noon (Eastern Time) shall be deemed received on the next Business Day. Agent shall promptly notify Revolving Lenders of each Notice of Prepayment.

(c) Mandatory Prepayments.

(i) Debt Issuances. Borrower shall make mandatory principal prepayments of the Loans and/or cash collateralize the Letter of Credit Accommodations in the manner set forth in clause (iv) below in an amount equal to 100% of the aggregate Net Cash Proceeds from any issuance of indebtedness for borrowed money by any Credit Party or Subsidiary thereof not permitted pursuant to Section 8.3 and 50% of the aggregate Net Cash Proceeds from any issuance of indebtedness pursuant to Section 8.3(k). Such prepayment shall be made within 10 Business Days after the date of receipt of the Net Cash Proceeds of any such indebtedness.

(ii) Asset Dispositions. Borrower shall make mandatory principal prepayments of the Loans and/or cash collateralize the Letter of Credit Accommodations in the manner set forth in clause (iv) below in amounts equal to (A) 100% of the aggregate Net Cash Proceeds from any (1) Asset

Disposition permitted pursuant to Section 8.1(b)(iii), (iv) and (v), (2) Asset Disposition not permitted pursuant to this Agreement or (3) Asset Disposition described in clause (b) of the definition of Asset Disposition (other than that described in this next clause (B)) and (B) 50% of the aggregate Net Cash Proceeds from any Asset Disposition or sale of Capital Stock permitted pursuant to Section 8.3(k) . Such prepayments shall be made within 10 Business Days after the date of receipt of the Net Cash Proceeds of any such Asset Disposition; provided that, so long as no Default or Event of Default has occurred and is continuing, no prepayment shall be required under this Section 2.4(c)(ii)(A) to the extent that:

(A) the Net Cash Proceeds of such Asset Disposition is equal to or less than $50,000 provided that the aggregate amount hereunder shall not exceed $1,000,000 per Fiscal Year;

(B) the Net Cash Proceeds of such Asset Disposition is greater than $50,000 but equal to or less than $250,000 until such time as the aggregate of such Net Cash Proceeds exceeds $1,000,000 and then such aggregate amount shall be used to prepay the Loans and/or cash collateralize the Letter of Credit Accommodations in the manner set forth in clause (iv) below; and

(C) (1) within 10 Business Days after the date of receipt of such Net Cash Proceeds, Borrower notifies Agent that Borrower shall reinvest such Net Cash Proceeds in assets used or useful in the business of a Credit Party and (2) such Net Cash Proceeds are reinvested in such assets within 180 days after receipt of such Net Cash Proceeds by such Credit Party and such Credit Party shall provide written evidence to Agent of such reinvestment; provided further that any portion of such Net Cash Proceeds not actually so reinvested within such 180 day period shall be prepaid in accordance with this Section 2.4(c)(ii) on or before the last day of such 180 day period.

(iii) Insurance and Condemnation Events. Subject to Section 7.5(d), Borrower shall make mandatory principal prepayments of the Loans and/or cash collateralize the Letter of Credit Accommodations in the manner set forth in clause (iv) below in an amount equal to 100% of the aggregate Net Cash Proceeds from any Insurance and Condemnation Event. Subject to Section 7.5(d), such prepayments shall be made within 10 Business Days after the date of receipt of Net Cash Proceeds of any such Insurance and Condemnation Event by such Credit Party; provided further that any portion of the Net Cash Proceeds not used to repair or replace the Collateral in accordance with the time periods set forth in Section 7.5(d) shall be prepaid in accordance with this Section 2.4(c)(iii) on or before the last day of such time period.

(iv) Notice; Manner of Payment. Upon the occurrence of any event triggering the prepayment requirement under clauses (i) through and including (iii) above, Borrower shall promptly deliver a Notice of Prepayment to Agent and upon receipt of such notice, Agent shall promptly so notify Lenders. Each prepayment of the Loans under this Section shall be applied as follows: first, to reduce the remaining scheduled principal installments of the Term Loans due in the next 4 Fiscal Quarters and thereafter on a *pro rata* basis and (ii) second, to the extent of any excess, to repay the Revolving Loans or cash collateralize the Letter of Credit Accommodations without a corresponding reduction in the Revolving Loan Commitment.

2.5 Hedge Transactions

(a) Agent or a Lender (or their respective Affiliates) may offer to make available Hedge Agreements to Borrower from time to time (it being understood that nothing contained herein shall be construed to commit any person to enter into any Hedge Agreement) upon terms mutually acceptable to Agent or such Lender or such Affiliate and Borrower. On or before January 1, 2015, Borrower will obtain interest rate protection from one or more of Agent or Lenders (or their respective Affiliates) or other Persons reasonably acceptable to Required Lenders in respect of not less than 50% of the principal amount of the then outstanding Term Loans, and on terms acceptable to Required Lenders.

ARTICLE 3
INTEREST, INCREASED COSTS AND FEES

3.1 Interest

(a) Interest Rate. Borrower shall pay to Agent interest on the outstanding principal amount of the Loans at the applicable Interest Rate.

(b) Payment and Calculation. Interest shall be payable by Borrower to Agent (i) in the case of US Prime Rate Loans, quarterly in arrears on the last Business Day of each Fiscal Quarter and (ii) in the case of Euro Dollar Rate Loans, on the last day of each Interest Period (and in the case of an Interest Period of greater than 3 months, on the last day of the 3 month period from the first day of such Interest Period and on the last day of the Interest Period) and, in each case, shall be calculated on the basis of a 360 day year and actual days elapsed. The interest rate applicable to US Prime Rate Loans shall increase or decrease by an amount equal to each increase or decrease in the US Prime Rate after any change in such rate is announced. All interest accruing hereunder on and after an Event of Default or maturity or termination hereof shall be payable on demand. In no event shall charges constituting interest payable by Borrower to Agent or Lenders exceed the maximum amount or the rate permitted under any applicable law or regulation, and if any part or provision of this Agreement is in contravention of

any such law or regulation, such part or provision shall be deemed amended to conform thereto.

(c) *Interest Act (Canada)*. For purposes of disclosure under the *Interest Act* (Canada), where interest is calculated pursuant hereto at a rate based upon a 360 day year (the "**US First Rate**"), it is hereby agreed that the rate or percentage of interest on a yearly basis is equivalent to such US First Rate multiplied by the actual number of days in the year divided by 360.

(d) *Criminal Code (Canada)*. Notwithstanding the provisions of this Article 3 or any other provision of this Agreement, in no event shall the aggregate "**interest**" (as that term is defined in Section 347 of the *Criminal Code* (Canada)) exceed the effective annual rate of interest on the "**credit advanced**" (as defined therein) lawfully permitted under Section 347 of the *Criminal Code* (Canada). The effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term of the Loans, and in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by Agent will be conclusive for the purposes of such determination.

(e) Agent Certificate. A certificate of an authorized signing officer of Agent as to each amount and/or each rate of interest payable hereunder from time to time shall be conclusive evidence of such amount and of such rate, absent manifest error.

(f) No deemed reinvestment principle/effective yield method. For greater certainty, whenever any amount is payable under any Financing Agreement by Borrower as interest or as a fee which requires the calculation of an amount using a percentage *per annum*, each party to this Agreement acknowledges and agrees that such amount shall be calculated as of the date payment is due without application of the "**deemed reinvestment principle**" or the "**effective yield method**". As an example, when interest is calculated and payable monthly, the rate of interest payable per month is 1/12 of the stated rate of interest *per annum*.

(g) Conversion/Continuation of Euro Dollar Rate Loans. Any Euro Dollar Rate Loan shall automatically, at Agent's option, either (i) convert to US Prime Rate Loans upon the last day of the applicable Interest Period or (ii) be rolled over for a further 1 month Interest Period, unless Agent has received and approved a Notice of Conversion/Continuation to continue such Euro Dollar Rate Loan for an Interest Period chosen by Borrower at least 3 Business Days prior to such last day in accordance with the terms hereof. Any Euro Dollar Rate Loan shall, at Agent's option, upon notice by Agent to Borrower, be subsequently converted to US Prime Rate Loans upon the occurrence of any Default or Event of Default which is continuing and otherwise upon the Maturity Date. Borrower shall pay to Agent, upon demand by Agent, any amounts required to compensate Agent and Lenders for any loss, costs or expense incurred by Agent and Lenders as a result of the conversion of Euro Dollar Rate Loans to US Prime Rate Loans pursuant to any of the foregoing. Upon the occurrence of a Default or an Event of Default

that is continuing, or if Borrower repays or prepays a Euro Dollar Rate Loan on a day other than the last day of the applicable Interest Period, Borrower shall indemnify Agent and Lenders for any loss or expense suffered or incurred by Agent or Lenders including any loss of profit or expenses Agent or Lenders incur by reason of the liquidation or redeployment of deposits or other funds acquired by it to effect or maintain any and all Euro Dollar Rate Loans or any interest or other charges payable to lenders of funds borrowed by Agent and Lenders in order to maintain such Euro Dollar Rate Loans together with any other charges, costs or expenses incurred by Agent and Lenders relative thereto.

(h) Requests for Loans. So long as no Default or Event of Default shall have occurred and be continuing and the circumstances in Section 3.2(b) and 3.2(c) do not exist, Borrower may from time to time request in writing Euro Dollar Rate Loans pursuant to a Notice of Borrowing or may request in writing that US Prime Rate Loans be converted to Euro Dollar Rate Loans pursuant to a Notice of Conversion/Continuation or that any existing Euro Dollar Rate Loans continue for an additional Interest Period pursuant to a Notice of Conversion/Continuation. Each Notice of Borrowing or Notice of Continuation/Conversion, as applicable, from Borrower shall specify the amount of the Euro Dollar Rate Loans or the amount of the US Prime Rate Loans to be converted to Euro Dollar Rate Loans or the amount of the Euro Dollar Rate Loans to be continued (subject to the limits set forth below) and the Interest Period to be applicable to such Euro Dollar Rate Loans. Subject to the terms and conditions contained herein, 3 Business Days after receipt by Agent of such a Notice of Borrowing or Notice of Continuation/Conversion, as the case may be, from Borrower, such Euro Dollar Rate Loans shall be made or US Prime Rate Loans shall be converted to Euro Dollar Rate Loans or such Euro Dollar Rate Loans shall continue, as applicable; provided, that:

(i) no Default or Event of Default shall exist or have occurred and be continuing;

(ii) no party hereto shall have sent any notice of termination of this Agreement;

(iii) Borrower shall have complied with such customary procedures as are generally established by Agent and Lenders for all customers and specified by Agent and Lenders to Borrower from time to time for requests by Borrower for Euro Dollar Rate Loans;

(iv) no more than 6 Interest Periods (for all outstanding Euro Dollar Rate Loans) may be in effect at any one time;

(v) the aggregate amount of the Euro Dollar Rate Loans must be in an amount not less than $5,000,000 or an integral multiple of $1,000,000 in excess thereof; and

(vi) Agent and Lenders shall have determined that the Interest Period or Adjusted Euro Dollar Rate is available to Agent and Lenders and can be readily determined as of the date of the request for such Euro Dollar Rate Loan by Borrower.

Subject to the terms and conditions contained herein, any request by Borrower to Agent pursuant to a Notice of Borrowing or Notice of Continuation/Conversion shall be irrevocable. Notwithstanding anything to the contrary contained herein, Agent and Lenders shall not be required to purchase US Dollar deposits in the London interbank market to fund any Euro Dollar Rate Loans, but the provisions hereof shall be deemed to apply as if Agent or Lenders had purchased such deposits to fund the Euro Dollar Rate Loans. Subject to the terms and conditions contained herein, any request by Borrower to Agent for a US Prime Rate Loan shall be in writing pursuant to a Notice of Borrowing, shall be irrevocable, shall be in an amount not less than $1,000,000 or an integral multiple of $500,000 in excess thereof and shall be given to Agent no later than 12:00 noon (Eastern Time) on the Business Day upon which Borrower requires such US Prime Rate Loan to be advanced to Borrower and if such request is provided after 12:00 noon (Eastern Time) on a Business Day then such US Prime Rate Loan shall be advanced on the next following Business Day.

3.2 Increased Costs and Changes in Law

(a) If after the Closing Date, either:

(i) any change in (other than any change by way of imposition or increase of reserve requirements included in the Reserve Percentage), or in the interpretation of, any law or regulation is introduced, including with respect to reserve requirements, applicable to a Lender or any banking or financial institution from whom a Lender borrows funds or obtains credit (a " **Funding Bank**"); or

(ii) a Funding Bank or a Lender complies with any future guideline or request from any central bank or other Governmental Authority; or

(iii) a Funding Bank or a Lender determines that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof has or would have the effect described below, or a Funding Bank or a Lender complies with any request or directive regarding capital adequacy (whether or not having the force of law where customarily complied with by responsible financial institutions) of any such authority, central bank or comparable agency, and in the case of any event set forth in this clause (iii), such adoption, change or compliance has or would have the direct or indirect effect of reducing the rate of return on a Lender's capital as a consequence of its obligations

hereunder to a level below that which Lender could have achieved but for such adoption, change or compliance (taking into consideration the Funding Bank's or Lender's policies with respect to capital adequacy) by an amount deemed by such Lender to be material,

and the result of any of the foregoing events described in clauses (i), (ii) or (iii) is or results in an increase in the cost to a Lender of funding or maintaining the Loans, or its Revolving Loan Commitment, then Borrower shall from time to time upon demand by Agent pay to Agent additional amounts sufficient to indemnify Lenders against such increased cost on an after-tax basis (subject to Section 7.4 and after taking into account applicable deductions and credits in respect of the amount indemnified); provided that a Lender claiming additional amounts under this Section 3.2(a) agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different applicable lending office if the making of such a designation would avoid the need for, or reduce the amount of, such increased cost that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate as to the amount of such increased cost shall be submitted to Borrower by Agent and shall be conclusive, absent manifest error. The obligations imposed pursuant to this Section 3.2(a) are without duplication of the obligations imposed pursuant to Section 7.4.

(b) If prior to the first day of any Interest Period:

(i) Agent shall have determined (which determination shall be conclusive and binding upon Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Adjusted Euro Dollar Rate for such Interest Period;

(ii) Agent has received notice from a Lender that that Adjusted Euro Dollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lender of making or maintaining Euro Dollar Rate Loans during such Interest Period; or

(iii) US Dollar deposits in the principal amounts of the Euro Dollar Rate Loans to which such Interest Period is to be applicable are not generally available in the London interbank market,

Agent shall give notice thereof to Borrower as soon as practicable thereafter (which notice shall be withdrawn whenever such circumstances no longer exist). If such notice is given (A) any Euro Dollar Rate Loans requested to be made on the first day of such Interest Period shall be made as a US Prime Rate Loan, (B) any Loans that were to have been converted on the first day of such Interest Period to or continue as Euro Dollar Rate Loans shall be converted to or continued as US Prime Rate Loans and (C) each outstanding Euro Dollar Rate Loan shall be converted, on the last day of the then-current Interest Period thereof, to US Prime Rate Loans. Until such notice has been withdrawn by

Agent, no further Euro Dollar Rate Loans shall be made or continued as such, nor shall Borrower have the right to convert U.S. Prime Rate Loans to Euro Dollar Rate Loans.

(c) Notwithstanding any other provision herein, if the adoption of or any change in any law, treaty, rule or regulation or final, non-appealable determination of an arbitrator or a court or other Governmental Authority or in the interpretation or application thereof occurring after the Closing Date shall make it unlawful for Agent or any Lender to make or maintain Euro Dollar Rate Loans as contemplated by this Agreement:

(i) Agent shall promptly give written notice of such circumstances to Borrower (which notice shall be withdrawn whenever such circumstances no longer exist); provided, however, that, before making any such demand, such Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Euro Dollar lending office if the making of such a designation would allow such Lender or its Euro dollar lending office to continue to perform its obligations to make Euro Dollar Rate Loans or to continue to fund or maintain Euro Dollar Rate Loans and would not, in the judgment of such Lender, be otherwise disadvantageous to such Lender;

(ii) the commitment of each Lender hereunder to make Euro Dollar Rate Loans, continue Euro Dollar Rate Loans as such and convert US Prime Rate Loans to Euro Dollar Rate Loans shall forthwith be cancelled and, until such time as it shall no longer be unlawful for such Lender to make or maintain Euro Dollar Rate Loans, such Lender shall then have a commitment only to make a US Prime Rate Loan when a Euro Dollar Rate Loan is requested; and

(iii) such Lender's Loans then outstanding as Euro Dollar Rate Loans, if any, shall be converted automatically to US Prime Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Euro Dollar Rate Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 3.2(d) below.

(d) Borrower shall indemnify Agent and each Lender and shall hold Agent and each Lender harmless from any loss or expense which Agent or such Lender may sustain or incur as a consequence of:

(i) default by Borrower in making a borrowing of, conversion into or extension of an Euro Dollar Rate Loan after Borrower has given a Notice of Borrowing or Notice of Conversion/Continuation, as the case may be,

requesting the same in accordance with the provisions of this Agreement; and

(ii) the making of a prepayment of Euro Dollar Rate Loans on a day which is not the last day of an Interest Period with respect thereto.

With respect to Euro Dollar Rate Loans, such indemnification may include an amount equal to the greater of (i) the excess, if any, of (1) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, converted or extended, for the period from the date of such prepayment or of such failure to borrow, convert or extend to the last day of the applicable Interest Period (or, in the case of a failure to borrow, convert or extend, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Euro Dollar Rate Loans provided for herein over (2) the amount of interest (as determined by such Agent or such Lender) which would have accrued to Agent or such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Euro Dollar market; and (ii) an amount equal to the interest that would have been payable if the Euro Dollar Rate Loan had been a US Prime Rate Loan. This covenant shall survive the termination or non-renewal of this Agreement and the payment of the Obligations.

(e) In the event that Borrower has hedged a Euro Dollar Rate Loan with an interest rate swap with Agent, a Lender or any of its Affiliates under which Borrower is to make its payments based on a fixed rate and Agent, such Lender or any of its Affiliates is to make its payments based on a rate equal to the Adjusted Euro Dollar Rate, then the fallback rate (being the US Prime Rate in the circumstances described in this Section 3.2) on any given day while the swap with Agent, such Lender or any of its Affiliates is in effect will be the sum of (i) the fallback floating rate payable by Agent, such Lender or any of its Affiliates that is in effect under the interest rate swap for that day (without regard to any interest rate spread added thereto under the terms of the interest rate swap) plus (ii) the Applicable Margin applicable to Euro Dollar Rate Loans.

(f) In the event any Lender demands payment of costs or additional amounts pursuant to this Section 3.2 or Section 7.4 or asserts, pursuant to Section 3.2(c), that it is unlawful for such Lender to make Euro Dollar Rate Loans or becomes a Non-Funding Lender then (subject to such Lender's right to rescind such demand or assertion within 10 Business Days after the notice from Borrower referred to below) Borrower may, upon 20 Business Days' prior written notice to such Lender and Agent, elect to cause such Lender to assign its Loans and Revolving Loan Commitments in full to one or more Persons selected by Borrower so long as (i) each such Person satisfies the criteria of an Eligible Transferee and is satisfactory to Agent, (ii) such Lender receives payment in full in cash of the outstanding principal amount of all Loans made by it and all accrued and unpaid interest thereon and all other amounts due and payable to such Lender as of the date of such assignment and (iii) each such assignee agrees to accept such

assignment and to assume all obligations of such Lender hereunder in accordance with Section 11.1.

3.3 Commitment Fee

(a) Borrower shall pay to Agent a commitment fee (i) initially after the Closing Date at a rate equal to 0.25% *per annum* and (ii) after the first AM Calculation Date at the Applicable Margin, in each case calculated on the basis of a 360 day year and actual days elapsed and upon the amount by which the then applicable Revolving Loan Commitment exceeds the sum of (i) the average daily principal balance of the outstanding Revolving Loans and (ii) the average daily face amount of the Letter of Credit Accommodations during the immediately preceding Fiscal Quarter (or part thereof) while this Agreement is in effect and for so long thereafter as any of the Obligations are outstanding, which commitment fee shall be payable on the last Business Day of each of Fiscal Quarter in arrears. For further clarity, no Obligations will be outstanding once this Agreement has been terminated and all non-contingent Obligations have been fully and indefeasibly satisfied and cash collateral has been posted in the full amount then outstanding of any Letter of Credit Accommodations and Secured Hedge Agreement, if any. This commitment fee shall not be payable to a Lender during the period it is a Non-Funding Lender.

ARTICLE 4
CONDITIONS PRECEDENT

4.1 Conditions Precedent to the Availability of Loans and Letter of Credit Accommodations

Each of the following is a condition precedent to Lenders making available the Loans and making available the Letter of Credit Accommodations hereunder on the Closing Date:

(a) Agent and Lenders shall have received the Financing Agreements, agreements, instruments and documents listed on the Closing Agenda attached hereto as Exhibit H, all in form and substance satisfactory to Agent and Lenders;

(b) no event or circumstance shall have occurred which has had or could be reasonably expected to have a material adverse change in the assets or business of Credit Parties, taken as a whole, since the date of the most recent audited financial statements of Credit Parties received by Agent and no change or event shall have occurred which would materially impair the ability of Credit Parties, taken as a whole, to perform their obligations under any of the Financing Agreements to which they are a party or of Agent to enforce the Obligations or realize upon the Collateral;

(c) other than what a Credit Party has disclosed in its Information Certificate, there shall exist no material pending or threatened litigation, proceeding, bankruptcy or insolvency, injunction, order or claims with respect to any Credit Party or this Agreement;

(d) Agent and Lenders and their respective counsel shall have completed their business and legal due diligence with results satisfactory to Agent and Lenders; and

(e) Agent shall have received evidence, in form and substance reasonably satisfactory to Agent, or be satisfied that there exists no material misstatements in or material omissions from the financial and other materials, taken as a whole, furnished to Agent by any Credit Party.

4.2 Conditions Precedent to the Availability of All Loans and Letter of Credit Accommodations

Each of the following is an additional condition precedent to Lenders making available the Loans and/or making available Letter of Credit Accommodations to Borrower, including the initial Loans and Letter of Credit Accommodations and any future Loans and Letter of Credit Accommodations:

(a) all steps required with respect to notice and request for the making available of the Loans and/or making available Letter of Credit Accommodations to Borrower set out or contemplated herein have been completed;

(b) all representations and warranties contained in the Financing Agreements shall be true and correct (i) in all material respects if not subject to materiality or Material Adverse Effect qualifications or (ii) in all respects if subject to materiality or Material Adverse Effect qualifications with the same effect as though such representations and warranties had been made on and as of the date of the making of each such Loan or providing each such Letter of Credit Accommodation and after giving effect thereto;

(c) no Event of Default or Default shall exist or have occurred and be continuing on and as of the date of the making of such Loan or providing, amending or extending each such Letter of Credit Accommodation and after giving effect thereto; and

(d) after giving effect to each Loan and Letter of Credit Accommodation, (i) the Revolving Loan Outstandings shall not exceed the Revolving Loan Commitment, (ii) the Revolving Loan Exposure of any Revolving Lender shall not exceed such Revolving Lender's Revolving Loan Commitment, (iii) the aggregate outstanding amount of the Letter of Credit Accommodations shall not exceed the sub-limit for Letter of Credit Accommodations set forth in Section 2.2(c), (iv) the aggregate amount of the Revolving Outstandings and the Term Loans shall not exceed the Maximum Credit and (v) the aggregate amount of the Term Loans shall not exceed the Maximum Term Credit.

ARTICLE 5
COLLECTION AND ADMINISTRATION

5.1 Borrower's Loan Account

Agent shall maintain one or more loan account(s) on its books in which shall be recorded: (a) all Loans, Letter of Credit Accommodations and other Obligations and the Collateral; (b) all payments made by or on behalf of Borrower; and (c) all other appropriate debits and credits as provided in this Agreement, including fees, charges, costs, expenses and interest. All entries in the loan account(s) shall be made in accordance with Agent's customary practices as in effect from time to time.

5.2 Statements

Agent shall render to Borrower within a reasonable time following the end of each Fiscal Quarter statements setting forth the balance in Borrower's loan account(s) maintained by Agent for Borrower pursuant to the provisions of this Agreement, including principal, interest, fees, costs and expenses. Each such statement shall be subject to subsequent adjustment by Agent but shall, absent manifest errors or omissions, be considered correct and deemed accepted by Borrower and conclusively binding upon Borrower as an account stated except to the extent that Agent receives a written notice from Borrower of any specific exceptions of Borrower thereto within 30 days after the date such statement has been mailed by Agent. Until such time as Agent shall have rendered to Borrower a written statement as provided above, the balance in Borrower's loan account(s) shall be presumptive evidence of the amounts due and owing to Agent and Lenders by Borrower.

5.3 Payments

(a) All Obligations (other than obligations, liabilities and indebtedness in connection with any Secured Hedge Agreement (which shall be paid in accordance with the terms thereof)) shall be payable to Agent as it may designate from time to time.

(b) Agent shall apply payments received or collected from Credit Parties or for the account of Credit Parties (including the monetary proceeds of collections or of realization upon any Collateral) as follows:

(i) first, to pay any fees, indemnities or expense reimbursements then due to Agent or Lenders from Credit Parties;

(ii) second, to pay interest then due in respect of any Loans;

(iii) third, to pay principal then due in respect of the Loans and outstanding obligations due under Secured Hedge Agreements and Secured Cash Management Agreements; and

(iv) fourth, to pay the outstanding Loans and cash collateralize outstanding Letter of Credit Accommodations and Secured Hedge Agreements, and after the occurrence of and during the continuance of an Event of Default,

to pay or pre-pay such of the Obligations, whether or not then due, in such order and manner as Agent determines.

(c) Notwithstanding clause (b) above, Obligations arising under Secured Hedge Agreements and Secured Cash Management Agreements shall be excluded from the application described above if Agent has not received written notice thereof, together with such supporting documentation as Agent may request, from the applicable Hedge Bank or Cash Management Bank, as the case may be. Each Hedge Bank or Cash Management Bank not a party to this Agreement that has given the notice contemplated by the preceding sentence shall, by such notice, be deemed to have acknowledged and accepted the appointment of Agent pursuant to the terms of Article 11 for itself and its Affiliates as if a "Lender" party hereto.

(d) Payments and collections received in any currency other than US Dollars will be accepted and/or applied at the sole discretion of Agent. At Agent's option, all principal, interest, fees, costs, expenses and other charges provided for in the Financing Agreements, the Secured Hedge Agreements or the Secured Cash Management Agreements may be charged directly to the loan account(s) of Borrower. Borrower shall make all payments to Agent on the Obligations free and clear of, and without deduction or withholding for or on account of, any set-off, counterclaim, defence, duties, taxes, levies, imposts, fees, deductions, withholding, restrictions or conditions of any kind except as required by applicable law. Subject to Section 7.4 and the exclusions in Section 7.4(b), if applicable law requires that Borrower deduct or withhold any amount on account of taxes, then Borrower shall pay such additional amount as may be required so that the payment received by Agent is equal to the amount that would have been received if the deduction or withholding had not been made. If after receipt of any payment of, or proceeds of Collateral applied to the payment of, any of the Obligations, Agent is required to surrender or return such payment or proceeds to any Person for any reason, then the Obligations intended to be satisfied by such payment or proceeds shall be reinstated and continue and this Agreement shall continue in full force and effect as if such payment or proceeds had not been received by Agent. Borrower shall be liable to pay to Agent, and does hereby indemnify and hold Agent harmless for the amount of any payments or proceeds surrendered or returned. This Section 5.3 shall remain effective notwithstanding any contrary action which may be taken by Agent in reliance upon such payment or proceeds. The indemnification in the second preceding sentence shall survive the payment of the Obligations and the termination of this Agreement.

5.4 Authorization to Make Loans and Letter of Credit Accommodations

Each Lender is authorized to make the Loans and provide the Letter of Credit Accommodations based upon written instructions received by Agent from the persons authorized by Borrower as notified in writing by Borrower to Agent from time to time or, at the discretion of Lenders, if such Loans are necessary to satisfy any Obligations. All requests for Loans or Letter of Credit Accommodations hereunder shall specify the date on which the requested advance is to be made or Letter of Credit Accommodations established (which day shall be a Business Day) and the

amount of the requested Loan. Requests received after 12:00 noon (Eastern Time) on any day shall be deemed to have been made as of the opening of business on the immediately following Business Day. All Loans and Letter of Credit Accommodations under this Agreement shall be conclusively presumed to have been made to, and at the request of and for the benefit of, Borrower when deposited to the credit of Borrower or otherwise disbursed or established in accordance with the instructions of Borrower or in accordance with the terms and conditions of this Agreement.

5.5 Use of Proceeds

Borrower shall use the proceeds of the Loans provided by Lenders to Borrower hereunder for (a) costs, expenses and fees in connection with the preparation, negotiation, execution and delivery of the Financing Agreements and (b) any remaining proceeds and all other Loans made or Letter of Credit Accommodations provided by Lenders to Borrower pursuant to the provisions hereof shall be used by Borrower only for general operating, working capital and other proper corporate purposes of Borrower and its Subsidiaries not otherwise prohibited by the terms hereof

5.6 *Pro Rata* Treatment

Except to the extent otherwise provided in this Agreement, (a) the making and conversion of Loans shall be made by Lenders based on their respective Pro Rata Shares as to the Loans and (b) each payment on account of any Obligations to or for the account of one or more of Lenders or their respective Affiliates in respect of any Obligations due on a particular day shall be allocated among the Lenders and their respective Affiliates, as applicable, entitled to such payments based on their respective Pro Rata Shares or Obligations, as the case may be, and shall be distributed accordingly by Agent.

5.7 Obligations Several; Independent Nature of Lenders' Rights

The obligations of each Lender hereunder are several, and no Lender shall be responsible for the obligations or commitment of any other Lender hereunder. Nothing contained in this Agreement or any of the other Financing Agreements and no action taken by the Lenders pursuant hereto or thereto shall be deemed to constitute the Lenders to be a partnership, as association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and subject to Section 11.13(f) hereof, each Lender shall be entitled to protect and enforce its rights arising out of this Agreement and it shall not be necessary for any other Lender to be joined as an additional party in any proceeding for such purpose.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES

Each Credit Party hereby represents and warrants to Agent and each Lender the following (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the making of Loans and providing Letter of Credit Accommodations by Lenders to Borrower:

6.1 Corporate Existence, Power and Authority; Subsidiaries; Solvency

Each Credit Party and each Subsidiary thereof is a corporation duly incorporated, validly existing and duly organized under the laws of its jurisdiction of incorporation and is duly qualified or registered as a foreign or extra-provincial corporation in all provinces, states or other jurisdictions where the nature and extent of the business transacted by it or the ownership of assets makes such qualification necessary, except for those jurisdictions in which the failure to so qualify would not have a Material Adverse Effect. The execution, delivery and performance of the Financing Agreements and the transactions contemplated thereunder are all within each Credit Party's and each of its Subsidiaries' corporate powers, have been duly authorized and are not in contravention of law or the terms of its certificate of incorporation, by-laws, or other organizational documentation, or any indenture, agreement or undertaking to which it is a party or by which it or its property are bound. The Financing Agreements constitute legal, valid and binding obligations of each Credit Party and each Subsidiary thereof which is a party thereto enforceable in accordance with their respective terms. As of the Closing Date, each Credit Party and each Subsidiary thereof does not have any Subsidiaries except as set forth on the Information Certificate and on the corporate structure chart attached as Schedule 6.1. Credit Parties and their Subsidiaries, taken as a whole, are Solvent.

6.2 Financial Statements; No Material Adverse Change

All financial statements relating to Borrower which have been delivered by Borrower to Agent or may hereafter be delivered by Borrower to Agent pursuant to Section 7.6(a)(i) and (ii) have been prepared in accordance with GAAP and fairly present its financial condition and the results of its operation as at the dates and for the periods set forth therein. Except as disclosed in any interim financial statements furnished by each Credit Party and each Subsidiary thereof to Agent prior to the date of this Agreement, there has been no material adverse change in its assets, liabilities, properties and condition, financial or otherwise, since the date of the most recent audited financial statements furnished by it to Agent prior to the date of this Agreement.

6.3 Chief Executive Office; Collateral Locations

As of the Closing Date, the chief executive office of each Credit Party is located only at the address set forth on its signature page below and its only other places of business and the only other locations of Collateral, if any, are the addresses set forth in its Information Certificate, subject to its right to establish new locations in accordance with Section 7.2 below. As of the Closing Date, each Credit Party's Information Certificate correctly identifies any of such locations which are not owned by such Credit Party and sets forth the owners and/or operators thereof and to the best of its knowledge, the holders of any mortgages on such locations.

6.4 Priority of Liens; Title to Properties; Intellectual Property Matters

The Liens granted to Agent under the Financing Agreements constitute valid and perfected first priority Liens in and upon the Collateral subject only to Permitted Liens. Each Credit Party and each Subsidiary thereof has good and marketable title to all of its properties and assets subject to no Liens, except Permitted Liens. Each Credit Party and each Subsidiary thereof owns or possesses rights to use all material franchises, licenses, copyrights, copyright applications,

patents, patent rights or licenses, patent applications, trademarks, trademark rights, service mark, service mark rights, trade names, trade name rights, copyrights and other rights with respect to the foregoing which are reasonably necessary to conduct its business. To the knowledge of each Credit Party, no event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any such rights. No Credit Party nor any Subsidiary thereof is liable to any Person for infringement under any applicable law, regulation, rule, license, permit, approval or order with respect to any such rights as a result of its business operations except as could not reasonably be expected to have a Material Adverse Effect.

6.5 Tax Returns

Each Credit Party and each Subsidiary thereof has filed, or caused to be filed, in a timely manner (with extensions) all tax returns, reports and declarations which are required to be filed by it (except those in respect of taxes the calculation or payment of which are being contested in good faith by appropriate proceedings diligently pursued and available to it and except for those returns for those jurisdictions in which failure to do so would not have a Material Adverse Effect). All information in such tax returns, reports and declarations is complete and accurate in all material respects. Each Credit Party and each Subsidiary thereof has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes (a) the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to it and with respect to which adequate reserves have been set aside on its books or (b) for which the failure to pay would not have a Material Adverse Effect. Adequate provision has been made by each Credit Party and each Subsidiary thereof for the payment of all accrued and unpaid federal, provincial, municipal, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.

6.6 Litigation

Except as set forth on each Credit Party's Information Certificate, (a) to its knowledge, there is no present investigation by any Governmental Authority pending or threatened against or affecting such Credit Party and each Subsidiary thereof, its assets or business and (b) to its knowledge, there is no action, suit, proceeding or claim by any Person pending or threatened against such Credit Party and each Subsidiary thereof or its assets or business, or against or affecting any transactions contemplated by this Agreement, which in each of the foregoing cases, can reasonably be expected to result in any material adverse change in the assets or business of Credit Parties and their Subsidiaries, taken as a whole, or would materially impair the ability of such Credit Party and each Subsidiary thereof to perform its obligations under any of the Financing Agreements to which it is a party or of Agent to enforce any Obligations or realize upon any Collateral.

6.7 Compliance with Other Agreements and Applicable Laws; Approvals

Each Credit Party and each Subsidiary thereof is not in default in any respect under, or in violation in any respect of any of the terms of, any agreement, contract, instrument, lease or other commitment to which it is a party or by which it or any of its assets are bound and each Credit Party and each Subsidiary thereof is in compliance in all respects with all applicable provisions of laws, rules, regulations, licenses, permits, approvals and orders of any foreign, federal,

provincial or local governmental authority except for any default or lack of compliance that would not reasonably be expected to have a Material Adverse Effect. The execution, delivery and performance by each Credit Party and each Subsidiary thereof of the Financing Agreements to which it is a party do not and will not (a) require any governmental approval where the failure to obtain such approval could reasonably be expected to have a Material Adverse Effect or (b) require any consent or authorization of, filing with, or other act in respect of, a Governmental Authority and no consent of any other Person is required in connection with such execution, delivery and performance other than consents, authorizations, filings or other acts or consents for which the failure to obtain or make could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and notices and filings made in connection with the security interests granted under the Financing Agreements.

6.8 Bank Accounts

As of the Closing Date, all of the deposit accounts, investment accounts or other accounts in the name of or used by any Credit Party maintained at any bank or other financial institution are set forth in its Information Certificate.

6.9 Accuracy and Completeness of Information, Significant Contracts

(a) The information, taken as a whole, furnished by or on behalf of each Credit Party and each Subsidiary thereof in writing to Agent or a Lender in connection with any of the Financing Agreements or any transaction contemplated hereby or thereby, including all information in the Information Certificates, is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading.

(b) To the knowledge of each Credit Party, the Information Certificates set forth a complete and accurate list of all Significant Contracts of each Credit Party and each Subsidiary thereof in effect as of the Closing Date. Other than as set forth in the Information Certificates, to the knowledge of such Credit Party, such Significant Contract is, and after giving effect to the consummation of the transactions contemplated by the Financing Agreements will be, in full force and effect in accordance with the terms thereof. To the extent requested by Agent, each Credit Party and each Subsidiary thereof has delivered to the Agent a true and complete copy of each Significant Contract required to be listed on the Information Certificates. No Credit Party or Subsidiary thereof (nor, to the knowledge of Borrower, any other party thereto) is in breach of, or in default under, any Significant Contract or judgment, decree or order to which it or its properties are bound in any material respect. Each Credit Party represents and warrants that none of its or its Subsidiaries' Significant Contracts include contractual provisions restricting the assignability thereof to Agent or to an assignee thereof upon exercise of the Financing Agreements, with the exception of those restrictive provisions set out on Schedule 6.9 hereof.

(c) No event or circumstance has occurred which has had or could reasonably be expected to have a material adverse affect on the business or assets of Credit Parties and their Subsidiaries, taken as a whole, which has not been fully and accurately disclosed to Agent in writing.

6.10 Status of Pension Plans and ERISA

To the best knowledge of each Credit Party:

(a) The Pension Plans are duly registered under all applicable provincial pension benefits legislation and there are no other Canadian pension plans of any Credit Party or any Subsidiary thereof other than the Pension Plans.

(b) All obligations of each Credit Party and each Subsidiary thereof (including fiduciary, funding, investment and administration obligations) required to be performed in connection with the Pension Plans or the funding agreements therefor have been performed in a timely fashion. There are no outstanding disputes concerning the assets held pursuant to any such funding agreement.

(c) All contributions or premiums required to be made by any Credit Party and any Subsidiary thereof to the Pension Plans have been made in a timely fashion in accordance with the terms of the Pension Plans and applicable laws and regulations.

(d) All employee contributions to the Pension Plans required to be made by way of authorized payroll deduction have been properly withheld by each Credit Party and each Subsidiary thereof and fully paid into the Pension Plans in a timely fashion.

(e) All reports and disclosures relating to the Pension Plans required by any applicable laws or regulations have been filed or distributed in a timely fashion.

(f) There have been no improper withdrawals, or applications of, the assets of any of the Pension Plans.

(g) No amount is owing by any of the Pension Plans under the *Income Tax Act* (Canada) or any provincial taxation statute.

(h) None of the Pension Plans is a defined benefit registered pension plan or contains any defined benefit provision.

(i) Each Credit Party, after diligent enquiry, has neither any knowledge, nor any grounds for believing, that any of the Pension Plans is the subject of an investigation or any other proceeding, action or claim. There exists no state of facts which after notice or lapse of time or both could reasonably be expected to give rise to any such proceeding, action or claim.

(j) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or State law. Each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service and to the best of each Credit Party's knowledge, nothing has occurred which would cause the loss of such qualification where such loss, when combined with other such occurrences or failures to comply, has or could reasonably be expected to have a Material Adverse Effect. Each Credit Party and its ERISA Affiliates have made all required contributions to any Plan subject to Section 412 of the Code, and no application for a funding waiver has been made with respect to any Plan.

(k) Except as set forth in the Information Certificates, there are no pending, or to the best of each Credit Party's knowledge, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan. Except as set forth in the Information Certificates, there has been no prohibited transaction or violation of the fiduciary responsibility rules that would reasonably be expected to result in a material liability to the Plan.

(l) Except as set forth in the Information Certificates, (i) no ERISA Event has occurred or is reasonably expected to occur that would reasonably be expected to result in a material liability to the Plan; (ii) each Credit Party and its ERISA Affiliates have not incurred and do not reasonably expect to incur, any liability under Title IV of ERISA with respect to any Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iii) each Credit Party and its ERISA Affiliates have not incurred and do not reasonably expect to incur any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (iv) each Credit Party and its ERISA Affiliates have not engaged in a transaction that would be subject to Section 4069 or 4212(c) of ERISA.

6.11 Environmental Compliance

(a) Each Credit Party and each Subsidiary thereof has not generated, used, stored, treated, transported, manufactured, handled, produced or disposed of any Hazardous Materials, on or off its premises (whether or not owned by it) in any manner which at any time violates any applicable Environmental Law or any license, permit, certificate, approval or similar authorization thereunder which may be expected to have a Material Adverse Effect and the operations of each Credit Party and each Subsidiary thereof comply in all material respects with all Environmental Laws and all licenses, permits, certificates, approvals and similar authorizations thereunder.

(b) There is no investigation, proceeding, complaint, order, directive, claim, citation or notice by any Governmental Authority or any other person nor is any pending or to the best of each Credit Party's knowledge threatened, with respect to any non-compliance with or violation of the requirements of any Environmental Law

by such Credit Party and each Subsidiary thereof or the release, spill or discharge, threatened or actual, of any Hazardous Material or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials or any other environmental, health or safety matter, which affects such Credit Party and each Subsidiary thereof or its business, operations or assets or any properties at which any Credit Party or any Subsidiary thereof has transported, stored or disposed of any Hazardous Materials.

(c) Each Credit Party and each Subsidiary thereof has no material liability (contingent or otherwise) in connection with a release, spill or discharge, threatened or actual, of any Hazardous Materials or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials.

(d) Each Credit Party and each Subsidiary thereof has all licenses, permits, certificates, approvals or similar authorizations required to be obtained or filed in connection with its operations under any Environmental Law and all of such licenses, permits, certificates, approvals or similar authorizations are valid and in full force and effect.

(e) Each Credit Party and each Subsidiary thereof does not maintain and is not required by applicable law or otherwise to establish and maintain a system to assure and monitor its continued compliance with all Environmental Laws in all of its operations. In the event a Credit Party or a Subsidiary thereof establishes such a system it shall include annual reviews of such compliance by its employees or agents who are familiar with the requirements of the Environmental Laws and copies of all environmental surveys, audits, assessments, feasibility studies and results of remedial investigations shall be promptly furnished, or caused to be furnished, by such Credit Party to Agent all at such Credit Party's expense.

6.12 Survival of Warranties; Cumulative

All representations and warranties contained in any of the Financing Agreements shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to Agent and each Lender on the date of each additional borrowing or other credit accommodation hereunder and shall be conclusively presumed to have been relied on by Agent and each Lender regardless of any investigation made or information possessed by Agent or any Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which any Credit Party or any Subsidiary thereof shall now or hereafter give, or cause to be given, to Agent or any Lender.

6.13 U.S. Legislation

(a) No Credit Party or any Subsidiary or Affiliate thereof is in violation of any of the country or list-based economic and trade sanctions administered and enforced by OFAC. No Credit Party or any Subsidiary or Affiliate thereof (i) is a Sanctioned Person or a Sanctioned Entity, (ii) has any of its assets in Sanctioned Entities, or

(iii) derives any of its operating income from investments in, or transactions with, Sanctioned Persons or Sanctioned Entities. The proceeds of the Loans and other financial accommodation hereunder will not be used and have not been used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity.

(b) None of the requesting or borrowing of the Loans or the requesting or issuance, extension or renewal of any Letter of Credit Accommodations or the use of the proceeds of any thereof will violate the *Trading With the Enemy Act* (50 USC §1 et seq., as amended) (the "**Trading With the Enemy Act**") or any of the foreign assets control regulations of the United States Treasury Department (31 C.F.R., Subtitle B, Chapter V, as amended) (the "**Foreign Assets Control Regulations**") or any enabling legislation or executive order relating thereto (including, but not limited to, (i) Executive order 13224 of September 21, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)) (the "**Executive Order**") and (ii) the Patriot Act. Neither any Credit Party nor any of its Subsidiaries or Affiliates is or will become a "**blocked person**" as described in the Executive Order, the Trading with the Enemy Act or the Foreign Assets Control Regulations or engages or will engage in any dealings or transactions, or be otherwise associated, with any such "**blocked person**".

(c) No part of the proceeds of the Loans will be used for any purpose that violates the provisions of any of Regulation T, U or X of the Board of Governors of the Federal Reserve System of the United States of America or any other regulation of such Board of Governors, no Credit Party or Subsidiary thereof is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System and Borrower does not own any such "**margin stock**".

(d) No part of the proceeds of the Loans or other financial accommodations made or provided hereunder will be used by any Credit Party or any Subsidiary or Affiliate thereof, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the *United States Foreign Corrupt Practices Act of 1977*, as amended.

(e) No Credit Party or Subsidiary thereof is an "investment company" or a company "controlled" by an "investment company" (as each such term is defined or used in the *Investment Company Act of 1940*, as amended) and no Credit Party and Subsidiary thereof is, or after giving effect to any extension of loans will be, a regulated entity under the Interstate Commerce Act, as amended, or any other applicable law which limits its ability to incur or consummate the transactions contemplated hereby.

6.14 Material Operating Subsidiaries

As of the Closing Date, Guarantors are the only Material Subsidiaries of Borrower other than IMAC China Multimedia, IMAX China Theatre and IMAX Japan.

6.15 Employee Relations

As of the Closing Date, no Credit Party or Subsidiary thereof is party to any collective bargaining agreement and no labor union has been recognized as the representative of its employees except as set forth on the Information Certificates. Each Credit Party knows of no pending, threatened or contemplated strikes, work stoppage or other collective labor disputes involving its employees or those of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect.

6.16 Burdensome Provisions

No Credit Party or Subsidiary thereof is party to any agreement or instrument or otherwise subject to any restriction or encumbrance that restricts or limits its ability to make dividend payments or other distributions in respect of its Capital Stock to Borrower or any Subsidiary thereof or to transfer any of its assets or properties to Borrower or any other Subsidiary thereof in each case other than existing under or by reason of the Financing Agreements, applicable law or pursuant to any document or instrument governing indebtedness incurred pursuant to Section 8.3(c), (g), (h), (i) and (k).

6.17 Absence of Defaults

No event, circumstance or omission has occurred or is continuing which constitutes a Default or an Event of Default.

6.18 Senior Indebtedness Status

The Obligations rank and shall continue to rank senior in priority of payment to all subordinated indebtedness of each Credit Party and shall be designated as "Senior Indebtedness" under all instruments and documents, now or in the future, relating to all subordinated indebtedness of such Credit Party.

ARTICLE 7
AFFIRMATIVE COVENANTS

Until all of the non-contingent Obligations have been paid and satisfied in full in cash, all Letters of Credit Accommodations have been terminated or expired (or been cash collateralized on terms satisfactory to Agent) and the Revolving Loan Commitment terminated, each Credit Party will, and will cause each of its Subsidiaries to:

7.1 Maintenance of Existence

Except to the extent otherwise permitted herein, preserve, renew and keep in full, force and effect its corporate existence and rights and franchises with respect thereto and maintain in full

force and effect all permits, licenses, trademarks, tradenames, approvals, authorizations, leases and contracts necessary to carry on the business as presently or proposed to be conducted. Each Credit Party shall give Agent 15 days prior written notice of any proposed change in its or any of its Subsidiaries' corporate name, which notice shall set forth the new name and it shall deliver to Agent a certified copy of the articles of amendment providing for the name change immediately following its filing.

7.2 New Collateral Locations

Give Agent 30 days prior written notice if it intends to do business or have assets located in a Province of Canada not set forth in the Information Certificates as of the Closing Date and execute and deliver, or cause to be executed and delivered, to Agent such agreements, documents, and instruments as Agent may deem necessary or desirable to protect its interests in the Collateral in such Province, including PPSA and other financing statements and such other evidence as Agent may require of the perfection of Agent's first priority Liens where required by Agent. If any Lender determines, acting reasonably, that any applicable law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender to hold or benefit from a Lien over real property, such Lender may notify Agent and disclaim any benefit of such Lien to the extent of such illegality; provided, that such determination or disclaimer shall not invalidate or render unenforceable such Lien for the benefit of Agent, any other Lender or Secured Party.

7.3 Compliance with Laws, Regulations, Etc.

(a) Comply in all respects with all laws, rules, regulations, licenses, permits, approvals and orders applicable to it and duly observe all requirements of any Governmental Authority, including all statutes, rules, regulations, orders, permits and stipulations relating to environmental pollution and employee health and safety, including all of the Environmental Laws except for any matter (i) that it is contesting in good faith by appropriate proceedings diligently pursued or (ii) which is not reasonably expected to have a Material Adverse Effect.

(b) Take prompt and appropriate action to respond to any non-compliance with any of the Environmental Laws and shall regularly report to Agent on such response.

(c) Give both oral and written notice to Agent promptly upon its receipt of any notice of, or it otherwise obtaining knowledge of: (i) the occurrence of any event involving the actual release, spill or discharge of any Hazardous Material that would be in violation of Environmental Laws; or (ii) any investigation, proceeding, complaint, order, directive, claims, citation or notice with respect to: (A) any non-compliance with or violation of any Environmental Law by any Credit Party or Subsidiary thereof, or (B) the release, spill or discharge, threatened or actual, of any Hazardous Material, or (C) the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials, or (D) any other environmental, health or safety matter, which affects any Credit Party or any Subsidiary thereof or its business,

operations or assets or any properties at which it transported, stored or disposed of any Hazardous Materials.

(d) Without limiting the generality of the foregoing, whenever Agent determines that there is non-compliance, or any condition which requires any action by or on behalf of any Credit Party or any Subsidiary thereof in order to avoid any material non-compliance, with any Environmental Law, such Credit Party shall, at Agent's request and such Credit Party's expense: (i) cause an independent environmental engineer acceptable to Agent to conduct such tests of the site where such Credit Party's or Subsidiary's non-compliance or alleged non-compliance with such Environmental Laws has occurred as to such non-compliance and prepare and deliver to Agent a report as to such non-compliance setting forth the results of such tests, a proposed plan for responding to any environmental problems described therein, and an estimate of the costs thereof; and (ii) provide to Agent a supplemental report of such engineer whenever the scope of such non-compliance, or such Credit Party's or Subsidiary's response thereto or the estimated costs thereof, shall change in any material respect.

(e) Indemnify and hold harmless Agent and each Lender and their respective directors, officers, employees, agents, invitees, representatives, successors and assigns, from and against any and all losses, claims, damages, liabilities, costs, and expenses (including reasonable legal fees and expenses) directly or indirectly arising out of or attributable to the use, generation, manufacture, reproduction, storage, release, threatened release, spill, discharge, disposal or presence of a Hazardous Material, including the costs of any required or necessary repair, cleanup or other remedial work with respect to any property of any Credit Party or any Subsidiary thereof and the preparation and implementation of any closure, remedial or other required plans. All representations, warranties, covenants and indemnifications in this Section 7.3 shall survive the payment of the Obligations and the termination of this Agreement.

7.4 Payment of Taxes and Claims

(a) Duly pay and discharge all taxes, assessments, contributions and governmental charges upon or against it or its properties or assets, except for (a) taxes, assessments, contributions and governmental charges the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to it and with respect to which adequate reserves have been set aside on its books or (b) taxes, assessments, contributions and governmental charges for which the failure to pay (i) is not reasonably expected to have a Material Adverse Effect and (ii) does not, and could not, have a trust (including a statutory trust) imposed to provide for payment or Lien ranking or capable of ranking senior to or *pari passu* with the Liens securing the Obligations on any of the Collateral under federal, provincial, state, county, municipal or local law.

(b) Pay or be liable for any tax imposed on Agent or a Lender as a result of the financing arrangements provided for herein and indemnify and hold Agent and

each Lender harmless with respect to the foregoing, and to repay to Agent and/or a Lender, as the case may be, on demand the amount thereof, and until paid such amount shall be added and deemed part of the Obligations; provided, that nothing contained herein shall result in any Credit Party or any Subsidiary thereof being obligated to pay, indemnify or be liable for any (i) income, capital, financial institution or franchise taxes (including such taxes imposed by way of withholding) imposed by the jurisdiction in which Agent or a Lender is organized or maintains its principal office or applicable lending office or with which Agent or such Lender has a present or former connection (other than a connection as a result of the financing arrangements contemplated herein or relating thereto) and is attributable to the income of Agent or Lenders from any amounts charged or paid hereunder to Agent or Lenders or (ii) taxes resulting from Agent's or a Lender's failure to comply with Section 7.4(c); provided, further that any Lender claiming any additional amounts hereunder agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change its applicable lending office if the making of such a change would avoid the need for, or reduce the amount of any such additional amount that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender. The foregoing indemnity shall survive the payment of the Obligations and the termination of this Agreement. Reference to taxes in this Section shall include all related interest and/or penalties.

(c) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments made on the Obligations shall deliver to Borrower and Agent, at the time or times reasonably requested by Borrower or Agent, such properly completed and executed documentation reasonably requested by Borrower or Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by Borrower or Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by Borrower or Agent as will enable Borrower or Agent to determine whether or not such Lender is subject to withholding, backup withholding or information reporting requirements.

(d) If any Person determines, in its sole discretion exercised in good faith, that is has received a refund of any taxes as to which it has been indemnified pursuant to Section 5.3 or this Section 7.4 (including by the payment of additional amounts pursuant to Section 5.3 or this Section 7.4), it shall pay to indemnifying Credit Party an amount equal to such refund (but only to the extent of indemnity payments made with respect to the taxes giving rise to such refund) net of all out-of-pocket expenses (including taxes) of such indemnified Person and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying Credit Party, upon the request of such indemnified Person, shall repay to such indemnified Person the amount paid over pursuant to this clause (d) (plus any penalties, interest or charges imposed by the relevant Governmental Authority) in the event that such indemnified Person is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this clause (d), in no event will the indemnified Person

be required to pay any amount to an indemnifying Credit Party pursuant to this clause (d) the payment of which would place the indemnified Person in a less favorable net after-tax position than the indemnified Person would have been in if the tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such tax had never been paid. This clause (d) shall not be construed to require any indemnified Person to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the indemnifying Credit Party or any other Person.

7.5 Insurance

(a) Maintain with financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be satisfactory to Agent, acting in good faith, as to form, amount and insurer.

(b) Furnish certificates, policies or endorsements to Agent as Agent shall require as proof of such insurance, and, if such Credit Party or Subsidiary fails to do so Agent is authorized, but not required, to obtain such insurance at the expense of such Credit Party. All policies shall provide for at least 30 days prior written notice to Agent of any cancellation or reduction of coverage and that Agent may act as attorney for such Person in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and cancelling such insurance.

(c) Cause Agent to be named as a loss payee and/or an additional insured, as applicable (but without any liability for any premiums) under such insurance policies and obtain non-contributory lender's loss payable endorsements to all insurance policies (other than third party liability policies) in form and substance satisfactory to Agent. Such lender's loss payable endorsements shall specify that at any time an Event of Default exists or has occurred and is continuing, the proceeds of such insurance shall all be payable to Agent as its interests may appear and at all other times in accordance with Section 7.5(d) and 2.4(c)(iii).

(d) Subject to Section 7.5(c) hereof, the proceeds of such insurance:

(i) which are equal to or less than $2,000,000 per occurrence shall be payable to applicable Credit Party;

(ii) which are greater than $2,000,000 and less than $10,000,000 per occurrence, shall be payable to applicable Credit Party and applicable Credit Party shall provide Agent with evidence, satisfactory to Agent in its discretion, that such Collateral can be repaired and/or replaced within 180 days from the date applicable Credit Party receives such proceeds. Such

Credit Party shall forthwith apply such proceeds to the costs of repairing and/or replacing the Collateral within such 180 day period otherwise such Credit Party shall remit all such proceeds (including such proceeds not used within such 180 day period) directly to Agent to be dealt with in accordance with Section 2.4(c)(iii) hereof; or

(iii) which are greater than $10,000,000 per occurrence, shall be payable directly to Agent and in the event that such Collateral can be repaired and/or replaced within 180 days from the date Agent receives such proceeds, such Credit Party shall provide evidence, within 10 Business Days from the date Agent receives such proceeds, to Agent that such Collateral can be repaired and/or replaced within such 180 days and if such evidence is satisfactory to Agent, in its discretion, Agent shall release such insurance proceeds to such Credit Party. Such Credit Party shall forthwith apply such proceeds to the costs of repairing and/or replacing the Collateral within such 180 days. In the event such Credit Party does not provide Agent with the evidence required within 10 Business Days from the date Agent receives such proceeds, Agent shall forthwith apply such proceeds in accordance with Section 2.4(c)(iii) and such Credit Party shall remit all such proceeds not used within such 180 day period directly to Agent to be dealt with in accordance with Section 2.4(c)(iii) hereof.

(e) Notwithstanding anything to the contrary contained in Section 7.5(d) hereof, insurance proceeds received in respect of:

(i) Collateral comprised of real property shall be payable directly to Agent and dealt with in accordance with Section 2.4(c)(iii) hereof;

(ii) proceeds of any keyman insurance policies, or cash surrender value thereof, assigned to Agent, shall be payable to Agent and dealt with in accordance with Section 2.4(c)(iii) hereof; and

(iii) proceeds of business interruption insurance assigned to Agent, shall be payable to Agent and dealt with in accordance with Section 2.4(c)(iii) hereof.

7.6 Financial Statements and Other Information

(a) Keep proper books and records in which true and complete entries shall be made of all dealings or transactions of or in relation to the Collateral and its business in accordance with GAAP and Borrower shall furnish or cause to be furnished to Agent, all to be in form, scope and substance satisfactory to Agent:

(i) within 45 days after the end of each of the first 3 Fiscal Quarters, quarterly unaudited consolidated financial statements (including in each case balance sheets, statements of income and loss, statements of cash flow and statements of shareholders’ equity with comparisons to projections and same period in previous Fiscal Year), all in reasonable detail, fairly

presenting the financial position and the results of the operations of Borrower and its Subsidiaries as of the end of and through such Fiscal Quarter together with a management discussion of such financial position and results in form acceptable to Agent and a Compliance Certificate duly executed by the chief financial officer of Borrower;

(ii) within 90 days after the end of each Fiscal Year, audited consolidated financial statements of Borrower and its Subsidiaries (including in each case balance sheets, statements of income and loss, statements of changes in financial position and statements of shareholders' equity), and the accompanying notes thereto, including any consolidating worksheets prepared on a quarterly basis in connection therewith, all in reasonable detail, fairly presenting the financial position and the results of the operations of Borrower and its Subsidiaries as of the end of and for such Fiscal Year, together with a Compliance Certificate duly executed by the chief financial officer of Borrower and the unqualified opinion of independent chartered accountants, which accountants shall be an independent accounting firm selected by Borrower and acceptable to Agent, that such financial statements have been prepared in accordance with GAAP, and present fairly the results of operations and financial condition of Borrower and its Subsidiaries as of the end of and for the Fiscal Year then ended;

(iii) by February 28 of each Fiscal Year or earlier if and when available (including in draft form), projections for such Fiscal Year; and

(iv) as Agent may from time to time reasonably request, and provided that Borrower prepares such information in the ordinary course of business, budgets, management letters, forecasts, business plans, cash flows and other information respecting the Collateral and the business of each Credit Party.

(b) Notify Agent in writing of the details of (i) any loss, damage, investigation, action, suit, proceeding or claim relating to the Collateral or any other property which is security for the Obligations and which would result in any Material Adverse Effect; and (ii) the occurrence of any Event of Default or Default or other event that could reasonably be expected to have a Material Adverse Effect.

(c) Promptly after the sending or filing thereof furnish or cause to be furnished to Agent copies of all reports which it sends to its shareholders generally and copies of all reports and registration statements which it files with any securities commission or securities exchange.

(d) Authorize and direct, at any time an Event of Default exists or has occurred and is continuing, all accountants or auditors to deliver to Agent, at such Credit Party's expense, copies of the financial statements of such Credit Party and each Subsidiary thereof and any reports or management letters prepared by such

accountants or auditors on behalf of such Credit Party or any Subsidiary thereof and to disclose to Agent such information as they may have regarding the business of such Credit Party or Subsidiary. Any documents, schedules, invoices or other papers delivered to Agent may be destroyed or otherwise disposed of by Agent 1 year after the same are delivered to Agent, except as otherwise designated by such Credit Party to Agent in writing.

(e) Furnish to Agent all material notices or demands in connection with any default under indebtedness permitted to be incurred hereunder either received by it or on its behalf, promptly after the receipt thereof, or sent by it or on its behalf, concurrently with the sending thereof, as the case may be.

7.7 Intellectual Property

(a) Promptly notify Agent in the event any Credit Party or any Subsidiary thereof obtains or applies for any material intellectual property rights or obtains any material licenses with respect thereto and provide to Agent copies of all written materials including, but not limited to, applications and licenses with respect to such intellectual property rights.

(b) At Agent's request, promptly execute and deliver to Agent an intellectual property security agreement granting to Agent a perfected security interest in such intellectual property rights of a Credit Party in form and substance satisfactory to Agent.

7.8 Operation of Pension Plans

(a) Administer the Pension Plans in accordance with the requirements of the applicable pension plan texts, funding agreements, the *Income Tax Act* (Canada) and applicable provincial pension benefits legislation.

(b) Use commercially reasonable efforts to obtain and to deliver to Agent, upon Agent's request, an undertaking of the funding agent for each of the Pension Plans stating that the funding agent will notify Agent within 30 days of such Credit Party's or a Subsidiary thereof's failure to make any required contribution to the applicable Pension Plan.

(c) Not accept payment of any amount from any of the Pension Plans without the prior written consent of Agent other than payments for forfeitures in connection with terminated employees to be set-off against future contribution obligations.

(d) Not terminate, or cause to be terminated, any of the Pension Plans, if such plan would have a solvency deficiency on termination.

(e) Promptly provide Agent with any documentation relating to any of the Pension Plans as Agent may request.

(f) Promptly notify Agent within 30 days of: (i) a material increase in the liabilities of any of the Pension Plans; (ii) the establishment of a new registered pension plan; (iii) commencing payment of contributions to a Pension Plan to which a Credit Party or any Subsidiary thereof had not previously been contributing; and (iv) any failure to make any required contribution to a Pension Plan when due.

7.9 ERISA

(a) Maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal and State law, (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification, (c) not terminate any US Pension Plan so as to incur any liability to the Pension Benefit Guaranty Corporation, (d) not allow or suffer to exist any prohibited transaction involving any Plan or any trust created thereunder which would subject such Credit Party or such ERISA Affiliate to a tax or other liability on prohibited transactions imposed under Section 4975 of the Code or ERISA in an aggregate amount in excess of $500,000, (e) make all required contributions to any Plan which it is obligated to pay under Section 302 of ERISA, Section 412 of the Code or the terms of such Plan, (f) not allow or suffer to exist any accumulated funding deficiency, whether or not waived, with respect to any such US Pension Plan, (g) not engage in a transaction that could be subject to Section 4069 or 4212(c) of ERISA, or (g) not allow or suffer to exist any occurrence of a reportable event or any other event or condition which presents a risk of termination by the Pension Benefit Guaranty Corporation of any Plan that is a single employer plan, which termination could result in any liability to the Pension Benefit Guaranty Corporation.

7.10 IP Collateral

With respect to the IP Collateral:

(a) notify Agent forthwith in writing:

(i) of the failure of any licensee, if any, to pay or perform any material obligations due to Borrower in respect of the License Agreements;

(ii) of any reason any patent, patent application, patent registration, trademark, trademark application, trademark registration, copyright, copyright application, copyright registration, industrial design application or industrial design registration forming part of the material IP Collateral or any other application, registration or proceeding relating to any of the material IP Collateral may become barred, abandoned, refused, rejected, forfeited, withdrawn, expired, lapsed, cancelled, expunged, opposed or dedicated or of any adverse determination or development (including the institution of any proceeding in any Intellectual Property Office or any court or tribunal) regarding Borrower’s ownership of or rights in any of the material IP Collateral, its right to register or otherwise protect the same, or to keep and maintain the exclusive rights in same, or the validity of same; or

(iii) of any action, proceeding, or allegation that the IP Collateral infringes upon, misappropriates, violates, or otherwise interferes with the rights of any Person;

(b) do everything commercially necessary or desirable to preserve and maintain the material IP Collateral including (unless Borrower receives the prior written consent of Agent):

(i) perform all obligations pursuant to the License Agreements;

(ii) commence and prosecute such suits, proceedings or other actions for infringement, passing off, unfair competition, dilution or other damage as are, in its reasonable business judgment, necessary to protect the IP Collateral;

(iii) enforce its rights under any agreements (including the License Agreements) which materially enhance the value of and/or protect the material IP Collateral;

(iv) make all necessary filings and recordings in the Intellectual Property Offices and elsewhere necessary to protect its interest in the material IP Collateral or any new material IP Collateral, including making, maintaining and pursuing (including proceedings before Intellectual Property Offices) each application and registration with respect thereto; and

(v) promptly notify Agent in writing when it commences any steps referred to in Sections 7.10(b)(ii) hereof and provide Agent with such information with respect thereto as Agent may request;

(c) not, other than in the ordinary course of its business prior to an Event of Default that is continuing, without the prior written consent of Agent, terminate, amend, enter into or renew any agreement, oral or written, or any indenture, instrument or undertaking relating to the material IP Collateral, including the License Agreements or any other license agreements and/or sub-license agreements; provided however that Borrower may, at any time except during the continuance of an Event of Default, terminate, amend, enter into or renew any agreement, oral or written, or any indenture, instrument, undertaking or license (other than exclusive licenses) relating to the IP Collateral, in the ordinary course of its business; it being understood and agreed hereunder that for the purposes of this Section 7.10(c) the "ordinary course of business" shall be deemed to include the entry into license arrangements in connection with new business opportunities by Borrower which would not reasonably be expected to have a Material Adverse Effect;

(d) perform, at Borrower's sole cost and expense, all acts and execute all documents, including grants of security interests or assignments in forms suitable for filing with the Intellectual Property Offices in Canada and the United States, as may be

requested by Agent at any time and from time to time to evidence, perfect, maintain, record and enforce Agent's Liens in the IP Collateral, or otherwise in furtherance of the provisions of this Agreement;

(e) unless Agent consents in writing otherwise, not do any act or omit to do any act, other than in the ordinary course of its business, whereby any of the IP Collateral, may lapse, become abandoned or dedicated to the public, enter the public domain, lose its quality of confidence, become indistinct, or become unenforceable;

(f) unless Agent consents in writing otherwise, or unless the failure to so act would not reasonably be expected to have a Material Adverse Effect, with respect to any Trade-mark forming part of the Collateral:

(i) continue the use of any such Trade-marks in order to maintain all of the Trade-marks in full force free from any claim of abandonment;

(ii) maintain as in the past the character and quality of the wares and services offered in association with such Trade-marks, and use its reasonable best efforts to require its licensees to maintain as in the past the character and quality of the wares and services offered in association with such Trade-marks; and

(g) require that all use by any Person of any such Trade-marks shall be pursuant to a license that provides it with the requisite control and other provisions to maintain the distinctiveness of such Trade-marks.

7.11 Visits and Inspections

(a) From time to time as requested by Agent, at the cost and expense of Borrower: (i) provide Agent, any Lender or its designee complete access to all of its premises during normal business hours and after reasonable notice to such Person, or at any time if an Event of Default exists or has occurred and is continuing, for the purposes of inspecting, verifying and auditing the Collateral and all of such Person's books and records, including the Records; and (ii) promptly furnish to Agent and such Lender such copies of such books and records or extracts therefrom as Agent or such Lender may reasonably request, and (iii) permit Agent, any Lender or its designee to use during normal business hours such of such Person's personnel, equipment, supplies and premises as may be reasonably necessary for the foregoing and if an Event of Default exists or has occurred and is continuing for the realization of the Collateral.

(b) Agent and each Lender shall use all reasonable efforts to keep confidential, in accordance with its customary procedures for handling confidential information and safe and sound lending practices, any non-public information made available to Agent or such Lender pursuant to Section 7.6 or Section 7.11(a), and all copies thereof; provided that nothing in this Section shall limit the disclosure of any such information: (i) to the extent required by statute, rule, regulation, subpoena or court order (and Agent and each Lender shall provide Borrower with prior notice

of such required disclosure to the extent permitted by applicable law but with no liability for failure to do so); (ii) to bank examiners and other regulators, auditors and/or accountants; (iii) in connection with any litigation to which Agent or a Lender is a party; (iv) to any assignee or participant (or prospective assignee or participant) so long as such assignee or participant (or prospective assignee or participant), as applicable, shall have first agreed in writing to treat such information as confidential in accordance with this Section; (v) to counsel for Agent or any Lender or any participant or assignee (or prospective participant or assignee); and (vi) to any Person with the prior written consent of Borrower. In no event shall this Section, or any other provision of this Agreement or any applicable law be deemed to: (i) apply to or restrict disclosure of information that has been or is made public by any Credit Party or Subsidiary thereof or any third party without breach by Agent or any Lender of this Section or otherwise becomes generally available to the public other than as a result of a disclosure in violation hereof; (ii) apply to or restrict disclosure of information that was or becomes available to Agent or any Lender on a non-confidential basis from a person other than a Credit Party of a Subsidiary thereof; (iii) require Agent or any Lender to return any materials furnished by any Credit Party or Subsidiary thereof to Agent; or (iv) prevent Agent from responding to routine informational requests in accordance with applicable industry standards relating to the exchange of credit information.

7.12 Material Subsidiaries and Key Man Insurance

(a) Notify Agent of the existence of a Material Subsidiary and promptly thereafter (and in any event within 30 days after such notice), cause such Material Subsidiary to (i) become a Guarantor hereunder by delivering to Agent such agreements as Agent shall deem appropriate for such purpose, (ii) grant a perfected first priority Lien in favour of Agent in all its assets and properties (subject to Permitted Liens) by delivering to Agent such agreements as Agent shall deem appropriate for such purpose and making such registrations and filings in connection therewith as Agent shall deem necessary or desirable to preserve, protect or perfect such first priority Lien, (iii) subject to Section 7.13, deliver to Agent such original Capital Stock or other certificates and stock or other transfer powers evidencing the Capital Stock of such Person, (iv) deliver to Agent such updated schedules to the Financing Agreements as requested by Agent with respect to such Person, and (v) deliver to Agent such other documents as may be reasonably requested by Agent, all in form and substance reasonably satisfactory to Agent.

(b) Grant a perfected first priority Lien in favour of Agent in any key man insurance obtained by any Credit Party after the Closing Date by delivering to Agent such agreements as Agent shall deem appropriate for such purpose and making such registrations and filings in connection therewith as Agent shall deem necessary or desirable to preserve, protect or perfect such first priority Lien.

7.13 Grant of Equitable Mortgage by IMAX Barbados

In the case of IMAX Barbados, at all times (i) mortgage or pledge in favour of Agent, and deliver (but only to the extent such original Capital Stock is in certificated form) to Agent such original Capital Stock or other certificates and stock or other transfer powers evidencing the grant of a mortgage or pledge over, not less than 75% of the issued and outstanding Capital Stock of IMAX Cayman (excluding up to 10% of the issued and outstanding Capital Stock of IMAX Cayman in the form of Class B non-voting shares issued pursuant to IMAX Cayman's Long-Term Incentive Plan dated October, 2012) and (ii) grant a perfected first priority Lien in favour of Agent in such mortgaged or pledged Capital Stock by delivering to Agent such other agreements as Agent shall deem appropriate for such purpose and making such registrations and filings in connection therewith as Agent shall deem necessary or desirable to preserve, protect or perfect such first priority Lien.

ARTICLE 8
NEGATIVE COVENANTS

Until all of the non-contingent Obligations have been paid and satisfied in full in cash, all Letters of Credit Accommodations have been terminated or expired (or been cash collateralized on terms satisfactory to Agent) and the Revolving Loan Commitments terminated, the Credit Parties will not, and will not permit any of their respective Subsidiaries to:

8.1 Sale of Assets, Consolidation, Amalgamation, Dissolution, Etc.

(a) Directly or indirectly, without the prior written consent of Required Lenders which is not to be unreasonably withheld or unless otherwise permitted herein: (i) amalgamate with any other Person or permit any other Person to amalgamate with it, or (ii) sell, assign, lease, transfer, abandon or otherwise dispose of any Collateral, assets or property to any other Person, or (iii) form or acquire any Subsidiaries, or (d) wind up, liquidate or dissolve or (iv) agree to do any of the foregoing.

(b) Notwithstanding Section 8.1(a) hereof and provided that an Event of Default does not then exist, each Credit Party or any Subsidiary thereof shall be permitted to:

(i) sell Inventory in the ordinary course of business;

(ii) sell equipment at fair market value in the ordinary course of business;

(iii) dispose of worn-out or obsolete property or property no longer used in its business;

(iv) sell assets at fair market value provided that such assets are not the Real Property or IP Collateral;

(v) sell assets which include intellectual property as an incidental component of such asset, provided such sale does not materially diminish or impair the IP Collateral to be retained by Borrower hereunder; provided that the

aggregate amount of sales or disposals made pursuant to the foregoing clauses (ii), (iii), (iv) and (v) shall not exceed $20,000,000 over the term of this Agreement;

(vi) amalgamate with an Affiliate; provided that prior to the completion of such amalgamation Agent shall be entitled to obtain and perfect a Lien from such Affiliate and/or amalgamated entity, in form and substance substantially similar to that obtained from Credit Parties existing as at the Closing Date, and such amalgamated entity shall accede hereto as a "Guarantor";

(vii) form or acquire (but subject to Section 8.4) any Subsidiary; provided that Agent shall be provided with 30 days prior written notice of same and Agent shall be entitled to obtain and perfect a Lien from such Subsidiary, in form and substance substantially similar to that obtained from Credit Parties existing as at the Closing Date, and such Subsidiary shall accede hereto as a "Guarantor";

(viii) form or acquire any single purpose Subsidiaries for the purpose of entering into the joint ventures and the third party productions permitted pursuant to Section 8.4(e) and (i) hereof;

(ix) transfer all of its property to another Credit Party prior to such first Credit Party's liquidation, winding-up or dissolution provided that such transferred property is subject to all then existing first priority Liens of Agent (subject to Permitted Liens);

(x) sell, assign, lease, transfer, or otherwise dispose of property to another Credit Party provided that such sold, assigned, leased, transferred or disposed property is subject to all then existing first priority Liens of Agent (subject to Permitted Liens);

(xi) sell or facilitate the further issue of the Capital Stock of IMAX Cayman pursuant to Section 8.3(k); and

(xii) transfer assets or property if such transfer is a permitted investment pursuant to Section 8.4(e), (i) or (k).

8.2 Liens

Create, incur, assume or suffer to exist any Lien on any of its assets or properties, including the Collateral and Real Property, except:

(a) Liens of Agent;

(b) liens securing the payment of taxes, either not yet overdue or the validity of which are being contested in good faith by appropriate proceedings diligently pursued

and available to such Credit Party or Subsidiary and with respect to which adequate reserves have been set aside on its books;

(c) non-consensual statutory liens (other than liens securing the payment of taxes) arising in the ordinary course of its business to the extent: (i) such liens secure indebtedness which is not overdue or (ii) such liens secure indebtedness relating to claims or liabilities which are fully insured and being defended at the sole cost and expense and at the sole risk of the insurer or being contested in good faith by appropriate proceedings diligently pursued and available to it, in each case prior to the commencement of foreclosure or other similar proceedings and with respect to which adequate reserves have been set aside on its books;

(d) zoning restrictions, rights-of-way, easements, licenses, covenants and other restrictions affecting the use of real property which do not interfere in any material respect with the use of such real property or ordinary conduct of its business as presently conducted thereon or materially impair the appraised value of the real property which may be subject thereto;

(e) purchase money security interests in equipment (including capital leases) and purchase money mortgages on real estate not to exceed, in the case of such purchase money security interests and purchase money mortgages, $500,000 in the aggregate for all Credit Parties and Subsidiaries thereof at any time outstanding so long as such security interests and mortgages do not apply to any property of a Credit Party or Subsidiary thereof other than the equipment or real estate so acquired, and the indebtedness secured thereby does not exceed the cost of the equipment or real estate so acquired, as the case may be;

(f) Liens set forth on Schedule 8.2 hereto;

(g) liens securing performance of bids, contracts, statutory obligations, surety, performance and appeal bonds and other like obligations incurred in the ordinary course of business;

(h) pledges or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security legislation;

(i) liens securing indebtedness of a person acquired by or amalgamated with a Credit Party or Subsidiary thereof or liens securing indebtedness incurred in connection with an acquisition, provided in all such cases that such acquisition or amalgamation, as the case may be, is not prohibited hereunder and provided further that such liens were in existence prior to the date of such acquisition or amalgamation, as the case may be, and were not incurred in anticipation thereof and do not extend to assets other than those acquired;

(j) liens granted over the assets and properties of the Santa Monica Facility Borrower to secure the indebtedness in Section 8.3(g);

(k) liens granted over the assets and properties of a Film Fund Subsidiary to secure the indebtedness in Section 8.3(h);

(l) liens granted over the assets and properties of IMAX China Multimedia to secure the indebtedness in Section 8.3(i); and

(m) liens in favour of EDC over deposits of collateral given by Borrower in favour of EDC pursuant to the terms of the EDC Indemnity Agreement; provided however that (i) the Liens and interest of EDC in such collateral shall at all times be subject to and subordinate to any and all interests and Liens of Agent in such collateral and (ii) Agent shall have provided its prior written consent to Borrower to make such deposit of collateral with EDC.

8.3 Indebtedness

Incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any obligations, liabilities or indebtedness (including under or in connection with capital leases), except:

(a) the Obligations including obligations, liabilities and indebtedness under or in connection with Secured Hedge Agreements and the Secured Cash Management Agreements;

(b) trade obligations and normal accruals in the ordinary course of business not yet due and payable, or with respect to which such Credit Party is contesting in good faith the amount or validity thereof by appropriate proceedings diligently pursued and available to it, and with respect to which adequate reserves have been set aside on its books;

(c) purchase money indebtedness (including capital leases) to the extent not incurred or secured by Liens (including capital leases) in violation of any other provision of this Agreement;

(d) the indebtedness set forth on Schedule 8.3 hereto;

(e) the indebtedness incurred pursuant to the BMO Term Sheet; provided however that the indebtedness of Borrower under (i) the BMO LC Facility shall not exceed $10,000,000 and may be replaced by Borrower, (ii) the Mastercard Facility shall not exceed CDN$175,000 and (iii) the FX Facility shall not exceed $4,000,000;

(f) the indebtedness and indemnity obligations incurred pursuant to the EDC Indemnity Agreement; provided that such indebtedness and indemnity obligations shall relate solely to Indemnity Bonding Products (as defined in the EDC Indemnity Agreement) issued by EDC in support of the BMO LC Facility and not to exceed $10,000,000 in the aggregate;

(g) the indebtedness of a Subsidiary of Borrower (other than a Credit Party) that owns the Santa Monica Facility (the " **Santa Monica Facility Borrower**") not to exceed $50,000,000; provided that:

(i) if such indebtedness is Non-Recourse Debt, such indebtedness shall not be included in the calculation of Total Debt for purposes of the Total Leverage Ratio; and

(ii) if such indebtedness is not Non-Recourse Debt, such indebtedness shall be included in the calculation of Total Debt for purposes of the Total Leverage Ratio;

(h) the Non-Recourse Debt of a Film Fund Subsidiary not to exceed $25,000,000 in the aggregate;

(i) the Non-Recourse Debt of IMAX China Multimedia with respect to a letter of credit or working capital facility not to exceed $5,000,000;

(j) the indebtedness of a Credit Party to another Credit Party as a result of loans made pursuant to Section 8.4(i)(iii) or 8.4(j); and

(k) the indebtedness of IMAX Cayman or the issuance by IMAX Cayman or sale by IMAX Barbados of up to 25% of the Capital Stock of IMAX Cayman to arm's length Persons (the "**IMAX China Capital Raise**"); provided that:

(i) any indebtedness of IMAX Cayman with respect to the IMAX China Capital Raise shall not exceed $80,000,000;

(ii) IMAX Cayman or IMAX Barbados (as the case may be) shall distribute 50% of the Net Cash Proceeds of the IMAX China Capital Raise to Borrower and Borrower shall apply such Net Cash Proceeds in accordance with Section 2.4(c);

(iii) IMAX Cayman or IMAX Barbados (as the case may be) shall use the other 50% of the Net Cash Proceeds of the IMAX China Capital Raise to fund (by way of capital contributions or intercompany loans) Borrower's, IMAX China Multimedia's and IMAX China Theatre's operations in China;

(iv) no cash principal, interest, dividends or similar payments shall be permitted with respect to the IMAX China Capital Raise until at least 91 days after the Maturity Date; and

(v) the IMAX China Capital Raise shall:

(A) not have a maturity date or redemption date until at least 91 days after the Maturity Date;

(B) if indebtedness, be unsecured and have the terms applicable to "Non-Recourse Debt"; and

(C) if indebtedness, be subordinated and postponed on terms and conditions satisfactory to Required Lenders.

8.4 Loans, Investments, Guarantees, Etc.

Directly or indirectly, without the prior written consent of Required Lenders which is not to be unreasonably withheld, make any loans or advance money or property to any person, or invest in (by capital contribution, dividend or otherwise) or purchase or repurchase the shares or indebtedness or all or a substantial part of the assets or property of any person, or guarantee, assume, endorse, or otherwise become responsible for (directly or indirectly) the indebtedness, performance, obligations or dividends of any Person or agree to do any of the foregoing, except for:

(a) the endorsement of instruments for collection or deposit in the ordinary course of business;

(b) investments in Cash Equivalents; provided, that, unless waived in writing by Agent, such Credit Party shall take such actions as are deemed necessary by Agent to perfect the first priority Liens of Agent in such Cash Equivalents;

(c) financial guarantees and letters of credit to support Borrower's operations in China and other financial guarantees in an aggregate amount not to exceed $25,000,000 (less all amounts incurred pursuant to Section 8.3(i)) and payments made in connection therewith;

(d) the guarantees by Borrower of the real property lease obligations of the obligors and in the amounts set forth on Schedule 8.4A hereto (and any renewals or replacements thereof not to exceed in the aggregate the amounts set forth on Schedule 8.4A hereto) and the loans, advances and guarantees set forth on Schedule 8.4B hereto; provided, that, as to such loans, advances and guarantees set forth on Schedule 8.4B hereto, (i) Borrower shall not, directly or indirectly, (A) amend, modify, alter or change the terms of such loans, advances or guarantees or any agreement, document or instrument related thereto, or (B) as to such guarantees, redeem, retire, defease, purchase or otherwise acquire the obligations arising pursuant to such guarantees, or set aside or otherwise deposit or invest any sums for such purpose, and (ii) Borrower shall furnish to Agent all notices or demands in connection with such loans, advances or guarantees or other indebtedness subject to such guarantees either received by Borrower or on its behalf, promptly after the receipt thereof, or sent by Borrower or on its behalf, concurrently with the sending thereof, as the case may be. Borrower shall pay, or shall cause the obligors listed in Schedule 8.4A hereto to pay, all amounts due and owing under the leases that Borrower has guaranteed as set out in Schedule 8.4A hereto;

(e) investments in joint ventures, acting as a prudent investor, with strategic partners for the purpose of advancing Borrower's business; provided that such investments in such joint ventures, whether direct or indirect, shall not, at any time and in the aggregate, exceed $25,000,000;

(f) loans or advances of money to affiliates in the ordinary course of Borrower's business with the proceeds of issuance of Capital Stock of Borrower, provided such proceeds are used in the ordinary course of business and shall not, for further clarity, be subject to any other restrictions on use contained herein;

(g) payments to employees in connection with the repurchase of phantom stock (including stock appreciation rights) in the ordinary course of business; provided that such payments with respect to the repurchase of phantom stock (including stock appreciation rights) not in existence on the Closing Date shall not exceed, together with amounts paid under Section 8.5(c), $1,000,000 *per annum*;

(h) payments to counterparties under or in connection with Hedge Agreements;

(i) loans, investments, purchases of shares (other than its own shares), indebtedness, assets or properties of an arm's length third party and guarantees; provided that:

 (i) such loans, investments, purchases and guarantees shall not exceed an aggregate amount of $35,000,000;

 (ii) such loans, investments and purchases (and the assets resulting therefrom) shall be subject to the first priority Liens of Agent (subject to Permitted Liens);

 (iii) such loans shall only be made to Credit Parties whose assets and properties are subject to the first priority Liens of Agent (subject to Permitted Liens) or by Credit Parties to IMAX China Multimedia or IMAX China Theatre;

 (iv) such guarantees shall not be secured by any Liens on the assets or properties of any Credit Party;

 (v) both before and after giving effect thereto, each Credit Party is in compliance with all terms of the Financing Agreements including the financial covenants set forth in Sections 9.1, 9.2 and 9.3 hereof and no Default or Event of Default exists and is continuing or would occur as a result thereof;

(j) loans or advances of money from a Credit Party to another Credit Party whose assets and properties are subject to the first priority Liens of Agent (subject to Permitted Liens);

(k) investments in a Credit Party by another Credit Party provided such investments are subject to the first priority Liens of Agent (subject to Permitted Liens); and

(l) capital contributions and intercompany loans pursuant to Section 8.3(k)(iii).

Any Future Permitted Transaction by Borrower and any investment, license, purchase or other transaction reasonably related thereto and in furtherance thereof shall be permitted hereunder and the amount of any such investment, license, purchase or other transaction shall not be included in (or count against) any of the foregoing basket amounts described in this Section 8.4.

8.5 Dividends and Redemptions

Directly or indirectly, declare or pay any dividends on account of any of its Capital Stock now or hereafter outstanding, or set aside or otherwise deposit or invest any sums for such purpose, or redeem, retire, defease, purchase or otherwise acquire any Capital Stock (or set aside or otherwise deposit or invest any sums for such purpose) or apply or set apart any sum, or make any other distribution (by reduction of capital or otherwise) in respect of any such Capital Stock or agree to do any of the foregoing with the exception that:

(a) wholly-owned Subsidiaries of a Credit Party may pay cash dividends or distributions to such Credit Party;

(b) non wholly-owned Subsidiaries of a Credit Party may pay cash dividends or distributions to such Credit Party and its other shareholders provided such Credit Party receives its ratable share of such dividends or distributions;

(c) Credit Parties and their Subsidiaries may redeem or purchase their respective Capital Stock which are held by officers, directors or employees of such Person not to exceed, together with amounts paid under Section 8.4(g), $1,000,000 *per annum*;

(d) Credit Parties and their Subsidiaries may pay such dividends or redeem, retire, defease, purchase or otherwise acquire or make a distribution on its Capital Stock if made by way of common shares only; and

(e) Borrower may pay such dividends or redeem, retire, defease, purchase or otherwise acquire or make a distribution on its Capital Stock if:

(i) Borrower provides evidence satisfactory to Agent that Borrower will have minimum availability of Revolving Loans hereunder of at least $25,000,000 for 30 days before and 30 days after the closing date of such payment;

(ii) Borrower provides evidence satisfactory to Agent that Borrower is in *pro forma* compliance with the Fixed Charge Coverage Ratio after giving effect to such payment; provided that Borrower shall be permitted to make up to, but not exceeding, $75,000,000 (the " **General Restricted Payment Basket**") in aggregate of such payments up to and including the Fiscal Year ending December 31, 2014 that will be excluded when determining *pro forma* compliance with the Fixed Charge Coverage Ratio;

(iii) the aggregate amount of such payments shall not exceed $150,000,000 (inclusive of the General Restricted Payment Basket) in the aggregate;

(iv) both before and after giving effect to such payment, no Default or Event of Default exists and is continuing or would occur as a result thereof; and

(f) distributions made to comply with Section 8.3(k)(ii) are permitted.

8.6 Transactions with Affiliates

Directly or indirectly, (a) purchase, acquire or lease any property from, or sell, transfer or lease any property to, any officer, director, agent or other person affiliated with it, except in the ordinary course of and pursuant to the reasonable requirements of its business and upon fair and reasonable terms no less favorable to it than it would obtain in a comparable arm's length transaction with an unaffiliated person or (b) make any payments of management, consulting or other fees for management or similar services, or of any indebtedness (including under the USERP) owing to any officer, employee, shareholder, director or other person affiliated with it except (i) reasonable compensation to officers, employees and directors for services rendered to it in the ordinary course of business and (ii) payments to Bradley J. Wechsler and Richard L. Gelfond in accordance with the USERP.

8.7 Applications under the CCAA

File any plan of arrangement under the CCAA or other similar statute or law ("**CCAA Plan**") which provides for, or would permit directly or indirectly, Agent or any Lender to be classified with any other creditor of such Credit Party or any Subsidiary thereof for purposes of such CCAA Plan or otherwise

8.8 Supplemental Executive Retirement Plan

Directly or indirectly, in respect of the USERP: (i) pay or declare any payments thereunder other than those required to be paid and due pursuant to the terms thereof; (ii) commence payment of contributions which such Credit Party or Subsidiary had not previously been contributing; (iii) amend, modify, alter or otherwise change the terms thereof except for the purpose of reducing the pension benefit to the applicable executive; or (iv) register the USERP or otherwise establish a new similar registered plan.

8.9 No Material Changes

(a) Change its Fiscal Quarters or its Fiscal Year, (b) make any material change to its business or the conduct thereof from that existing or being conducted as of the Closing Date, other than changes that would not be reasonably expected to have a Material Adverse Effect, (c) make any material changes to its accounting policies in effect as of the Closing Date, except as required or permitted by GAAP, (d) make any material amendments to its organizational documents or Significant Contracts other than amendments that would not be reasonably expected to have a Material Adverse Effect or (e) amend any of its Significant Contracts to add contractual provisions restricting the assignability thereof to Agent or to an assignee thereof upon exercise of the Financing Agreements.

8.10 No Further Negative Pledges; Restrictive Agreements

(a) Enter into, assume or be subject to any agreement prohibiting or otherwise restricting the creation or assumption of any Lien upon its properties or assets (including contractual provisions restricting the assignability thereof to Agent or to an assignee thereof upon exercise by Agent of any rights or remedies set forth in the Financing Agreements or at law) or requiring the grant of any security for such obligation if security is given for some other obligation, except (i) pursuant to this Agreement and the other Financing Agreements, (ii) pursuant to any document or instrument governing indebtedness incurred pursuant to Section 8.3(c); provided, that any such restriction contained therein relates only to the asset, properties or interests acquired in connection therewith, (iii) restrictions in connection with any Permitted Lien or any document or instrument governing any Permitted Lien (provided, that any such restriction contained therein relates only to the asset or properties subject to such Permitted Lien); or (iv) pursuant to any document or instrument governing indebtedness incurred pursuant to Section 8.3(g), (h), (i) and (k).

(b) Create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Credit Party or any Subsidiary thereof to (i) pay dividends or make any other distributions to any Credit Party or any Subsidiary on its Capital Stock, (ii) pay any obligations, liabilities and indebtedness owed to any Credit Party, (iii) make loans or advances to any Credit Party, (iv) sell, lease or transfer any of its properties or assets to any Credit Party or (v) act as a Guarantor pursuant to the Financing Agreements, except (in respect of any of the matters referred to in clauses (i) through (v) above) for such encumbrances or restrictions existing under or by reason of (A) this Agreement and the other Financing Agreements, (B) applicable law, (C) any document or instrument governing indebtedness incurred pursuant to Section 8.3(c) (provided, that any such restriction contained therein relates only to the asset or properties acquired in connection therewith), (D) any Permitted Lien or any document or instrument governing any Permitted Lien (provided, that any such restriction contained therein relates only to the asset or properties subject to such Permitted Lien), (E) obligations that are binding on a Subsidiary at the time such Subsidiary first becomes a Subsidiary of a Credit Party, so long as such obligations are not entered into in contemplation of such Person becoming a Subsidiary, and (F) any document or instrument governing indebtedness incurred pursuant to Section 8.3(g), (h), (i) and (k).

ARTICLE 9
FINANCIAL COVENANTS

9.1 Fixed Charge Coverage Ratio

(a) Borrower shall maintain at all times a Fixed Charge Coverage Ratio of not less than 1.1:1.0 calculated at the end of each Fiscal Quarter on a trailing 4 Fiscal Quarter consolidated basis.

(b) Amounts paid by Borrower under the General Restricted Payment Basket shall be excluded from the Fixed Charge Coverage Ratio calculation and Borrower may elect that amounts paid under Section 8.4(i) before December 31, 2014 be excluded from the Fixed Charge Coverage Ratio calculation (such amount so elected to be excluded, the "**Investment Amount**"); provided that the amount so excluded under this clause (b) shall not exceed $75,000,000 in the aggregate.

9.2 Minimum EBITDA

Borrower shall not permit EBITDA at any time to be less than the corresponding amount set forth below, which shall be calculated and tested at the end of each Fiscal Quarter on a trailing 4 Fiscal Quarter basis.

Period	EBITDA
Closing Date through December 30, 2013	$ 70,000,000
December 31, 2013 through December 30, 2014	$ 80,000,000
December 31, 2014 through December 30, 2015	$ 90,000,000
December 31, 2015 and thereafter	$100,000,000

9.3 Maximum Total Leverage Ratio

Borrower shall not permit the Total Leverage Ratio at any time to be greater than the corresponding ratio set forth below, which shall be calculated and tested at the end of each Fiscal Quarter on a trailing 4 Fiscal Quarter basis. Indebtedness incurred pursuant to Section 8.3(g)(i), (h), (i) and (k) shall be excluded from the Total Leverage Ratio calculation.

Period	Maximum Ratio
Closing Date through December 30, 2013	2.50:1.00
December 31, 2013 through December 30, 2014	2.25:1.00
December 31, 2014 through December 30, 2015	2.00:1.00
December 31, 2015 and thereafter	1.75:1.00

ARTICLE 10
EVENTS OF DEFAULT AND REMEDIES

10.1 Events of Default

The occurrence or existence of any one or more of the following events are referred to herein individually as an " **Event of Default**", and collectively as "**Events of Default**":

(a) Borrower fails to:

(i) (A) pay any principal due and payable hereunder or (B) perform any of the covenants contained in Sections 8.7, 9.1, 9.2 and 9.3 of this Agreement;

(b) any Credit Party or any Subsidiary thereof fails to:

(i) perform any of the covenants contained in Sections 5.5, 7.1, 7.5, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, or 8.8 of this Agreement, where such failure to perform is not remedied to the satisfaction of Agent, in its sole discretion, within 3 days of such failure to perform; or

(ii) perform any other terms, covenants, conditions or provisions contained in this Agreement or any of the other Financing Agreements, where such failure to perform is not remedied to the satisfaction of Agent, in its sole discretion, within 15 days from notice by Agent;

(c) any representation or warranty made by or on behalf of any Credit Party or any Subsidiary thereof hereunder or under any other Financing Agreement proves to be false or inaccurate (i) in any material respect when made if not subject to materiality or Material Adverse Effect qualifications or (ii) in any respect if subject to materiality or Material Adverse Effect qualifications, and in each case same is not remedied to the satisfaction of Agent, in its sole discretion, within 15 days from notice by Agent;

(d) any Credit Party or Subsidiary thereof revokes or terminates any of the terms, covenants, conditions or provisions of any Financing Agreement;

(e) any Credit Party:

(i) fails to pay principal required pursuant to the terms, covenants, conditions or provisions of any Financing Agreement; or

(ii) fails to pay Obligations (other than principal) required pursuant to the terms, covenants, conditions or provisions of any Financing Agreement where such failure to pay is not remedied to the satisfaction of Agent, in its sole discretion, within 3 days of the original date on which such payment was to be made;

(f) (i) any final non-appealable judgment for the payment of money is rendered against any Credit Party or any Subsidiary thereof in excess of $2,500,000 in any one case or in excess of $10,000,000 in the aggregate and (A) shall remain undischarged or unvacated for a period in excess of 60 days or (B) execution shall at any time not be effectively stayed; provided that no Event of Default shall occur if the applicable judgment is covered by third-party insurance as to which the insurer has been notified of such judgment and has not denied full coverage thereof in writing to such Credit Party or Subsidiary; or (ii) any final non-appealable judgment other than for the payment of money, or injunction, attachment, garnishment or execution is rendered against any Credit Party or any Subsidiary thereof or any of their assets that could reasonably be expected to have a Material Adverse Effect and (A) shall remain undischarged or unvacated for a period in excess of 60 days or (B) execution shall at any time not be effectively stayed;

(g) any Credit Party or Subsidiary thereof (or its general partner) dissolves, suspends or discontinues doing business (except as permitted hereunder) or any Guarantor or Subsidiary thereof and of Borrower (who is a natural person) dies;

(h) any Credit Party or Subsidiary thereof becomes insolvent, makes an assignment for the benefit of creditors, proposes to make, makes or sends notice of a bulk sale;

(i) a petition, case or proceeding under the bankruptcy laws of Canada or similar laws of any foreign jurisdiction now or hereafter in effect or under any insolvency, arrangement, reorganization, moratorium, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed or commenced against any Credit Party or Subsidiary thereof or all or any part of its properties and (i) such petition, case or proceeding is not dismissed within 60 days after the date of its filing, or (ii) any Credit Party or Subsidiary thereof shall file any answer admitting or not contesting such petition, case or proceeding or indicates its

consent to, acquiescence in or approval of, any such petition, case or proceeding or (iii) the relief requested is granted sooner;

(j) a petition, case or proceeding under the bankruptcy laws of Canada or similar laws of any foreign jurisdiction now or hereafter in effect or under any insolvency, arrangement, reorganization, moratorium, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at a law or equity) is filed or commenced by any Credit Party or Subsidiary thereof for all or any part of its property including if any Credit Party or Subsidiary shall:

(i) apply for or consent to the appointment of a receiver, trustee or liquidator of it or of all or a substantial part of its property and assets;

(ii) be unable, or admit in writing its inability, to pay its debts as they mature, or commit any other act of bankruptcy;

(iii) make a general assignment for the benefit of creditors;

(iv) file a voluntary petition or assignment in bankruptcy or a proposal seeking a reorganization, compromise, moratorium or arrangement with its creditors;

(v) take advantage of any insolvency or other similar law pertaining to arrangements, moratoriums, compromises or reorganizations, or admit the material allegations of a petition or application filed in respect of it in any bankruptcy, reorganization or insolvency proceeding; or

(vi) take any corporate action for the purpose of effecting any of the foregoing;

(k) any default by any Credit Party or any Subsidiary thereof under any agreement, document or instrument relating to any indebtedness for borrowed money owing to any person other than Agent or Lenders, contingent indebtedness in connection with any guarantee, letter of credit, indemnity or similar type of instrument in favour of any person other than Agent or Lenders, in any case in an amount in excess of $2,000,000, which default continues for more than the applicable cure period, if any, with respect thereto;

(l) any material default by any Credit Party or any Subsidiary thereof under any Significant Contract, or any default by any Credit Party or any Subsidiary thereof under any lease, license or other obligation with or owing to any person other than Agent or Lenders, in any case in which the damages reasonably likely to be suffered by such Credit Party or Subsidiary would be in excess of $2,000,000, and in each case which default continues for more than the applicable cure period, if any, with respect thereto;

(m) any default by any Credit Party or any Subsidiary thereof under any Secured Hedge Agreement, in any case if the mark-to-market damages reasonably likely to

be suffered by such Credit Party or Subsidiary would be in excess of $2,000,000, which default continues for more than the applicable cure period, if any, with respect thereto;

(n) any acquisition of control or change in the controlling ownership of Borrower, if any, which may reasonably be expected to have a Material Adverse Effect;

(o) there shall be a change in the business or assets of any Credit Party or any Subsidiary thereof after the Closing Date which is reasonably expected to have a Material Adverse Effect;

(p) a requirement from the Minister of National Revenue for payment pursuant to Section 224 or any successor section of the *Income Tax Act* (Canada) or Section 317 or any successor section of the *Excise Tax Act* (Canada) or any comparable provision of similar legislation shall have been received by Agent or any other Person in respect of Borrower or otherwise issued in respect of Borrower;

(q) any Lien created by a Financing Agreement shall cease to be a valid and perfected first priority Lien (except as permitted herein or therein) in any material amount of the collateral purported to be covered thereby (including the Collateral); or

(r) an ERISA Event shall occur which results in or could reasonably be expected to result in liability of any Credit Party or any Subsidiary thereof in an aggregated amount in excess of $500,000.

10.2 Remedies

(a) At any time an Event of Default exists or has occurred and is continuing, Agent shall have all rights and remedies provided in the Financing Agreements, the PPSA, UCC and other applicable law, all of which rights and remedies may be exercised without notice to or consent by any Credit Party (and shall be exercised if directed by Required Lenders), except as such notice or consent is expressly provided for hereunder or required by applicable law. All rights, remedies and powers granted to Agent and Lenders under any of the Financing Agreements, the PPSA, UCC or other applicable law, are cumulative, not exclusive and enforceable, in Agent’s or Lenders’ discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by any Credit Party of any of the Financing Agreements. Agent may, (and shall upon the instruction of Required Lenders) at any time or times, proceed directly against any Credit Party to collect the Obligations (except under or in connection with Secured Hedge Agreements (which shall be collected in accordance with the terms thereof)) without prior recourse to the Collateral.

(b) Without limiting the foregoing and subject to Section 10.2(c) hereof, at any time an Event of Default exists or has occurred and is continuing, Agent may in its discretion (and shall upon the instruction of Required Lenders): (i) accelerate the payment of all outstanding Obligations (other than Obligations in connection with

Secured Hedge Agreements which may be terminated in accordance with their own terms) and demand immediate payment thereof to Agent (provided, that, upon the occurrence of any Event of Default described in Sections 10.1(i) and 10.1(j), all outstanding Obligations (other than Obligations in connection with Secured Hedge Agreements which may be terminated in accordance with their own terms) shall automatically become immediately due and payable); (ii) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral and carry on the business of any Credit Party; (iii) require each Credit Party, at such Credit Party's expense, to assemble and make available to Agent any part or all of the Collateral at any place and time designated by Agent; (iv) collect, foreclose, receive, appropriate, set-off and realize upon any and all Collateral; (v) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose; (vi) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of Agent or elsewhere) at such prices or terms as Agent may deem reasonable, for cash, upon credit or for future delivery, with Agent having the right to purchase the whole or any part of the Collateral at any such public sale, all of the foregoing being free from any right or equity of redemption of any Credit Party, which right or equity of redemption is hereby expressly waived and released by each Credit Party; (vii) without limiting clause (vi), grant a general, special or other license in respect of any aspect of the Collateral on an exclusive or non-exclusive basis to any person throughout the world or any part of it and on such terms and on such conditions as Agent may consider appropriate; (viii) enforce against any licensee or other person all rights and remedies of each Credit Party with respect to all or any part of the Collateral, and take or refrain from taking any action that any Credit Party might take with respect to any of those rights and remedies, and for this purpose Agent shall have the exclusive right to enforce or refrain from enforcing those rights and remedies, and may in the name of any Credit Party and at its expense retain and instruct counsel and initiate any court or other proceeding that Agent considers necessary or expedient; (ix) take any step necessary to preserve, maintain or insure the whole or any part of the Collateral or to realize upon any of it or to put it in vendable condition, and any amount paid as a result of any taking any such steps shall be a cost the payment of which is secured by the Financing Agreements; (x) borrow money and use the Collateral directly or indirectly in carrying on any Credit Party's business or as security for loans or advances for any such purposes; (xi) require each Credit Party to immediately begin using commercially reasonable efforts to obtain all consents and to provide all notices which may be required to permit Agent to assign any agreement or contract; (xii) grant extensions of time and other indulgences, take and give up security, accept compositions, grant releases and discharges, and otherwise deal with any Credit Party, debtors of any Credit Party, sureties and others as Agent may see fit

without prejudice to the liability of any Credit Party or Agent's right to hold and realize the security interest created under any Financing Agreement; and/or (xiii) terminate this Agreement. If any of the Collateral is sold or leased by Agent upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Agent. If notice of disposition of Collateral is required by law, 5 days prior notice by Agent to Borrower designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be reasonable notice thereof and each Credit Party waives any other notice. In the event Agent institutes an action to recover any Collateral or seeks recovery of any Collateral by way of prejudgment remedy, each Credit Party waives the posting of any bond which might otherwise be required.

(c) Notwithstanding anything to the contrary contained in this Section 10.2:

(i) for the duration of the IP Grace Period, Agent shall not be permitted to enforce its security interest against the IP Collateral, or to exercise its rights under Section 10.2(b) with respect to the IP Collateral hereof except as permitted pursuant to the IP Collateral License Agreement;

(ii) for the duration of the IP Grace Period, Borrower shall be permitted to use the IMAX name to carry on business;

(iii) upon the commencement of the IP Grace Period, Agent shall have, pursuant to the IP Collateral License Agreement, a royalty-free, freely assignable perpetual license to use the IP Collateral required to enable Agent to perform the obligations of Borrower under any contract or agreement;

(iv) upon the commencement of the IP Grace Period, Agent may sell, transfer, assign and/or otherwise dispose of the Collateral, other than the IP Collateral, to any transferee or assignee, and

(v) subsequent to the expiry of the IP Grace Period, provided that an Event of Default is then continuing, Agent may sell, transfer, assign and/or otherwise dispose of any of the IP Collateral up to a maximum amount equal to the outstanding Obligations together with all costs, charges and expenses incurred by Agent as a result of enforcing against the IP Collateral and Borrower hereby irrevocably designates and appoints Agent (and all persons designated by Agent) as Borrower's true and lawful attorney-in-fact and authorizes Agent (and all persons designated by Agent) to effect the foregoing.

(d) Agent may apply the cash proceeds of Collateral actually received by Agent from any sale, lease, foreclosure or other disposition of the Collateral to payment of the Obligations in the order set forth in Section 5.3(b).

(e) Each Credit Party shall remain liable to Agent for the payment of any deficiency with interest at the highest rate provided for herein and all costs and expenses of enforcement including legal costs and expenses.

(f) Without limiting the foregoing, upon the occurrence of an Event of Default that is continuing, Agent or Lenders may, at their option, without notice, (i) cease making Loans or arranging Letter of Credit Accommodations and/or (ii) terminate any provision of this Agreement providing for any future Loans or Letter of Credit Accommodations to be made by Lenders to Borrower.

(g) Agent may appoint, remove and reappoint any person or persons, including an employee or agent of Agent or a Lender to be a receiver (the "**Receiver**") which term shall include a receiver and manager of, or agent for, all or any part of the Collateral. Any such Receiver shall, as far as concerns responsibility for his acts, be deemed to be the agent of Credit Parties and not of Agent or Lenders, and Agent and Lenders shall not in any way be responsible for any misconduct, negligence or non-feasance of such Receiver, his employees or agents. Except as otherwise directed by Agent, all money received by such Receiver shall be received in trust for and paid to Agent. Such Receiver shall have all of the powers and rights of Agent described in this Section 10.2. Agent may, either directly or through its agents or nominees, exercise any or all powers and rights of a Receiver.

(h) Where Agent realizes upon any of the Collateral, and in particular upon any of the IP Collateral, each Credit Party shall provide without charge its know-how and expertise relating to the use and application of the Collateral, and in particular shall instruct Agent, and any purchaser of the Collateral designated by Agent, concerning any IP Collateral including any confidential information or trade secrets of such Credit Party. For greater certainty, the parties agree that unless such confidential information or trade secrets form part of the Collateral being realized upon, such confidential information or trade secrets shall be provided for use only subject to any agreement regarding the confidentiality thereof or for the protection thereof as may be reasonably requested by a Credit Party.

(i) Each Credit Party shall pay all reasonable costs, charges and expenses incurred by Agent or Lenders or any Receiver or any nominee or agent of Agent or Lenders, whether directly or for services rendered (including solicitor's costs on a solicitor and his own client basis, auditor's costs, other legal expenses and Receiver remuneration) in enforcing any Financing Agreement and in enforcing or collecting Obligations and all such expenses together with any money owing as a result of any borrowing permitted hereby shall be a charge on the proceeds of realization and shall be secured by the Financing Agreements.

(j) Each Credit Party hereby irrevocably designates and appoints Agent (and all persons designated by Agent) as such Credit Party's true and lawful attorney-in-fact, and authorizes Agent, in such Credit Party's or Agent's name, to: (a) at any time an Event of Default exists or has occurred and is continuing: (i) demand

payment on Accounts or other proceeds of the Collateral, (ii) enforce payment of Accounts by legal proceedings or otherwise, (iii) exercise all of such Credit Party's rights and remedies to collect any Account or other Collateral, (iv) sell or assign any Account upon such terms, for such amount and at such time or times as Agent deems advisable, (v) settle, adjust, compromise, extend or renew an Account, (vi) discharge and release any Account, (vii) prepare, file and sign such Credit Party's name on any proof of claim in bankruptcy or other similar document against an account debtor, (viii) notify the post office authorities to change the address for delivery of such Credit Party's mail to an address designated by Agent, and open and dispose of all mail addressed to such Credit Party, (ix) do all acts and things which are necessary, in Agent's determination, to fulfill such Credit Party's obligations under the Financing Agreements, (x) have access to any lockbox or postal box into which such Credit Party's mail is deposited, (xi) endorse such Credit Party's name upon any chattel paper, document, instrument, invoice, or similar document or agreement relating to any Account or any goods pertaining thereto or any other Collateral, (xii) sign such Credit Party's name on any verification of Accounts and notices thereof to account debtors, (xiii) endorse such Credit Party's name upon any items of payment or proceeds thereof and deposit the same in Agent's account for application to the Obligations; and (xiv) take control in any manner of any item of payment or proceeds thereof; and (b) at any time, to execute in such Credit Party's name and file any PPSA, UCC or other financing statements or amendments thereto in respect of the security interests granted to Agent pursuant to any of the Financing Agreements if such Credit Party has not done so within 2 days from Agent's request. Each Credit Party hereby releases Agent and its officers, employees and designees from any liabilities arising from any act or acts under this power of attorney and in furtherance thereof, whether of omission or commission, except as a result of Agent's own gross negligence or wilful misconduct as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

(k) Agent may, at any time or times that an Event of Default exists or has occurred and is continuing, at its option: (a) cure any default by any Credit Party or any Subsidiary thereof under any agreement with a third party or pay or bond on appeal any judgment entered against any Credit Party or any Subsidiary thereof; (b) discharge taxes and Liens at any time levied on or existing with respect to the Collateral; and (c) pay any amount, incur any expense or perform any act which, in Agent's good faith judgment, is necessary or appropriate to preserve, protect, insure or maintain the Collateral and the rights of Agent with respect thereto. Agent may add any amounts so expended to the Obligations and charge Borrower's account therefor, such amounts to be repayable by each Credit Party on demand. Agent shall be under no obligation to effect such cure, payment or bonding and shall not, by doing so, be deemed to have assumed any obligation or liability of any Credit Party or any Subsidiary thereof. Any payment made or other action taken by Agent under this Section shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

ARTICLE 11
ASSIGNMENT AND PARTICIPATIONS: APPOINTMENT OF AGENT

11.1 Assignment and Participations

(a) Subject to the terms of this Section 11.1, any Lender may make an assignment or a sale of participations in, at any time or times, the Financing Agreements, Loans and any Revolving Loan Commitment or any portion thereof or interest therein, including any Lender's rights, title, interests, remedies, powers or duties thereunder. Any assignment by a Lender shall:

(i) be in a minimum amount of $5,000,000 with respect to Revolving Loans and $1,000,000 with respect to Term Loans;

(ii) require the consent of Agent, Issuing Lender and Borrower; provided that:

(A) such consent is not to be unreasonably withheld, conditioned or delayed;

(B) the consent of Issuing Lender shall not be required if such assignment is in respect of a Term Loan;

(C) the consent of Borrower shall not be required if:

(1) an Event of Default or Default shall have occurred and be continuing;

(2) such assignment is to an Eligible Transferee; or

(3) Borrower does not object to such assignment within 10 Business Days of receipt of notice of such assignment;

(iii) not be to a Prohibited Transferee;

(iv) be effected by the execution of an Assignment and Assumption Agreement;

(v) be conditioned on such assignee Lender representing to the assigning Lender and Agent that it is purchasing the applicable Loans to be assigned to it for its own account, for investment purposes and not with a view to the distribution thereof; and

(vi) include a payment to Agent of an assignment fee of $3,500.

In the case of an assignment by a Lender under this Section 11.1, the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as all other Lenders hereunder. The assigning Lender shall be relieved of its obligations hereunder with respect to its Revolving Loan Commitment or assigned portion thereof from and after the date of such

assignment. Borrower hereby acknowledges and agrees that any assignment shall give rise to a direct obligation of Borrower to the assignee and that the assignee shall be considered to be a "**Lender**" hereunder. In all instances, each Lender's liability to make Loans hereunder shall be several and not joint and shall be limited to such Lender's Pro Rata Share of the Revolving Loan Commitment. In the event any Lender assigns or otherwise transfers all or any part of the Obligations, such Lender shall so notify Borrower and Borrower shall, upon the request of Agent or such Lender, execute new notes in exchange for the notes, if any, being assigned. Borrower agrees from time to time to execute notes (in form and substance satisfactory to Agent, acting reasonably) evidencing the Loans if requested by Agent. Notwithstanding the foregoing provisions of this Section 11.1(a), any Lender may at any time pledge the Obligations held by it and such Lender's rights under this Agreement and the other Financing Agreements to the Bank of Canada or the Canada Deposit Insurance Corporation or foreign equivalent; provided, that no such pledge shall release such Lender from such Lender's obligations hereunder or under any other Financing Agreement.

(b) Any sale of a participation by a Lender of all or any part of its Revolving Loan Commitment or Loans shall be made with the understanding that all amounts payable by Borrower hereunder shall be determined as if that Lender had not sold such participation, and that the holder of any such participation shall not be entitled to require such Lender to take or omit to take any action hereunder except actions directly affecting (i) any reduction in the principal amount of, or interest rate or fees payable with respect to any Loan in which such holder participates, (ii) any extension of the scheduled amortization of the principal amount of any Loan in which such holder participates or the final maturity date thereof, and (iii) any release of all or substantially all of the Collateral (other than in accordance with the terms of this Agreement or the other Financing Agreements). Neither Agent nor any Lender (other than a Lender selling a participation) shall have any duty to any participant and may continue to deal solely with Lenders selling a participation as if no such sale had occurred. No consent of Borrower, Agent or Issuing Lender is required with respect to the sale of a participation by a Lender of all or any part of its Revolving Loan Commitment or Loans. No sale of a participation by a Lender of all or any part of its Revolving Loan Commitment or Loans shall be made to a Prohibited Transferee.

(c) Each Credit Party shall assist any Lender permitted to sell assignments or participations under this Section 11.1 as reasonably required to enable the assigning or selling Lender to effect any such assignment or participation, including the execution and delivery of any and all agreements, notes and other documents and instruments as shall be requested, the preparation of informational materials for, and the participation of management in meetings with, potential assignees or participants. Each Credit Party shall certify the correctness, completeness and accuracy of all descriptions of it and its respective affairs contained in any selling materials provided by it and all other information provided by it and included in such materials.

(d) A Lender may furnish any information concerning a Credit Party in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants) provided such Persons agree to maintain the confidentiality of such information.

(e) No Credit Party may assign its rights under the Financing Agreements and any other document referred to herein or therein without the prior written consent of Agent and all Lenders.

11.2 Appointment of Agent

(a) Agent is hereby appointed to act on behalf of Secured Parties as Agent under this Agreement and the other Financing Agreements. The provisions of this Section 11.2 are solely for the benefit of Agent and Lenders and neither any Credit Party nor any other Person shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and the other Financing Agreements, Agent shall act solely as an agent of Secured Parties and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Credit Party or any Person other than Secured Parties. Agent shall have no duties or responsibilities except for those expressly set forth in this Agreement and the other Financing Agreements. The duties of Agent shall be mechanical and administrative in nature and Agent shall not have, or be deemed to have, by reason of this Agreement, any other Financing Agreement or otherwise a fiduciary relationship in respect of any Secured Party. Except as expressly set forth in this Agreement and the other Financing Agreements, Agent shall not have any duty to disclose, and shall not be liable for failure to disclose, any information relating to any Credit Party or any of their respective Subsidiaries that is communicated to or obtained by Agent or any of its affiliates in any capacity. Neither Agent nor any of its affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable to any Secured Party for any action taken or omitted to be taken by it hereunder or under any other Financing Agreement, or in connection herewith or therewith, except for damages caused by its or their own gross negligence or wilful misconduct as determined by a final and non-appealable judgment or court order binding on them.

(b) If Agent shall request instructions from all Lenders, all affected Lenders or Required Lenders, as the case may be, with respect to any act or action (including failure to act) in connection with this Agreement or any other Financing Agreement, then Agent shall be entitled to refrain from such act or taking such action unless and until Agent shall have received instructions from all Lenders, all affected Lenders or Required Lenders, as the case may be, and Agent shall not incur liability to any Person by reason of so refraining. Agent shall be fully justified in failing or refusing to take any action hereunder or under any other Financing Agreement (i) if such action would, in the opinion of Agent, be contrary to law or the terms of this Agreement or any other Financing Agreement;

(ii) if such action would, in the opinion of Agent, expose Agent to liabilities under Environmental Laws; or (iii) if Agent shall not first be indemnified to its satisfaction against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limiting the foregoing, no Secured Party shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting hereunder or under any other Financing Agreement in accordance with the instructions of all Lenders, all affected Lenders or Required Lenders, as the case may be.

11.3 Agent's Reliance, Etc.

Neither Agent nor any of its affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Financing Agreements, except for damages caused by its or their own gross negligence or wilful misconduct as determined by a final and non-appealable judgment or court order binding on them. Without limiting the generality of the foregoing, Agent: (i) may treat the payee of any note as the holder thereof until Agent receives written notice of the assignment or transfer thereof signed by such payee and in form reasonably satisfactory to Agent; (ii) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Secured Party and shall not be responsible to any Secured Party for any statements, warranties or representations made in or in connection with this Agreement or the other Financing Agreements; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Financing Agreements on the part of any Credit Party or to inspect the Collateral (including the books and records) of any Credit Party; (v) shall not be responsible to any Secured Party for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Financing Agreements or any other instrument or document furnished pursuant hereto or thereto; and (vi) shall incur no liability under or in respect of this Agreement or the other Financing Agreements by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopy, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

11.4 Agent and Affiliates

With respect to its Revolving Loan Commitment and Loans hereunder, Agent shall have the same rights and powers under this Agreement and the other Financing Agreements as any other Lender and may exercise the same as though it were not Agent; and the term " **Lender**" or "**Lenders**" hereunder shall, unless otherwise expressly indicated, include Agent in its individual capacity. Agent and its affiliates may lend money to, invest in, and generally engage in any kind of business with any Credit Party, any of its affiliates and any Person who may do business with or own securities of any Credit Party or any such affiliate, all as if Agent were not Agent and without any duty to account therefore to Secured Parties. Agent and its affiliates may accept fees and other consideration from any Credit Party for services in connection with this Agreement or otherwise without having to account for the same to Secured Parties. Each Secured Party

acknowledges the potential conflict of interest between Agent as a Lender and Agent as agent hereunder.

11.5 Lender Credit Decision

Each Lender acknowledges that it has, independently and without reliance upon Agent or any other Lender and based on the Information Certificates and such other documents and information as it has deemed appropriate, made its own credit and financial analysis of each Credit Party and its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each Lender acknowledges the potential conflict of interest of each other Lender as a result of Lenders holding disproportionate interests in the Revolving Loan Commitment and the Loans, and expressly consents to, and waives any claim based upon, such conflict of interest.

11.6 Indemnification

Lenders agree to indemnify Agent (to the extent not reimbursed by Credit Parties and without limiting the obligations of Credit Parties hereunder), rateably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against Agent in any way relating to or arising out of this Agreement or any other Financing Agreement or any action taken or omitted to be taken by Agent in connection therewith; provided, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from Agent's gross negligence or wilful misconduct as determined by a final and non-appealable judgment or court order binding on Agent. Without limiting the foregoing, each Lender agrees to reimburse Agent promptly upon demand for its rateable share according to its Pro Rata Share of any out-of-pocket expenses (including reasonable fees of counsel) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Financing Agreement, to the extent that Agent is not reimbursed for such expenses by Credit Parties.

11.7 Failure to Act

Except for action expressly required of Agent hereunder and under the other Financing Agreements, Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction from Lenders of their indemnification obligations under Section 11.6 hereof against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action.

11.8 Concerning the Collateral and the Related Financing Agreements

Each Lender authorizes and directs Agent to enter into this Agreement and the other Financing Agreements. Each Lender agrees that any action taken by Agent in accordance with the terms of

this Agreement or the other Financing Agreements and the exercise by Agent of its powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon Lenders.

11.9 Reports and other Information; Disclaimer by Lenders.

By signing this Agreement, each Lender:

(a) is deemed to have requested that Agent furnish such Lender, within a reasonable time after it becomes available to Agent, a copy of each report, Compliance Certificate and/or other documentation (each such report, certificate or documentation being referred to herein as a " **Report**" and collectively, "**Reports**") provided to Agent by Credit Parties pursuant to the Financing Agreements;

(b) expressly agrees and acknowledges that Agent (i) does not make any representation or warranty as to the accuracy of any Report, or (ii) shall not be liable for any information contained in any Report; and

(c) agrees to keep all Reports confidential in accordance with Section 7.11(b).

11.10 Collateral Matters

(a) Lenders (including in its or any of its Affiliate's capacities as a potential Hedge Bank or Cash Management Bank) hereby irrevocably authorize Agent at its option and in its discretion to release any Lien upon any of the Collateral (i) upon termination of the Revolving Loan Commitment and payment and satisfaction of all of the non-contingent Obligations and delivery of cash collateral to the extent required under Section 13.1 below; or (ii) constituting property being sold or disposed of if applicable Credit Party certifies to Agent that the sale or disposition is made in compliance with Section 8.1 hereof (and Agent may rely conclusively on any such certificate, without further enquiry); or (iii) constituting property in which applicable Credit Party did not own an interest at the time the Lien was granted or at any time thereafter; or (iv) if required under the terms of any of the other Financing Agreements, including any intercreditor agreement; or (v) approved, authorized or ratified in writing in accordance with Section 11.14 hereof. Lenders hereby irrevocably authorize Agent to subordinate its Lien upon the specific Collateral on which another Person has a Lien as permitted under Section 8.2(e) and if such Person will not permit Agent to retain its Lien on such Collateral, Lenders hereby irrevocably authorize Agent to release its Lien upon such Collateral. Except as provided above, Agent will not release any Lien upon any of the Collateral without the prior written authorization required in accordance with Section 11.14 hereof.

(b) Without in any manner limiting Agent's authority to act without any specific or further authorization or consent by applicable Lenders, each Lender, as applicable, agrees to confirm in writing, upon request by Agent, the authority to release Collateral conferred upon Agent under this Section. Agent shall (and is

hereby irrevocably authorized by Lenders to) execute such documents as may be necessary to evidence the release of the Liens granted to Agent upon any Collateral to the extent set forth above; provided, that, (i) Agent shall not be required to execute any such document on terms which, in Agent's opinion, would expose Agent to liability or create any obligations or entail any consequence other than the release of such Lien without recourse or warranty and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any Lien upon (or obligations of any Credit Party in respect of) the Collateral retained by such Credit Party.

(c) Agent shall have no obligation whatsoever to any Lender or any other Person to investigate, confirm or assure that the Collateral exists or is owned by any Credit Party or is cared for, protected or insured or has been encumbered, or that the Liens granted to Agent pursuant hereto or any of the Financing Agreements or otherwise have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent in this Agreement or in any of the other Financing Agreements, it being understood and agreed that in respect of Collateral, or any act, omission or event related thereto, Agent may act in any manner it may deem appropriate, in its discretion, given Agent's own interest in the Collateral as a Lender and that Agent shall have no duty or liability whatsoever to any other Lender.

11.11 Successor Agent

Agent may resign at any time by giving not less than 30 days' prior written notice thereof to Lenders and Borrower. Upon any such resignation, Required Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by Required Lenders and shall have accepted such appointment within 30 days after the resigning Agent's giving notice of resignation, then the resigning Agent may, on behalf of Lenders, appoint a successor Agent, which shall be a Lender, if a Lender is willing to accept such appointment, or otherwise shall be a commercial bank or financial institution or a subsidiary of a commercial bank or financial institution if such commercial bank or financial institution or other entity whose business includes making commercial loans, in each case, is organized under the laws of Canada or of any province thereof. If no successor Agent has been appointed pursuant to the foregoing, within 30 days after the date such notice of resignation was given by the resigning Agent, such resignation shall become effective and Required Lenders shall thereafter perform all the duties of Agent hereunder until such time, if any, as Required Lenders appoint a successor Agent as provided above. Any successor Agent appointed by Required Lenders hereunder shall be subject to the approval of Borrower, such approval not to be unreasonably withheld or delayed; provided, that such approval shall not be required if an Event of Default has occurred and is continuing. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the earlier of the acceptance of any appointment as Agent hereunder by a successor Agent or the effective date of the resigning Agent's resignation, the resigning Agent shall be discharged from its duties and obligations under

this Agreement and the other Financing Agreements, except that any indemnity rights or other rights in favour of such resigning Agent shall continue. After any resigning Agent's resignation hereunder, the provisions of this Article 11 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was acting as Agent under this Agreement and the other Financing Agreements.

11.12 Setoff and Sharing of Payments

In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default and subject to Section 11.13(f), each Lender is hereby authorized at any time or from time to time, without notice to Borrower or to any other Person other than Agent, any such notice being hereby expressly waived, to setoff and to appropriate and to apply any and all balances held by it at any of its offices for the account of any Credit Party (regardless of whether such balances are then due to any Credit Party) and any other properties or assets at any time held or owing by that Lender to or for the credit or for the account of any Credit Party against and on account of any of the Obligations that are not paid when due; provided, that Lenders exercising such setoff rights shall give notice thereof to such Credit Party promptly after exercising such rights. Any Lender exercising a right of setoff or otherwise receiving any payment on account of the Obligations in excess of its Pro Rata Share thereof shall purchase for cash (and the other Lenders shall sell) such participations in each such other Lender's Pro Rata Share of the Obligations as would be necessary to cause such Lender to share the amount so setoff or otherwise received with the other Lenders in accordance with their respective Pro Rata Shares. Each Credit Party agrees, to the fullest extent permitted by law that (a) any Lender may exercise its right to setoff with respect to amounts in excess of its Pro Rata Share of the Obligations and may sell participations in such amounts so setoff to the other Lenders; and (b) any Lender so purchasing a participation in a Loan made or other Obligations held by the other Lenders may exercise all rights of setoff, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Lender were a direct holder of the Loan and the other Obligations in the amount of such participation. Notwithstanding the foregoing, if all or any portion of the setoff amount or payment otherwise received is thereafter recovered from a Lender that has exercised the right of setoff, the purchase of participations by that Lender shall be rescinded and the purchase price restored without interest.

11.13 Advances; Payments; Non-Funding Lenders; Information; Actions in Concert

(a) Advances; Payments.

(i) In each funding notice provided by Agent to a Lender hereunder, Agent shall provide such Lender with written confirmation (by telephone, telecopy or email (if such Lender has provided email notice coordinates to Agent)) that all conditions precedent hereunder to such funding have been satisfied or waived in accordance with the terms hereof.

(ii) Each Lender shall make the amount of such Lender's Pro Rata Share of such Loan available to Agent in same day funds by wire transfer to Agent's account not later than 12:00 noon (Eastern Time) (or promptly

thereafter) on the requested funding date (which must be a Business Day). After receipt of such wire transfers (or, in Agent's sole discretion, before receipt of such wire transfers), subject to the terms hereof, Agent shall make the requested Loan to Borrower. All payments by each Lender shall be made without setoff, counterclaim or deduction of any kind.

(iii) On the 5th Business Day of each Fiscal Quarter or more frequently at Agent's election (each, a " **Settlement Date**"), Agent shall advise each Lender by telephone, telecopy or email (if such Lender has provided email notice coordinates to Agent) of the amount of such Lender's Pro Rata Share of principal, interest and fees paid for the benefit of Lenders with respect to each applicable Loan. Provided that each Lender has funded all payments and Loans required to be made by it and purchased all participations required to be purchased by it under this Agreement and the other Financing Agreements as of such Settlement Date, Agent shall pay to each Lender such Lender's Pro Rata Share of principal, interest and fees paid by Borrower since the previous Settlement Date for the benefit of such Lender on the portion of the Loans held by it. To the extent that any Lender (a "**Non-Funding Lender**") has failed to fund all such payments and Loans or failed to fund the purchase of all such participations, Agent shall be entitled to set off the funding short-fall against that Non-Funding Lender's Pro Rata Share of all payments received from Borrower. Such payments shall be made by wire transfer to such Lender's account not later than 2:00 p.m. (Eastern Time) on the next Business Day following each Settlement Date.

(b) Availability of Lender's Pro Rata Share. Agent may assume that each Lender will make its Pro Rata Share of each Loan available to Agent on each funding date (which must be a Business Day). If such Pro Rata Share is not, in fact, paid to Agent by such Lender when due, Agent will be entitled to recover such amount on demand from such Lender without setoff, counterclaim or deduction of any kind. If any Lender fails to pay the amount of its Pro Rata Share forthwith upon Agent's demand, Agent shall promptly notify Borrower and Borrower shall immediately repay such amount to Agent. Nothing in this Section 11.13(b) or elsewhere in this Agreement or the other Financing Agreements shall be deemed to require Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its Revolving Loan Commitment hereunder or to prejudice any rights that a Credit Party may have against any Lender as a result of any default by such Lender hereunder. To the extent that Agent advances funds to Borrower on behalf of any Lender and is not reimbursed therefore on the same Business Day as such Loan is made, Agent shall be entitled to retain for its account all interest accrued on such advance until reimbursed by the applicable Lender.

(c) Return of Payments.

(i) If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Agent from Borrower and such related payment is not received by Agent, then Agent will be entitled to recover such amount from such Lender on demand without setoff, counterclaim or deduction of any kind.

(ii) If Agent determines at any time that any amount received by Agent under this Agreement must be returned to Borrower or paid to any other Person pursuant to any bankruptcy or insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Financing Agreement, Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that Agent has distributed to such Lender, together with interest at such rate, if any, as Agent is required to pay to Borrower or such other Person, without setoff, counterclaim or deduction of any kind.

(d) Non-Funding Lenders. The failure of any Non-Funding Lender to make any Loan or any payment required by it hereunder on the date specified thereof, shall not relieve the other Lenders (each such other Lender, an "**Other Lender**") of its obligations to make such Loan or purchase such participation on such date, but neither any Other Lender nor Agent shall be responsible for the failure of any Non-Funding Lender to make a Loan, purchase a participation or make any other payment required hereunder. Notwithstanding anything set forth herein to the contrary, a Non-Funding Lender shall not have any voting or consent rights under or with respect to any Financing Agreement or constitute a "**Lender**" for any voting or consent rights under or with respect to any Financing Agreement. At Borrower's request, Agent or a Person acceptable to Agent shall have the right with Agent's consent and in Agent's sole discretion (but shall have no obligation) to purchase from any Non-Funding Lender, and each Non-Funding Lender agrees that it shall, at Agent's request, sell and assign to Agent or such Person, all of the Revolving Loan Commitments and Loans of that Non-Funding Lender for an amount equal to the principal balance of all Loans held by such Non-Funding Lender and all accrued interest and fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment and Assumption Agreement.

(e) Dissemination of Information. Agent shall use reasonable efforts to provide Lenders with (i) any notice of any Event of Default received by Agent from, or delivered by Agent to, Borrower, (ii) notice of any Event of Default of which Agent has actually become aware, (iii) notice of any action taken by Agent following any Event of Default and (iv) any notice received from any Credit Party pursuant to Section 7.6(b); provided, that Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to Agent's gross negligence or wilful misconduct as determined by a final and non-appealable judgment or court order binding on Agent.

(f) Actions in Concert. Anything in this Agreement to the contrary notwithstanding, each Lender hereby agrees with Agent and each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Agreement or the other Financing Agreements (excluding exercising any rights of setoff) without first obtaining the prior written consent of Agent and all other Lenders, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the other Financing Agreements shall be taken in concert and at the direction or with the consent of Agent, all Lenders, affected Lenders or Required Lenders, as the case may be.

11.14 Approval of Lenders and Agent

(a) Notwithstanding any other provision of this Agreement but subject to Section 11.14(b), (c) and (d), no amendment or waiver of any provision of this Agreement, nor consent to any departure by any Credit Party therefrom, shall in any event be effective unless the same shall be in writing and signed by Credit Parties and the Required Lenders, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given;

(i) provided that no amendment, waiver or consent shall, unless in writing and signed by all Lenders directly and adversely affected thereby (other than a Non-Funding Lender) do any of the following at any time:

(A) reduce the rate or amount of any principal, interest or fees payable by Borrower or alter the currency or mode of calculation or computation thereof;

(B) extend the time for payments required to be made by Borrower or the Maturity Date;

(C) increase any Lender's Revolving Loan Commitment;

(D) change the definition of Required Lenders, any provision of this Section 11.14, amend the *pro rata* sharing provisions hereunder or amend the voting percentages hereunder; or

(E) change the payment waterfall in Section 5.3(b) hereof;

(ii) provided further that no amendment, waiver or consent shall, unless in writing and signed by all Lenders (other than a Non-Funding Lender) do any of the following at any time:

(A) release all or substantially all of the value of the Collateral under any Financing Agreement or any guarantee of the Obligations; and

(B) permit any Credit Party to assign its rights under the Financing Agreements.

(b) Notwithstanding Section 11.14(a), Agent may, without the consent of Lenders, make amendments to the Financing Agreements that are for the sole purpose of curing any immaterial or administrative ambiguity, defect or inconsistency. Agent shall, within a reasonable time, notify Lenders or any such action.

(c) Notwithstanding Section 11.14(a), no amendment, waiver or consent shall, unless in writing and signed by Agent in addition to Lenders required above to take such action, affect the rights or duties of Agent under this Agreement or any of the other Financing Agreements.

(d) Notwithstanding Section 11.14(a), no amendment, waiver or consent shall, unless in writing and signed by Issuing Lender in addition to Lenders required above to take such action, affect the rights or duties of Issuing Lender under this Agreement or any of the other Financing Agreements.

(e) No Cash Management Bank or Hedge Bank that obtains the benefits of Section 5.3 or any Collateral by virtue of the provisions hereof or of any Financing Agreement shall have any right to notice of any action or to consent to, direct or object to any action hereunder or under any other Financing Agreement or otherwise in respect of the Collateral (including the release or impairment of any Collateral) other than in its capacity as a Lender and, in such case, only to the extent expressly provided in the Financing Agreements. Notwithstanding any other provision of this Article 11 to the contrary, Agent shall not be required to verify the payment of, or that other satisfactory arrangements have been made with respect to, Secured Hedge Agreements and Secured Cash Management Agreements unless Agent has received written notice of such Secured Hedge Agreements and Secured Cash Management Agreements, together with such supporting documentation as Agent may request from the applicable Hedge Bank or Cash Management Bank, as the case may be.

ARTICLE 12
JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW

12.1 Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver

(a) The validity, interpretation and enforcement of this Agreement and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

(b) Credit Parties, Lenders and Agent irrevocably consent and submit to the non-exclusive jurisdiction of the Superior Court of Justice (Ontario) and waive any objection based on venue or *forum non conveniens* with respect to any action instituted therein arising under any of the Financing Agreements or in any way connected with or related or incidental to the dealings of the parties hereto in respect of any of the Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any

such matters shall be heard only in the courts described above (except that Agent and Lenders shall have the right to bring any action or proceeding against any Credit Party or its property in the courts of any other jurisdiction which Agent or Lenders deem necessary or appropriate in order to realize on the Collateral or to otherwise enforce their respective rights against such Credit Party or its property).

(c) To the extent permitted by law, each Credit Party hereby waives personal service of any and all process upon it and consents that all such service of process may be made by registered mail (return receipt requested) directed to its address set forth on the signature pages hereof and service so made shall be deemed to be completed 5 days after the same shall have been so deposited in the Canadian mails, or, at Agent's option, by service upon such Credit Party in any other manner provided under the rules of any such courts. Within 30 days after such service, such Credit Party shall appear in answer to such process, failing which such Credit Party shall be deemed in default and judgment may be entered by Agent or Lenders against such Credit Party for the amount of the claim and other relief requested.

(d) TO THE EXTENT PERMITTED BY APPLICABLE LAW EACH CREDIT PARTY, LENDERS AND AGENT EACH HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER ANY OF THE FINANCING AGREEMENTS OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF ANY OF THE FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. TO THE EXTENT PERMITTED BY APPLICABLE LAW, CREDIT PARTIES, AGENT AND LENDERS EACH HEREBY AGREE AND CONSENT THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT EACH CREDIT PARTY, AGENT OR LENDERS MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) Lenders and Agent shall not have any liability to any Credit Party (whether in tort, contract, equity or otherwise) for losses suffered by any Credit Party in connection with, arising out of, or in any way related to the transactions or relationships contemplated by any Financing Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Agent or a Lender, that the losses were the result of acts or omissions constituting gross negligence or wilful misconduct of such Person and each Credit Party hereby waives any claims for special, punitive, exemplary, indirect or consequential damages in respect of any breach or alleged breach by Agent or any Lender of any of the terms of this

Agreement or the other Financing Agreements except in the case of gross negligence or wilful misconduct of Agent or any Lender as determined by a final and non-appealable judgment or court order binding on Agent or Lender.

(f) Each Credit Party hereby expressly waives all rights of notice and hearing of any kind prior to the exercise of rights by Agent from and after the occurrence of an Event of Default that is continuing to repossess the Collateral with judicial process or to replevy, attach or levy upon the Collateral or other security for the Obligations. Each Credit Party waives the posting of any bond otherwise required of Agent in connection with any judicial process or proceeding to obtain possession of, replevy, attach or levy upon the Collateral or other security for the Obligations, to enforce any judgment or other court order entered in favour of Agent, or to enforce by specific performance, temporary restraining order, preliminary or permanent injunction or any other Financing Agreement.

12.2 Waiver of Notices

Each Credit Party hereby expressly waives demand, presentment, protest and notice of protest and notice of dishonour with respect to any and all instruments and commercial paper, included in or evidencing any of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein. No notice to or demand on any Credit Party which Agent may elect to give shall entitle any Credit Party to any other or further notice or demand in the same, similar or other circumstances.

12.3 Amendments and Waivers

Subject to Section 11.14, neither this Agreement nor any provision hereof shall be amended or waived, nor consent to any departure by any Credit Party therefrom permitted, orally or by course of conduct, but only by a written agreement signed by an authorized officer of each Lender and Agent, and as to amendments, as also signed by an authorized officer of each Credit Party. Agent shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and signed by an authorized officer of Agent. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Agent of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Agent would otherwise have on any future occasion, whether similar in kind or otherwise.

12.4 Waiver of Counterclaim

Each Credit Party waives all rights to interpose any claims, deductions, setoffs or counterclaims of any nature (other than compulsory counterclaims) in any action or proceeding with respect to this Agreement, the Obligations, the Collateral or any matter arising therefrom or relating hereto or thereto.

12.5 Indemnification

Each Credit Party shall indemnify and hold Arranger, Agent and each Lender, and their respective directors, officers, agents, representatives, employees and counsel, harmless from and against any and all losses, claims, damages, liabilities, costs or expenses imposed on, incurred by or asserted against any of them in connection with any litigation, investigation, claim or proceeding commenced or threatened related to the negotiation, preparation, execution, delivery, enforcement, performance or administration of any Financing Agreements, or any undertaking or proceeding related to any of the transactions contemplated hereby or any act, omission, event or transaction related or attendant thereto or the relationship between any Credit Party, on one hand, and Arranger, Agent, each Lender and their respective directors, officers, agents, representatives, employees and counsel, on the other hand, including amounts paid in settlement, court costs, and the fees and expenses of counsel and others incurred in connection with investigating, preparing to defend or defending any such litigation, investigation, claim or proceeding. Such indemnification shall not apply to losses, claims, damages, liabilities, costs or expenses resulting from the bad faith, fraud, gross negligence or wilful misconduct of Arranger, Agent, any Lender and/or their respective directors, officers, agents, representatives, employees and counsel as determined pursuant to a final non-appealable order of a court of competent jurisdiction or to losses, claims, damages, liabilities, costs or expenses to the extent relating to disputes among such indemnified parties or to a breach of their obligations to a Credit Party hereunder as determined pursuant to a final non-appealable order of a court of competent jurisdiction. To the extent that the undertaking to indemnify, pay and hold harmless set forth in this Section 12.5 may be unenforceable because it violates any law or public policy, each Credit Party shall pay the maximum portion which it is permitted to pay under applicable law to Arranger, Agent, each Lender and their respective directors, officers, agents, representatives, employees and counsel in satisfaction of indemnified matters under this Section 12.5. The foregoing indemnity shall survive the payment of the Obligations and the termination of this Agreement.

12.6 Costs and Expenses

Upon demand by Agent, each Credit Party shall pay to Arranger, Agent and Lenders all reasonable costs, expenses, filing fees and taxes paid or payable in connection with the structuring, arrangement, syndication, preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, restructuring, enforcement and defense of the Obligations, Agent and each Lender’s rights in the Collateral, the Financing Agreements and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including: (a) all costs and expenses of filing or recording or searching (including PPSA and UCC financing statement and other similar filing and recording fees and taxes, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable); (b) all insurance premiums and search fees; (c) reasonable costs and expenses of remitting loan proceeds and other items of payment, together with Agent’s customary charges and fees with respect thereto; (d) costs and expenses of preserving and protecting the Collateral; (e) reasonable costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Agent, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of the Financing Agreements or defending any claims made or threatened against Agent and Lenders arising out of the transactions contemplated hereby and

thereby (including preparations for and consultations concerning any such matters); (f) all reasonable out-of-pocket expenses including due diligence, audit and appraisal expenses and legal fees incurred in the structuring, negotiation, arrangement, syndication, restructuring, administration and amending of this Agreement; and (g) the reasonable fees and disbursements of counsel (including legal assistants) to Arranger, Agent and Lenders in connection with any of the foregoing.

12.7 Further Assurances

At the request of Agent at any time and from time to time, each Credit Party shall, at its expense, duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary to evidence, perfect, maintain and enforce the Liens and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of any of the Financing Agreements. Agent may at any time and from time to time request a certificate from an officer of Borrower representing that all conditions precedent to the making of Loans and providing Letter of Credit Accommodations contained herein are satisfied. In the event of such request by Agent, Agent and each Lender may, at its option, cease to make any further Loans or provide any further Letter of Credit Accommodations until Agent has received such certificate and, in addition, Agent has determined that such conditions are satisfied. Where permitted by law, each Credit Party hereby authorizes Agent to execute and file one or more PPSA, UCC or other financing statements or notices signed only by Agent or Agent's representative.

ARTICLE 13
TERM OF AGREEMENT; MISCELLANEOUS

13.1 Term

(a) This Agreement shall continue in full force and effect for a term ending on the Maturity Date unless sooner terminated pursuant to the terms hereof. Upon the Maturity Date or effective date of termination of this Agreement, Borrower shall pay to Agent, in full, all outstanding and unpaid non-contingent Obligations (except under or in connection with any Secured Hedge Agreement) and shall furnish cash collateral to Agent in such amounts as Agent determines are reasonably necessary to secure Agent, Lenders and Secured Parties from loss, cost, damage or expense, including legal fees and expenses, issued and outstanding Letter of Credit Accommodations, outstanding Secured Hedge Agreements and cheques or other payments provisionally credited to the Obligations and/or as to which Agent and Lenders have not yet received final and indefeasible payment. Such payments in respect of the Obligations and cash collateral shall be remitted by wire transfer in US Dollars to such bank account of Agent, as Agent may, in its discretion, designate in writing to Borrower for such purpose. Interest shall be due until and including the next Business Day, if the amounts so paid by Borrower to the bank account designated by Agent are received in such bank account later than 12:00 noon, (Eastern time).

(b) No termination of this Agreement shall relieve or discharge any Credit Party of its respective duties, obligations and covenants under the Financing Agreements until all Obligations have been fully and finally discharged and paid, and Agent's continuing security interest in the Collateral and the rights and remedies of Agent and Lenders, under the Financing Agreements and applicable law, shall remain in effect until all such Obligations have been fully and finally discharged and paid.

13.2 Notice

All notices, requests and demands hereunder shall be in writing and (a) made to Agent and Lenders at their respective addresses set forth below and to each Credit Party at its chief executive office set forth below, or to such other address as any party may designate by written notice to the other in accordance with this provision, and (b) deemed to have been given or made: if delivered in person, immediately upon delivery; if by facsimile transmission, immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next Business Day, 1 Business Day after sending; and if by registered mail, return receipt requested, 5 days after mailing.

13.3 Partial Invalidity

If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

13.4 Successors

The Financing Agreements and any other document referred to herein or therein shall be binding upon and inure to the benefit of and be enforceable by Agent, Lenders and each Credit Party and their respective successors and permitted assigns.

13.5 Entire Agreement

The Financing Agreements, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersede all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written. In the event of any inconsistency between the terms of this Agreement and any schedule or exhibit hereto, the terms of this Agreement shall govern.

13.6 Headings

The division of this Agreement into sections and the insertion of headings and a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

13.7 Judgment Currency

To the extent permitted by applicable law, the obligations of Borrower in respect of any amount due under this Agreement shall, notwithstanding any payment in any other currency (the "**Other Currency**") (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the currency in which it is due (the "**Agreed Currency**") that Agent may, in accordance with normal banking procedures, purchase with the sum paid in the Other Currency (after any premium and costs of exchange) on the Business Day immediately after the day on which Agent receives the payment. If the amount in the Agreed Currency that may be so purchased for any reason falls short of the amount originally due, Borrower shall pay all additional amounts, in the Agreed Currency, as may be necessary to compensate for the shortfall. Any obligation of Borrower not discharged by that payment shall, to the extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided in this section, continue in full force and effect.

13.8 Counterparts and Facsimile

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or pdf copy of an executed counterpart of this Agreement shall be deemed to be valid execution and delivery of this Agreement, but the party delivering a facsimile or pdf copy shall deliver to the other party an original copy of this Agreement as soon as possible after delivering the facsimile or pdf copy.

13.9 Patriot Act Notice

Agent and each Lender which is subject to the *Patriot Act* hereby notifies each Credit Party that pursuant to the requirements of the *Patriot Act*, it is required to obtain, verify and record information that identifies each person or corporation who opens an account and/or enters into a business relationship with it, which information includes the name and address of each Credit Party and its Subsidiaries and other information that will allow Agent and such Lender to identify such person in accordance with the *Patriot Act* and any other applicable law. Each Credit Party is hereby advised that any Loans or Letter of Credit Accommodations hereunder are subject to satisfactory results of such verification.

ARTICLE 14
ACKNOWLEDGMENT AND RESTATEMENT

14.1 Existing Obligations

Borrower hereby acknowledges, confirms and agrees that Borrower is indebted for outstanding loans, advances and letter of credit accommodations to Borrower under the Second Amended and Restated Credit Agreement together with all interest accrued and accruing thereon (to the extent applicable), and all fees, costs, expenses and other charges relating thereto, all of which are unconditionally owing by Borrower to the extent set forth in the Second Amended and Restated Credit Agreement, without setoff, defense or counterclaim of any kind, nature or description whatsoever. The Loans and other financial accommodations provided for in this

Agreement are an extension of the loans and other financial accommodations provided for under the Second Amended and Restated Credit Agreement and shall continue without novation.

14.2 Acknowledgment of Security Interests

(a) Borrower hereby acknowledges, confirms and agrees that Agent, on behalf of itself and Secured Parties, shall continue to have a Lien upon the collateral heretofore granted to Original Lender and Original Agent pursuant to and in connection with the Original Loan Agreement, the First Amended and Restated Credit Agreement and the Second Amended and Restated Credit Agreement, as the case may be, to secure the Obligations, as well as any collateral granted under or in connection with this Agreement or under any of the other Financing Agreements or otherwise granted to or held by Agent, any Lender, Original Lender, Original Agent, any Secured Party or any of their respective Affiliates.

(b) The Liens of Agent, on behalf of itself and Secured Parties, in the Collateral shall be deemed to be continuously granted and perfected from the earliest date of the granting and perfection of such Liens to Original Lender, Original Agent or Agent under the Financing Agreements or any Secured Hedge Agreements.

(c) Notwithstanding any term of any Financing Agreement, Borrower acknowledges, confirms and agrees that all security granted by it under, or in connection with, the Original Loan Agreement, the First Amended and Restated Credit Agreement, the Second Amended and Restated Credit Agreement and the other Financing Agreements shall be held by Agent, on behalf of itself and Secured Parties (including those under Secured Hedge Agreements and Secured Cash Management Agreements), to secure the Obligations (including those arising under the Secured Hedge Agreements and Secured Cash Management Agreements).

14.3 Second Amended and Restated Credit Agreement

Borrower hereby acknowledges, confirms and agrees that: (a) the Second Amended and Restated Credit Agreement has been duly executed and delivered by Borrower and is in full force and effect as of the Closing Date; (b) the agreements and obligations of Borrower contained in the Second Amended and Restated Credit Agreement constitutes the legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with its terms and Borrower has no valid defense to the enforcement of such obligations; and (c) Agent and Lenders are entitled to all of the rights, remedies and benefits provided for in or arising pursuant to the Second Amended and Restated Credit Agreement.

14.4 Restatement

(a) Except as otherwise stated in Section 14.2 hereof and this Section 14.4, as of the Closing Date, the terms, conditions, agreements, covenants, representations and warranties set forth in the Second Amended and Restated Credit Agreement are simultaneously amended and restated in their entirety, and as so amended and restated, replaced and superseded by the terms, conditions, agreements,

covenants, representations and warranties set forth in this Agreement and the other Financing Agreements executed and/or delivered on or after the Closing Date, except that nothing herein or in the other Financing Agreements shall impair or adversely affect the continuation of the liability of Borrower for the Obligations heretofore incurred and the Liens and other interests in the collateral heretofore granted, pledged and/or assigned by Borrower to Agent, Original Lender, Original Agent, any Lender, any Secured Party or any of their respective Affiliates (whether directly, indirectly or otherwise).

(b) The amendment and restatement contained herein shall not, in any manner, be construed to constitute payment of, or impair, limit, cancel or extinguish, or constitute a novation in respect of, the Obligations and other obligations, liabilities and indebtedness of Borrower evidenced by or arising under the Second Amended and Restated Credit Agreement, and the Liens of Agent, on behalf of itself and Secured Parties, securing such Obligations and other obligations, liabilities and indebtedness, which shall not in any manner be impaired, limited, terminated, waived or released, but shall continue in full force and effect in favor of Agent, for the benefit of itself and Secured Parties.

(c) All loans, advances and other financial accommodations under the Second Amended and Restated Credit Agreement and all other obligations, liabilities and indebtedness of Borrower outstanding and unpaid as of the Closing Date pursuant to the Second Amended and Restated Credit Agreement or otherwise shall be deemed Obligations of Borrower pursuant to the terms hereof. The principal amount of the Loans and the amount of the Letters of Credit Accommodations outstanding as of the Closing Date under the Second Amended and Restated Credit Agreement shall be allocated to the Loans and Letter of Credit Accommodations hereunder in such manner and in such amounts as Agent shall determine in accordance with the terms hereof.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, Lenders, Agent and Credit Parties have caused this Agreement to be duly executed as of the day and year first above written.

AGENT:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Patrick M. Drum
Name: Patrick M. Drum
Title: Senior Vice President

By: /s/ Alan T. Prohaska
Name: Alan T. Prohaska
Title: Vice President

Address:
1525 West W. T. Harris Blvd 1B1
Charlotte, NC 28262
Mail Code: D1109-019
Attention: Thomas Nikolic

[Credit Agreement—Signature Page]

ISSUING LENDER:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Patrick M. Drum
Name: Patrick M. Drum
Title: Senior Vice President

By: /s/ Alan T. Prohaska
Name: Alan T. Prohaska
Title: Vice President

Address:
1525 West W. T. Harris Blvd 1B1
Charlotte, NC 28262
Mail Code: D1109-019
Attention: Thomas Nikolic
Fax: 704-715-0017333

LENDER:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Patrick M. Drum
Name: Patrick M. Drum
Title: Senior Vice President

By: /s/ Alan T. Prohaska
Name: Alan T. Prohaska
Title: Vice President

Address:

MAC E2064-031
333South Grand, 3rd Floor
Los Angeles, CA 90071
Attention: Patrick Drum (Senior Vice President)
and Alan Prohaska (Vice President)
Fax: 855-729-3712

LENDER:

CANADIAN IMPERIAL BANK OF COMMERCE

By: /s/ Colin Sharman
Name: Colin Sharman
Title: Authorized Signatory

By: /s/ Michael Leroux
Name: Michael Leroux
Title: Authorized Signatory

Address:

Commerce Court West, 4th Floor
199 Bay Street
Toronto, ON
M5L 1A2

Attention: Colin Sharman
Fax: 416-980-5352

LENDER:

EXPORT DEVELOPMENT CANADA

By: /s/ Christopher Wilson
Name: Christopher Wilson
Title: Senior Associate

By: /s/ Karen Morandin
Name: Karen Morandin
Title: Senior Financing Manager

Address:
Export Development Canada
150 Slater Street
Ottawa, Ontario
Canada
K1A 1K3

Operations Contact:
Attention: Loans Services
F: 613 598 2514

Covenant Reporting Contact:
Attention: Covenants Officer
T: 613 598 2979

Post Signing Credit Contact:
Attention: Assets Manager
F: 613 598 3186

LENDER:

HSBC BANK CANADA

By: /s/ Ambar Bansal
Name: Ambar Bansal
Title: Vice President, Regional Head-Ontario Corporate Banking

By: /s/ Lyndsay Thompson
Name: Lyndsay Thompson
Title: Assistant Vice President, Global Relationship Manager, Corporate Banking

LENDER:

ROYAL BANK OF CANADA

By: /s/ Thomas Paton
Name: Thomas Paton
Title: Authorized Signatory

Address:

National Client Group—Finance
Royal Bank of Canada
4th Floor, North Tower, Royal Bank Plaza
Toronto, ON M5J 2W7

Attention: Thomas Paton
Fax: 416-842-4090

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LENDER:

NATIONAL BANK OF CANADA

By: /s/ James Uson
Name: James Uson
Title: Director

By: /s/ Russell Garrard
Name: Russell Garrard
Title: Senior Director

Address:

130 King Street West
Toronto, ON M5X 1J9
Attention: James Uson
Fax: 416-864-7819

BORROWER:

IMAX CORPORATION

By: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Executive Vice President
& Chief Financial Officer

By: /s/ Edward MacNeil
Name: Edward MacNeil
Title: Senior Vice President, Finance

Chief Executive Office:

110 East 59th Street
Suite 2100
New York, New York, 10022
Attention: Senior Executive Vice President and General Counsel
Fax: (212) 371-7584

GUARANTOR:

IMAX U.S.A. INC.

By: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Vice President, Finance

By: /s/ Edward MacNeil
Name: Edward MacNeil
Title: Vice President

Chief Executive Office:

110 East 59th Street
New York, NY 10022
Attention: Robert D. Lister
Fax: (212) 371-7584

GUARANTOR:

1329507 ONTARIO INC.

By: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Vice President, Finance

By: /s/ Edward MacNeil
Name: Edward MacNeil
Title: Vice President

Chief Executive Office:

2525 Speakman Drive
Mississauga, ON L5K 1B1
Attention: Robert D. Lister
Fax: (212) 371-7584

GUARANTOR:

DAVID KEIGHLEY PRODUCTIONS 70 MM INC.

By: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Vice President, Finance

By: /s/ Edward MacNeil
Name: Edward MacNeil
Title: Vice President

Chief Executive Office:

3003 Exposition Boulevard
Santa Monica, CA 90404
Attention: Robert D. Lister
Fax: (212) 371-7584

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GUARANTOR:

IMAX II U.S.A. INC.

By: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Vice President, Finance

By: /s/ Edward MacNeil
Name: Edward MacNeil
Title: Vice President

Chief Executive Office:

110 East 59th Street
New York, NY 10022
Attention: Robert D. Lister
Fax: (212) 371-7584

GUARANTOR:

IMAX (BARBADOS) HOLDING, INC.

By: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Vice President, Finance

By: /s/ Edward MacNeil
Name: Edward MacNeil
Title: Vice President

Chief Executive Office:

The Phoenix Centre
George Street, Belleville
St. Michael, Barbados
Attention: Robert D. Lister
Fax: (212) 371-7584

[Credit Agreement—Signature Page]

EXHIBIT A
ASSIGNMENT AND ASSUMPTION AGREEMENT

EXHIBIT B
FORM OF COMPLIANCE CERTIFICATE

EXHIBIT C
INFORMATION CERTIFICATES

EXHIBIT D
FORM OF NOTICE OF BORROWING

EXHIBIT E
FORM OF NOTICE OF CONVERSION/CONTINUATION

EXHIBIT F
FORM OF NOTICE OF PREPAYMENT

EXHIBIT G
REVOLVING LOAN COMMITMENTS

EXHIBIT H
CLOSING AGENDA

SCHEDULE 6.1
CORPORATE STRUCTURE CHART

SCHEDULE 6.9
RESTRICTIONS ON ASSIGNABILITY IN SIGNIFICANT CONTRACTS

SCHEDULE 8.2
EXISTING LIENS

SCHEDULE 8.3
EXISTING INDEBTEDNESS

SCHEDULE 8.4A
GUARANTEES

SCHEDULE 8.4B
EXISTING LOANS, ADVANCES AND GUARANTEES

IMAX CORPORATION

Exhibit 21

SUBSIDIARIES OF IMAX CORPORATION

Company Name	Jurisdiction of Organization	Percentage Held By Registrant
3183 Films Ltd.	Canada	100
1329507 Ontario Inc.	Ontario	100
2328764 Ontario Ltd.	Ontario	100
4507592 Canada Ltd.	Canada	100
6822967 Canada Ltd.	Canada	100
7096194 Canada Ltd.	Canada	100
7096267 Canada Ltd.	Canada	100
7096291 Canada Ltd.	Canada	100
7103077 Canada Ltd.	Canada	100
7109857 Canada Ltd.	Canada	100
7214316 Canada Ltd.	Canada	100
7550324 Canada Inc.	Canada	100
7550391 Canada Ltd.	Canada	100
7550405 Canada Ltd.	Canada	100
7742266 Canada Ltd.	Canada	100
7742274 Canada Ltd.	Canada	100
Animal Orphans 3D Ltd.	Ontario	100
Arizona Big Frame Theatres, L.L.C.	Arizona	100
Baseball Tour, LLC	Delaware	33 1/3
Coral Sea Films Ltd.	Canada	100
David Keighley Productions 70 MM Inc.	Delaware	100
IMAX (Barbados) Holding, Inc.	Barbados	100
IMAX China Holding, Inc.	Cayman Islands	100
IMAX China (Hong Kong), Limited	Hong Kong	100
IMAX (Shanghai) Multimedia Technology Co., Ltd.	People’s Republic of China	100
IMAX (Shanghai) Theatre Technology Services Co., Ltd.	People’s Republic of China	100
IMAX Chicago Theatre LLC	Delaware	100
IMAX 3D TV Ventures, LLC	Delaware	100
IMAX II U.S.A. Inc.	Delaware	100
IMAX Indianapolis LLC	Indiana	100
IMAX International Sales Corporation	Canada	100
IMAX Japan Inc.	Japan	100
IMAX Minnesota Holding Co.	Delaware	100
IMAX Music Ltd.	Ontario	100
IMAX Rhode Island Limited Partnership	Rhode Island	100
IMAX (Rochester) Inc. (formerly Big Engine Films Inc.)	Delaware	100
IMAX Scribe Inc.	Delaware	100
IMAX Space Ltd.	Ontario	100
IMAX Space Productions Ltd.	Canada	100
IMAX Theatre Holding Co.	Delaware	100
IMAX Theatre Holdings (OEI), Inc.	Delaware	100
IMAX Theatre Management Company	Delaware	100
IMAX Theatre Services Ltd.	Ontario	100
IMAX U.S.A. Inc.	Delaware	100
Madagascar Doc 3D Ltd.	Canada	100
Magnitude Productions Ltd.	Canada	100
Nyack Theatre LLC	New York	100
Raining Arrows Productions Ltd.	Canada	100
Ridefilm Corporation	Delaware	100
Ruth Quentin Films Ltd.	Canada	100
Sacramento Theatre LLC	Delaware	100
Sonics Associates, Inc.	Alabama	100
Starboard Theatres Ltd.	Canada	100
Strategic Sponsorship Corporation	Delaware	100
Taurus-Littrow Productions Inc.	Delaware	100
The Deep Magic Company Ltd.	Canada	100
Walking Bones Pictures Ltd.	Canada	100

IMAX CORPORATION

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in (i) the Registration Statements on Form S-8 (No. 333-2076; No. 333-5720; No. 333-30970; No. 333-44412; No. 333-155262, No. 333-165400), (ii) the Post-Effective Amendment No. 1 to Form S-8 (No. 333-5720) as amended, and (iii) the Registration Statements on Form S-3 (No. 333-171823) of IMAX Corporation of our report dated February 21, 2013, relating to the financial statements, financial statements schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario
February 21, 2013

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

EXHIBIT 24

IMAX CORPORATION

POWER OF ATTORNEY

Each of the persons whose signature appears below hereby constitutes and appoints Joseph Sparacio and Robert D. Lister, and each of them severally, as his true and lawful attorney or attorneys with power of substitution and re-substitution to sign in his name, place and stead in any and all such capacities the Form 10-K, including the French language version thereof, and any and all amendments thereto and documents in connection therewith, and to file the same with the United States Securities Exchange Commission (the "SEC") and such other regulatory authorities as may be required, each of said attorneys to have power to act with and without the other, and to have full power and authority to do and perform, in the name and on behalf of each of the directors of the Corporation, every act whatsoever which such attorneys, or either of them, may deem necessary or desirable to be done in connection therewith as fully and to all intents and purposes as such directors of the Corporation might or could do in person.

Dated this 20th day of February, 2013.

Signature	Title
/s/ Bradley J. Wechsler *Bradley J. Wechsler*	Chairman of the Board & Director
/s/ Richard L. Gelfond *Richard L. Gelfond*	Chief Executive Officer (Principal Executive Officer)
/s/ Neil S. Braun *Neil S. Braun*	Director
/s/ Eric A. Demirian *Eric A. Demirian*	Director
/s/ Garth M. Girvan *Garth M. Girvan*	Director
/s/ David W. Leebron *David W. Leebron*	Director
/s/ I. Martin Pompadur *I. Martin Pompadur*	Director
/s/ Marc A. Utay *Marc A. Utay*	Director
/s/ Joseph Sparacio *Joseph Sparacio*	Chief Financial Officer (Principal Financial Officer)
/s/ Jeffrey Vance *Jeffrey Vance*	Controller (Principal Accounting Officer)

EXHIBIT 31.1

IMAX CORPORATION

Certification Pursuant to Section 302 of the Sarbanes—Oxley Act of 2002

I, Richard L. Gelfond, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2012 of the registrant, IMAX Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2013

By: /s/ Richard L. Gelfond
Richard L. Gelfond
Chief Executive Officer

EXHIBIT 31.2

IMAX CORPORATION

Certification Pursuant to Section 302 of the Sarbanes—Oxley Act of 2002

I, Joseph Sparacio, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2012 of the registrant, IMAX Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2013

By: /s/ Joseph Sparacio
Joseph Sparacio
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

IMAX CORPORATION

CERTIFICATIONS

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (A) and (B) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Richard L. Gelfond, Chief Executive Officer of IMAX Corporation, a Canadian corporation (the "Company"), hereby certify, to my knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2012 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 21, 2013

/s/ Richard L. Gelfond
Richard L. Gelfond
Chief Executive Officer

EXHIBIT 32.2

IMAX CORPORATION

CERTIFICATIONS

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (A) and (B) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Joseph Sparacio, Chief Financial Officer of IMAX Corporation, a Canadian corporation (the "Company"), hereby certify, to my knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2012 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 21, 2013

/s/ Joseph Sparacio
Joseph Sparacio
Executive Vice President & Chief Financial Officer