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

FORM 10-K

(Mark One)

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1998

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file Number 0-24216

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, Mississauga, Ontario, Canada	L5K 1B1
(Address of principal executive offices)	(Postal Code)

Registrant's telephone number, including area code (905) 403-6500
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
None	

Securities registered pursuant to Section 12(g) of the Act:
Common Shares, no par value
(Title of class)

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 |X| 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 March 11, 1999 was $331,522,635 (18,290,904 common shares times $18.125). As of March 11, 1999, there were 29,799,888 Common Shares of the registrant outstanding.

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. |X|

Annual Report on Form 10-K

December 31, 1998

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EXCHANGE RATE DATA

Unless otherwise indicated, all dollar amounts in this document are expressed in United States 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 Federal Reserve Bank of New York (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 Federal Reserve Bank of New York 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, 1998 was U.S. $0.6522.

	Year ended December 31				
	1994	1995	1996	1997	1998
Exchange rate at end of period.....	U.S. $0.7134	U.S. $0.7325	U.S. $0.7301	U.S. $0.6999	U.S. $0.6522
Average exchange rate during period.....	0.7299	0.7312	0.7329	0.7220	0.6740
High exchange rate during period.....	0.7644	0.7533	0.7513	0.7471	0.7105
Low exchange rate during period.....	0.7098	0.7008	0.7235	0.6945	0.6341

SPECIAL NOTE REGARDING FORWARD -LOOKING INFORMATION

Certain statements included herein 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 strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of its business and operations, plans and references to the future success of the Company. 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; competitive actions by other companies; conditions in the out-of-home entertainment industry; changes in laws or regulations; 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; and the potential impact of increased competition in the markets the Company operates within and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made herein are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

PART I

Item 1. Business

GENERAL

Imax Corporation and its subsidiaries (the "Company") designs and manufactures projection and sound systems for giant-screen ("15/70-format") theaters based on proprietary and patented technology and is the largest producer and distributor of films for giant-screen theaters. The Company generally does not own IMAX(R) theaters but leases its projection and sound systems and licenses the use of its trademarks. The IMAX brand name enjoys widespread recognition with more than 500 million viewers throughout the world having experienced the Company's high-quality, giant-screen theater attractions since 1970 including over 65 million viewers in 1998.

The IMAX theater network is the most extensive giant-screen theater network in the world with 183 theaters operating in 25 countries as of December 31, 1998 which will grow to over 250 theaters by the year 2000. The Company has experienced substantial growth as a result of the increased demand for both IMAX theaters in commercial locations and IMAX 3D theater systems in North America and around the world.

IMAX theater systems combine advanced high-resolution projection systems, sound systems and screens as large as eight stories high (approximately 80 feet) that extend to the edge of a viewer's peripheral vision to create highly realistic audio-visual experiences. As a result, audiences feel as if they are a part of the on-screen action in a way that is more intense and exciting than in traditional theaters. In addition, the Company's IMAX 3D theater systems combine the same projection and sound systems and up to eight storey screens with 3D images that further increase the audience's feeling of immersion in the film. IMAX theater systems are often a featured attraction at high profile and prestigious locations such as the Smithsonian Institution, the Kennedy Space Center in Florida, Lincoln Square in New York, Potsdamer Platz in Berlin, Germany, the Museum of Science and Industry in Chicago, the theater adjacent to Grand Canyon National Park and the Luxor Hotel and Casino in Las Vegas, Nevada.

The library of 15/70-format films available for IMAX theaters includes 139 films at the end of 1998, of which the Company has the distribution rights to 49 such films. 15/70-format (15-perforation, 70mm) is the size of the film frame used in IMAX projection systems and is the largest commercially available film size. By utilizing 15/70-format film, IMAX theaters can project images which are larger and exhibit higher resolution than other film formats. 15/70-format films cover a variety of entertaining and educational subjects, including space (The Dream Is Alive which was filmed from NASA's space shuttles and has grossed over $148 million since its release in 1985), rock concerts (Rolling Stones "At the Max"), and historical events (Fires of Kuwait, which was nominated for an Academy Award(R)). In recent years, additions to the 15/70-format film library have also included more commercial films such as Everest, which was produced and distributed by MacGillivray Freeman Films and was the first 15/70-format film to break into Variety's top 10 highest grossing films in North America and T-REX: Back to the Cretaceous which was produced by the Company and features giant computer generated 3D images of dinosaurs. In February 1999, the Company announced an agreement with Buena Vista Pictures Distribution, a unit of The Walt Disney Company, to release Disney's newest animated feature Fantasia 2000: The IMAX Experience exclusively to IMAX theaters around the world for a four-month period commencing January 1, 2000. Fantasia 2000 will be the first theatrical full-length feature film to be reformatted into 15/70-format film.

The Company 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. Imax effected a corporate reorganization in December 1998 to better align employees and operations to the Company's current lines of business. Imax Ltd., a 100% owned subsidiary of Imax Corporation is responsible for the functions of system leasing, film marketing and distribution, systems maintenance, camera rental, marketing and administration.

PRODUCT LINES

The Company is the largest designer and supplier of projection and sound systems and the largest producer and distributor of 15/70-format films for giant-screen theaters. The Company's theater systems include specialized projection equipment, advanced sound systems, specialty screens, theater automation control systems and film handling equipment. The Company derives substantially all of its revenues from giant-screen theaters and related film products and services.

Giant-Screen Theaters

The Company is the pioneer and leader in the giant-screen, large-format film industry. The IMAX theater system network has the largest installed base of giant-screen theater systems, with systems located in 183 theaters in 25 countries as of December 31, 1998 which will grow to over 250 theaters by the year 2000. IMAX theaters have flat or dome shaped screens in 2D and 3D which are many times larger than conventional theaters, extending to the edge of the viewer's peripheral vision. The theaters have a steeply inclined floor to provide all audience members a clear view of the screen and typically seat 250 to 500 people.

The Company's projection systems utilize the largest commercially available film format (70mm, 15-perforation film frame), which is 10 times larger than conventional film (35mm, 4-perforation film frame) and therefore are able to project significantly more detail on a larger screen. The Company believes its 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, and substantially enhance the quality of the projected image. As a result, the Company's projection systems deliver a higher level of clarity, detail and brightness compared to conventional movies and competing systems.

To complement the film technology and viewing experience, IMAX theater systems feature unique digital sound systems. The sound systems are among the most advanced in the industry and help to heighten the sense of realism of a 15/70-format film. IMAX sound systems are specifically designed for IMAX theaters and are an important competitive advantage of IMAX systems.

The following chart shows the number of the Company's theater systems by product, installed base and backlog as of December 31, 1998:

	2D			3D		
	Product	Installed Base	Backlog	Product	Installed Base	Backlog
Flat Screen	IMAX	64	4	IMAX 3D	47	29
				IMAX 3D SR	3	39
Dome Screen	IMAX Dome	66	4	IMAX Solido	3	-

IMAX and IMAX Dome Systems. IMAX and IMAX Dome systems make up the largest component of the Company's installed theater base. IMAX theaters, with a flat screen, were introduced in 1970, while IMAX Dome theaters, previously known as OMNIMAX theaters, are designed for tilted dome screens and were introduced in 1973. There have been several significant proprietary and patented enhancements to these systems since their introduction.

IMAX 3D and 3D SR Systems. IMAX 3D systems make up the largest component of the Company's backlog. IMAX 3D theaters utilize a flat screen 3D system which produces realistic three-dimensional images on a giant IMAX screen. The Company believes that the IMAX 3D system offers consumers one of the most realistic 3D experiences available today. To create the 3D effect, the audience uses either polarized glasses or electronic glasses that separate the left- and right-eye images. The electronic glasses use liquid crystal shutter lenses controlled by an infrared signal. Each lens "opens and closes" 48 times a second in synchronization with the projector to produce full color stereoscopic viewing. IMAX 3D systems represent the dominant portion of the Company's product mix. The IMAX 3D projectors can project both 2D and 3D films, allowing theater owners the flexibility to exhibit either type of film. The Company offers upgrades to existing theaters which have 2D IMAX projection systems to IMAX 3D projection systems. Since the introduction of IMAX 3D technology, the Company has upgraded 10 theater systems and had one additional upgrade in backlog as of December 31, 1998.

In 1997, the Company launched a smaller IMAX 3D system called IMAX 3D SR; a patented theater system that combines a proprietary theater design, a more automated projection system and specialized sound system to replicate the experience of a larger IMAX 3D theater in a smaller space (up to 270 seats). The IMAX 3D SR theater system is designed to be located primarily in multiplexes in smaller cities and with lower costs. The Company had 39 IMAX 3D SR systems in backlog at December 31, 1998.

IMAX Solido Systems. IMAX Solido theaters comprise a dome screen 3D system that projects the film onto a tilted dome such that objects not only appear to "come out" from the screen but also to envelop the viewer. IMAX Solido projectors, like IMAX 3D projectors, can project both 2D and 3D films.

Theater System Leases

The Company's system leases generally have 10 to 20-year initial terms and, subject to certain conditions, are typically renewable by the customer for one or more additional 10 year terms. As part of the lease agreement, the Company advises the customer on theater design, custom assembles and supervises the installation of the theater system, provides training to theater personnel and ongoing maintenance to the system. Prospective theater owners are responsible for providing the theater location, the design and construction of the theater building and any other necessary improvements. Under the terms of the typical lease agreement, the title to all theater system equipment (including the projection screen, the projector and the sound system) 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 contracts are generally denominated in U.S. dollars, except in Canada and Japan, where contracts are generally denominated in Canadian dollars and Japanese yen, respectively.

The typical lease agreement provides for three major sources of revenue: (i) upfront fees, (ii) ongoing royalty payments and (iii) ongoing maintenance fees. Royalty payments and maintenance fees are generally received over the life of the contract and are usually adjusted annually based on changes in the local consumer price index. The terms of each lease agreement vary according to the system technology provided and the geographic location of the customer.

The following is an overview of the theater system contract signings over the past five years:

	1994	1995	1996	1997	1998
Permanent systems signed (1)	15	24	26	48	43
Temporary systems signed	4	--	--	--	--
Total systems signed	19	24	26	48	43
Value of systems signed (in millions)	$46.0	$64.6	$89.6	$128.4	$129.2

(1) Represents the number of the Company's theater systems which were the subject of sale or long-term lease agreements signed by the Company. The number of signings indicated for 1996, 1997 and 1998 excludes 3, 12, and one theaters in which the Company had an equity interest, respectively.

Theater Operations and Investments

The Company has seven theaters in which it holds an equity interest. As of December 31, 1998 the Company's sales backlog includes 13 theaters in which the Company has an equity interest.

In the case of equity interests which are joint ventures, the Company generally contributes the projection and sound system to the theater in exchange for a percentage of the theater revenues and/or profits. The Company's partner is generally responsible for constructing and outfitting the theater. The Company may also provide management services in return for a fee or a percentage of theater revenues as part of the equity interest.

Sound Systems

The Company, through its 51% owned subsidiary, Sonics Associates Inc. ("Sonics"), manufactures the sound systems for the Company's theaters. IMAX theaters feature six-channel high-fidelity sound-systems with sub-bass which place full range speakers both in front of and behind the audience to provide a complete sound field with the ability to relate sounds to the action on and off the screen. The Company custom designs the loudspeaker system for each IMAX theater to eliminate variations in volume and sound quality over the theater seating area to ensure that the members of the audience experience superb sound quality regardless of where they are seated. The Company has developed a patented digital audio technology with advanced circuit design specifically to enhance sound clarity and depth of sound reproduction. Sonics is 51% owned by the Company and 49% owned by four executive officers of Sonics.

Film Production, Post-Production and Distribution

The library of 15/70-format films available for IMAX theaters consists of 139 films at the end of 1998 on subjects such as space, wildlife, music, history and natural wonders and commercial subjects. The Company has distribution rights to 49 such films. The majority of the 15/70-format films have been produced by third parties, including several award-winning filmmakers. There are currently more than 25 15/70-format films in production, including three being produced by the Company, which are expected to be released over the next three years.

In February 1999, the Company announced an agreement with Buena Vista Pictures Distribution, a unit of The Walt Disney Company, to release Fantasia 2000 exclusively to IMAX theaters around the world for a four-month period commencing January 1, 2000. This will be the first theatrical full-length feature film to be reformatted into 15/70-format film.

15/70-format films can make audiences feel as though they have been transported to places they have never been through the use of the largest, clearest film images available today. In addition to their entertainment appeal, 15/70-format films often seek to educate the audience. 15/70-format films are expected to be in distribution for five or more years, although many of the films in the library have remained popular for longer periods including the films To Fly! (1976), Grand Canyon--The Hidden Secrets (1984) and The Dream Is Alive (1985) which were all exhibited during 1998. In 1998, there were six new films released in the 15/70-format. 15/70-format films have been filmed from the NASA space shuttles (The Dream Is Alive), documented rock concerts (Rolling Stones "At the Max"), examined natural wonders (The Eruption of Mount St. Helens, which was nominated for an Academy Award(R)), recorded historic events (Fires of Kuwait, which was nominated for an Academy Award(R)) and have been filmed from the top of the world's highest summit (Everest).

The Company produces films financed either internally or, partially or fully, financed by third parties. With respect to third party productions, the third party generally pays for all production costs in advance of the Company's expenditures. The Company generally receives a film production fee in exchange for producing the films and is appointed the exclusive distributor of the film. When the Company produces films, it typically hires production talent and specialists on a project-by-project basis, similar to a movie studio, allowing the Company to retain creative and quality control without the burden of significant ongoing overhead expenses. Typically, the ownership rights to films produced for third parties are held by the film sponsors, the film investors and the Company. In the case of films for IMAX Ridefilm theaters, the Company primarily financed these films internally.

The Company generally distributes films produced by the Company and has acquired distribution rights to films produced by independent producers. The Company has distribution rights to more 15/70-format films than any competing distributor. As distributor, the Company generally receives a percentage of the theater box office receipts. On a limited basis, the Company also markets video cassette and laser disk souvenir copies of its films both at theaters and through general retail chains.

David Keighley Productions 70MM Inc., a wholly-owned subsidiary of the Company, provides film post-production and quality control services for 15/70-format films (whether produced internally or externally).

Cameras. The Company rents 2D 15/70-format cameras and provides technical and post-production services to third party producers for a fee. The Company maintains 20 cameras and other film and lighting equipment to support third-party producers and also offers production advice and technical assistance to filmmakers.

The Company has developed state-of-the-art patented dual and single filmstrip 3D cameras; which are among the most advanced motion picture cameras in the world and are the only 3D cameras of their kind. The IMAX 3D camera simultaneously shoots left- and right-eye images and its compact size allows filmmakers access to a variety of locations, such as underwater or aboard aircraft. The Company has two dual filmstrip cameras in its inventory.

Attractions

Large Screen Motion Simulation Theaters. Large scale IMAX Simulator Rides or ISRs such as the Asteroid Adventure ride at Phantasialand in Bruhl, Germany, which seats 256 passengers, and Back To The Future(R)...The Ride which seats 192 passengers, combine an IMAX Dome projection system with several multiple passenger vehicles, engaging films, and digital sound technology to provide unique entertainment experiences.

IMAX Ridefilm Theaters. IMAX Ridefilm theaters are a compact, modular version of an ISR which allow theaters to be located in smaller locations. There are currently 28 Ridefilm systems in operation and three in backlog as of December 31, 1998.

In 1998, the Company decided to rationalize its Attractions operations. The Company does not intend to manufacture or sell the Ridefilm motion base product (with the exception of delivering in 1999 the three Ridefilm motion bases currently in backlog) and does not intend to produce new films for the movie rides. The financial impact of this decision is further explained in the Results of Operations section contained in Item 7 and in Note 3 of the Notes to Consolidated Financial Statements contained in Item 8.

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, Europe, Singapore and Japan. 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.

The Company has experienced an increase in the number of commercial theater signings and international signings since 1995. At December 31, 1998, the number of commercial theaters installed and in backlog had increased 21% over 1997. The commercial theater segment of the Company's theater network is now its largest segment with a total of 125 theaters opened or in backlog. At December 31, 1998, 40% of all opened and backlog theaters are for locations outside of North America. The Company's institutional customers include science and natural history museums, zoos, aquaria and other educational and cultural centers. The Company also leases its systems to theme parks, tourist destination sites, fairs and expositions. For a breakdown of the installed theater base and backlog by market segment, geographic segment and product as of December 31, 1998, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

INDUSTRY AND COMPETITION

The Company competes with a number of manufacturers of large-format film projection systems; however, the IMAX theater network and the number of 15/70-format films to which the Company has distribution rights are substantially larger than those of its 15/70-format competitors. The Company's customers generally consider a number of criteria when selecting a large-format theater including quality, reputation, brand name recognition, type of system, features, price and service. The Company believes that its competitive strengths include the value of the IMAX brand name, the quality and historic up-time of IMAX theater systems, the number and quality of 15/70-format films that it distributes, the quality of the sound system included with the IMAX theater and the level of the Company's service and maintenance efforts.

The commercial success of the Company's products is ultimately dependent upon consumer preferences. The out-of-home entertainment industry in general continues to go through significant changes, primarily due to technological developments and changing consumer tastes. Numerous companies are developing new entertainment products for the out-of-home entertainment industry in response to these changes, and some of these new products are or may be directly competitive with the Company's products. Competitors may design products which are more attractive to the consumers and/or more cost effective than the Company's products and that may make the Company's products less competitive. There can be no assurance that the Company's existing products will continue to compete effectively and be attractive to consumers or that its products under development will ever be attractive to consumers or be competitive. The Company may also face competition from companies in the entertainment industry with substantially greater financial and other resources than the Company.

RESEARCH AND DEVELOPMENT

The Company has significant in-house proprietary expertise in projection system, camera, and sound system design, engineering and technology. In January 1997, the Company was awarded an Academy Award(R) for scientific and technical achievement by the Academy of Motion Picture Arts and Sciences. In addition, the Company has substantial proprietary knowledge in 15/70-format film production. As of December 31, 1998, 31 of the Company's employees were connected with research and development projects.

Several of the underlying technologies and resulting products and systems of the Company are covered by patents or patent applications. Other underlying technologies are available to competitors, in part because of the expiration of certain patents owned by the Company. The Company, however, has successfully obtained patent protection covering several of its significant improvements made to such technologies. The Company historically has retained the rights to the intellectual property associated with new products and technologies developed under arrangements with third parties. The Company plans to continue to fund research and development activity in areas considered important to the Company's continued commercial success.

Including contributions by third parties, the Company (excluding its subsidiaries) has spent approximately $10.9 million on research and development over the last five years, including approximately $2.0 million, $1.4 million and $1.7 million in 1996, 1997 and 1998 respectively. In 1991, the Company received a multi-year grant from the Ontario Technology Fund of the Government of Ontario for research and development. The program was completed in 1998 and cost approximately $7.0 million over seven years, with the Ontario Technology Fund contributing approximately $3.1 million.

MANUFACTURING AND SERVICE

Imax Manufacturing

The Company assembles its giant-screen projection systems at its Corporate Headquarters and Technology Center in Mississauga, Ontario (near Toronto). A majority of the components for the Company's systems are purchased from outside vendors. The Company develops and designs all the key elements for the proprietary technology involved in its projector and camera systems. Fabrication of these components is then subcontracted to a group of carefully pre-qualified suppliers. Manufacture and supply contracts are signed for the delivery of components on an order-by-order basis. The Company has developed long-term relationships with a number of significant suppliers, and the Company believes its existing suppliers will continue to supply quality products in quantities sufficient to satisfy its needs. The Company inspects all components and sub-assemblies, completes the final assembly, and then subjects the systems to comprehensive testing prior to shipment. Since 1980, the IMAX theater systems have had an average in service time of over 99.8 %.

Sonics Manufacturing

Sonics develops, designs and assembles the key elements of its theater sound systems. The standard IMAX theater sound system comprises components from a variety of sources with approximately 50% of the materials cost of each system attributable to proprietary components provided under OEM agreements with outside vendors. These proprietary components include custom loudspeaker enclosures and horns and specialized amplifiers, signal processing and control equipment. Major elements of the signal processing and control equipment are provided by a subsidiary of Sonics, Oxmoor Incorporated, which also fabricates professional audio electronics equipment for a variety of applications. The components for the complete sound system are assembled by Sonics at its facility in Birmingham, Alabama. Sonics also offers individual system customization for unique applications such as amusement park rides.

Service and Maintenance

The Company provides key services and support functions for the IMAX theater network and for filmmakers. To support the IMAX theater network, the Company has personnel stationed in major markets who provide periodic and emergency service and maintenance on existing systems throughout the world. The Company's personnel typically visit each theater every three months to service the projection systems. Sonics personnel visit each system annually to service the theater sound systems. The Company also provides theater design expertise for both the visual and audio aspects of the theater, as well as system installation and training.

PATENTS AND TRADEMARKS

The Company's inventions cover various aspects of its proprietary technology and many of such inventions are protected by Letters Patent or applications filed throughout the world, most significantly in the United States, Canada, Japan, Korea, France, Germany and the United Kingdom. The subject matter covered by these patents and applications encompasses electronic circuitry and mechanisms employed in film projectors and projection systems (including 3D projection systems), a simulator theater system and the orthogonal motion base mechanism, and a method for synchronizing digital data systems. The Company has been diligent in the protection of its proprietary interests and is currently challenging what it believes to be illegal use by others of its patented proprietary technology. See Item 3--Legal Proceedings.

The Company and its subsidiaries currently hold 40 patents, have 14 patents pending in the United States and have 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 projector, IMAX Solido and sound systems expire between 1999 and 2017.

The Company and its subsidiaries own or otherwise have rights to trademarks and trade names used in conjunction with the sale of their products, systems and services. The following trademarks are considered significant in terms of the current and contemplated operations of the Company: The IMAX Experience(R), An IMAX(R) Experience(TM), IMAX(R), IMAX(R) 3D, IMAX(R) Dome, IMAX(R) Solido(R), Personal Sound Environment (R), OMNIMAX(R) and IMAX(R) Ridefilm(TM). These trademarks are protected by registration or common law widely throughout the world. The Company also owns the service mark IMAX THEATRE(TM). The Company vigorously enforces its trademarks and trade names against whomever it believes is infringing upon its rights.

EMPLOYEES

As of December 31, 1998, the Company had 466 employees. The Company's employees are not represented by a labor union. The Company has never experienced an employee strike and believes that its employee relations are excellent.

Item 2. Properties

The Company's principal executive offices are located in Mississauga, Ontario. The Company's principal facilities are as follows:

Location	Operation	Own/Lease	Expiration
Mississauga, Ontario (1)....	Headquarters, Administrative, Assembly and Research and Development	Own	N/A
Birmingham, Alabama	Sound Systems Design and Assembly	Own	N/A
Culver City, California.....	Film Post Production	Lease	1999
Kempten, Germany.....	Sales and Marketing	Lease	1999
Los Angeles, California.....	Sales, Marketing and Administrative	Lease	2001
New York, New York.....	Administrative	Lease	2004
Singapore.....	Sales and Marketing	Lease	1999
Tokyo, Japan.....	Sales, Marketing, Maintenance and Theater Design	Lease	1999

(1) This property is subject to a collateral secured charge in favour of The Toronto-Dominion Bank in connection with the working capital facility.

Item 3. Legal Proceedings

In April 1994, Compagnie France Film Inc. filed a claim against the Company in the Superior Court in the District of Montreal, in the Province of Quebec, alleging breach of contract and bad faith in respect of an agreement which the plaintiff claims it entered into with the Company for the establishment of an IMAX theater in Quebec City, Quebec, Canada. Until December 1993, Predecessor Imax was in negotiations with the plaintiff and another unrelated party for the establishment of an IMAX theater in Quebec City. In December 1993, Predecessor Imax executed a system lease agreement with the other party. During the negotiations, both parties were aware of the other party's interest in also establishing an IMAX theater in Quebec City. The plaintiffs claimed damages of Canadian $4.6 million, representing the amount of profit they claim they were denied due to their inability to proceed with an IMAX theater in Quebec City, together with expenses incurred in respect of this project and pre-judgement interest. The Company disputed this claim and filed a defense in response. Compagnie France Film had also incorporated a shell company, 3101-8450 Quebec Inc. ("3101"). 3101 was to, among other things, enter into a lease for the proposed IMAX theater site. In November 1993, while negotiations between Compagnie France Film and the Company were still ongoing, 3101 entered into a lease for the site. 3101 defaulted on the lease and the landlord sued 3101 in an unrelated action to which the Company was not a party. In February 1996, 3101 was found liable to pay the landlord damages in the amount of Canadian $2.5 million. Subsequent to that judgment 3101 intervened in the lawsuit between Compagnie France Film and the Company in order to claim from the Company damages in the amount of Canadian $2.5 million. The Company disputed these claims and the suit went to trial in January 1998. In a decision rendered in April 1998, the court dismissed the plaintiffs' claims with costs. In May 1998, the plaintiffs and 3101 both filed appeals of the decision to the Court of Appeal. The Company believes that the amount of the loss, if any, will 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 this litigation.

The Company filed a complaint in August 1994 in the U.S. District Court for the Northern District of California claiming that Neil Johnson, NJ Engineering Inc. and Cinema Technologies Inc. engaged in unfair competition and misappropriated the Company's trade secrets in the design and manufacture of the defendants' 70mm 15-perforation projection systems. The Company settled its claims with NJ Engineering Inc. but continued to pursue an injunction against Cinema Technologies Inc. and its principal Mr. Johnson to prevent shipment of projectors, which incorporate the Company's trade secrets in addition to damages. The defendants brought two motions for summary judgement, one of which was based on the defendants' statute of limitations defense and the other based on, among others, the defendants' contention that the trade secrets at issue were not trade secrets. The court denied the motion based on the statute of limitations defense, granted the motion based on the unfair competition and trade secret status issues, and entered a judgement for the defendants. The Company filed an appeal of this decision to the U.S. Court of Appeals for the Ninth Circuit and on August 19, 1998 it affirmed the granting of the motion based on the trade secrets claim, but vacated and reversed, and remanded for further proceedings, with respect to the Company's unfair competition claim against Cinema Technologies Inc. The case was returned to trial court in October 1998; a trial date has been set for September 1999.

Iwerks Entertainment, Inc. ("Iwerks") filed a complaint against the Company on February 26, 1996 in the U.S. District Court for the Central District of California alleging violations under the Sherman Act, the Clayton Act, and tortious interference with contracts and prospective economic advantage. Iwerks was seeking unquantified damages, injunctive relief and restitution. All claims against the Company were dismissed in a summary judgement in April 1998. In May 1998, Iwerks filed an appeal of this decision to the U.S. Court of Appeals for the Ninth Circuit. The amount of the loss, if any, cannot be determined at this time.

On March 5, 1998, Rosalini Film Productions Inc. filed a claim against the Company in the U.S. District Court for the Central District of California, alleging breach of written agreement, breach of implied convenant of good faith and fair dealing, fraud and deceit, negligent misrepresentation, unfair competition, unjust enrichment, quantum meruit, constructive trust and declaratory relief with respect to a film project the plaintiff claims to have pursued with the Company. The plaintiff was seeking unquantified damages. The Company disputed this claim and intended to vigorously defend this action. In April 1998, the plaintiff filed a voluntary dismissal of its claim. In December 1998, a refiled claim was served on the Company. In January 1999, the parties agreed to settle the action. In Management's opinion, the terms of the settlement did not have a material impact on the financial position or results of the operation of the Company.

In addition to the litigation described above, the Company is currently involved in other litigation 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 for any such litigation.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of the security holders during the quarter ended December 31, 1998.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Shares are listed for trading under the trading symbol "IMAX" on the Nasdaq National Market System ("Nasdaq"). The Common Shares are also listed on The Toronto Stock Exchange ("TSE") 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 Nasdaq and the TSE, adjusted for the 2-for-1 stock split which became effective in May, 1997, for the periods indicated.

	U.S. Dollars	
	High	Low
Nasdaq		
Year ended December 31, 1998		
Fourth quarter	32.250	18.000
Third quarter	25.000	17.000
Second quarter	28.875	21.750
First quarter	29.000	20.500
Year ended December 31, 1997		
Fourth quarter	26.625	20.000
Third quarter	28.750	23.375
Second quarter	24.750	16.875
First quarter	18.000	15.125

	Canadian Dollars	
	High	Low
TSE		
Year ended December 31, 1998		
Fourth quarter	51.000	33.000
Third quarter	38.050	26.750
Second quarter	40.800	30.100
First quarter	41.950	28.750
Year ended December 31, 1997		
Fourth quarter	37.750	28.500
Third quarter	39.000	32.000
Second quarter	34.000	23.250
First quarter	25.000	20.500

As of December 31, 1998 the Company had 221 registered holders of record of the Company's Common Shares.

The Company has not paid within the last three fiscal years, and has no current plans to pay, 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 10 to the consolidated financial statements in Item 8). 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.

Item 6. Selected Financial Data
(in thousands of dollars, except per share data and systems data)

The selected financial data set forth below is derived from the consolidated financial statements of the Company and its subsidiaries and Predecessor Imax and its subsidiaries. The financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"). The Company adopted the U.S. dollar as its reporting currency in 1995. Comparative figures have been restated as if the U.S. dollar had been the reporting currency in prior periods. Effective April 1, 1996, the Company adopted the U.S. dollar as its functional currency. This change in accounting policy was applied prospectively. All financial information referred to herein is expressed in U.S. dollars unless otherwise noted.

On March 1, 1994, WGIM Acquisition Corp. was amalgamated with Predecessor Imax to form the Company and merged the Trumbull Company, Inc. ("TCI") into a wholly-owned subsidiary of the Company to form Ridefilm Corporation (collectively referred to as the "Acquisitions"). The historical data of Predecessor Imax and the Company are not comparable in all respects. The Acquisitions have been accounted for as a purchase. Accounting for the Acquisitions has resulted in material differences in the basis of assets and liabilities between Predecessor Imax and the Company. The Company's results of operations have been affected by an increase in interest expense and amortization of fair value increments on assets acquired, intangibles and deferred financing costs.

	Pro Forma	The Company			
	1994 (1)	1995	1996	1997	1998
	(unaudited)				
Operating Statement Data:					
Revenue					
Systems	$ 37,507	$ 51,968	$ 85,972	$ 97,539	$ 140,874
Films	30,885	28,835	28,367	39,683	30,824
Other	6,617	7,694	15,499	21,259	18,657
Total revenue	75,009	88,497	129,838	158,481	190,355
Costs and expenses (2)	56,118	44,348	58,257	73,806	111,784
Gross margin	18,891	44,149	71,581	84,675	78,571
Loss from equity accounted investees (3)	-	-	-	(22)	(6,763)
Selling, general and administrative expenses (4)	21,972	25,925	29,495	32,115	38,777
Research and development (5)	4,563	2,808	2,493	2,129	2,745
Amortization of intangibles (6)	2,603	2,541	2,708	2,701	5,948
Earnings (loss) from operations	(10,247)	12,875	36,885	47,708	24,338
Interest income	1,794	3,377	5,797	5,604	5,320
Interest expense	(7,400)	(7,337)	(11,765)	(13,402)	(14,646)
Foreign exchange gain (loss)	(538)	193	(337)	(623)	588
Earnings (loss) before taxes and minority interest	(16,391)	9,108	30,580	39,287	15,600
(Provision for) recovery of taxes	4,833	(5,458)	(13,579)	(17,265)	(9,810)
Earnings (loss) before minority interest	(11,558)	3,650	17,001	22,022	5,790
Minority interest	--	--	(1,593)	(1,357)	(1,895)
Earnings (loss) before extraordinary item	$ (11,558)	$ 3,650	$ 15,408	$ 20,665	$ 3,895
Extraordinary loss on early retirement of debt, net of income tax benefit of $1,588	-	-	-	-	(2,095)
Net earnings	$ (11,558)	$ 3,650	$ 15,408	$ 20,665	1,800
Earnings (loss) per share (7) before extraordinary item					
Basic	$ (0.42)	$ 0.12	$ 0.54	$ 0.71	$ 0.10
Diluted	$ (0.42)	$ 0.11	$ 0.50	$ 0.68	$ 0.09
Net earnings (loss)					
Basic	$ (0.42)	$ 0.12	$ 0.54	$ 0.71	$ 0.03
Diluted	$ (0.42)	$ 0.11	$ 0.50	$ 0.68	$ 0.03
Systems and Other Data:					
Total systems signed (8)	19	24	26	48	43
Value of systems signed (in millions)	$ 46.0	$ 64.6	$ 89.6	$ 128.4	$ 129.2
New systems delivered	13	11	26	24	41
Total systems in operation	120	130	149	159	183
Total systems in sales backlog (9)	36	44	45	77	76
Revenue in sales backlog (10)	$ 80,767	$ 107,238	$ 131,835	$ 175,394	$ 175,756

(1) The Unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 1994 gives effect to the issuance and sale of senior notes, the application of the net proceeds therefrom, the acquisition of Predecessor Imax and TCI, the equity conversions and the issuance of common shares (collectively "the Transactions") as if the transactions had occurred on January 1, 1994.

(2) The costs and expenses for the years ended December 31, 1994, 1995, 1996, 1997 and 1998 include $9.3 million, $2.5 million, $1.9 million, $1.4 million, and $0.5 million respectively, of charges for the amortization of purchase accounting adjustments. The year ended December 31, 1998 includes a $7.9 million charge related to rationalization of the Company's motion simulation division and $19.1 million related to the write-down of the value of some of the films in the Company's library.

(3) Loss from equity accounted investees in 1998 includes the Company's 50% share of the loss of Forum Ride Associates and a provision against the remaining carrying value of the Company's equity investment in Forum Ride Associates totaling $6.1 million and a $0.5 million provision against an equity investment in a motion simulation ride.

(4) The selling, general and administrative expenses for the year ended December 31, 1994 include $1.1 million of non-recurring charges as a result of the Transactions. For the year ended December 31, 1998 selling, general and administration expenses include a $1.9 million charge related to the rationalization of Ridefilm.

(5) The research and development expenses for the year ended December 31, 1994 include a non-recurring charge of $2.4 million to reflect the write-off of purchased in-process research and development in connection with the acquisition of Ridefilm.

(6) Amortization of intangibles in 1998 includes a $3.3 million charge related to the write-off of goodwill associated with the Ridefilm business.

(7) Earnings (loss) per share in the current and prior periods give retroactive effect to (a) the 2-for-1 stock split which became effective by May 27, 1997 and (b) the adoption of FASB Statement of Standards No. 128 which became effective by December 31, 1997.

(8) Represents the number of theater systems which were the subject of sale or lease agreements entered into by the Company in the years indicated. The 1996, 1997 and 1998 signings exclude 3, 12 and one theaters in which the Company has an equity interest, respectively.

(9) 1996, 1997 and 1998 systems in backlog include two, thirteen and thirteen theaters in which the Company has an equity interest, respectively.

(10) Represents the minimum revenue on signed system sale and lease agreements that will be recognized as revenue as the associated theater systems are delivered. Does not include revenues from wholly-owned, partnership or joint venture theaters.

	Predecessor Imax Two months ended February 28, 1994	The Company Ten months ended December 31, 1994
Operating Statement Data:		
Revenue		
Systems	$ 1,454	$ 35,927
Films	1,886	28,914
Other	800	5,810
Total Revenue	4,140	70,651
Costs and expenses	3,169	52,788
Gross margin	971	17,863
Selling, general and administrative expenses	2,245	19,690
Research and development	219	4,331
Amortization of intangibles	3	2,154
Loss from operations	(1,496)	(8,312)
Interest income	19	1,767
Interest expense	(157)	(6,091)
Foreign exchange gain (loss)	(161)	(675)
Loss before taxes	(1,795)	(13,311)
Recovery of taxes	802	3,634
Net loss	$ (993)	$ (9,677)

	The Company				
Balance Sheet Data:	1994	1995	1996	1997	1998
Cash, cash equivalents and marketable securities	$ 56,949	$ 50,747	$ 120,688	$ 90,530	$ 202,941
Total assets	184,736	194,515	308,744	344,359	490,091
Total long-term indebtedness	70,294	70,810	167,023	165,000	300,000
Total shareholders' equity	52,926	57,486	54,841	81,117	84,446

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

GENERAL

The Company derives revenue principally from long-term theater system lease agreements, maintenance agreements, film production agreements and from the distribution of films. Other revenues include the operation of theaters in which the Company has an equity interest, the Company's motion simulation operations and camera rentals.

Theater Systems

The Company generally provides its theater systems on a long-term lease basis to customers with initial lease terms of typically 10 to 20 years. Lease agreements typically provide for three major sources of revenue: (i) upfront fees, (ii) ongoing royalty payments, and (iii) maintenance fees. The amount of upfront fees vary depending on the type of system and location and generally are paid to the Company in installments commencing upon the signing of the agreement and continuing through the delivery of the theater system. Ongoing royalty payments are paid monthly over the term of the contract, commencing after delivery. These payments are generally equal to the greater of a fixed minimum amount per annum and a percentage of box office receipts. An annual maintenance fee is generally payable commencing in the second year of theater operations. Both minimum royalty payments and maintenance fees are typically indexed to the local consumer price index.

Sales and sales-type leases. Revenues from the Company's theater system sale agreements and from theater system lease agreements which transfer substantially all of the benefits and risks of ownership ("sales-type leases") are recognized on the completed contract method (that is, upon delivery of the system). Revenues recognized at the time of the theater system delivery consist of upfront fees and the present value of minimum royalties on sales-type leases over the initial term of the lease. For leases with initial terms greater than 10 years, the Company's practice is to reserve the revenue related to the present value of minimum royalties beyond the initial 10 years. The timing of theater system delivery is largely dependent on the timing of the construction of the customer's theater which is used to fix the delivery date in the contract. The delivery of the theater system stated in the contract may be before the actual opening of the theater and as of December 31, 1998 the Company had delivered 32 theater systems to theaters that had not yet begun operations. Revenues recognized at the time of the theater system delivery generally are derived from contracts signed 12 to 24 months prior to the date of recognition. Such revenue is shown as sales backlog until it is recognized upon delivery. Therefore, revenue for theater systems is generally predictable on a long-term basis given the relationship to projected theater system deliveries. However, systems revenue in any given quarter may vary significantly depending on the nature and timing of the delivery of systems.

Cash receipts under upfront fees are generally received in advance of deliveries over the average of 12 to 24 months from initial contract signing to final delivery and are recorded as deferred revenue. The associated costs of manufacturing the theater system are recorded as inventory and systems under construction. Upon delivery, the deferred revenue and inventory costs are recognized in income.

Cash receipts under royalty payments are received after delivery. Typically, ongoing royalties are received over the 10 to 20 year life of the system agreements and under any renewal periods. The Company recognizes the present value of the minimum royalties on sales-type leases upon delivery of the theater system up to 10 years. The discounted minimum royalties are recorded on the Company's balance sheet as an increase in net investment in leases. For financial reporting purposes, the actual cash received for minimum royalties in each year are divided into two components representing both a repayment of the net investment in leases (which has no income effect but reduces net investment in leases) and finance income on the net investment in leases balance (which is recorded as royalty revenue as earned). In the event of default of payment of minimum contracted royalties, the Company may repossess the system and refurbish it for resale. Royalties in excess of minimums are recorded as revenue when due under the terms of the lease agreement.

Sales Backlog. Sales backlog represents the minimum revenues on signed system sale and lease agreements that will be recognized as revenue as the associated theater systems are delivered. The minimum revenue comprises the upfront fees plus the present value of the minimum royalties due under sales-type lease agreements for the first 10 years of the initial lease term. The value of sales backlog does not include revenues from theaters in which the Company has an equity interest, letters of intent, IMAX Ridefilm system contracts, or long-term conditional theater commitments.

Film Production

Revenue from films produced for third parties is recognized when the film is completed and delivered to the sponsor. The associated production costs are deferred and charged against the associated revenue when the revenue is recognized. The completion of films for third parties depends upon the contracted delivery dates with film sponsors. Thus, both film revenues and film income in any given period will vary significantly depending upon the timing of the completion of films. When the Company invests in films, costs incurred are deferred and shown on the balance sheet as film assets. Cash received from sales of the film in advance of delivery is shown as deferred revenue until the film is complete and delivered to the exhibitor. The film assets are amortized against revenues using the individual-film-forecast method in accordance with the Financial Accounting Standards Board Statement No. 53 ("FAS 53").

Film Distribution

Revenues from the distribution of films are recognized when films are exhibited by theaters. The costs of films are charged as expenses using the individual-film-forecast method in accordance with FAS 53. The individual-film-forecast method amortizes film costs (reflected on the balance sheet as film assets) in the same ratio that current gross revenues bear to anticipated total gross revenues. The costs of distribution of films are charged against the specific license to which they relate. Estimates of anticipated total gross revenues are reviewed quarterly by the Company and revised where necessary to reflect more current information.

International Operations

A significant portion of the Company's sales are made to customers located outside of the United States and Canada. During 1996, 1997 and 1998 approximately 39.5%, 47.6% and 46.7%, respectively, of the Company's revenues were derived from sales outside the United States and Canada. The Company expects that international operations will continue to account for a substantial portion of its revenues in the future. In order to minimize exposure to exchange rate risk, the Company prices theater systems (the largest component of revenues) in U.S. dollars except in Canada and Japan where they are priced in Canadian dollars and Japanese yen, respectively. Annual minimum royalty payments and maintenance fees follow a similar currency policy.

Accounting Policies

The Company reports its results under both United States generally accepted accounting principles ("U.S. GAAP") and Canadian generally accepted accounting principles. The financial statements and results referred to herein are reported under U.S. GAAP.

RESULTS OF OPERATIONS

The following table sets forth the percentage of total revenue for each of the items set forth below:

	The Company				
	Pro Forma 1994 (1)	1995	1996	1997	1998
	%	%	%	%	%
Revenue					
Systems	50.0	58.7	66.2	61.6	74.0
Films	41.2	32.6	21.9	25.0	16.2
Other	8.8	8.7	11.9	13.4	9.8
Total	100.0	100.0	100.0	100.0	100.0
Costs and expenses (2)	74.8	50.1	44.9	46.6	58.7
Gross margin	25.2	49.9	55.1	53.4	41.3
Loss from equity accounted investees	-	-	-	-	3.6
Selling, general and administrative expenses	29.3	29.3	22.7	20.3	20.4
Research and development (3)	6.1	3.2	1.9	1.3	1.4
Amortization of intangibles (4)	3.5	2.9	2.1	1.7	3.1
Earnings (loss) from operations	(13.7)	14.5	28.4	30.1	12.8
Earnings (loss) before extraordinary item	(15.4)	4.1	11.9	13.0	2.0
Net earnings (loss)	(15.4)	4.1	11.9	13.0	0.9

(1) See Note 1 to table in Item 6. Selected Financial Data.

(2) The costs and expenses include 12.4%, 2.8%, 1.4%, 0.9% and 0.3% of charges for the amortization of purchase accounting adjustments for the years ended December 31, 1994, 1995, 1996, 1997 and 1998, respectively. For the year ended December 31, 1998 costs and expenses include a charge of 4.1% related to the rationalization of the Company's motion simulation and attractions business and a charge of 10.0% related to the write-down of unrecoverable film costs.

(3) Research and development costs for the year ended December 31, 1994 include a non-recurring charge of 3.2% to reflect the write-off of purchased in-process research and development in connection with the acquisition of Ridefilm.

(4) Amortization of intangibles in 1998 includes a non-recurring charge of 1.7% to reflect the write-off of goodwill associated with the Ridefilm business.

Year Ended December 31, 1998 versus Year Ended December 31, 1997

In 1998 the Company had revenues of $190.4 million and net earnings (after a $2.1 million extraordinary loss on the early extinguishment of debt) of $1.8 million ($0.03 per share on a diluted basis) compared to revenues of $158.5 million and net earnings of $20.7 million ($0.68 per share on a diluted basis) in 1997. The increase in revenues of 20% is due to higher systems revenue which more than offset declines in film and other revenues. Results in 1998 were adversely affected by four significant items: a) the rationalization of the Company's motion simulation and attractions business resulted in a charge of $0.46 per share; b) the write-down of assets in the Company's film library resulted in a charge of $0.35 per share; c) the extraordinary loss on the early extinguishment of debt contributed a charge of $0.07 per share and, d) the redemption premium of the Company's Class "C" preferred shares contributed a charge of $0.02 per share.

Theater Network and Sales Backlog

The Company signed agreements for 43 theater systems in 1998, excluding one theater in which it has an equity interest, which represents future minimum revenues of $129.2 million. In 1997, the Company signed agreements for 48 theater systems excluding 12 theaters in which it had an equity interest, for future minimum revenues of $128.4 million. The majority of signings for 1998 were for IMAX 3D systems (91%) and commercial operators (88%). In 1998, signings for theaters to be located outside of Canada and the United States increased to 66% from 22% in 1997. As of December 31, 1998, there were IMAX theaters operating in 25 countries, up from 22 countries at December 31, 1997, with theaters to be located in a further 15 countries once the theaters in backlog open. As a result of the strong theater signings and record deliveries, the Company's sales backlog increased slightly to $175.8 million at December 31, 1998 from $175.4 million at December 31, 1997.

The IMAX theater network increased to 183 theaters in operation at December 31, 1998 from 159 theaters at the beginning of the year. The following is a geographic, market and product breakdown of the IMAX theaters in operation and theaters in backlog at December 31, 1998:

	Existing Theatres		Backlog	
	Theaters	%	Theaters	%
Geographic:				
United States	87	48%	41	56%
Europe	32	17	13	18
Japan	19	10	1	1
Canada	18	10	7	9
Asia (excluding Japan)	12	7	4	5
Mexico	8	4	-	-
Australia	6	3	2	3
South Africa	1	1	-	-
Middle East	-	-	5	7
South America	-	-	1	1
Total	183	100%	74	100%
Market:				
Science and Natural History	94	51%	6	8%
Commercial	57	31	68	92
Theme Parks	21	12	-	-
Destination Sites	5	3	-	-
Zoos and Aquaria	6	3	-	-
Total	183	100%	74	100%
Product:				
2D	130	71%	7	9%
3D	53	29	67	91%
Total	183	100%	74	100%

Film Library

There were six new films released in the 15/70-format in 1998, bringing the total number of available films to 139 at the end of the year. The Company has the distribution rights to 49 of those films. In 1998, the Company released one new film: T-REX: Back to the Cretaceous which features giant 3D digital dinosaurs.

The Company currently has three films in production which are scheduled for release in 1999 through 2001, and twelve films in development and pre-production. As of December 31, 1998 there were more than 25 films in production in the 15/70-format, including the three being produced by the Company.

Rationalization of Motion Simulation and Attractions Business

Included in earnings for the year ended December 31, 1998 is a pre-tax charge of $13,569,000 related to the Company's investment in the motion simulation and attractions business. The motion simulation industry in general has not generated significant returns for any of its key participants. The high cost of producing motion simulation films and high manufacturing and installation costs at recently delivered locations have resulted in continued inadequate returns for this operation. Sales, which hit a low of only two signings in 1998, continued to lag. The lack of growth in the network of bases, which was required to support the original investment plus ongoing investment in film, will prevent the recovery of future film investment. Recent sales cancellations have also contributed to the Company's decision to rationalize the Ridefilm activity to reduce future potential losses.

The Company does not intend to manufacture or sell the Ridefilm motion bases product (with the exception of delivering in 1999 the three motion bases currently in backlog), and does not intend to produce new motion simulation films. Existing motion base owners have been informed of the Company's decision to no longer market the motion base product in the future. Administration and sales personnel associated with the Ridefilm operation have been either terminated or re-assigned to other areas of the Company. The Company will continue to license the existing Ridefilm library to its existing motion base customers and make efforts to convert non-Ridefilm motion simulation films to be compatible with the Ridefilm projection system.

Also included in earnings for the year ended December 31, 1998 is a loss of $1,937,000 representing the Company's 50% share of the loss of Forum Ride Associates, a 50% joint venture with Starwood Hotels & Resorts Inc., operating an IMAX 3D Simulator Ride at the Forum Shops at Caesars Palace in Las Vegas, Nevada. The ride opened in January 1998 and attendance levels in its first year of operations were approximately 50% below budget. The Company believes that it will have limited ability in improving attendance to this attraction since much of it is dependent upon the flow of local traffic to its retail location, which has also proven to be well below original forecasts. The Company has been unsuccessful in obtaining changes required to stimulate local traffic in the retail area where the attraction is located. Despite the critical acclaim the movie ride has received, the Company does not anticipate that it will be able to attain the future attendance levels necessary to generate earnings sufficient to justify the remaining carrying value of its investment. The Company took a charge of $4,208,000 to write-off its remaining investment in the joint venture after considering current period operating losses combined with a projection that demonstrated continuing losses.

Revenues

The Company's revenues in 1998 were $190.4 million, compared to $158.5 million in 1997, an increase of 20%. The following table sets forth the breakdown of revenue by category in thousands of dollars:

	1996	1997	1998
Systems Revenue			
Sales and leases	$ 70,671	$ 78,672	$ 121,042
Royalties (1)	7,949	10,285	10,154
Maintenance	7,352	8,582	9,678
	85,972	97,539	140,874
Film Revenue			
Production	8,298	6,459	352
Distribution	13,422	21,953	15,052
Post-production	6,647	11,271	15,420
	28,367	39,683	30,824
Other Revenue	15,499	21,259	18,657
	$ 129,838	$ 158,481	$ 190,355

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(1) Includes finance income.

Systems Revenues. Systems revenue increased from $97.5 million in 1997 to $140.9 million in 1998, an increase of 44%. Revenue from sales and leases increased from $78.7 million to $121.0 million, an increase of 54%. The Company recognized revenues on the delivery of 41 theater systems under sales and sales-type leases in 1998 as compared to 24 theater systems in 1997. Royalty revenue, excluding arrears billings, and maintenance revenue increased 7% and 13%, respectively, over the prior year principally due to the increased number of theater systems in the network.

Film Revenues. Film revenues declined from $39.7 million in 1997 to $30.8 million in 1998. In 1997, the Company produced one film for a third party whereas in 1998 the Company did not produce any third party films. Film distribution revenues declined from $22.0 million in 1997 to $15.1 million in 1998 due to the timing of film release including the strong performance in 1997 of three films released in the latter half of 1996 and the fact that the Company's major 1998 release, T-REX: Back to the Cretaceous, was not released until the fourth quarter. Film post-production activities increased from $11.3 million in 1997 to $15.4 million in 1998, an increase of 37%. The growth in revenues was due to an increase in the number of prints released, post-production activities and extensions of products and services.

Other Revenues. Other revenues declined 12% from $21.2 million in 1997 to $18.7 million in 1998 due to lower revenue from the delivery of IMAX Ridefilm systems which declined to six units in 1998 versus 15 units in 1997. Partially offsetting the lower revenues were increases in camera and Company-owned theater operations revenues.

Gross Margin

Gross margin in 1998 was $78.6 million versus $84.7 million in 1997. The number of systems delivered in 1998 increased to 41 from 24 in 1997. The resulting increase in the gross margin was more than offset by the write-down in 1998 of the Company's motion simulation assets of $7.9 million and a write-down of its film assets of $19.1 million. Gross margin as a percentage of total revenues decreased from 53.4% in 1997 to 41.3% in 1998. An increase resulting from the higher proportion of systems revenue (which generally has higher margins than film and other revenues) was more than offset by the charges noted above which reduced the gross margin by 4.1% and 10.0%, respectively.

Other

Loss from equity accounted investees in 1998 includes $6.1 million of the Company's share of the loss of Forum Ride Associates (a 50% joint venture with Starwood Resorts Worldwide Inc. operating an IMAX 3D Simulator Ride) and a write-off of the Company's remaining investment in the joint venture.

Selling, general and administrative expenses were $38.8 million in 1998 versus $32.1 million in 1997. The increase in selling, general and administrative costs in 1998 over 1997 resulted primarily from increases in performance-based compensation expenses, marketing, branding and affiliate relations initiatives and staffing additions to the Company's film department, particularly marketing, partially offset by declines in litigation expense. Also included in 1998 is $1.9 million of costs related to the rationalization of the Company's motion simulation and attractions unit.

Research and development expenses were $2.7 million in 1998 versus $2.1 million in 1997. In 1997, the Company's technical staff were engaged in the design and production of the new IMAX 3D SR system and not in typical research and development activities.

Amortization of intangibles in 1998 includes a non-recurring charge of $3.3 million to write-off the remaining goodwill associated with the Company's motion simulation business.

Interest expense increased in 1998 as a result of the $200 million Senior Notes due 2005 which were issued on December 4, 1998.

The Company experienced a foreign exchange gain of $0.6 million in 1998 compared to a loss of $0.6 million in 1997. The foreign exchange gain in 1998 resulted primarily from fluctuations in exchange rates on the Japanese yen denominated net investment in leases, while the loss in 1997 resulted primarily from fluctuations in exchange rates on the Canadian dollar, the Japan Yen and French franc denominated cash balances and net investment in leases.

The effective tax rate on earnings before tax differs from the statutory tax rate and will vary from year to year primarily as a result of the amortization of goodwill, which is not deductible for tax purposes, manufacturing and processing profits deduction and the provision of income taxes at different rates in foreign and other provincial jurisdictions. The effective tax rate in 1998 was much higher than in recent years due to the large amount of non-deductible goodwill and deferred tax charge associated with the rationalization of Ridefilm as well being affected by the $6.1 million loss associated with Forum Ride Associates which is provided for at a lower tax rate than the Company's statutory tax rate.

Minority interest expense of $1.9 million and $1.4 million in 1998 and 1997, respectively, represents a 49% minority interest in the earnings of the Company's subsidiary, Sonics Associates Inc.

Year ended December 31, 1997 versus Year ended December 31, 1996

Revenues

The Company's revenues in 1997 were $158.5 million compared to $129.8 million in 1996, an increase of 22%.

Systems revenue increased from $86.0 million in 1996 to $97.5 million in 1997, an increase of 13%. Revenue from sales and leases increased from $70.7 million to $78.7 million, an increase of 11%. The Company recognized revenues on the delivery of 24 theater systems under sales and sales-type leases in 1997 as compared to 26 theater systems in 1996. Royalty revenue, excluding arrears billings, and maintenance revenue increased 19% and 17%, respectively, over the prior year principally due to the increased number of theater systems in the network.

Film revenues increased from $28.4 million in 1996 to $39.7 million in 1997. Film distribution revenues increased from $13.4 million in 1996 to $22.0 million in 1997, an increase of 64%. Film distribution revenues increased in 1997 over 1996 due to strong results of films which were released in the latter half of 1996 and in 1997 and also due to the growth in the IMAX theater network. Film post-production activities generated revenues of $11.3 million in 1997 versus $6.6 million in 1996, an increase of 70%. The growth in revenues was due to an increase in the number of post-production projects, an increase in the number of prints released and extensions of related products and services.

Other revenues of $21.2 million in 1997 represented an increase of 37% over 1996. The growth in other revenues was primarily due to the delivery of 15 IMAX Ridefilm systems in 1997 versus seven in 1996. Theater operations revenue also increased 17% in 1997 over 1996 due to the opening of a new theater in which the Company has an equity interest at the end of 1996.

Gross Margin

Gross margin in 1997 was $84.7 million versus $71.6 million in 1996. Gross margin improved in 1997 over 1996 principally due to the higher average value of systems deliveries, increased royalty revenue and an increase in film revenues in 1997. The average value of systems deliveries increased in 1997 due to a higher number of IMAX 3D and international theater systems delivered compared to 1996. In 1997, gross margin as a percentage of sales was 53.4% versus 55.1% in 1996. The decline in gross margin as a percentage of total revenues in 1997 from 1996 was due to the higher proportion of film and other revenues which are generally lower margin revenue sources than system sources.

Other

Selling, general and administrative expenses were $32.1 million in 1997 versus $29.5 million in 1996. The increase in selling, general and administrative costs in 1997 over 1996 resulted primarily from an increase in performance based compensation expenses, marketing, branding and affiliate relations initiatives and litigation costs, offset by declines in costs associated with the Company's Ridefilm division.

Research and development expenses were $2.1 million in 1997 versus $2.5 million in 1996. The Company's technical staff were engaged, earlier in 1997, in the design and production of the new IMAX 3D SR system and not in the typical research and development activities. Research and development activities returned to historical levels in the latter half of 1997.

Interest expense included a full year's debt service in 1997 related to the 5 3/4% of Convertible Subordinated Notes which were issued in April 1996 resulting in a $1.6 million increase in interest expense in 1997 compared to the prior year.

The Company experienced a foreign exchange loss of $0.6 million in 1997 compared to a loss of $0.3 million in 1996. The foreign exchange loss in 1997 and 1996 resulted primarily from fluctuations in exchange rates on Canadian dollar, Japanese yen and French franc denominated cash balances and net investment in leases.

Quarterly Results

The following table sets forth unaudited data regarding operations for each quarter of 1997 and 1998. The quarterly information has been prepared on the same basis as the annual consolidated financial statements and, in management's opinion, contains all normal recurring adjustments necessary to fairly state the information set forth herein. The operating results for any quarter are not necessarily indicative of results for any future period.

	1997					1998				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
	(in thousands of dollars except per share data)									
Operating Data:										
Revenue										
Systems	$ 17,918	$20,061	$ 22,477	$37,083	$97,539	$26,364	$30,890	$35,793	$47,827	$140,874
Films	12,299	10,648	10,521	6,215	39,683	7,062	6,761	5,163	11,838	30,824
Other	2,325	4,731	2,893	11,310	21,259	2,873	5,526	3,293	6,965	18,657
Total	32,542	35,440	35,891	54,608	158,481	36,299	43,177	44,249	66,630	190,355
Gross margin	17,877	17,714	20,333	28,729	84,653	21,044	24,699	26,453	6,375	78,571
Earnings (loss) from operations	9,377	9,441	12,201	16,689	47,708	9,985	14,566	16,702	(16,915)	24,338
Earnings (loss) before extraordinary item:	3,698	4,148	5,485	7,334	20,665	4,199	6,161	7,120	(13,585)	3,895
Net earnings (loss)	3,698	4,148	5,485	7,334	20,665	4,199	6,161	7,120	(15,680)	1,800
Per share data (1):										
Earnings (loss) before extraordinary item										
Basic	$ 0.13	$ 0.14	$ 0.19	$ 0.25	$ 0.71	$ 0.14	$ 0.21	$ 0.24	$ (0.49)	$ 0.10
Diluted	$ 0.12	$ 0.14	$ 0.18	$ 0.24	$ 0.68	$ 0.14	$ 0.20	$ 0.23	$ (0.49)	$ 0.09
Net earnings (loss)										
Basic	$ 0.13	$ 0.14	$ 0.19	$ 0.25	$ 0.71	$ 0.14	$ 0.21	$ 0.24	$ (0.56)	$ 0.03
Diluted	$ 0.12	$ 0.14	$ 0.18	$ 0.24	$ 0.68	$ 0.14	$ 0.20	$ 0.23	$ (0.56)	$ 0.03

(1) Retroactively adjusted for the 2-for-1 stock split which became effective by May, 1997 and the adoption of FASB Statement of Standards No. 128 which became effective by December 31, 1997.

The Company's operating results can fluctuate significantly from quarter to quarter. This fluctuation is due primarily to the timing of theater system deliveries, the mix of theater systems shipped, and the timing of recognition of revenues on film production agreements. Other expenses vary less significantly and are influenced by the timing of marketing initiatives and research and development projects.

In 1998, revenues fluctuated by quarter largely due to the delivery of systems. In the fourth quarter of 1998, the Company recorded $66.6 million of revenues (35% of full year revenue) due to the delivery of 16 IMAX theater systems and increases in film post-production revenues. The fluctuations in gross margin in the first three quarters of 1998 was due to the variation in the revenue mix between systems, film and other. The decline in the gross margin in the fourth quarter was due to the costs associated with the rationalization of the Company's motion simulation and attractions unit and the write-down of film assets. Earnings from operations varied by quarter due to the fluctuation in gross margin, the write-down of the Company's equity interest in the Race For Atlantis attraction and were impacted by other expenses, which were proportionately higher in the last quarter due to the rationalization of the Company's motion simulation and attractions unit and performance-based compensation expenses.

Net earnings were also adversely impacted in the fourth quarter of 1998 by the additional interest expense on the $200 million Senior Notes due 2005 issued on December 4, 1998 and by the extraordinary loss on the early extinguishment of debt.

In 1997, revenues fluctuated by quarter largely due to the delivery of systems and films. In the fourth quarter of 1997, the Company recorded $54.6 million of revenue (34% of full-year revenue) due to the delivery of 10 IMAX theater systems and 10 IMAX Ridefilm systems. Gross margin fluctuated significantly by quarter due to both the fluctuation in revenue and also the different revenue mix between systems, film and other. Earnings from operations varied by quarter due to the fluctuation in gross margin and were impacted by other expenses, which were proportionately higher in the last quarter due to performance-based compensation expenses, litigation costs and marketing and affiliation relations initiatives.

The Company expects quarterly results to continue to fluctuate in the future.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1998, the Company's principal source of liquidity included cash and cash equivalents of $143.6 million, marketable securities of $59.4 million, trade accounts receivable of $45.2 million, net investment in leases due within one year of $9.3 million and the amounts receivable under contracts in backlog which are not yet reflected on the balance sheet.

In addition, the Company is party to an agreement with The Toronto-Dominion Bank with respect to a working capital facility. The Bank has made available to the Company a revolving loan in an aggregate amount up to Canadian $10 million or its U.S. dollar equivalent. Loans made under the working capital facility bear interest at the prime rate of interest per annum for Canadian dollar denominated loans and, for U.S. dollar denominated loans, at the U.S. base rate of interest established by the Bank. These loans are repayable upon demand. At December 31, 1998, $3.1 million was available for use under this facility.

In December, 1998, the Company issued $200 million of Senior Notes due December 1, 2005, part of the proceeds of which were used to redeem the $65 million of 10% Senior Notes due 2001. The Senior Notes due 2005 bear interest at 7.875% per annum and are subject to redemption by the Company, in whole or in part, at any time on or after December 1, 2002, at redemption prices expressed as percentages of the principal amount for each 12-month period commencing December 1 of the years indicated: 2002 - 103.938%, 2003 - 101.969%, 2004 and thereafter - 100.000% together with interest accrued thereon to the redemption date. Until December 1, 2001, up to 35% of the aggregate principal amount of the Notes may be redeemed by the Company using the net proceeds of a public offering of common shares of the Company or certain other equity placements, at a redemption price of 107.875%, together with accrued interest thereon. The Company may also redeem the notes, in whole or in part, at any time prior to December 1, 2002, at a redemption price equal to 100% of the principal amount plus a "make-whole premium" calculated in reference to the redemption price on the first date that the notes may be redeemed by the Company plus accrued interest to but excluding the redemption date. If certain changes result in the imposition of withholding taxes under Canadian law, the Senior Notes are subject to redemption at the option of the Company, in whole but not in part, at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption. In the event of a change in control, holders of the notes may require the Company to repurchase all or part of the notes at a price equal to 101% of the principal amount thereof plus accrued interest to the date of repurchase.

In April 1996, the Company completed a private placement of a $100 million offering of 5 3/4% Convertible Subordinated Notes (the "Subordinated Notes") due 2003. These Notes are convertible into common shares of the Company at the option of the holder at a conversion price of $21.406 per share (equivalent to a conversion rate of 46.7154 shares per $1,000 principal amount of Notes) at any time prior to maturity. The Notes are redeemable at the option of the Company on or after April 1, 1999 at redemption prices expressed as percentages of the principal amount (1999 - 103.286%; 2000 - 102.464%; 2001 - 101.643%; 2002 - 100.821%) plus accrued interest. The Subordinated Notes may only be redeemed by the Company between April 1, 1999 and April 1, 2001 if the last reported market price of the Company's common shares is equal to or greater than $30 per share for any 20 of the 30 consecutive trading days prior to the notice of redemption. The Subordinated Notes may be redeemed at any time on or after April 1, 2001 without limitation.

The Company partially funds its operations through cash flow from operations. Under the terms of the Company's typical theater system lease agreement, the Company receives substantial cash payments before it completes the performance of its obligations. Similarly, the Company typically receives cash payments for film productions in advance of related cash expenditures. These cash flows have generally been adequate to finance the ongoing operations of the Company.

Cash provided by operating activities amounted to $23.9 million for the year ended December 31, 1998 after the payment of $14.6 million of interest, $4.1 million of income taxes and working capital requirements. Working capital requirements include an increase of $12.8 million in accounts receivable, primarily related to an increase in upfront fees billed in connection with increased signings and the growth in the number of systems in backlog, and an increase of $30.4 million in net investment in leases due to the theater systems delivered under sales-type leases in 1998. Cash used in investing activities in 1998 amounted to $72.1 million. Of this amount, $21.2 million was invested in film assets, principally T-REX: Back to the Cretaceous and Galapagos, $14.0 million was invested in capital assets, principally space and 3D cameras and owned and operated theaters, $4.0 million was invested in other assets, principally joint ventured and owned and operated theaters and $32.9 million was invested in marketable securities. Cash provided by financing activities include proceeds of $200 million from the issuance of Senior Notes, part of the proceeds of which were used to repay the $65 million 10% Senior Notes, the $2.8 million redemption premium thereon, the debt financing costs of $4.9 million and the redemption of Class C preferred shares amounting to $2.2 million. Cash provided by financing activities also included $2.6 million from the issuance of common shares pursuant to the Company's stock option plan.

Cash provided by operating activities amounted to $11.6 million for the year ended December 31, 1997 after the payment of $11.4 million of interest, $5.1 million of income taxes and working capital requirements. Working capital requirements include an increase of $15.1 million in accounts receivable, primarily related to an increase in upfront fees billed in connection with increased signings and the growth in the number of systems in backlog, and an increase of $18.7 million in net investment in leases due to the theater systems delivered under sales-type leases in 1997. Cash used in investing activities in 1997 amounted to $53.5 million. Of this amount, $28.1 million was invested in film assets, principally The IMAX Nutcracker, T-REX: Back to the Cretaceous, The Hidden Dimension and the IMAX Ridefilm film library, $12.7 million was invested in capital assets, $8.3 million was invested in marketable securities and $4.5 million was invested in other assets, principally investments in a joint ventured theater, IMAX Attractions and IMAX Ridefilm operations. Cash provided by financing activities included proceeds of $5.8 million from the issuance of common shares pursuant to the Company's stock option plan and repayment of the Company's long-term debt totaling $2.3 million.

The Company believes that cash flow from operations together with existing cash balances and the working capital facility will be sufficient to meet cash requirements of its existing level of operations for the foreseeable future.

IMPACT OF THE YEAR 2000

The Year 2000 issue involves computer programs and embedded chips, which use two digit date fields, failing or creating errors as a result of the change in the century. The Company has assessed and continues to assess the impact of the Year 2000 issue on its operations including information technology systems, non-information technology systems and the readiness of facility and utility suppliers. The Company's information technology systems include the cost accounting and financial software systems. The Company completed an upgrade of these systems in the first quarter of 1999 to versions that are Year 2000 ready.

The Company's non-information technology systems include the projection and sound systems. The Company has completed the evaluation of its projection system in the first quarter of 1999 at minimal cost and concluded that the performance of the projection system would not be negatively impacted by the change in the century. Sonics has been evaluating each of the subsystems of the sound system used in connection with the projection system. Sonics has concluded that the current standard sound systems hardware would not be negatively impacted by the change in the century. The software incorporates proprietary software elements in addition to "off-the-shelf" utility software. Sonics has evaluated the proprietary software elements and have concluded that they too would not be negatively impacted by the change in the century. Sonics has verified that the manufacturer of each purchased software element has tested and certified their product as Year 2000 ready. Sonics must still complete the testing of a few automation subsystems. These automation subsystems, however, are not part of every sound system. Sonics' service department will conduct a Year 2000 readiness test on each of the automation subsystems in use at IMAX theatres during routine service visits. Sonics expects to complete such testing at minimal cost by the end of the second quarter of 1999. If there is a failure in a subsystem of a sound system to be Year 2000 ready, this failure would impact on the ability of a theatre to present pre-show material but would not affect the theatre's ability to present a 15/70-format film.

The Company is evaluating the facilities and utility systems to determine their Year 2000 readiness. The Company plans to complete this evaluation by the second quarter of 1999.

The impact of the Year 2000 issue on the Company will also be affected by the Year 2000 readiness of its customers; suppliers of raw materials, components and software; and providers of facilities, equipment and services. The Company has identified critical suppliers and service providers, and sent them questionnaires to determine their Year 2000 readiness. The responses to the questionnaires are currently being reviewed by the Company. By the end of the second quarter of 1999, the Company will decide the alternatives or contingency plans required to address the potential failure of a third party to be Year 2000 ready.

While the Company's Year 2000 efforts are expected to reduce the Company's level of uncertainty about the Year 2000 issue, failure by a third party to be Year 2000 ready may have a material adverse effect on the Company's business, results of operations and financial condition, and there is no assurance that a material adverse effect may be avoided.

Item7a. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to market risk from changes in foreign currency rates. The Company does not use financial instruments for trading or other speculative purposes.

A substantial portion of the Company's revenues are denominated in U.S. dollars while a substantial portion of its costs and expenses are denominated in Canadian dollars. A portion of the net U.S. dollar flows of the Company are converted to Canadian dollars to fund Canadian dollar expenses, either through the spot market or through forward contracts. In Japan, the Company has ongoing operating expenses related to its operations. Net Japanese yen flows are converted to U.S. dollars generally through forward contracts to minimize currency exposure. The Company also has cash receipts under leases denominated in French francs which are converted to U.S. dollars generally through forward contracts to minimize currency exposure.

Contract amounts, average contractual exchange rates, and fair values are disclosed in Note 19 to the Audited Financial Statements contained in Item 8.

Item 8. Financial Statements and Supplementary Data

The following consolidated financial statements are filed as part of this Report.

AUDITORS' REPORT TO SHAREHOLDERS

We have audited the consolidated balance sheets of Imax Corporation as at December 31, 1998 and 1997 and the consolidated statements of operations, shareholders' equity and cash flow for each year in the three-year period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998 and 1997 and the results of its operations and cash flows for each year in the three-year period ended December 31, 1998 in accordance with United States generally accepted accounting principles.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants
Toronto, Ontario
February 9, 1999

IMAX CORPORATION

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

	As at December 31, 1998	1997
Assets		
Current assets		
Cash and cash equivalents	$ 143,566	$ 64,069
Short-term marketable securities	39,305	10,184
Accounts receivable (note 3)	45,217	32,401
Current portion of net investment in leases (note 4)	9,303	6,007
Inventories and systems under construction (notes 3 and 5)	18,747	21,922
Prepaid expenses	3,766	2,474
Total current assets	259,904	137,057
Long-term marketable securities	20,070	16,277
Net investment in leases (note 4)	79,124	51,825
Film assets (notes 3 and 6)	34,885	42,036
Capital assets (note 7)	46,563	41,360
Goodwill (notes 3 and 8)	38,129	43,915
Other assets (note 9)	11,416	11,889
Total assets	$ 490,091	$ 344,359
Liabilities		
Current liabilities		
Accounts payable	$ 9,882	$ 7,129
Accrued liabilities	30,153	24,220
Current portion of deferred revenue	22,062	29,067
Income taxes payable	435	318
Total current liabilities	62,532	60,734
Deferred revenue	15,005	13,618
Senior notes due 2005 (note 10)	200,000	-
Senior notes due 2001 (note 11)	-	65,000
Convertible subordinated notes (note 12)	100,000	100,000
Deferred income taxes (note 16)	23,263	19,596
Total liabilities	400,800	258,948
Minority interest	4,845	2,950
Redeemable preferred shares (note 13)	-	1,344
Commitments and contingencies (notes 14 and 19)		
Shareholders' equity		
Capital stock (note 13)	55,236	52,604
Retained earnings	29,436	28,642
Other comprehensive income	(226)	(129)
Total shareholders' equity	84,446	81,117
Total liabilities and shareholders' equity	$ 490,091	$ 344,359

(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 data)

	Years ended December 31, 1998	1997	1996
Revenue			
Systems	$ 140,874	$ 97,539	$ 85,972
Films	30,824	39,683	28,367
Other	18,657	21,259	15,499
	190,355	158,481	129,838
Costs and expenses (notes 3 and 6)	111,784	73,806	58,257
Gross margin	78,571	84,675	71,581
Loss from equity accounted investees (notes 3 and 9)	(6,763)	(22)	-
Selling, general and administrative expenses (note 3)	38,777	32,115	29,495
Research and development	2,745	2,129	2,493
Amortization of intangibles (note 3)	5,948	2,701	2,708
Earnings from operations	24,338	47,708	36,885
Interest income	5,320	5,604	5,797
Interest expense	(14,646)	(13,402)	(11,765)
Foreign exchange gain (loss)	588	(623)	(337)
Earnings before income taxes and minority interest	15,600	39,287	30,580
Provision for income taxes (notes 3 and 16)	(9,810)	(17,265)	(13,579)
Earnings before minority interest	5,790	22,022	17,001
Minority interest	(1,895)	(1,357)	(1,593)
Earnings before extraordinary item	$ 3,895	$ 20,665	$ 15,408
Extraordinary loss on early retirement of debt, net of income tax benefit of $ 1,588 (note 11)	(2,095)	-	-
Net earnings	$ 1,800	$ 20,665	$ 15,408
Earnings per share (note 13)			
Earnings before extraordinary item			
Basic	$ 0.10	$ 0.71	$ 0.54
Diluted	$ 0.09	$ 0.68	$ 0.50
Net earnings			
Basic	$ 0.03	$ 0.71	$ 0.54
Diluted	$ 0.03	$ 0.68	$ 0.50

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

IMAX CORPORATION

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

	Years ended December 31,		
	1998	1997	1996
Cash provided by (used in):			
Operating Activities			
Net earnings	$ 1,800	$ 20,665	$ 15,408
Items not involving cash:			
Depreciation and amortization (note 17)	22,677	15,075	12,685
Loss from equity accounted investees	6,763	22	-
Deferred income taxes	3,975	14,015	8,961
Unrecoverable film costs (note 6)	22,738	-	-
Extraordinary loss on early extinguishment of debt	3,683	-	-
Minority interest	1,895	1,357	1,593
Amortization of discount on senior notes	-	311	1,863
Other	(259)	237	145
Changes in deferred revenue on film production	8,046	(5,840)	3,331
Changes in other operating assets and liabilities (note 17)	(47,371)	(34,254)	(17,211)
Net cash provided by operating activities	23,947	11,588	26,775
Investing Activities			
Increase in marketable securities	(32,920)	(8,250)	(18,164)
Increase in film assets	(21,192)	(28,056)	(14,822)
Purchase of capital assets	(14,021)	(12,654)	(11,905)
Increase in other assets	(3,982)	(4,502)	(3,638)
Net cash used in investing activities	(72,115)	(53,462)	(48,529)
Financing Activities			
Repurchase of 10% senior notes due 2001	(67,789)	-	(4,919)
Issue of 7.875% senior notes due 2005	200,000	-	
Issue of convertible subordinated notes	-	-	100,000
Deferred charges on debt financing	(4,852)	-	(3,301)
Class C preferred shares dividends paid	(386)	-	-
Redemption of Class C preferred shares	(2,178)	-	-
Common shares issued	2,632	5,758	2,038
Repayment of long-term debt	-	(2,326)	(729)
Common shares and warrants repurchased	-	-	(19,508)
Net cash provided by financing activities	127,427	3,432	73,581
Effect of exchange rate changes on cash	238	(78)	15
Increase (decrease) in cash and cash equivalents during the year	79,497	(38,520)	51,842
Cash and cash equivalents, beginning of year	64,069	102,589	50,747
Cash and cash equivalents, end of year	$ 143,566	$ 64,069	$ 102,589

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

IMAX CORPORATION

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

	Number of Common Shares Issued and Outstanding	Capital Stock	Retained Earnings (Deficit)	Other Comprehensive Income	Total Shareholders' Equity
Balance at December 31, 1995	28,153,258	$ 64,046	$ (6,792)	$ 232	$ 57,486
Issuance of common stock	391,960	2,038	-	-	2,038
Common shares and warrants repurchased	(660,000)	(19,508)	-	-	(19,508)
Accrual of stock compensation benefit	-	234	-	-	234
Accrual of preferred dividends	-	-	(169)	-	(169)
Accretion of discount on preferred shares	-	-	(140)	-	(140)
Net earnings	-	-	15,408	-	15,408
Foreign currency translation adjustments	-	-	-	(508)	(508)
Balance at December 31, 1996	27,885,218	46,810	8,307	(276)	54,841
Issuance of common stock	1,230,200	5,758	-	-	5,758
Accrual of stock compensation benefit	-	36	-	-	36
Accrual of preferred dividends	-	-	(170)	-	(170)
Accretion of discount of preferred shares	-	-	(160)	-	(160)
Net earnings	-	-	20,665	-	20,665
Foreign currency translation adjustments	-	-	-	147	147
Balance at December 31, 1997	29,115,418	52,604	28,642	(129)	81,117
Issuance of common stock	362,966	2,632	-	-	2,632
Accrual of preferred dividends	-	-	(171)	-	(171)
Accretion of discount on preferred shares	-	-	(183)	-	(183)
Premium paid on early redemption of Class C Preferred shares	-	-	(652)	-	(652)
Net earnings	-	-	1,800		1,800
Foreign currency translation adjustments	-	-	-	(97)	(97)
Balance at December 31, 1998	29,478,384	$ 55,236	$ 29,436	$ (226)	$ 84,446

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

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)

For the years ended December 31, 1998, 1997 and 1996.

1. Description of the Business

Imax Corporation provides a wide range of products and services to the network of IMAX(R) theaters. The principal activities of the Company are:

- the design, manufacture and marketing of proprietary projection and sound systems for IMAX theaters;
- the development, production, post-production and distribution of films shown in the IMAX theater network; and
- the provision of other services to the IMAX theater network including designing and manufacturing IMAX camera equipment for rental to filmmakers and providing ongoing maintenance services for the IMAX projection and sound systems.

2. Summary of Significant Accounting Policies

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates are related to the recoverability of film assets, capital assets, goodwill and the measurement of contingencies. Actual results could be materially different from these estimates. Significant accounting policies are summarized as follows:

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries.

(b) Investments

Investments in marketable securities categorized as available-for-sale securities are carried at fair value with unrealized gains or losses included in a separate component of shareholders' equity. Investments in marketable securities categorized as held-to-maturity securities are carried at amortized cost.

Investments in joint ventures are accounted for by the equity method of accounting under which consolidated net earnings include the Company's share of earnings or losses of the investees. The carrying values of the investments are adjusted for the Company's share of undistributed income or losses since acquisition and dividends received are recorded as a reduction in the investments. Write-downs are only made for declines in value which are other than temporary.

(c) Inventories

Inventories are carried at the lower of cost, determined on a first-in, first-out basis, or net realizable value. Finished goods and work-in-process include the cost of raw materials, direct labor and manufacturing overhead costs.

2. Summary of Significant Accounting Policies - (continued)

(d) Film assets

Film assets represent costs incurred in producing and distributing films net of accumulated amortization. The film costs are charged as expenses using the individual-film forecast method as prescribed by Statement of Financial Accounting Standards No. 53 whereby film costs are amortized in the same ratio that current gross revenues bear to anticipated total gross revenues. Estimates of anticipated total gross revenues are reviewed quarterly by management and revised where necessary to reflect more current information.

The recoverability of film costs is dependent upon commercial acceptance of the films. Any capitalized costs of a film that are determined to be unrecoverable are charged to operations in the period that determination is made.

(e) Capital assets

Capital assets are stated at cost and are depreciated on a straight-line basis over their estimated useful lives as follows:

Projection equipment	-- 10 to 15 years
Motion simulation equipment	-- 5 years
years Camera equipment	-- 5 to 10 years
Buildings	-- 20 to 25
Office and production equipment	-- 3 to 5 years
Leasehold improvements	-- Over the term of the underlying leases

(f) Goodwill

Goodwill represents the excess purchase price of acquired businesses over the fair value of net assets acquired. Goodwill is amortized on a straight-line basis over its estimated life ranging from 10 years to 25 years. The carrying value of goodwill is periodically reviewed by the Company and impairments are recognized in earnings when the undiscounted expected future operating cash flows derived from the acquired businesses are less than the carrying value.

(g) Deferred revenue

Deferred revenue comprises receipts under systems sales and lease contracts, film production contracts and film exhibition contracts not yet recognized as revenue. The current portion of deferred revenue represents the estimated amount to be recognized in earnings during the following 12 month period.

(h) Income taxes

Income taxes are accounted for under the asset and liability method whereby deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in the financial statements or tax returns. Deferred tax assets and liabilities are measured using 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 tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the change occurs.

Summary of Significant Accounting Policies - (continued)

(i) Revenue and cost recognition

Sales and sales-type leases

Revenues from theater system sales and leases which transfer substantially all of the benefits and risks of ownership to the customer ("sales-type leases") are recognized on the completed contract method (that is upon delivery of the system). Revenues include initial advance payments and contracted minimum rental payments discounted to their present value.

Cash receipts under initial advance payments are generally received in advance of deliveries and are recorded as deferred revenue. The associated costs are recorded as inventories and systems under construction. Upon delivery of the theater system, the deferred revenue and deferred costs, net of residual value at the end of the lease term, are recognized in earnings.

The Company recognizes the present value of the minimum rentals on sales-type leases upon delivery of the theater system. Cash receipts under minimum rental payments are received after delivery. Typically, ongoing rentals are received over the life of the system agreement and under any renewal periods. In the event of default of payment of minimum contracted rentals, the Company may repossess the system and refurbish it for resale. Royalties in excess of minimum rentals are recorded as revenue when due under the terms of the lease agreement.

Operating leases

Revenues from leases which do not transfer substantially all of the benefits and risks of ownership to the customer are treated as operating leases where revenues and direct expenses are recognized over the term of the lease and costs of leased assets are amortized over their estimated useful lives.

Film production revenues

Revenues from films produced for third parties are recognized when the film is completed and delivered to the sponsor. The associated production costs are deferred and subsequently charged to earnings when the film is delivered and the revenue is recognized.

(j) Research and development

Research and development expenditures are expensed as incurred.

(k) Foreign currency translation

Effective April 1, 1996, the U.S. dollar was adopted as the Company's functional currency as a result of the continued growth of the Company's business outside of Canada and the additional U.S. dollar denominated financing raised by the Company in April 1996. Monetary assets and liabilities of the Company's operations which are denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the exchange rates prevailing at year end. Non-monetary items are translated at historical exchange rates. Revenue and expense transactions are translated at exchange rates prevalent at the transaction date. All exchange gains and losses are included in the determination of net earnings in the period in which they arise.

2. Summary of Significant Accounting Policies - (continued)

(l) Stock-based compensation

Statement of Financial Accounting Standards No. 123, Accounting for Stock-based Compensation, became effective for the Company for the year ended December 31, 1996. This statement allows enterprises to continue to measure compensation cost for employee stock option plans using the methodology currently prescribed by APB Opinion No. 25, Accounting for Stock Issued to Employees. The Company elected to remain with the accounting in Opinion No. 25 and has made pro forma disclosures of net earnings and earnings per share in Note 13 as if the methodology prescribed by Statement No. 123 had been adopted.

3. Rationalization of Motion Simulation and Attractions Business

Included in earnings for the year ended December 31, 1998 is a pre-tax charge of $13,569,000 related to the Company's investment in its motion simulation and attractions business. The Company's decision to rationalize its activities in this business was based upon declining sales of its motion simulation products and continued operating losses within the business unit. The Company does not intend to manufacture or sell additional Ridefilm motion base products (with the exception of delivering in 1999 the three motion bases currently in backlog) and does not intend to produce new motion simulation films.

As a result, management determined that there has been a permanent impairment of the Ridefilm assets amounting to $13,293,000 based on the estimated present value of future cash flows of the operations. As a result of the re-valuation and write down of Ridefilm assets, the Consolidated Statement of Operations for the Company reflect the following costs and expenses for the year ended December 31, 1998: a) amortization of intangibles includes $3,266,000 related to the write-off of the remaining unamortized goodwill; b) costs and expenses include $1,427,000 related to the write-down of three participating joint venture operations, $3,665,000 related to a write-down of film assets, $768,000 related to the write-down of inventory (leaving the historical cost of assets contracted to be delivered in 1999) and $1,067,000 related to the write-off of obsolete fixed assets; c) selling, general and administrative expense includes $1,682,000 related to a provision for doubtful accounts as the future collectibility of amounts is expected to be impaired by the decision to rationalize the business; d) loss from equity accounted investees includes $543,000 representing the write-down of the assets to fair market value of the Company's 50% equity share of a joint venture and e) income tax expense includes a write-down of deferred state tax assets amounting to $875,000 relating to losses considered unlikely to be utilized. In addition to the impairment of assets, costs and expenses includes a provision for costs totaling $950,000 that will provide no future economic benefit and included in selling, general and administrative expense for the year ended December 31, 1998 is a provision for severance of $201,000 for seven management, sales and administrative staff.

(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

4. Net Investment in Leases and Lease Payments Receivable

The Company enters into sales-type leases which have initial advance payments and annual rental payments with contracted minimums which are generally indexed with inflation. The Company's net investment in sales-type leases comprises:

	1998	1997
Total minimum lease payments receivable	$ 159,422	$ 109,036
Residual value of equipment	5,004	3,157
Unearned finance income	(62,792)	(51,014)
Present value of minimum lease payments receivable	101,634	61,179
Valuation allowance	(13,207)	(3,347)
	88,427	57,832
Less current portion	9,303	6,007
	$ 79,124	$ 51,825

Income recognized on systems from annual rental payments comprised the following:

	1998	1997	1996
Minimum rental payments on operating leases	$ 910	$ 1,073	$ 1,178
Contingent rentals (1)	4,100	4,971	3,892
Finance income	5,144	4,241	2,878
Total	$ 10,154	$ 10,285	$ 7,948

(1) 1997 contingent rentals include $832,000 of arrears billings.

The estimated amount of minimum rental payments receivable from all signed leases, excluding those in sales backlog at December 31, 1998, for each of the next five years is as follows:

1999	$ 11,565
2000	$ 12,573
2001	$ 12,697
2002	$ 12,715
2003	$ 12,589

5. Inventories and Systems Under Construction

	1998	1997
Raw materials	$ 7,555	$ 6,943
Work-in-process	10,686	14,508
Finished goods	506	471
	$ 18,747	$ 21,922

6. Film Assets

	1998	1997
Completed films, net of amortization	$ 25,687	$ 30,396
Films in production	9,198	11,313
Acquired film rights, net of amortization	-	327
	$ 34,885	$ 42,036

(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

6. Film Assets - (continued)

Included in costs and expenses for the year ended December 31, 1998 is a charge of $22.7 million to reflect a write-down for unrecoverable film costs. The write-down of film assets is attributed principally to the write-down of the Ridefilm film library of $3,665,000 and the 15/70-format films Mission to Mir, The Hidden Dimension and The IMAX Nutcracker.

7. Capital Assets

	1998		
	Cost	Accumulated depreciation	Net book value
Equipment held for lease			
Projection equipment	$ 11,131	$ 6,324	$ 4,807
Motion simulation equipment	3,403	3,263	140
Camera equipment	12,373	2,870	9,503
	26,907	12,457	14,450
Assets under construction	6,605	-	6,605
Other capital assets			
Land	2,431	-	2,431
Buildings	17,227	2,368	14,859
Office and production equipment	18,389	10,255	8,134
Leasehold improvements	376	292	84
	38,423	12,915	25,508
	$ 71,935	$ 25,372	$ 46,563

	1997		
	Cost	Accumulated depreciation	Net book value
Equipment held for lease			
Projection equipment	$ 9,964	$ 4,052	$ 5,912
Motion simulation equipment	3,403	1,090	2,313
Camera equipment	9,466	2,440	7,026
	22,833	7,582	15,251
Assets under construction	3,634	-	3,634
Other capital assets			
Land	2,431	-	2,431
Buildings	14,557	1,793	12,764
Office and production equipment	14,297	7,150	7,147
Leasehold improvements	398	265	133
	31,683	9,208	22,475
	$ 58,150	$ 16,790	$ 41,360

(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

8. Goodwill

The accumulated amortization of goodwill excluding goodwill relating to Ridefilm was $9,176,000 and $7,285,000 at December 31, 1998 and 1997, respectively. The accumulated amortization of goodwill relating to Ridefilm was $6,321,000 in 1998 and $2,423,000 in 1997. Unamortized goodwill related to Ridefilm was fully written off in 1998 (see note 3).

9. Other Assets

	1998	1997
Investments in joint ventures accounted for under the equity method	$ 2,454	$ 6,915
Deferred charges on debt financing	6,794	3,771
Other assets	2,168	1,203
	$ 11,416	$ 11,889

Included in loss from equity accounted investees for the year ended December 31, 1998 is a loss of $1,937,000 representing the Company's share of the loss of Forum Ride Associates, a 50% joint venture with Starwood Hotels & Resorts Worldwide, Inc., operating an IMAX 3D Simulator Ride at the Forum Shops at Caesars Palace in Las Vegas, Nevada. The Company also took a charge of $4,208,000 to write-off its remaining investment in the joint venture after considering current period operating losses combined with a projection that demonstrated continuing losses exist.

Investments in joint ventures accounted for under the equity method as at December 31, 1998 also reflects the charge to write-down a Ridefilm joint venture (See note 3).

10. Senior Notes due 2005

In December, 1998, the Company issued $200 million of Senior Notes due December 1, 2005 bearing interest at 7.875% per annum with interest payable in arrears on June 1 and December 1 of each year, commencing June 1, 1999. The 7.875% Senior Notes are the senior unsecured obligation of the Company, ranking pari passu in right of payment to all existing and future senior unsecured and unsubordinated indebtedness of the Company and senior in right of payment to any subordinated indebtedness of the Company.

The 7.875% Senior Notes Indenture contains covenants that, among other things, limit the ability of the Company and its subsidiaries to incur additional indebtedness, pay dividends or make other distributions, make certain investments, create certain liens, engage in certain transactions with affiliates, engage in sale and leaseback transactions, engage in mergers, consolidations or the transfer of all or substantially all of the assets of the Company.

10. Senior Notes due 2005

The 7.875% Senior Notes are subject to redemption by the Company, in whole or in part, at any time on or after December 1, 2002, at redemption prices expressed as percentages of the principal amount for each 12-month period commencing December 1 of the years indicated; 2002 - 103.938%, 2003 - 101.969%, 2004 and thereafter - 100.000% together with interest accrued thereon to the redemption date. Until December 1, 2001, up to 35% of the aggregate principal amount of the Notes may be redeemed by the Company using the net proceeds of a public offering of common shares of the Company or certain other equity placements, at a redemption price of 107.875%, together with accrued interest thereon. The Company may also redeem the notes, in whole or in part, at any time prior to December 1, 2002, at a redemption price equal to 100% of the principal amount plus a "make-whole premium" calculated in reference to the redemption price on the first date that the notes may be redeemed by the Company plus accrued interest to, but excluding, the redemption date. If certain changes result in the imposition of withholding taxes under Canadian law, the 7.875% Senior Notes are subject to redemption at the option of the Company, in whole but not in part, at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption. In the event of a change in control, holders of the notes may require the Company to repurchase all or part of the notes at a price equal to 101% of the principal amount thereof plus accrued interest to the date of repurchase.

Interest expense on the 7.875% Senior Notes amounted to $1,181,000 in 1998.

11. Senior Notes due 2001

In December, 1998, the Company provided all holders of the 10% Senior Notes due 2001 with a notice of redemption at a price in accordance with the terms of the 10% Senior Notes of 104.29% of the principal amount. As of December 31, 1998, all of the 10% Senior Notes due 2001 had been redeemed for a total of $67,789,000. The excess of the redemption price over the principal amount of the 10% Senior Notes of $2,789,000 and the write-off of the remaining unamortized deferred financing costs of $894,000 resulted in an extraordinary pre-tax loss of $3,683,000 in the year ended December 31, 1998.

Interest expense on the 10% Senior Notes amounted to $6,681,000 in 1998 (1997 - $6,175,000; 1996 - $6,621,000).

12. Convertible Subordinated Notes

In April 1996, the Company issued $100 million of Convertible Subordinated Notes due April 1, 2003 bearing interest at 5.75 % payable in arrears on April 1 and October 1. The Notes, subordinate to present and future senior indebtedness of the Company, are convertible into common shares of the Company at the option of the holder at a conversion price of $21.406 per share (equivalent to a conversion rate of 46.7154 shares per $1,000 principal amount of Notes) at any time prior to maturity.

Interest expense related to the Convertible Subordinated Notes was $5,750,000 during the year ended December 31, 1998 (1997 - $5,750,000; 1996 - $4,159,000).

The notes are redeemable at the option of the Company on or after April 1, 1999 at redemption prices expressed as percentages of the principal amount (1999 - 103.286%; 2000 - 102.464%; 2001 - 101.643%; 2002 - 100.821%) plus accrued interest. The notes may only be redeemed by the Company between April 1, 1999 and April 1, 2001 if the last reported market price of the Company's common shares is equal to or greater than $30 per share for any 20 of the 30 consecutive trading days prior to the notice of redemption. The notes may be redeemed at any time on or after April 1, 2001 without limitation.

13. Capital Stock and Redeemable Preferred Shares

(a) Authorized

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of Class C preferred shares issuable in two series.

The following is a summary of the rights, privileges, restrictions and conditions of each of the classes of shares.

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.

Redeemable Class C preferred shares, Series 1

The holders of Class C shares are entitled to a cumulative dividend at the rate of 7 % per annum on the Class C issue price of Canadian $100 per share. These dividends shall accrue from the issue date but shall not be declared or paid prior to the third anniversary date of the issue date. Dividends on the Class C shares are to be paid in priority to dividends payable to the holders of the common shares.

If on any anniversary date of the issue date after the third such anniversary date the Class C cumulative dividends to be paid on such date are not paid and such dividends were required to have been paid pursuant to certain conditions, then the rate at which Class C cumulative dividends shall accrue thereafter will increase by 1 % per annum to a maximum dividend rate of 10 % per annum until all Class C cumulative dividends have been paid as required, at which time the dividend rate will revert to 7 % per annum.

The Class C shares are redeemable at the option of the Company at any time in whole, or from time to time in part, in each case for an amount equal to the Class C issue price plus all accrued and unpaid dividends to, but not including, the date of such redemption. The Class C shares were to be redeemed in whole on September 1, 2002. Notice of redemption for all outstanding Class C shares was delivered on December 29, 1998 and all outstanding shares were redeemed on January 21, 1999 (see note 13e).

Except as otherwise required by law, the holders of Class C shares Series 1 are not entitled to vote at any meeting of the shareholders.

Redeemable Class C preferred shares, Series 2

The Class C Series 1 preferred shares may be converted at any time in whole upon a resolution of the directors of the Company into the same number of Class C Series 2 preferred shares. The Series 2 shares shall be identical to the Series 1 shares except that the holders of Series 2 shares will be entitled to such number of votes as the directors determine subject to a maximum of six percent of the votes attaching to all voting shares of the Company outstanding immediately following the conversion.

13. Capital Stock and Redeemable Preferred Shares - (continued)

(b) Changes during the period

Pursuant to shareholders' approval at the Annual and Special Meeting held on May 6, 1997, the Company's shares were split on a 2-for-1 basis in May 1997. Common share, stock option and earnings per share data for the comparative periods give retroactive effect to the stock split as if it had taken place at the beginning of the period.

In 1998, the Company issued 361,300 common shares pursuant to the exercise of stock options for cash proceeds of $2,605,000 and 1,666 shares were issued under the terms of an employment contract with an ascribed value of $27,000.

In 1997, the Company issued 778,200 common shares pursuant to the exercise of stock options for cash proceeds of $5,616,000 and 5,000 shares were issued under the terms of an employment contract with an ascribed value of $37,000.

In 1996, the Company issued 386,960 common shares pursuant to the exercise of stock options for cash proceeds of $2,001,000 and 5,000 shares were issued under the terms of an employment contract with an ascribed value of $37,000. The Company repurchased 660,000 common shares and all of the outstanding warrants of the Company from certain officers and directors of the Company for $19,508,000 in cash.

(c) Shares held for other than retirement

As at December 31, 1998, and 1997, 213,000 (1996 - 660,000) issued common shares are held by a subsidiary of the Company for other than retirement. During 1997, 447,000 common shares held by a subsidiary of the Company were sold to a former employee of the Company in connection with the exercise of a stock option grant for cash proceeds of $105,000.

(d) Stock options and warrants

The Company has reserved a total of 4,618,788 common shares for future issuance as follows:

(i) 381,744 common shares have been reserved for issuance pursuant to stock options granted in connection with the employment of Douglas Trumbull, former Vice Chairman of the Company, at an exercise price equivalent to Canadian $0.32 per share and expire on September 1, 2002. These options are fully vested.

(ii)26,208 common shares have been reserved for issuance pursuant to stock options granted at an exercise price equivalent to Canadian $1.59 per share which vest over a five-year period and expire on April 8, 2004. At December 31, 1998, options in respect of 4,000 common shares were vested and exercisable.

(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

13. Capital Stock and Redeemable Preferred Shares - (continued)

(iii) 4,210,836 common shares have been reserved for issuance under the Employee Stock Option Plan, of which options in respect of 3,327,300 common shares are outstanding at December 31, 1998. The options granted under the Employee Stock Option Plan generally vest over a five-year period and expire 10 years from the date granted. As at December 31, 1998, options in respect of 1,140,766 common shares were vested and exercisable.

	Number of shares			Average exercise price per share		
	1998	1997	1996	1998	1997	1996
Options outstanding, beginning of year	2,005,600	2,126,800	2,009,800	$ 14.55	$ 8.99	$ 6.86
Granted	1,815,500	711,000	481,000	22.58	23.10	15.47
Exercised	(335,900)	(749,200)	(350,800)	7.14	7.45	6.49
Canceled or expired	(157,900)	(83,000)	(13,200)	19.56	9.36	6.77
Options outstanding, end of year	3,327,300	2,005,600	2,126,800	$ 19.38	$ 14.55	$ 8.99

The weighted average fair value of common share options granted in 1998 is $11,707,000 (1997 - $5,604,000, 1996 - $2,622,000). The fair value of common share options granted is estimated at the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0 %, a riskfree interest rate of 5 % (1997 and 1996 - 6%), expected life of the options ranging from two to five years and expected volatility of 40 %.

The following table summarizes certain information in respect of options outstanding under the Employee Stock Option Plan as at December 31, 1998:

Range of exercise prices per share	Number of Shares		Average exercise price per share	Average remaining term
	Outstanding	Vested		
$ 5.00 - $ 9.99	494,300	253,900	$ 6.83	6 years
$10.00 - $ 14.99	104,000	42,000	11.21	7 years
$15.00 - $ 19.99	526,400	302,000	16.35	7 years
$20.00 - $ 24.99	1,695,500	414,366	22.20	9 years
$25.00 - $ 28.99	507,100	128,500	27.02	83/4 years
Total	3,327,300	1,140,766	$ 19.38	8 years

(e) Redeemable Preferred Shares

In December, 1998 all holders of the outstanding Redeemable Class C Preferred Shares were notified by the Company that the shares were being redeemed. As at December 31, 1998 accrued liabilities include the amount owing on the redemption of the preferred shares of $3,300,000 Canadian. Cumulative dividends payable amounted to $423,000 as at December 31, 1998. In January 1999, all of the outstanding Redeemable Class C Preferred Shares were redeemed and cumulative dividends owing were paid.

As at December 31, 1997, there were 33,333 Class C Series 1 redeemable preferred shares issued and outstanding. Cumulative dividends payable on the Class C Series 1 redeemable preferred shares amounted to $653,000 at December 31, 1997.

(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

13. Capital Stock and Redeemable Preferred Shares - (continued)

(f) Earnings per Share

	1998	1997	1996
Net earnings available to common shareholders:			
Earnings before extraordinary loss	$ 3,895	$ 20,665	$ 15,408
less: accrual of preferred dividends	(171)	(170)	(169)
accretion of discount of preferred shares	(183)	(160)	(140)
premium paid on early redemption of preferred shares	(652)	-	-
	2,889	20,335	15,099
Extraordinary loss on the early redemption of debt, net of income tax benefit of $1,588	(2,095)	-	-
	$ 794	$ 20,335	$ 15,099
Weighted average number of common shares:			
Issued and outstanding at beginning of year	29,115,418	27,885,218	28,153,258
Weighted average shares			
Issued in the year	165,175	659,065	172,546
Repurchased in the year	-	-	(476,686)
Weighted average used in computing basic earnings per share	29,280,593	28,544,283	27,849,118
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	1,192,975	1,575,410	2,075,780
Weighted average used in computing diluted earnings per share	30,473,568	30,119,693	29,924,898

Common shares potentially issuable pursuant to the Convertible Subordinate Notes would have an antidilutive effect on earnings per share and have not been included in the above computations.

If the methodology prescribed by Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, had been adopted by the Company, pro forma results would have been as follows:

	1998	1997	1996
Net earnings (loss)	$ (2,828)	$ 19,499	$ 15,059
Earnings (loss) per share			
Basic	$ (0.13)	$ 0.67	$ 0.53
Diluted	$ (0.13)	$ 0.64	$ 0.49

(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

14. Commitments

(a) Total minimum annual rental payments under operating leases for premises are as follows:

1999	$2,074
2000	$2,174
2001	$2,338
2002	$2,461
2003	$2,518

Rent expense was $1,478,000 for the year ended December 31, 1998 (1997 - $1,033,000; 1996 - $1,161,000).

(b) The Company has unused lines of credit amounting to Canadian $4.7 million, or the equivalent in U.S. dollars. No commitment fees are payable on these lines of credit.

The Company has guaranteed up to $5.75 million of a term loan undertaken by the Forum Ride Associates joint venture to which it is a party in connection with the development and construction the IMAX Race For Atlantis attraction in Las Vegas. The term loan, which matures in January 2009, bears interest at LIBOR plus 3 % and is collateralized by the assets of the joint venture.

15. Government Assistance

A portion of the Company's research activities which relate to 3D motion pictures is eligible for government grants. Government grants have been credited against research and development expense in the amount of $67,000 during the year ended December 31, 1998 (1997 - $100,000; 1996 - $324,000).

16. Income Taxes

(a) Earnings before income taxes and minority interest by tax jurisdiction comprise the following:

	1998	1997	1996
Canada	$ 16,481	$ 31,872	$ 32,461
United States	(5,439)	6,512	3,308
Japan	1,475	1,424	(5,351)
Other	3,083	(521)	162
Total	$ 15,600	$ 39,287	$ 30,580

(b) The provision for income taxes comprises the following:

	1998	1997	1996
Current	$ (4,247)	$ (3,250)	$ (4,618)
Deferred	(5,563)	(14,015)	(8,961)
Total	$ (9,810)	$ (17,265)	$ (13,579)

(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

16. Income Taxes - (continued)

(c) The provision for income taxes before extraordinary item differs from the amount that would have resulted by applying the combined Canadian federal and Ontario provincial statutory income tax rates (44.62 %) to earnings as described below:

	1998	1997	1996
Income tax expense at combined statutory rates	$ (6,961)	$ (17,530)	$ (13,644)
(Increase) decrease resulting from:			
Non-deductible expenses, including amortization of goodwill	(2,727)	(985)	(1,519)
Manufacturing and processing profits deduction	159	684	977
Large corporations tax	(235)	(335)	(275)
Income tax at different rates in foreign and other provincial jurisdictions	(266)	292	701
Investment tax credits and other	220	609	181
Provision for income taxes as reported	$ (9,810)	$ (17,265)	$ (13,579)

(d) The deferred income tax liability consists of:

	1998	1997
Net operating loss carry forwards	$ 2,346	$ 2,349
Investment tax credit carry forwards	5,492	5,015
Asset write downs	1,688	800
Income recognition on systems deliveries	(74,994)	(52,374)
Excess book over tax depreciation and amortization	43,405	26,740
Other	1,611	(145)
	(20,452)	(17,615)
Valuation allowance	(2,811)	(1,981)
	$ (23,263)	$ (19,596)

17. Consolidated Statements of Cash Flow

	1998	1997	1996
(a) Changes in other operating assets and liabilities were as follows: Decrease (increase) in:			
Accounts receivable	$ (12,816)	$ (15,081)	$ (7,940)
Net investment in leases	(30,447)	(18,674)	(15,499)
Inventories and systems under construction	2,476	(1,365)	(3,761)
Prepaid expenses	(1,635)	(604)	420
Increase (decrease) in:			
Accounts payable	2,969	2,428	1,446
Accrued liabilities	5,933	7,543	5,633
Income taxes payable	(187)	(2,423)	1,964
Other deferred revenue	(13,664)	(6,078)	526
	$ (47,371)	$ (34,254)	$ (17,211)
(b) Cash payments made during the year on account of:			
Income taxes	$ 4,106	$ 5,145	$ 2,395
Interest	$ 14,597	$ 11,402	$ 7,872

(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

17. Consolidated Statements of Cash Flow - (continued)

	1998	1997	1996
(c) Depreciation and amortization comprise the following:			
Acquired systems contracts in process	$ -	$ 1,027	$ 1,337
Film assets	5,740	4,905	2,850
Capital assets	8,459	5,560	5,020
Intangibles	5,948	2,701	2,708
Deferred financing costs	935	882	770
Other	1,595	-	-
	$ 22,677	$ 15,075	$ 12,685

18. Segmented Information

The Company has two reportable segments: systems and films. The systems segment designs, manufactures and sells or leases and maintains projection systems. The film segment performs production, post-production and distribution of films. The accounting policies of the segments are the same as those described in note 2. Segment performance is evaluated based on gross margin less selling, general and administrative expenses, research and development expenses, and goodwill amortization. Inter-segment transactions are not significant.

A) Business Segments

	1998	1997	1996
Revenue			
Systems	$ 140,874	$ 97,539	$ 85,972
Films	30,824	39,683	28,367
Other	18,657	21,259	15,499
Total consolidated revenues	$ 190,355	$ 158,481	$ 129,838
Earnings (loss) from operations			
Systems	$ 78,145	$ 52,594	$ 45,224
Films	(16,458)	11,452	7,965
Other	(18,053)	1,000	(1,101)
Corporate overhead	(19,296)	(17,338)	(15,203)
Consolidated earnings from operations	$ 24,338	$ 47,708	$ 36,885
Depreciation and amortization			
Systems	$ 7,572	$ 6,741	$ 6,781
Films	5,908	5,100	2,954
Other and corporate	9,197	3,234	2,950
	$ 22,677	$ 15,075	$ 12,685

(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

18. Segmented Information - (continued)

Purchase of Capital Assets	1998	1997	1996
Systems	$ 4,547	$ 6,103	$ 3,406
Films	194	206	76
Other	9,280	6,345	8,423
	$ 14,021	$ 12,654	$ 11,905
Assets			
Assets			
Systems	$ 204,349	$ 167,926	$ 146,835
Films	49,048	52,199	23,729
Other	26,092	28,116	11,422
Corporate	210,602	96,118	126,758
	$ 490,091	$ 344,359	$ 308,744

In 1998, the loss in the film segment includes a write-down of $19,073,000 for unrecoverable film costs. The Other segment includes a charge of $13,569,000 relating to rationalization of the motion simulation and attractions business (note 3) and a loss of $6,145,000 from the Company's 50% share of Forum Ride Associates' loss for the year and the write-off of the remaining carrying value of this equity investee (note 9).

B) Geographic Segments

Systems revenue and film distribution and post-production revenues by geographic area are based on the location of the theatre, while the location of the customer determines the geographic allocation of film production revenues:

	1998	1997	1996
Revenue			
Canada	$ 22,037	$ 12,890	$ 27,740
United States	79,494	70,070	50,852
Europe	45,680	38,238	25,567
Japan	12,454	11,986	17,350
Rest of World	30,690	25,297	8,329
	$ 190,355	$ 158,481	$ 129,838

Long-lived assets

	1998	1997	1996
Canada	$ 134,740	$ 131,600	$ 108,808
United States	49,888	43,109	30,061
Europe	30,012	17,910	11,100
Japan	4,820	6,787	7,429
Rest of World	10,727	7,896	3,143
	$ 230,187	$ 207,302	$ 160,541

(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

19. Financial Instruments

From time to time the Company engages in hedging activities to reduce the impact of fluctuations in foreign currencies on its profitability and cash flow. The credit risk exposure associated with these activities would be limited to all unrealized gains on contracts based on current market prices. The Company believes that this credit risk has been minimized by dealing with highly rated institutions.

To fund Canadian dollar costs in 1999 and 2000, the Company had entered into forward exchange contracts as at December 31, 1998 to hedge the conversion of $39 million of its cash flow into Canadian dollars at an average exchange rate of Canadian $1.45 per U.S. dollar. In addition, the Company had entered into forward exchange contracts as at December 31, 1998 to hedge the conversion of 182.6 million Yen of its cash flow in 1999 into U.S. dollars at an average exchange rate of 122 Yen per U.S. dollar. The Company recognizes exchange gains or losses on the forward exchange contracts when the contracts mature.

The Company has also entered into foreign currency swap transactions to hedge minimum lease payments receivable under sales-type lease contracts denominated in Japanese Yen and French Francs. These swap transactions fix the foreign exchange rates on conversion of 139 million Yen at 98 Yen per U.S. dollar through September 2004 and on 15.5 million Francs at 5.1 Francs per U.S. dollar through September 2005. The Company recognizes an exchange gain or loss when the swaps mature.

The estimated fair values of the Company's financial instruments at December 31, 1998 are summarized as follows:

	Carrying Amount	Estimated Fair Value
Cash and cash equivalents	$ 143,566	$ 143,566
Marketable securities	59,375	59,375
Senior notes	200,000	200,000
Convertible subordinated notes	100,000	145,000
Foreign currency contracts	473	(1,901)

The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of these instruments. Marketable securities, which principally represent investments in corporate bonds maturing through 2000, have been categorized as available-for-sale securities and are carried at estimated fair value. The fair values of the Company's Senior Notes and Convertible Notes are estimated based on quoted market prices for the Company's debt. The fair value of foreign currency contracts held for hedging purposes represents the estimated amount the Company would pay to terminate the agreements, taking into consideration current exchange rates and the credit worthiness of the counterparts.

20. Contingencies

(a) In April 1994, Compagnie France Film Inc. filed a claim against the Company in the Superior Court in the District of Montreal, in the Province of Quebec, alleging breach of contract and bad faith in respect of an agreement which the plaintiff claims it entered into with the Company for the establishment of an IMAX theater in Quebec City, Quebec, Canada. Until December 1993, Predecessor Imax was in negotiations with the plaintiff and another unrelated party for the establishment of an IMAX theater in Quebec City. In December 1993, Predecessor Imax executed a system lease agreement with the other party. During the negotiations, both parties were aware of the other party's interest in also establishing an IMAX theater in Quebec City. The plaintiffs claimed damages of Canadian $4.6 million, representing the amount of profit they claim they were denied due to their inability to proceed with an IMAX theater in Quebec City, together with expenses incurred in respect of this project and pre-judgment interest.

Compagnie France Film had also incorporated a shell company, 3101-8450 Quebec Inc. ("3101"). 3101 was to, among other things, enter into a lease for the proposed IMAX theater site. In November 1993, while negotiations between Compagnie France Film and the Company were still ongoing, 3101 entered into a lease for the site. 3101 defaulted on the lease and the landlord sued 3101 in an unrelated action to which the Company was not a party. In February 1996, 3101 was found liable to pay the landlord damages in the amount of Canadian $2.5 million. Subsequent to that judgment 3101 intervened in the lawsuit between Compagnie France Film and the Company in order to claim from the Company damages in the amount of Canadian $2.5 million.

The company disputed these claims and the suit went to trial in January 1998. In a decision rendered in April 1998, the Court dismissed the plaintiffs' claims with costs. In May 1998, Campagnie France Film Inc. and 3101 both filed appeals of the April 1998 decision to the Court of Appeal. The Company believes that it will be successful in responding to these appeals and the ultimate loss, if any, will 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 this litigation.

(b) On February 26, 1996, Iwerks Entertainment Inc. filed a complaint against the Company alleging violations under the Sherman Act, the Clayton Act, tortious interference with contracts and prospective economic advantage, and unfair competition. The plaintiff was seeking unquantified damages, injunctive relief and restitution. All claims against the Company were dismissed in a summary judgement in April 1998. In May 1998, Iwerks Entertainment, Inc. filed an appeal of this decision. The amount of the loss, if any, cannot be determined at this time.

(c) In addition to the litigation described above, the Company is currently involved in other litigation 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 for any such litigation.

21. Impact of Recently Issued Accounting Standards

Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities will become effective in the first quarter of the Company's 2000 fiscal year. The Company is evaluating the impact that the requirements of this Statement will have on the accounting for its hedging activities.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The following table sets forth certain information regarding the executive officers and directors of the Company.

Name	Age	Position
Bradley J. Wechsler	47	Chairman, Co-Chief Executive Officer and Director
Richard L. Gelfond	43	Vice Chairman, Co-Chief Executive Officer and Director
John M. Davison	40	Chief Operating Officer and Chief Financial Officer and Director
Andrew Gellis	44	Senior Vice President, Film
Michael A. Gibbon	55	Executive Vice President, Technology
David B. Keighley	51	Senior Vice President and President of David Keighley Productions 70MM Inc.
Mark J. Thornley	41	Vice President, Finance
G. Mary Ruby	41	Vice President, Legal Affairs and Corporate Secretary
John A. Mackie	34	Assistant Secretary
Mary C. Sullivan	35	Vice President, Human Resources and Administration
Graeme Ferguson	69	Director
Michael Fuchs	53	Director
Garth M. Girvan	49	Director
Murray B. Koffler	75	Director
Philip C. Moore	45	Director
Miles S. Nadal	41	Director
Marc A. Utay	39	Director

Under the Articles of the Company, the Board of Directors is divided into three classes, each of which serves for a three year term. The term of Class II directors, currently composed of Garth M. Girvan, Murray B. Koffler and Marc A. Utay, expires in 1999. The term of Class I directors, currently composed of John M. Davison, Graeme Ferguson, Michael Fuchs and Philip C. Moore, expires in 2000. The term of Class III directors, currently composed of Richard L. Gelfond, Miles S. Nadal and Bradley J. Wechsler expires in 2001.

Bradley J. Wechsler has been Chairman of the Company since March 1994 and Co-Chief Executive Officer since May 1996. From March 1, 1994 to September 12, 1994, Mr. Wechsler also served a Interim Chief Executive Officer. Prior to 1994, Mr. Wechsler held various finance and operations positions in the entertainment industry. Mr. Wechsler also serves on the Boards of NYU Hospital, the Kernochan Center for Law, Media and the Arts, and the American Museum of the Moving Image.

Richard L. Gelfond has been Vice Chairman of the Company since March 1994 and Co-Chief Executive Officer since May 1996. In 1991 Mr. Gelfond founded Cheviot Capital Advisors Inc., a financial advisory and merchant banking firm that specializes in acquisitions and venture capital investments. In addition, Mr. Gelfond serves on the boards of several private and philanthropic entities.

John M. Davison joined the Company in 1987 and was appointed Vice President, Finance in 1991. In 1995 Mr. Davison became Senior Vice President, Finance and Administration, responsible for the financial affairs and administrative operations of the Company. In 1997 Mr. Davison was appointed Executive Vice President, Operations and Chief Financial Officer and in February 1999 was appointed Chief Operating Officer and Chief Financial Officer. He became a Director of the Company in May 1994. Mr. Davison is a Chartered Accountant and Chartered Business Valuator. Mr. Davison is a Canadian citizen.

Andrew Gellis joined the Company as Senior Vice President, Film in January 1996 responsible for supervising the production and distribution of the Company's films for both the institutional and commercial markets. Prior to joining the Company, Mr. Gellis was affiliated with Sony Corporation and its numerous entertainment/technology divisions, where he helped pioneer and advance Sony's entrance into the large-format filmmaking arena. Mr. Gellis also wrote and produced Sony's highly-acclaimed 15/70-format 3D film Across The Sea of Time. Mr. Gellis began his career at the J. Michael Bloom Agency, where he founded the literary department on both coasts, served as a production executive at CBS Film, Inc., was a studio-based producer at Twentieth-Century Fox and was the head of his own film production company.

Michael A. Gibbon joined the Company in 1988 and became Vice President, Technology in 1989 and Senior Vice President, Technology in 1995 and was appointed Executive Vice President, Technology in 1999. Mr. Gibbon is responsible for technology, manufacturing and client support, for both the making of films and for theaters and projection systems. Mr. Gibbon is registered as a professional engineer by the Association of Professional Engineers of Ontario. Mr. Gibbon is a Canadian citizen.

David B. Keighley has been a Senior Vice President of the Company since July 1997 and is President of David Keighley Productions 70MM Inc. From January 1995 to July 1997, Mr. Keighley was a Vice President of the Company. Mr. Keighley is responsible for motion picture post-production and image quality assurance for 15/70-format films and has been involved in the production and post-production of 15/70-format films for more than two decades. Mr. Keighley was recognized by the Board of Governors of the Society of Motion Picture and Television Engineers (SMPTE) as the winner of the 1993 Herbert T. Kalmus Gold Medal Award for his outstanding contributions to 15/70mm print quality control and pioneering efforts in making high-quality 15/70mm release prints through the interpositive/internegative system. Mr. Keighley is a Canadian citizen.

Mark J. Thornley joined the Company in 1996 and was appointed Vice President, Planning in January 1998 and was appointed Vice President, Finance in October 1998. Prior to joining the Company, Mr. Thornley was a partner in a private financial consulting and communications firm. Mr. Thornley is a Canadian citizen.

G. Mary Ruby joined the Company in 1987 and was appointed Vice President, Legal Affairs and Corporate Secretary in 1991. Ms Ruby acts as Corporate Secretary to the Board of Directors and provides advice with respect to the Company's legal affairs. Ms. Ruby is a member of the Ontario Bar and is a Canadian citizen.

John A. Mackie joined the Company in 1998 as Assistant General Counsel and was appointed Assistant Secretary in February 1999. Prior to joining the Company, Mr. Mackie was Associate General Counsel of AT&T Canada Long Distance Services Company (now AT&T Canada Corp.), from January 1998, and legal counsel of AT&T Canada Long Distance Services Company from August 1997. Prior to August 1997, Mr. Mackie was an associate with the law firm Fraser & Beatty (now Fraser Milner). Mr. Mackie is a member of the Ontario Bar and is a Canadian citizen.

Mary C. Sullivan joined the Company in 1996 as Director, Human Resources and was appointed Vice President, Human Resources and Administration in January 1998. Prior to joining the Company, Ms. Sullivan was Director, Human Resources of Central Park Lodges. Ms. Sullivan is a Canadian citizen.

Graeme Ferguson, a Director of the Company since May 1996, was a co-founder and past President of the Company. Since 1994, Mr. Ferguson has been a consultant to the Company on various film productions. He has produced or co-produced such 15/70-format films as North Of Superior, Man Belongs To The Earth, Snow Job, Ocean, Hail Columbia!, The Dream Is Alive, Blue Planet, Journey To The Planets, Destiny In Space, Into The Deep, L5-First City In Space, and Mission To Mir. Mr. Ferguson is a Canadian citizen and is a Member of the Order of Canada.

Michael Fuchs, a Director of the Company since May 1996, held the position of Chairman and Chief Executive Officer of Home Box Office from October 1984 until November 1995. Under his leadership, HBO became the largest and most successful pay-television company in the world. In May, 1995 Mr. Fuchs added the chairmanship of Warner Music Group to his portfolio, becoming responsible for the overall management of the two divisions for the world's leading entertainment conglomerate, Time Warner Inc. Mr. Fuchs left Time Warner in November, 1995. Mr. Fuchs has received many honors, including induction into the Broadcasting & Cable Magazine Hall of Fame (1994), The National Academy of Cable Programming Governors Award (1994), The Milton Petrie Award from The National Victim Center (1992), The Simon Wiesenthal Center's Distinguished Service Award (1989), The National Cable Television Association's Vanguard Award for Programming Excellence (1988), The Simon Wiesenthal Center's Humanitarian Award (1996), Union College's Nott Medal for Distinguished Alumni (1995), and People For the American Way's Spirit of Liberty Award (1996). Mr. Fuchs holds numerous other directorships.

Garth M. Girvan, a Director of the Company since 1994, is a partner of McCarthy Tetrault, special Canadian counsel to the Company. Mr. Girvan is a Canadian citizen.

Murray B. Koffler, a Director of the Company since May 1996, founded Shoppers Drug Mart in 1968 and presently serves as Honorary Chairman. Mr. Koffler co-founded Four Seasons Hotels Limited and presently serves as a director. Since 1988, Mr. Koffler has been Chairman of the International Board of Directors of the Weizmann Institute of Science in Israel. Mr. Koffler holds numerous other directorships. Mr. Koffler is a Canadian citizen and is an Officer of the Order of Canada.

Philip C. Moore, a Director of the Company since 1994, is a partner of McCarthy Tetrault, special Canadian counsel to the Company. Mr. Moore is a Canadian citizen.

Miles S. Nadal, a Director of the Company since 1994, has been President and Chief Executive Officer, and a director, of MDC Corporation since 1986. MDC Corporation is a multi-disciplined communications and marketing organization providing a broad range of consulting, production and manufacturing services in the communications industry. Mr. Nadal is a Canadian citizen.

Marc A. Utay, a Director of the Company since May 1996, has been Managing Director of Wasserstein Perella & Co. Inc. and a member of the firm's Policy Committee, Mr. Utay is head of the firm's Leveraged Finance, Retailing and Media, Telecommunication and Entertainment groups. Prior to his joining Wasserstein Perella, Mr. Utay was Managing Director at Bankers Trust Company where he specialized in leveraged finance and mergers and acquisitions.

Item 11. Executive Compensation

Summary Compensation Table

The following table sets forth, for the periods indicated, the compensation paid or granted by the Company and its subsidiaries to the individuals who served during 1998 as Chief Executive Officers and the four most highly compensated executive officers of the Company, other than the Chief Executive Officers, who were serving as executive officers at December 31, 1998 (collectively, the "Named Executive Officers"). As noted in Item 13 under "Standstill Agreement", the Articles of the Company provide that the entering into or changing the terms of any agreement with the Co-Chief Executive Officers is an "Extraordinary Matter" requiring unanimous approval by the "CEO Advisors" (who currently comprise a representative of Wasserstein Perella and the Co-Chief Executive Officers), failing which unanimous approval of the Board of Directors is required. The compensation for the Co-Chief Executive Officers for the period January 1, 1998 through June 30, 1998 was determined in accordance with their employment agreements effective January 1, 1997 and for the period from July 1, 1998 through December 31, 1998, in accordance with the terms of their renewal employment agreements effective July 1, 1998 which agreements were approved by the Board of Directors upon the recommendation of the Compensation Committee, which is composed of three directors independent of management, after receiving the unanimous recommendation of the CEO Advisors.

Summary Compensation Table

Name and Principal Position of Named Executive Officer	Year ended December 31	Annual Compensation Salary	Bonus (1)	Other Annual Compensation (2)	Long-Term Compensation Restricted Stock Awards	Securities Under Options Granted	All Other Compensation (9)
		($)	($)	($)	($)	(#)	($)
Bradley J. Wechsler	1998	605,000	800,000	--	330,000(4)	458,000	8,522
Chairman and Co-Chief Executive Officer	1997	710,000	1,300,000	--	465,000(3)	80,000	8,614
	1996	650,000	650,000	--	--	--	8,022
Richard L. Gelfond	1998	605,000	800,000	--	330,000(4)	458,000	8,306
Vice Chairman and Co-Chief Executive Officer	1997	710,000	1,300,000	--	465,000(3)	80,000	8,614
	1996	650,000	650,000	--	--	--	7,806
David B. Keighley, Senior Vice President and President, David Keighley Productions 70MM Inc.	1998	218,123	266,000	--	--	15,000	8,522
	1997	178,849	220,597	--	--	15,000	11,019
	1996	150,078	149,438	--	--	10,000	8,189
John M. Davison	1998	200,000	100,000	--	--	75,000	10,404
Chief Operating Officer and Chief Financial Officer	1997	193,025	73,455	--	--	35,000	10,273
	1996	146,580	45,631	--	--	20,000	8,006
Andrew Gellis	1998	225,000	50,000	50,000(6)	--	12,500	8,306
Senior Vice President, Film	1997	210,000	55,000	50,000(6)	--	12,500	8,614
	1996	210,000	55,125	50,000(6)	--	62,000	306
Christian Jorg	1998	215,000	25,000	--	--	--	8,198
Senior Vice President, IMAX Attractions and Chief Operating Officer of Ridefilm Corporation (7)	1997	208,692	40,000	136,875(8)	--	12,500	8,614
	1996	198,731	44,324	77,500(8)	--	25,000	162

(1) These amounts are paid under annual incentive arrangements that the Company has with each of the Named Executive Officers, as detailed under "Employment Contracts."

(2) The value of perquisites and other personal benefits for each Named Executive Officer does not exceed the lesser of $50,000 and 10% of his annual salary and bonus.

(3) These amounts represent the dollar value of the grant of 30,000 synthetic restricted shares ("phantom stock") on January 1, 1997 to each of Messrs. Wechsler and Gelfond as detailed under "Employment Contracts".

(4) These amounts represent the dollar value of the grant of 15,000 phantom stock on January 1, 1998 to each of Messrs. Wechsler and Gelfond as detailed under "Employment Contracts". The value of this phantom stock grant to each of the Named Executives as at December 31, 1998 was $474,375.

(5) 1996 amounts have been restated to reflect the 2-for-1 stock split which became effective by May 27, 1997. (6) This amount was paid on account of certain script writing services provided by Mr. Gellis. (7) Effective February 22, 1999 Mr. Jorg's employment with the Company was terminated. (8) This amount represents the taxable benefit in respect of the 5,000 fully paid-up shares issued to Mr. Jorg pursuant to his employment contract.

(9) These amounts reflect (i) the payment by the Company of life insurance premiums on the lives of the Named Executive Officers, and (ii) contributions to the Company's defined contribution pension plans.

Options Granted

The Company has a Stock Option Plan under which the Company may grant options to purchase common shares on terms that may be determined, within the limitations of the Stock Option Plan. The aggregate number of common shares reserved for issuance under the Plan is 4,210,836 common shares. Options to purchase 3,327,300 common shares have been granted and are outstanding under the Plan as at December 31, 1998, of which 533,334 options were granted subject to receipt of shareholder and regulatory approvals. The exercise price for options issued under the Plan, is not to be less than the market price of the common shares on the date of grant. An option will be exercisable for a maximum period of 10 years from the date of grant, subject to earlier termination if the option holder ceases to be employed by the Company. The Board of Directors determines vesting requirements. If a Participant's employment with the Company terminates for any reason, any Options which have not vested will be surrendered for cancellation without any consideration being paid therefor. If the Participant's employment is terminated without "cause" or by reason of such Participant's resignation, death or permanent disability, the Participant (or the Participant's estate) will be entitled to exercise the Participant's vested Options for a period of 30 days. If the Participant's employment is terminated for cause, such Participant's vested Options will be surrendered for cancellation without any consideration being paid therefor. If the Participant is a party to an employment agreement with the Company or any of its subsidiaries and breaches any of the restrictive covenants in such agreement, such Participant will be required to surrender all unexercised Options for cancellation without any consideration being paid therefor and will be obligated to pay to the Company an amount equal to the aggregate profit realized by such Participant with respect to any prior Option exercises.

The following table sets forth information relating to individual grants of options to purchase common shares of the Company to Named Executive Officers under the Stock Option Plan during the financial year ended December 31, 1998 in respect of services rendered or to be rendered to the Company:

Option Grants in Financial Year ended December 31, 1998

Name		Securities Under Options Granted (#)	% of Total Options Granted to Employees in Financial Year (%)	Exercise Price ($/Common Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term 5% ($)	10% ($)
Bradley J. Wechsler	(1)	80,000		23.50	1-Jan-05	770,800	1,786,000
	(2)	211,333		22.38	25-Aug-08	2,979,669	7,520,116
	(3)	166,667		22.38	25-Aug-08	2,349,905	5,930,712
		458,000	25.23			6,100,374	15,236,828
Richard L. Gelfond	(1)	80,000		23.50	1-Jan-05	770,800	1,786,000
	(2)	211,333		22.38	25-Aug-08	2,979,669	7,520,116
	(3)	166,667		22.38	25-Aug-08	2,349,905	5,930,712
		458,000	25.23			6,100,374	15,236,828
John Davison	(4)	75,000	4.13	21.36	13-Aug-08	1,009,260	2,547,180
Andrew Gellis	(4)	12,500	0.69	21.36	13-Aug-08	168,210	424,530
David Keighley	(4)	15,000	0.83	21.36	13-Aug-08	201,852	509,436

(1) These options vested immediately upon the grant date and entitle the Named Executive Officer to purchase one common share for each option. The market value of the common shares underlying the options was equal to the exercise price on the date of the grant.

(2) 111,333 of these options vested immediately upon the grant date and 100,000 of these options vested on January 1, 1999. These options entitle the Named Executive Officer to purchase one common share for each option. The market value of the common shares underlying the options was equal to the exercise price on the date of the grant.

(3) These options are subject to shareholder and regulatory approvals and vested on January 1, 1999 subject only thereto. These options entitle the Named Executive Officer to purchase one common share for each option. The market value of the common shares underlying the options was equal to the exercise price on the date of the grant.

(4) These options vest over five years at the rate of 20% per year and entitle the Named Executive Officer to purchase one common share for each option. The market value of the common shares underlying the options was equal to the exercise price on the date of the grant.

Aggregated Option Exercises during the Financial Year Ended December 31, 1998 and Financial Year-End Option Values

Name	Securities Acquired on Exercise	Aggregate Value Realized	Unexercised Options at financial Year-End Exercisable/ Unexercisable	Value of Unexercised in-the-money Options at Financial Year-end Exercisable/Unexercisable(1)
	(#)	($)	(#)	($)
Bradley J. Wechsler	NIL	NIL	271,333/266,667	2,953,274/2,465,336
Richard L. Gelfond	NIL	NIL	271,333/266,667	2,953,274/2,465,336
David Keighley	24,500	530,634	31,500/49,000	686,858/703,265
Christian Jorg	20,000	363,750	22,500/45,000(2)	390,363/735,450
John M. Davison	33,000	653,043	14,000/148,008	170,830/1,998,052
Andrew Gellis	NIL	NIL	27,300/59,700	492,913/896,963

(1) Calculated based on the December 31, 1998 closing price of the common shares on Nasdaq of $31.625.
(2) These 45,000 options were cancelled in January 1999 in connection with the termination of Mr. Jorg's employment with the Company.

Pension Plans

The Company maintains defined contribution employee pension plans for its employees, including its executive officers. The Company makes contributions to these plans on behalf of employees in an amount equal to 5% of their base salary subject to certain prescribed maximums. During the financial year ended December 31, 1998, the Company contributed an aggregate of $9,752 to the Canadian plan on behalf of Mr. Davison and an aggregate of $40,000 to the Company's defined contribution employee pension plan qualified under Section 401(k) of the U.S. Internal Revenue Code on behalf of Messrs. Wechsler, Gelfond, Keighley, Jorg and Gellis. The Company does not have any other pension plans for its employees.

Employment Contracts

The Company had entered into renewal employment agreeements with each of Messrs. Wechsler and Gelfond ("the Executives") with effect from January 1, 1997 for a two-year term. The employment agreements provided that each of the Executives would receive an annual salary of $710,000. In addition, at the beginning of each year of the term, each Executive was to be granted the right to receive 30,000 synthetic shares ("phantom stock"). At any time after January 1, 1998 and January 1, 1999, each Executive would have the right to exercise the right to receive the phantom stock by being paid an amount equal the fair market value of an equal number of common shares of the Company on the date on which the Executive makes the request. As part of the January 1997 employment agreement, each Executive was also granted 80,000 options on January 2, 1998 which options expire on January 1, 2005.

On November 3, 1998 the Company entered into employment agreements with each of the Executives with effect from July 1, 1998 for a three-year term. Under the Company's governance process as set forth in its Articles and By-laws, the "CEO Advisors" unanimously recommended to the Compensation Committee, which is composed of three directors independent of management, the approval of these agreements, which were approved by the Board of Directors upon the recommendation of the Compensation Committee. The CEO Advisors include a representative of Wasserstein Perella, the largest shareholders of the Company. The renewal employment agreements provide that each of the Executives will receive a salary of US $500,000 in each year of the term. These agreements also

provide that each of the Executives will receive a bonus for each of 1998, 1999, 2000 and the period January 1, 2001 to June 30, 2001 of $605,000, $500,000, $500,000 and $250,000 adjusted by a multiple of zero to two times, tied to the performance of the Company and certain qualitative and quantitative measures determined by the CEO Advisors and the Compensation Committee of the Board. The bonus paid to each of Messrs. Wechsler and Gelfond in respect of 1998 was $800,000. In 1998 each Executive was also paid $688,125 upon exercising their right to receive an amount equal to the fair market value of 30,000 shares, equal to the number of synthetic restricted shares ("phantom stock") granted on January 1, 1997. The renewal employment agreements reduced the number of synthetic restricted shares ("phantom stock") which were to be granted on January 1, 1998 as per the former employment agreements, from 30,000 per executive to 15,000. Each Executive is also granted 378,000 options (subject to receipt of shareholder and regulatory approval) to purchase common shares in accordance with the Stock Option Plan on August 26, 1998 and is to be granted 400,000 options on January 1, 2000, which options expire on August 25, 2008 and December 31, 2009 respectively. Under the agreements, each of the Executives is to perform such services with respect to the Company's business as may be reasonably requested from time to time by the Board of Directors and which are consistent with his position as Co-Chief Executive Officer. In addition, the Company is to use its best efforts to cause the Executives to be elected to the Board of Directors and to the designation of a CEO Advisor. In addition, a provision contained in their original employment agreements is continued, whereby each of the Executives is also entitled to receive, upon a sale of the Company or the exercise after March 1, 1999 by the Executives of their rights to require the Company to take action to liquidate their common shares under a Shareholders' Agreement among Wasserstein Perella Partners, L.P., Mr. Wechsler, Mr. Gelfond and certain other investors dated as of June 16, 1994, a cash bonus in an amount equal to the product of (a) 0.375% and (b) the amount by which the sale or liquidation transaction imputes an equity value in excess of Cdn. $150,000,000 to the common shares originally issued by the Company (on a fully diluted basis but excluding the common shares issued upon the conversion of the Class B convertible preferred shares of the Company formerly outstanding which were converted into common shares on June 16, 1994 and the common shares issuable upon the exercise of warrants owned by each of Messrs. Wechsler and Gelfond). Under the employment agreements, the Company is to equalize the Executives to the taxes which each of the Executives would have paid had he earned his employment compensation and paid taxes thereon solely in the United States. The employment agreements also contain non-competition provisions.

The Company and David Keighley Productions 70 MM Inc. (formerly David Keighley Productions and 70MM Inc.) ("DKP/70MM"), a wholly-owned subsidiary of the Company, entered into an employment agreement on July 15, 1997. The agreement is for a five-year term. Under this agreement, Mr. Keighley is to receive an annual base salary of $212,405 in the year ended July 15, 1998 and will receive an annual base salary of 105% of the previous year's base salary in each of the next four years during the term of the agreement. Mr. Keighley is entitled to receive an annual bonus of one-third of his annual base salary if DKP/70MM met it pre-tax profit threshold as provided in the agreement. Mr. Keighley is also entitled to receive a further profit-based bonus of 10% of any excess of DKP/70MM's audited profit before taxes over DKP/70MM's pre-tax profit threshold. Mr. Keighley's bonus in respect of DKP/70MM's year ended December 31, 1998 was U.S. $266,000. Under the agreement, Mr. Keighley has also given covenants regarding confidentiality and non-competition. The agreement provides that the employment of Mr. Keighley may be terminated at any time for cause or without cause. If Mr. Keighley's employment is terminated without cause, DKP/70MM must continue to pay Mr. Keighley his annual base salary for a maximum period of 36 months. In addition to the above, the Company provided Mr. Keighley with a temporary housing loan in the amount of U.S. $75,000 plus interest (which was repaid in 1997) to be used in connection with his relocation to Los Angeles at the Company's request.

Mr. Jorg entered into an employment agreement on August 8, 1995 under which he was employed as Vice President, Business Affairs and Business Development. Effective March 1, 1997 Mr. Jorg was promoted to the position of Senior Vice President and Chief Operating Officer, IMAX Attractions and Chief Operating Officer of Ridefilm Corporation. The agreement was for a three-year term. Under his agreement Mr. Jorg received an annual base salary of $195,000 in the first year of the employment term, $205,000 in the second year and $215,000 in the third year plus an annual performance bonus (with a minimum guaranteed bonus of $20,000 for 1997). Pursuant to the agreement, Mr. Jorg received 10,000 fully paid common shares of the Company. Mr. Jorg has covenants

regarding confidentiality and non-competition. The agreement provided that the employment of Mr. Jorg may be terminated at any time for cause. If Mr. Jorg's employment was terminated without cause, the Company was to pay Mr. Jorg his annual base salary and guaranteed bonus for the balance of the term. The Company entered into a new Employment Agreement with Mr. Jorg effective August 8, 1998 which provided for an annual salary of $215,000 and provided that if Mr. Jorg's employment was terminated without cause, Mr. Jorg was entitled to receive his salary and benefits of a period of 90 days. Pursuant to a letter agreement dated January 21, 1999, Mr. Jorg confirmed receipt of notice of termination on January 7, 1999 with termination of employment effective February 22, 1999. Mr. Jorg's entitlement to receive salary and benefits terminates effective April 7, 1999.

Mr. Gellis entered into an employment agreement effective January 1, 1998 under which he was employed as Senior Vice President, Film of the Company. The agreement is for a two-year term. Under this agreement Mr. Gellis receives an annual base salary of $225,000 for 1998 and $250,000 for 1999 plus an annual performance bonus at a target of 30% of salary, with a guaranteed minimum annual bonus of $50,000. Mr. Gellis is also entitled to receive a minimum of $50,000 in each year of the term in respect of script writing services performed by Mr. Gellis for the Company. Mr. Gellis has given covenants regarding confidentiality and non-competition. The agreement provides that the employment of Mr. Gellis may be terminated at any time for cause. If Mr. Gellis' employment is terminated without cause, the Corporation must pay Mr. Gellis his annual salary and guaranteed bonus and benefits for the balance of the term. If Mr. Gellis' employment is terminated without cause in connection with a change in control, the Corporation must pay Mr. Gellis his annual salary and guaranteed bonus and benefits for the greater of the balance of the term and six months.

Mr. Davison entered into an employment agreement with the Company on January 16, 1991, as amended by a letter dated August 31, 1992, under which he was employed as Director, Corporate Development and then promoted to Vice President, Finance. The agreement is for an indefinite term and contains covenants regarding confidentiality and non-competition. The agreement provides that the employment of Mr. Davison may be terminated at any time for cause. If Mr. Davison's employment is terminated without cause, the Corporation must pay Mr. Davison his annual salary for 12 months. Mr. Davison and the Company entered into a share option agreement dated as of April 8, 1994. Under this agreement Mr. Davison was granted options to purchase 75,008 common shares of the Company at Cdn. $1.595 per share. The options vest over a five year period with 50% vesting on the attainment of certain performance criteria to be determined by the Company and the remaining vesting as to 20% each year. Any unvested options on the date of any termination of Mr. Davison's employment are forfeited.

Compensation Committee

The Board of Directors constituted a Compensation Committee in December 1996. The members of the Compensation Committee are Messrs. Girvan, Nadal and Utay. Mr. Fuchs is an unofficial member of the Committee. As the Compensation Committee did not participate in executive compensation decisions in respect of 1998, other than the employment agreement entered into by the Co-Chief Executive Officers, the compensation of the Company's employees was established through guidelines set by the Board of Directors.

Compensation for all the Company's employees, including its Named Executive Officers, is based on each employee's job responsibilities and on his or her individual performance over time. The Company's executive compensation program has three principal components: base salary, annual variable incentive compensation and stock options. The Company believes these components collectively provide a fair and competitive pay package and an appropriate relationship between an executive's compensation, the executive's performance, and the Company's performance.

Directors' Compensation

Directors are reimbursed for the expenses of attending meetings of the Board of Directors. In addition, members of the Board of Directors who are not also employees of the Company receive Cdn. $20,000 per year plus Cdn. $1,500 for each meeting of the Board attended in person and Cdn. $750 for each telephone meeting of the Board or meeting of any committee of the Board, whether participating in person or by telephone. In addition, each of the directors who are not also employees of the Company are granted options to purchase 4,000 common shares at an exercise price equal to the market value of the common shares of the Company on the date of grant which vest on the date of grant and expire on the date which is 10 years after the date of grant.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information with respect to the beneficial ownership of each class of the Company's securities as at December 31, 1998 or as otherwise indicated below, including (i) all beneficial owners of more than 5% of the Company's voting capital stock, (ii) all directors and Named Executive Officers individually, and (iii) all directors and executive officers as a group.

		Shares Beneficially Owned	
Title of Class	Beneficial Owners	Number of Shares	% of Class(1)
Common Shares	Wasserstein Perella Group: Wasserstein Perella Partners, L.P. Wasserstein Perella Offshore Partners, L.P. WPPN, Inc.	10,177,384(2)	34.3
	Goldman Sachs Group: Goldman Sachs & Co. The Goldman Sachs Group, L.P. Goldman Sachs 1998 Exchange Place Fund, L.P. Goldman Sachs 1997 Exchange Place Fund, L.P. Goldman Sachs Management Partners, L.P.	1,551,594(3)	5.2
	Oppenheimer Group: Oppenheimer Funds, Inc. Oppenheimer Convertible Securities Fund	3,375,000(4)	11.4
	Capital Research Group: Capital Research and Management Company Small Cap World Fund Inc. Capital Guardian Trust Company Capital International, Inc. Capital International, S.A.	4,694,810(5)	15.8
	Bradley J. Wechsler	836,633 (6)	2.8
	Richard L. Gelfond	856,633 (7)	2.9
	Graeme Ferguson	44,642 (8)	*
	John M. Davison	14,000 (9)	*
	Michael Fuchs	59,496 (8)	*
	Garth M. Girvan	37,898 (8)	*
	David B. Keighley	31,500 (10)	*
	Christian H. Jorg	42,500 (11)	*
	Andrew Gellis	27,300 (12)	*
	Miles S. Nadal	16,000 (13)	*
	Murray B. Koffler	16,200 (8)	*
	Philip C. Moore	12,000 (8)	*
	Marc A. Utay	12,000 (8)	*
	All directors and executive officers as a group (16 persons)	2,079,140 (14)	7.0
Class C Preferred Shares (15)	John M. Davison	217	*
	David B. Keighley	83	*
	Graeme Ferguson	212	*
	All directors and executive officers as a group (16 persons)	816	2.4

* less than 1 %.

(1) Based on dividing the Number of Shares by the total shares outstanding as of December 31, 1998.
(2) Based on information contained in a Schedule 13G dated February 12, 1999.
(3) Based on information contained in a Schedule 13G dated February 16, 1999 and information provided directly to the Company by Goldman Sachs. Goldman Sachs disclaimed beneficial ownership of an unspecified number of such shares.
(4) Based on information contained in a Schedule 13G dated February 11, 1999. Includes 3,000,000 shares issuable upon conversion of the 5.75% Convertible Debentures due 2003.
(5) Based on information contained in a Schedule 13G dated February 8, 1999. Includes 455,210 shares issuable upon the conversion of the 5.75% Convertible Debenture due 2003. Capital Research and Management Company, Capital Guardian Trust Company, Capital International, Inc. and Capital International, S.A. each disclaimed beneficial ownership of the 3,136,810

shares reported held by them, advising they are owned by accounts under their discretionary management.

(6) Included in the amount shown are 271,333 common shares as to which Mr. Wechsler had, at December 31, 1998, the right to acquire beneficial ownership through the exercise of options.

(7) Included in the amount shown are 271,333 common shares as to which Mr. Gelfond had, at December 31, 1998, the right to acquire beneficial ownership through the exercise of options.

(8) Included in the amount shown are 12,000 common shares as to which Messrs. Ferguson, Fuchs, Girvan, Koffler, Moore and Utay had, at December 31, 1998, the right to acquire beneficial ownership through the exercise of options.

(9) Included in the amount shown are 14,000 common shares as to which Mr. Davison had, at December 31, 1998, the right to acquire beneficial ownership through the exercise of options.
(10) Included in the amount shown are 31,500 common shares as to which Mr.Keighley had, at December 31, 1998, the right to acquire beneficial ownership through the exercise of options.
(11) Included in the amount shown are 22,500 common shares as to which Mr. Jorg had, at December 31, 1998, the right to acquire beneficial ownership through the exercise of options.
(12) Included in the amount shown are 27,300 common shares as to which Mr. Gellis had, at December 31, 1998, the right to acquire beneficial ownership through the exercise of options.
(13) Included in the amount shown are 16,000 common shares as to which Mr. Nadal had, at December 31, 1998, the right to acquire beneficial ownership through the exercise of options.
(14) Included in the amount shown are 773,966 common shares as to which all directors and executive officers as a group had, at December 31, 1998, the right to acquire beneficial ownership through the exercise of options.
(15) All shareholders of the outstanding Class C Preferred Shares were notified on December 29, 1998 that the shares were being redeemed by the Company. All outstanding Class C Preferred Shares were redeemed by the Company in January 1999.

Statements as to securities beneficially owned by directors and by executive officers, or as to securities over which they exercise control or direction, are based upon information obtained from such directors and executive officers and from records available to the Company.

Shareholders' Agreements

The Corporation, Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., WPPN, Inc., and the Michael J. Biondi Voting Trust (collectively "WP"), and each of Messrs. Wechsler and Gelfond are parties to a Second Amended and Restated Shareholders Agreement (the "Shareholders Agreement") dated as of February 9, 1999, which amends and restates the previous amended and restated shareholders agreement among those parties dated June 16, 1994. The Shareholders Agreement includes, among other things, certain restrictions on transfers of common shares, take-along rights and come-along rights. If WP holds at least 35% of their original holdings and WP desires to transfer all of their securities in a transaction in which a majority of the shares of outstanding common stock are to be sold, then Messrs. Gelfond and Wechsler will be required to sell their securities on the same terms as WP sells its securities.

The Shareholders Agreement also contains provisions related to the composition of the Board of Directors and committees thereof. WP is entitled, but not required, to designate individuals to be nominated for election as directors as follows: so long as WP holds 3,685,759 or more Common shares, it may designate six nominees, of whom three may be employees of WP and its affiliates (the "WP Employee Designees") and three shall be independent persons and resident Canadians. If WP holds less than 3,685,759 Common shares, but 1,842,879 or more Common shares, it may designate four nominees, of whom two may be WP Employee Designees and two shall be independent persons and resident Canadians. If WP holds less than 1,842,879 Common shares but 921,439 or more Common shares, it may designate two nominees, one of may be a WP Employee Designee and the other of whom shall be an independent person and shall be a resident Canadian. In addition to these, provisions, each of Messrs. Wechsler and Gelfond is entitled to be a director of the Corporation so long as he is either a Co-Chief Executive Officer or is the Chief Executive Officer of the Corporation or Messrs. Wechsler and Gelfond own more than 375,000 Common shares. In addition, Messrs. Wechsler and Gelfond are collectively entitled, but not required, to designate individuals to be nominated for election as directors as follows: so long as they hold 1,628,000 or more Common shares, they may designate three nominees, all of whom shall be independent persons and resident Canadians. If they hold less than 1,628,000 Common shares, but 1,075,000 or more Common shares, they may designate two nominees, both of whom shall be independent and resident Canadians. If they hold less than 1,075,000 Common shares but 375,000 or more Common shares, they may designate one nominee who shall be an independent person. If the requirement that the Corporation have `resident Canadian' directors is changed, then neither WP nor Messrs. Wechsler and Gelfond will be required to designate resident Canadian nominees. Each of the nominees of WP who is to be an independent person is subject to the approval by Messrs. Wechsler and Gelfond, which approval is not to be unreasonably withheld; each of the nominees of Messrs. Wechsler and Gelfond

is subject to the approval of WP, which approval is in WP's sole discretion for the first nominee to serve in each such position and thereafter, is not to be unreasonably withheld. Each of WP and Messrs. Wechsler and Gelfond has agreed to use their best efforts to cause each of the individuals designated to be elected or appointed as a director of the Corporation, whether at the next meeting of shareholders of the Company (the "Meeting") or thereafter.

The Shareholders Agreement also provides that the Corporation, WP and each of Messrs. Wechsler and Gelfond shall use their best efforts to cause the Corporation to establish a nominating committee of the Board of Directors consisting of two directors, one designated by WP and the other designated by Messrs. Wechsler and Gelfond. In addition, WP has the right, subject to the approval of Messrs. Wechsler and Gelfond, to designate a WP Employee Designee for appointment by the Board of Directors of the Corporation as the Non-Executive Chairman of the Corporation, as long as WP holds at least 2,948,607 Common shares. Michael J. Biondi has been approved as such designee. If Mr. Biondi no longer holds that position, then WP is to propose three replacements and Messrs. Wechsler and Gelfond shall select one of those proposed for appointment by the Board as the Non-Executive Chairman. Each of Messrs. Wechsler and Gelfond is entitled to be appointed as a Co-Chairman or Chairman of the Corporation as long as he is a Co-Chief Executive Officer or the Chief Executive Officer of the Corporation. The Agreement provides that the duties of the Non-Executive Chairman and the Co-Chief Executive Officers shall be as set forth in the Bylaws, including the requirement that the following actions be approved by the Non-Executive Chairman and at least one of the Co-Chief Executive Officers: setting the dates and times of meetings of the directors and shareholders (other than normal quarterly Board of Directors, and annual shareholders' meetings), setting the agenda of such meetings, and appointing members of committees of the Board of Directors other than persons designated by WP and Messrs. Wechsler and Gelfond as provided in the Shareholders' Agreement. Each of WP and Messrs. Wechsler and Gelfond have the right to designate one director to serve on each committee of the Board of Directors of the Corporation, provided that each such person meets applicable regulatory requirements.

Each of WP and Messrs. Wechsler and Gelfond have agreed to use their best efforts to cause there no longer to be CEO Advisors as of the date upon which all of the WP Employee Designees are elected as directors of the Corporation. After that date, none of WP or Messrs. Wechsler and Gelfond shall take any action to reestablish the CEO Advisors and the majority approval requirements described below under "Standstill Agreement" would apply.

Registration Rights Agreement

The Corporation, WP and Messrs. Wechsler and Gelfond have also entered into a registration rights agreement (the "Registration Rights Agreement") dated as of February 9, 1999, which carries forward the corresponding provisions of the June 16, 1994 shareholders agreement, and pursuant to which each of WP and Messrs. Wechsler and Gelfond have certain rights to cause the Corporation to use its best efforts to register their securities under the U.S. Securities Act of 1933. WP is entitled to effect up to four demand registrations and Messrs. Wechsler and Gelfond are entitled to make two such demand registrations. WP and Messrs. Wechsler and Gelfond also have unlimited piggy-back rights to register their securities under the Registration Rights Agreement whenever the Corporation proposes to register any securities under the U.S. Securities Act, other than the registration of securities pursuant to an initial public offering or the registration of securities upon Form S-4 or S-8 under the U.S. Securities Act or filed in connection with an exchange offer or an offering of securities solely to the Corporation's existing shareholders. In addition to these provisions, if Messrs. Wechsler and Gelfond hold at least 25% of their original holdings, WP has recouped its original investment plus a 30% compounded annual return on such investment, and WP initiates the sale of the Corporation, then for 60 days thereafter, WP will enter into exclusive negotiations with Messrs. Gelfond and Wechsler, and for another 60 days thereafter WP may not enter into an agreement for the sale of the Corporation to a third party. The Registration Rights Agreement also provides that Messrs. Wechsler and Gelfond will have the right from March 1 to March 31 in any, but only one, of 1999, 2000 and 2001, to notify the Corporation of their decision to require the Corporation to take action to liquidate their common shares. The Corporation is required to use its best efforts to cause at its option either (i) the sale of the Corporation within a period of 180 days from receipt of the notice to liquidate, (ii) the filing of a registration statement pursuant to the U.S. Securities Act within a period of 120 days from its receipt of the notice to liquidate, or (iii) purchase the securities owned by Messrs. Gelfond and Wechsler for cash at the fair market value as agreed upon by the Corporation and Messrs. Gelfond and Wechsler within 20 days of the notice to liquidate, or in the event of their failure to reach an agreement, as determined by a procedure utilizing nationally recognized investment banking firms. In the event that Messrs. Gelfond and Wechsler exercise their rights to require the Corporation to take such action, they may be entitled to certain cash bonus payments as described above under "Executive Compensation - Employment Contracts".

The former shareholders of the Corporation have substantially similar piggyback registration rights that commenced on March 1, 1996 pursuant to the terms of the Selling Shareholders' Agreement (as defined below).

WP, Messrs. Gelfond and Wechsler, and the former shareholders of Predecessor Imax have entered into another shareholders' agreement (the "Selling Shareholders' Agreement") which includes, among other things, registration rights, tag along rights and drag along rights.

Item 13. Certain Relationships and Related Transactions

Standstill Agreement

The Corporation, each of Messrs. Wechsler and Gelfond and WP entered into an Amended and Restated Standstill Agreement (the "Standstill Agreement") as of February 9, 1999 which amends and restates the previous Standstill Agreement dated June 16, 1994. Under the terms of the Standstill Agreement, WP agreed to vote in any election for directors in favour of each person nominated by the then current Board of Directors, not to participate in or facilitate proxy contests, not to deposit into a voting trust or subject voting securities to an agreement with respect to voting such securities, not to acquire or affect or attempt to acquire or effect control of the Corporation or to participate in a "group" as defined pursuant to Section 13(d) of the U.S. Securities Exchange Act of 1934, which owns or seeks to acquire beneficial ownership or control of the Corporation, and not to attempt to influence the Corporation except through normal Board of Directors' processes. In addition, the parties agreed that the CEO Advisors currently provided for in the Articles and By-laws of the Corporation would cease to exist upon the election of those directors (the "WP Employee Designees") WP is to have the right to designate as provided in the Second Amended and Restated Shareholders' Agreement (the "Shareholders' Agreement'), which was also entered into by those same parties as of February 9, 1999. To accomplish this, the Corporation agreed to submit to its shareholders at the Meeting resolutions to amend the Articles and Bylaws to delete reference to the CEO Advisors, and each of the parties to the Standstill Agreement agreed to use their best efforts so to amend the Articles and Bylaws as of the date on which all of the WP Employee Designees are elected or appointed as directors of the Corporation. The Standstill Agreement continues in effect until the earlier of June 30, 2001, unless extended by WP at its option for successive one year terms until March 1, 2004, or the date upon which WP holds less than 700,000 Common shares.

As noted above, shareholders are to be asked at the Meeting for their approval of resolutions, the effect of which will be to delete from the Articles of the Corporation those provisions establishing the CEO Advisors, effective upon the date of the election or appointment to the Board of Directors of the Corporation of all of the WP Employee Designees and to set forth the requirement that certain matters be approved by 75% of the directors then in office. These matters are: (i) hiring or terminating the employment of the Chief Executive Officer or any Co-Chief Executive Officer of the Corporation; (ii) issuing any shares of capital stock for a purchase price, or incurring indebtedness, in an amount of US$25 million or more; (iii) disposing of any material single asset, or all or substantially all of the assets of the Corporation or approving the sale or merger of the Corporation; (iv) acquiring a substantial interest in any other entity or entering into any major strategic alliance; and (v) entering into or changing the terms of any agreement or transaction with WP or Messrs. Wechsler and Gelfond (other than agreements in the ordinary course of business, such as employment agreements). Prior to that date, the current provisions of the Articles and Bylaws of the Corporation relating to the CEO Advisors would remain in effect. The Articles and Bylaws currently provide that if the Board of Directors appoints CEO Advisors to the CEO and the Board of Directors with respect to the extraordinary matters set forth below (the "Extraordinary Matters"), then any action of the Board of Directors with respect to an Extraordinary Matter requires the unanimous approval of the directors unless the CEO Advisors have unanimously recommended that the Board of Directors approve the action, in which case a simple majority of the Board of Directors is required to approve the action. The By-laws of the Corporation provide that: (a) the CEO Advisors are comprised of three or five individuals; (b) the CEO Advisors have the responsibility of being available to the CEO to consult with him on the Extraordinary Matters prior to the implementation of any decisions related to such matters, and prior to any request that the Board of Directors consider any such matters; (c) the CEO is required to consult with the CEO Advisors on the Extraordinary Matters

prior to the implementation of any decisions related to such matters, and prior to any request that the Board of Directors consider any such matters; (d) the CEO Advisors have the responsibility of being available to consult with the Board of Directors on any Extraordinary Matters and they may provide the Board of Directors with their views on any such matters, and (e) the CEO Advisors have no power to make any decisions on any matters and are not a committee of the Board of Directors for any purpose. Messrs. Wechsler and Gelfond and Mr. Townsend Ziebold, the designee of WP, currently serve as the CEO Advisors. Pursuant to the employment agreements described above under "Employment Contracts" each of Messrs. Wechsler and Gelfond are to be designated as CEO Advisors. Under the Corporation's By-laws, the Board of Directors has the power to terminate a CEO Advisor, subject to the contractual obligations of the employment agreements and the Standstill Agreement.

Under the current Articles and By-laws the following decisions of the Board of Directors are considered "Extraordinary Matters": (a) hiring or firing the CEO or the Corporation's primary external lawyers or accountants; (b) incurring any capital expenditure in excess of Cdn. $5 million; (c) incurring indebtedness in amount of Cdn. $10 million or lending money to, or guaranteeing obligations of, others; (d) commencing or settling litigation other than in the ordinary course or that is likely to have material impact on the Corporation; (e) entering into contracts or transactions outside of the ordinary course of business providing for payments in any fiscal year in excess of Cdn. $5 million; (f) disposing of any material single asset, or all or substantially all of the assets of the Corporation; (g) acquiring a substantial interest in any other entity (other than joint ventures under Cdn. $10 million) or entering into any major strategic alliance; (h) changing the nature of the Corporation's business or entering into new line of business; (i) entering into or changing terms of any agreements or transactions with WP, Mr. Gelfond and Mr. Wechsler; (j) issuing any shares of capital stock; (k) doing or permitting any act whereby the Corporation would be bankrupt; (l) approving annual budgets and operating targets; and (m) hiring or firing any officer or employee of the Corporation paid more than Cdn. $175,000 per annum (increased by 6% per annum beginning with the end of the financial year ended December 31, 1994).

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)(1) Financial Statements

The consolidated financial statements filed as part of this Report are included in Part II.

(a)(2) Financial Statement Schedules

No financial statement schedules are required to be filed as part of this Report.

(a)(3) Exhibits

The Items listed as Exhibits 10.1 to 10.12 relate to management contracts or compensatory plans or arrangements.

Exhibit No.	Description
3.1	Articles of Incorporation of Imax Corporation. Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form F-1 (File No. 33-77536)(the "Registration Statement").
3.2	Bylaw No. 1 of Imax Corporation. Incorporated by reference to Exhibit 3.2 to the Registration Statement.

Exhibit No.	Description
4.1	Share Option Agreement, dated as of March 1, 1994, between WGIM Acquisition Corporation and Douglas Trumbull. Incorporated by reference to Exhibit 4.6 to the Registration Statement.
4.2	Amended and Restated Shareholders' Agreement, dated as of June 16, 1994 (the "Shareholders' Agreement"), by and among Imax Corporation, Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., WPPN, Inc., Richard L. Gelfond and Bradley J. Wechsler, Revere Equity Corp. and Chemical Equity Associates. Incorporated by reference to Exhibit 4.7 to Form 10-K/A for the year ended December 31, 1994.
4.3	Standstill Agreement, dated as of June 16, 1994, among Imax Corporation, Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P. and WPPN, Inc. Incorporated by reference to Exhibit 4.8 to Form 10-K/A for the year ended December 31, 1994.
4.4	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"). Incorporated by reference to Exhibit 4.9 to the Registration Statement.
4.5	Amendment, dated as of March 1, 1994, to the Selling Shareholders' Agreement. Incorporated by reference to Exhibit 4.10 to the Registration Statement.
4.6	Letter, dated as of January 3, 1994, from WP and GW Shareholders (as defined in the Selling Shareholders' Agreement) to Douglas Trumbull. Incorporated by reference to Exhibit 4.11 to the Registration Statement.
4.7	Indenture, dated as of March 1, 1994, between WGIM Acquisition Corporation and Continental Bank, National Association, as Trustee. Incorporated by reference to Exhibit 10.2 to the Registration Statement.
4.8	Indenture, dated as of April 9, 1996, between Imax Corporation and Chemical Bank, as Trustee, related to the issue of the 5 3/4% Convertible Subordinated Notes due April 1, 2003. Incorporated by reference to Exhibit 4.3 to Amendment No.1 to the Company's Registration Statement on Form F-3 (File No.333-5212).
*4.9	Indenture, dated as of December 4, 1998 between Imax Corporation and U.S. Bank Trust, N.A., as Trustee, related to the issue of the 7.875% Senior Notes due December 1, 2005. Registrant agrees to provide copies of instruments with respect to long-term debt and its working capital facility, which do not exceed 10 % of the total assets of the registrant and its subsidiaries on a consolidated basis, to the Commission upon request.
*4.10	Shareholders Agreement, dated as of February 9, 1999 by and among 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 and Imax Corporation.
*4.11	Standstill Agreement, dated as of February 9, 1999 by and among Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., WPPN Inc, and the Michael J. Biondi Voting Trust, Imax Corporation, Richard L. Gelfond and Bradley J. Wechsler.

Exhibit No.	Description
*4.12	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	Consulting Agreement, dated as of June 11, 1997, between Imax Corporation and I. Graeme Ferguson. Incorporated by reference to Exhibit 10.3 to Form 10-K for the year ended December 31, 1997.
10.2	Employment Agreement, dated as of January 1, 1997, between Imax Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 10.4 to Form 10-K for the year ended December 31, 1997.
10.3	Employment Agreement, dated as of January 1, 1997, between Imax Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.5 to Form 10-K for the year ended December 31, 1997.
10.4	Employment Agreement, dated as of January 16, 1991, and amending letter of August 31, 1992 between Imax Corporation and John M. Davison. Incorporated by reference to Exhibit 10.6 to Form 10-K for the year ended December 31, 1997.
10.5	Employment Agreement, dated as of July 15, 1997 between David Keighley Productions 70MM Inc. and David B. Keighley. Incorporated by reference to Exhibit 10.7 to Form 10-K for the year ended December 31, 1997.
10.6	Form of Imax Corporation Amended and Restated Share Option Plan. Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No.333-5720).
10.7	Share Option Agreement, dated as of April 8, 1994 between Imax Corporation and John M. Davison. Incorporated by reference to Exhibit 10.15 to the Registration Statement.
10.8	Employment Agreement, dated August 8, 1995, between Imax Corporation and Christian Jorg. Incorporated by reference to Exhibit 10.13 to Form 10-K for the year ended December 31, 1996.
10.9	Employment Agreement, dated July 1, 1998 between Imax Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended September 30, 1998.
10.10	Employment Agreement, dated July 1, 1998 between Imax Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended September 30, 1998.
*10.11	Employment Agreement, dated October 8, 1998 (and effective from January 1, 1998) between Imax Corporation and Andrew Gellis.
*10.12	Amending Agreement, dated as of August 8, 1998 between Imax Corporation and Christian Jorg and letter agreement dated January 21, 1999.
*21	Subsidiaries of Imax Corporation.
*23	Consent of PricewaterhouseCoopers LLP.
*24	Power of Attorney of certain directors.

* Filed herewith

(b) No reports on Form 8-K were filed by the registrant during the quarter ended December 31, 1998.

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/ JOHN M. DAVISON
John M. Davison
Chief Operating Officer and Chief Financial Officer

Date: March 29, 1999

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 March 29, 1999.

/S/ BRADLEY J. WECHSLER Bradley J. Wechsler Director and Co-Chief Executive Officer (Principal Executive Officer)	/S/ RICHARD L. GELFOND Richard L. Gelfond Director and Co-Chief Executive Officer (Principal Executive Officer)	
/S/ JOHN M. DAVISON John M. Davison Director and Chief Operating Officer and Chief Financial Officer (Principal Financial Officer)	/S/ MARK J. THORNLEY Mark J. Thornley Vice President, Finance (Principal Accounting Officer)	GARTH M. Girvan * Garth M. Girvan Director
GRAEME FERGUSON * Graeme Ferguson Director	PHILIP C. MOORE * Philip C. Moore Director	MILES NADAL * Miles Nadal Director
MICHAEL FUCHS * Michael Fuchs Director	MURRAY B. KOFFLER* Murray B. Koffler Director	MARC A. UTAY* Marc A. Utay Director

By * /S/ JOHN M. DAVISON
John M. Davison (as attorney-in-fact)

EXHIBIT 4.9

IMAX CORPORATION

TO

U.S. BANK TRUST NATIONAL ASSOCIATION
Trustee

Indenture

Dated as of December 4, 1998

$200,000,000

7 7/8% Senior Notes due December 1, 2005

IMAX CORPORATION

Reconciliation and tie between Trust Indenture Act
of 1939 and Indenture, dated as of December 4, 1998

Trust Indenture Act Section		Indenture Section
(S) 310(a)(1)	.....	609
(a)(2)	.....	609
(a)(3)	.....	Not Applicable
(a)(4)	.....	Not Applicable
(b)	.....	608
	.....	610
(S) 311(a)	.....	613
(b)	.....	613
(S) 312(a)	.....	701
		702
(b)	.....	702
(c)	.....	702
(b)	.....	703
(c)	.....	703
(d)	.....	703
(S) 314(a)	.....	704
(a)(4)	.....	1020
(b)	.....	Not Applicable
(c)(1)	.....	102
(c)(2)	.....	102
(c)(3)	.....	Not Applicable
(d)	.....	Not Applicable
(e)	.....	102
(S) 315(a)	.....	601
(b)	.....	602
(c)	.....	601
(d)	.....	601
(d)(1)	.....	601
(e)	.....	514
(S) 316(a)	.....	101
(a)(l)(A)	.....	502
		512
(a)(l)(B)	.....	513
(a)(2)	.....	Not Applicable
(b)	.....	508
(S) 317(a)(1)	.....	503
(a)(2)	.....	504
(b)	.....	1003
(S) 318(a)	.....	107

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EXHIBIT 4.16

INDENTURE, dated as of December 4, 1998, between Imax Corporation, a corporation duly organized and existing under the laws of the Canada (herein called the "Company"), having its principal office at 2525 Speakman Drive, Mississauga, Ontario, Canada, L5K 1B1 and U.S. Bank Trust National Association, a national banking association, as Trustee (herein called the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the creation of an issue of its 7 7/8% Senior Notes due December 1, 2005 of substantially the tenor and amount hereinafter set forth, and to provide therefor the Company has duly authorized the execution and delivery of this Indenture.

All things necessary to make the Securities, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE I

Definitions and Other Provisions
of General Application

SECTION 11. Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles (whether or not such is indicated herein), and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in Canada as consistently applied by the Company at the date of such computation;

(4) unless the context otherwise requires, any reference to an "Article" or a "Section", or to an "Annex" or a "Schedule", refers to an Article or Section of, or to an Annex or a Schedule attached to, this Indenture, as the case may be;

(5) unless the context otherwise requires, any reference to a statute, rule or regulation refers to the same (including any successor statute, rule or regulation thereto) as it may be amended from time to time;

(6) unless otherwise specifically set forth herein, all calculations or determinations of a Person shall be performed or made on a consolidated basis in accordance with generally accepted accounting principles but shall not include the accounts of Unrestricted Subsidiaries, except to the extent of dividends and distributions actually paid to the Company or one of its Wholly Owned Subsidiaries; and

(7) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article Six, are defined in that Article.

"Acquired Indebtedness" means, with respect to a specified person, (i) Indebtedness or Disqualified Capital Stock of any person existing at the time such person becomes a Subsidiary of the specified person, including by designation, or is merged, amalgamated or consolidated into or with the specified person or one of its Subsidiaries and (ii) Indebtedness secured by a Lien encumbering any asset at the time such asset is acquired by such specified person; provided that Acquired Indebtedness shall not include any Indebtedness incurred or secured in connection with, or in contemplation of, such other person merging, amalgamating or consolidating with or into or becoming a Subsidiary of such specified person.

"Acquisition" means the purchase or other acquisition of any person or substantially all the assets of any person by any other person, whether by purchase, merger, amalgamation, consolidation, or other transfer, and whether or not for consideration.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Additional Amounts" has the meaning specified in Section 1016.

"Additional Securities" means Securities that are issued under a supplemental indenture after the date that the Securities are first issued by the Company and authenticated by the Trustee under this Indenture, which will rank pari passu with the Securities initially issued in all respects (or in all respects except for the payment of interest accruing prior to the issue date of such Additional Securities or except for the first payment of interest following the issue date of such Additional Securities).

"Affiliate" of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, the term "control", as used with respect to any person, means the power to direct the management and policies of such person, directly or through one or more intermediaries, whether through the ownership of voting securities, by contract, or otherwise, provided that beneficial ownership of 10% or more of the total voting power normally entitled to vote in the election of directors, managers or trustees, as applicable, of a person shall for such purposes be deemed to constitute control.

"Asset Sale" has the meaning specified in Section 1013.

"Attributable Value" means, as to any particular lease under which any person is at the time liable other than a Capitalized Lease Obligation, and at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such person under such lease during the remaining term thereof (whether or not such lease is terminable at the option of the lessee prior to the end of such term), including any period for which such lease has been, or may, at the option of the lessor, be extended, discounted from the last date of such term to the date of determination at a rate per annum equal to the discount rate which would be applicable to a Capitalized Lease Obligation with a like term in accordance with generally accepted accounting principles. The net amount of rent required to be paid under any lease for any such period shall be the aggregate amount of rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of insurance, taxes, assessments, utility, operating and labor costs and similar charges. "Attributable Value" means, as to a Capitalized Lease Obligation under which any person is at the time liable and at any date as of which the amount thereof is to be determined, the discounted present value of the rental obligations of such person, as lessee, required to be capitalized on the balance sheet of such person in conformity with generally accepted accounting principles.

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 614 to act on behalf of the Trustee to authenticate Securities.

"Authority" means any federal, provincial, municipal or local government or quasi-governmental agency or authority.

"Average Life" means, as of the date of determination, with respect to any security or instrument, the quotient obtained by dividing (i) the sum of the products of (a) the number of years from the date of determination to the date or dates of each successive scheduled principal (or redemption) payment of such security or instrument and (b) the amount of each such respective principal (or redemption) payment by (ii) the sum of all such principal (or redemption) payments.

"Beneficial Owner" or "beneficial owner" has the meaning attributed to it in Rules l3d-3 and l3d-5 under the Exchange Act (as in effect on the Issue Date), whether or not applicable, except that a "person" shall be deemed to have

"beneficial ownership" of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board authorized to act for it in respect thereof.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York, New York or Chicago, Illinois, are authorized or obligated by law or executive order to close.

"Capital Stock" means (a) with respect to any person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of common stock and preferred stock of such person and (b) with respect to any person that is not a corporation, any and all partnership, membership or other equity interests of such person.

"Capitalized Lease Obligation" means, as applied to any person, any lease of any property (whether real, personal or mixed) of which the discounted present value of the rental obligations of such person, as lessee, in conformity with generally accepted accounting principles, is required to be capitalized on the balance sheet of such person.

"Cash Equivalent" means (a) marketable obligations of or obligations guaranteed by Canada or the United States of America or issued by any agency thereof and backed by the full faith and credit of the United States of America or Canada, in each case with a Duration of three years or less, (b) marketable direct obligations issued by any state of the United States of America, any province of Canada or any political subdivision thereof having the highest rating obtainable from either Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Group ("S&P"), Dominion Bond Rating Service, Limited ("DBRS") or Canadian Bond Rating Service, Inc. ("CBRS") and having a Duration of three years or less, (c) commercial paper, bankers acceptances, notes, bonds, debentures, repurchase agreements, call loans, guaranteed investment certificates and other similar instruments, in each case having a rating of investment grade by Moody's, S&P, DBRS or CBRS, and in each case (other than with respect to commercial paper) having a Duration of three years or less, (d) certificates of deposit with a Duration of three years or less issued by United States commercial banks of recognized standing with capital, surplus and undivided profits aggregating in excess of

US$100 million, (e) certificates of deposits issued or acceptances accepted by or guaranteed by a bank to which the Bank Act (Canada) applies or by any company licensed to carry on the business of a trust company in one or more provinces of Canada, in each case with capital, surplus and undivided profits aggregating in excess of Cdn$100 million, with a Duration of three years or less, (f) shares of money market funds that have assets in excess of US$100 million and that invest substantially all of their assets in Cash Equivalents of the kind described in clauses (a) through (e) above, (g) asset-backed securities rated AA or higher by Moody's, S&P, DBRS or CBRS with a Duration of three years or less, and (h) mortgage-backed securities rated AA or higher by Moody's, S&P, DBRS or CBRS with a Duration of 3 years or less; provided that an Investment in (a) through (h) of this definition shall not be considered to be a Cash Equivalent if, as a result of giving effect thereto, (A) more than 20% of the aggregate Investments made pursuant to clauses (a) through (h) of this definition are rated "BBB" or below or (B) more than 10% of the aggregate Investments made pursuant to clauses (a) through (h) of this definition are made pursuant to clause (h) of this definition.

"Change of Control" has the meaning specified in Section 1015.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Stock" of any Person means Capital Stock of such Person that does not rank prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its President or a Vice President, and by its Treasurer, an Assistant Treasurer, the Corporate Controller, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture and thereafter "Company" shall mean such successor Person.

"Consolidated Coverage Ratio" of any person on any date of determination (the "Transaction Date") means the ratio, on a pro forma basis, of (a) the aggregate amount of Consolidated EBITDA of such person (exclusive of amounts attributable to operations and businesses permanently discontinued or disposed of) for the Reference Period to (b) the aggregate Consolidated Fixed Charges of such person (exclusive of amounts attributable to operations and businesses permanently discontinued or disposed of, but only to the extent that the obligations giving rise to such Consolidated Fixed Charges would no longer be obligations contributing to such person's Consolidated Fixed Charges subsequent to the Transaction Date) during the Reference Period; provided, that for purposes of such calculation, (i) Acquisitions which occurred during the Reference Period or subsequent to the Reference Period and on or prior to the Transaction Date shall be assumed to have occurred on the first day of the Reference Period and any Operating Expense or Cost Reduction with respect

to such Acquisition shall be deducted from such calculation, (ii) transactions giving rise to the need to calculate the Consolidated Coverage Ratio shall be assumed to have occurred on the first day of the Reference Period, (iii) the incurrence of any Indebtedness or issuance of any Disqualified Capital Stock during the Reference Period or subsequent to the Reference Period and on or prior to the Transaction Date (and the application of the proceeds therefrom to the extent used to refinance or retire other Indebtedness) shall be assumed to have occurred on the first day of such Reference Period, and (iv) the Consolidated Fixed Charges of such person attributable to interest on any Indebtedness or dividends on any Disqualified Capital Stock bearing a floating interest (or dividend) rate shall be computed on a pro forma basis as if the average rate in effect from the beginning of the Reference Period to the Transaction Date had been the applicable rate for the entire period, unless such person or any of its Subsidiaries is a party to an Interest Swap and Hedging Obligation (which shall remain in effect for the 12-month period immediately following the Transaction Date) that has the effect of fixing the interest rate on the date of computation, in which case such rate (whether higher or lower) shall be used.

"Consolidated EBITDA" means, with respect to any person, for any period, the Consolidated Net Income of such person for such period adjusted to add thereto (to the extent deducted from net revenues in determining Consolidated Net Income), without duplication, the sum of (i) consolidated income tax expense, (ii) consolidated depreciation and amortization expense, (iii) other non-recurring non-cash charges of such person and its Subsidiaries reducing Consolidated Net Income for such period and (iv) Consolidated Fixed Charges.

"Consolidated Fixed Charges" of any person means, without duplication, for any period, as applied to any person, (A) the sum of (a) the aggregate of the interest expense on Indebtedness of such person and its consolidated Subsidiaries for such period, on a consolidated basis, including, without limitation, (i) amortization of debt discount, (ii) the net cost under Interest Swap and Hedging Obligations (including amortization of discounts), (iii) the interest portion of any deferred payment obligation and (iv) accrued interest, plus (b) the interest component of the Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such person and its consolidated Subsidiaries during such period minus (B) the cash interest income (exclusive of deferred financing fees) of such person and its consolidated subsidiaries during such period, in each case as determined in accordance with generally accepted accounting principles consistently applied.

"Consolidated Net Income" means, with respect to any person for any period, the net income (or loss) of such person and its Subsidiaries (determined on a consolidated basis in accordance with generally accepted accounting principles) for such period, adjusted to exclude (only to the extent included in computing such net income (or loss) and without duplication): (a) net gains or losses in respect of dispositions of assets other than in the ordinary course of business, (b) any gains or losses from currency exchange transactions not in the ordinary course of business consistent with past practice, (c) any gains (but not losses) attributable to any extraordinary items not covered by clause (a) of this definition, (d) the net income, if positive, of any person, other than a Subsidiary, in which such person or any of its Subsidiaries has an interest, except to the extent of the amount of any dividends or distributions actually paid in cash or Cash Equivalents to such person or a Subsidiary of such person during such period, but in any case not in excess of such person's pro

rata share of such person's net income for such period, (e) the net income or loss of any person acquired in a pooling of interests transaction for any period prior to the date of such acquisition, (f) the net income, if positive, of any of such person's Subsidiaries to the extent that the declaration or payment of dividends or similar distributions is not at the time permitted by operation of the terms of its charter or bylaws or any other agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Subsidiary, (g) the cumulative effects of accounting changes, (h) deductions resulting from the amortization of purchase accounting adjustments (i) any write-offs or write-downs of investments in film assets existing on the Issue Date and of assets comprising the Company's or its Subsidiaries' motion simulation and attractions business and (j), for purposes of Section 1009, any expense attributable to warrants, options or rights to purchase Qualified Capital Stock issued in consideration for goods or services provided to the Company or its Subsidiaries.

"Consolidated Net Worth" of any person at any date means the aggregate consolidated stockholders' equity of such person (plus amounts of equity attributable to preferred stock) and its Subsidiaries, as would be shown on the consolidated balance sheet of such person prepared in accordance with generally accepted accounting principles, adjusted to exclude, to the extent included in calculating such equity, the amount of any such stockholders' equity attributable to Disqualified Capital Stock or treasury stock of such person and its Subsidiaries.

"Convertible Subordinated Notes" means the Company's 5.75% Convertible Subordinated Notes due April 1, 2003.

"Core Subsidiary" means a Subsidiary that is not a Special Subsidiary.

"Corporate Trust Office" means the office of the affiliate of the Trustee in The City of New York, New York at which at any particular time its corporate trust business may be administered.

"corporation" means a corporation, association, company, joint-stock company, limited liability company, partnership or business trust.

"Default" means any event, occurrence or condition that is or with the passage of time or the giving of notice or both would be an Event of Default.

"Defaulted Interest" has the meaning specified in Section 307.

"Depositary" means The Depository Trust Company or, if The Depository Trust Company shall cease to be a clearing agency registered under the Exchange Act, any other clearing agency registered under the Exchange Act that is designated as the successor Depositary in a Company Order delivered to the Trustee.

"Disqualified Capital Stock" means (a) except as set forth in clause (b) of this definition, with respect to any person, any Equity Interest

of such person that, by its terms or by the terms of any security into which it is convertible, exercisable or exchangeable, is, or upon the happening of an event or the passage of time would be, required to be redeemed or repurchased (including at the option of the holder thereof) by such person or any of its Subsidiaries, in whole or in part, on or prior to the Stated Maturity of the Notes and (b) with respect to any Subsidiary of such person (including with respect to any Subsidiary of the Company), any Equity Interest other than any common equity with no preference, privileges, or redemption or repayment provisions; provided that any Equity Interest that would not constitute Disqualified Capital Stock but for provisions thereof giving holders thereof the right to require such person to repurchase or redeem such Equity Interest upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Capital Stock if the "asset sale" or "change of control" provisions applicable to such Equity Interest are no more favorable to the holders of such Equity Interest than the provisions contained in Section 1013 and Section 1015 and such Equity Interest specifically provides that (i) such person will not repurchase or redeem any such Equity Interest pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to Section 1013 and Section 1015 and (ii) in the case of an Asset Sale Offer, such repurchase or redemption shall not exceed such Excess Proceeds, less the principal amount of Notes tendered in such Asset Sale Offer.

"Dollars" and "$" means such coins or currency of the United States of America which is legal tender for payment of public and private debts and "Canadian Dollars" and "C$" means such coins or currency of Canada which is legal tender for payment of public and private debts.

"Duration" means, with respect to any given financial instrument, (i) the weighted average of the time to payment of each payment required to be made on a date certain with respect to such financial instrument, the weights being the present value of each such payment (calculated at the financial instrument's yield as of the date of acquisition by the Company or any Subsidiary) as a percentage of the total present value all such payments (calculated at the financial instrument's yield as of the date of acquisition by the Company or any Subsidiary) divided by (ii) one plus the yield (as of the date of acquisition by the Company or any Subsidiary) of such financial instrument.

"Equity Interest" of any person means Capital Stock of such person and all warrants, options or other rights to acquire Capital Stock of such person (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock (and which is not otherwise Capital Stock)).

"Event of Default" has the meaning specified in Section 501.

"Event of Loss" means, with respect to any property or asset, any (i) loss, destruction or damage of such property or asset or (ii) any condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, of such property or asset, or confiscation or requisition of the use of such property or asset.

"Exchange Act" refers to the Securities Exchange Act of 1934 as it may be amended and any successor act thereto.

"Excluded Holder" has the meaning specified in Section 1016.

"Excluded Person" means Wasserstein Perella Partners, Wasserstein Offshore Partners and WPPN, Inc. or any of their respective officers, directors or employees (or any employee partnership of which either Wasserstein Perella Partners, Wasserstein Offshore Partners or WPPN, Inc. or any of their respective Affiliates is the general partner, or of which any of their respective executive officers or directors is the general partner), Messrs. Bradley J. Weschler and Richard L. Gelfond, or any of their respective Affiliates or a "group" (as used for purposes of Section 13(d) and 14(d) of the Exchange Act) of which Messrs. Bradley J. Wechsler and Richard L. Gelfond are a part, provided that Messrs. Bradley J. Wechsler and Richard L. Gelfond continue to be Senior Officers of the Company.

"Exempted Affiliate Transaction" means (a) reasonable fees and compensation paid and indemnity provided pursuant to (including issuances of securities or other payments, awards or grants in cash, securities or otherwise) customary employee compensation arrangements (including, without limitation, stock option and stock ownership plans) approved by a majority of independent (as to such transactions) members of the Board of Directors of the Company, (b) payments, purchases or redemptions set forth in clauses (a), (b) or (c) of the definition of "Restricted Payments" and made, in form and amount, on a pro rata basis to all holders of common shares or subordinated Indebtedness, as applicable, of the Company, (c) transactions solely between the Company and any of its Subsidiaries or solely among Subsidiaries of the Company, (d) payments made pursuant to the terms of the Shareholders' Agreement, (e) the payment of reasonable and customary fees to and the provision of indemnity on behalf of directors of the Company who are not employees of the Company, (f) payments pursuant to any agreement in effect as of the Issue Date or any amendment thereto or any transaction contemplated thereby (including pursuant to any amendment thereto) in any replacement agreement thereto so long as any such amendment or replacement agreement is not more disadvantageous to the Company or its Subsidiaries, as the case may be, than the original agreement as in effect on the Issue Date; and (g) loans advanced to employees and officers of the Company and its Subsidiaries not in excess of $1.0 million at any time outstanding.

"Fully Traded Common Stock" means common stock issued by any corporation if (A) such common stock is listed on either The New York Stock Exchange, The American Stock Exchange, The Toronto Stock Exchange, or is included for trading privileges in the Nasdaq National Market; and (B) such common stock does not constitute more than 15% of the issued and outstanding common stock of such corporation held by Persons other than 10% holders of such common stock and Affiliates and insiders of such corporation.

"Generally accepted accounting principles" means, as at any date of determination, generally accepted accounting principles in the United States and which are applicable as of the date of determination.

"Global Security" means a Security that evidences all or part of the Securities and bears the legend set forth in Section 205.

"Guarantee" means a guarantee or other credit support (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any indebtedness.

"Holder" means a Person in whose name a Security is registered in the Security Register.

"Indebtedness" of any person means, without duplication, (a) all liabilities and obligations, contingent or otherwise, of such person, to the extent such liabilities and obligations would appear as a liability upon the consolidated balance sheet of such person in accordance with generally accepted accounting principles, (i) in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such person or only to a portion thereof), (ii) evidenced by bonds, notes, debentures or similar instruments, (iii) representing the balance deferred and unpaid of the purchase price of any property or services, except those incurred in the ordinary course of its business that would constitute ordinarily a trade payable or account payable to trade creditors that are not more than 120 days past their original due date or which are being contested in good faith by appropriate proceeding, (iv) evidenced by bankers' acceptances or similar instruments issued or accepted by banks, (v) relating to any Capitalized Lease Obligation, or (vi) evidenced by a letter of credit or a reimbursement obligation of such person with respect to any letter of credit; (b) all net obligations of such person under Interest Swap and Hedging Obligations; (c) all liabilities and obligations of others of the kind described in the preceding clause (a) or (b) that such person has guaranteed or that is otherwise its legal liability or which are secured by any assets or property of such person; (d) any and all deferrals, renewals, extensions, refinancing and refundings (whether direct or indirect) of, or amendments, modifications or supplements to, any liability of the kind described in any of the preceding clauses (a), (b) or (c), or this clause (d), whether or not between or among the same parties; and (e) all Disqualified Capital Stock of such person (measured at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued and unpaid dividends). For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to this Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Capital Stock, such fair market value to be determined in good faith by the board of directors of the issuer (or managing general partner of the issuer) of such Disqualified Capital Stock. Indebtedness shall not include any liability for federal, provincial, state, local or other taxes except to the extent otherwise included in the definition of "Indebtedness". Guarantees of (or obligations with respect to letters of credit supporting) Indebtedness otherwise included in the determination of the aggregate amount of Indebtedness incurred shall not also be included in such determination.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

"Interest Payment Date" means the Stated Maturity of an instalment of interest on the Securities.

"Interest Swap and Hedging Obligation" means any obligation of any person pursuant to any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate exchange agreement, currency exchange agreement or any other agreement or arrangement designed to protect against fluctuations in interest rates or currency values, including, without limitation, any arrangement whereby, directly or indirectly, such person is entitled to receive from time to time periodic payments calculated by applying either a fixed or floating rate of interest on a stated notional amount in exchange for periodic payments made by such person calculated by applying a fixed or floating rate of interest on the same notional amount.

"Investment" by any person in any other person means (without duplication) (a) the acquisition (whether by purchase, merger, consolidation or otherwise) by such person (whether for cash, property, services, securities or otherwise) of capital stock, bonds, notes, debentures, partnership or other ownership interests or other securities, including any options or warrants, of such other person; (b) the making by such person of any deposit with, or advance, loan or other extension of credit to, such other person (including the purchase of property from another person subject to an understanding or agreement, contingent or otherwise, to resell such property to such other person) or any commitment to make any such advance, loan or extension (but excluding accounts receivable or deposits arising in the ordinary course of business); (c) other than guarantees of Indebtedness of the Company to the extent permitted by Section 1008, the entering into by such person of any guarantee of, or other credit support or contingent obligation with respect to, Indebtedness or other liability of such other person; and (d) the making of any capital contribution by such person to such other person. Any property transferred to an Unrestricted Subsidiary from the Company or a Subsidiary shall be deemed an Investment valued at its fair market value at the time of such transfer, provided, however, if in any such case such fair market value exceeds $1 million, such determination of fair market value shall be certified in an Officer's Certificate

"Issue Date" means the date of first issuance of the Securities under this Indenture.

"Lien" means any mortgage, charge, pledge, lien (statutory or otherwise), privilege, security interest, hypothecation or other encumbrance upon or with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired.

"Make-Whole Premium" means, with respect to a Security at any time, the greater of (a) 1.0 % of the principal amount of such Security and (b) the excess of (i) the present value at such time, discounted from the first date on which such Security could be redeemed at the option of the Company, of the principal amount at maturity of such Security plus the amount of premium that would be due on such Security were it to be

redeemed on the first date on which such Security could be redeemed at the option of the Company, computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (ii) the then outstanding principal amount of such Security.

"Net Cash Proceeds" means the aggregate amount of cash or Cash Equivalents received by the Company in the case of a sale of Qualified Capital Stock and by the Company and its Subsidiaries in respect of an Asset Sale plus, in the case of an issuance of Qualified Capital Stock upon any exercise, exchange or conversion of securities (including options, warrants, rights and convertible or exchangeable debt) of the Company that were issued for cash on or after the Issue Date, the amount of cash originally received by the Company upon the issuance of such securities (including options, warrants, rights and convertible or exchangeable debt) less, in each case, the sum of all payments, fees, commissions and expenses (including, without limitation, the fees and expenses of legal counsel and investment banking fees and expenses) incurred in connection with such Asset Sale or sale of Qualified Capital Stock, and, in the case of an Asset Sale only, less the amount (estimated reasonably and in good faith by the Company) of income, franchise, sales and other applicable taxes required to be paid by the Company or any of its respective Subsidiaries in connection with such Asset Sale.

"Offer to Purchase" means an Asset Sale Offer pursuant to Section 1013 and/or a Change of Control Offer pursuant to Section 1015, as applicable.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, a Vice Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Corporate Controller, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee.

"Operating Expense or Cost Reduction" means with respect to the calculation of a Consolidated Coverage Ratio, an operating expense or cost reduction with respect to an Acquisition, which, in the good faith estimate of management, will be realized as a result of such Acquisition, provided that the foregoing eliminations of operating expenses and realizations of cost reductions shall be of the types permitted to be given effect to in accordance with Article 11 of Regulation S-X under the Exchange Act as in effect on the Issue Date.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, and who shall be acceptable to the Trustee.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(1) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(2) Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than

the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been
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made;

(3) Securities, except to the extent provided in Sections 1202 and 1203, with respect to which the Company has effected defeasance and/or covenant defeasance as provided in Article Thirteen; and

(4) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite
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principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Securities on behalf of the Company.

"Permitted Indebtedness" means any of the following:

(2) Indebtedness of the Company evidenced by the Notes and represented by this Indenture, issued in the Offering in an aggregate principal amount not to exceed $200 million;

(3) Indebtedness of the Company and its Subsidiaries pursuant to the Revolving Credit Facility (including any Indebtedness issued to refinance, refund or replace such Indebtedness) provided that the aggregate principal amount of such Indebtedness outstanding at any time does not exceed the greater of (a) $50 million minus the amount of any such Indebtedness retired with Net Cash Proceeds from any Asset Sale or assumed by a transferee in an Asset Sale and (b) the sum of 80% of the net book value of accounts receivable of the Company and its Subsidiaries and 60% of the net book value of inventory of the Company and its Subsidiaries;

(4) Indebtedness of Core Subsidiaries, provided that the aggregate principal amount of such Indebtedness outstanding at any time does not exceed $25 million;

(5) Refinancing Indebtedness with respect to (i) any Indebtedness described in clause (a) of this definition, (ii) incurred under the Debt Incurrence Ratio test of Section 1008, (iii) incurred under this clause (d) or (iv) which is outstanding on the Issue Date so long as such Refinancing Indebtedness, if secured, is secured only by the assets that secured the Indebtedness so refinanced;

(6) Indebtedness of the Company and its Special Subsidiaries representing Capitalized Lease Obligations or Purchase Money Indebtedness in an aggregate amount outstanding at any time (including any Indebtedness issued to refinance, replace, or refund such Indebtedness) of up to $15 million, provided, in the case of a Capitalized Lease Obligation, the principal amount of such Capitalized Lease Obligation does not, at the time of incurrence, exceed the fair market value of the property acquired in connection with such Capitalized Lease Obligation, and in the case of Purchase Money Indebtedness, such Indebtedness does not constitute more than 100% of the cost to the Company or such Subsidiary of the property so purchased;

(7) Interest Swap and Hedging Obligations of the Company and its Subsidiaries that are incurred for the purpose of fixing or hedging interest rate or currency risk of the Company and its Subsidiaries and not incurred for the purpose of speculation;

(8) Indebtedness of the Company and its Subsidiaries solely in respect of performance, surety or appeal bonds (to the extent that such incurrence does not result in the incurrence of any obligation to repay any obligation relating to borrowed money of others), and letters of credit and letters of guarantee, all incurred in the ordinary course of business in accordance with customary industry practices, in amounts and for the purposes customary in the Company's industry;

(9) Indebtedness of the Company to any Wholly Owned Subsidiary, and Indebtedness of a Subsidiary to any other Wholly Owned Subsidiary or to the Company; provided that, in the case of Indebtedness of the Company, such obligations shall be unsecured and subordinated in all respects to the Company's obligations pursuant to the Notes and the date of any event that causes such Subsidiary to no longer be a Wholly Owned Subsidiary shall be an Incurrence Date;

(10) Indebtedness of the Company and its Subsidiaries arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligations of the Company or any Subsidiary pursuant to such agreements, in any case incurred in connection with the disposition of any business, assets or Subsidiary, other than guarantees of Indebtedness incurred by any person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition or, in the case of performance bonds, incurred in connection with the sale or leasing of systems in the ordinary course of business;

(11) Indebtedness incurred by a person prior to the time (A) such person became a Core Subsidiary of the Company, (B) such person amalgamated, merged or consolidated with or into a Core Subsidiary of the Company or (C) another Core Subsidiary of the Company amalgamated, merged or consolidated with or into such person (in a transaction in which such person became a Core Subsidiary of the Company) which Indebtedness was not incurred in anticipation of such transaction and was outstanding prior to such transaction; provided that after giving pro forma effect to any such incurrence, the Company could incur at least $1.00 of additional Indebtedness pursuant to the second paragraph of Section 1008;

(12) additional Indebtedness of the Company not to exceed $10 million in aggregate principal amount at any one time outstanding; and

(13) Indebtedness of the Company and its Subsidiaries existing on the Issue Date not to exceed the amount outstanding on such date, and which is set forth in a schedule to this Indenture.

"Permitted Investment" means (a) Investments in any of the Notes; (b) Investments in Cash Equivalents; (c) Investments in intercompany notes to the extent permitted to be incurred under clause (g) of the definition of "Permitted Indebtedness"; (d) any Investment in a Subsidiary of the Company or in a person in a Related Business, which, after such Investment, becomes a Subsidiary of the Company; (e) Investments in Permitted Joint Ventures, provided that either (1)(i) the Company or its Subsidiaries have the ability to liquidate their Investment in such Permitted Joint Venture, without penalty to the Company or its Subsidiaries, within three years of giving notice of their intention to do so and, (ii) in the good faith opinion of an executive officer of the Company, each of the other holders of Equity Interests in the Permitted Joint Venture is contributing consideration to the Permitted Joint Venture in relation to such holder's economic interest in the Permitted Joint Venture which is at least equal to the consideration being contributed to the Permitted Joint Venture by the Company or a Subsidiary in relation to its economic interest in the Permitted Joint Venture (provided, that in making his or her determination pursuant to this clause (ii), such executive officer may take into account better than normal profits which may be derived from the Company's other businesses as a result of such Investment) or (2) the Consolidated Coverage Ratio of the Company for the Reference Period immediately preceding the date of such Investment, after giving effect on a pro forma basis to such Investment, would be at least 3.0 to 1; (f) loans or advances to employees of the Company or a Subsidiary made in the ordinary course of business, (g) stock obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Subsidiary or in satisfaction of judgments, (h) Investments received in connection with an Asset Sale in accordance with Section 1013, (i) Investments of the Company or any Subsidiary in effect on the Issue Date, (j) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers, and (k) Investments the payment for which consists exclusively of Qualified Capital Stock of the Company.

"Permitted Joint Venture" means any joint venture arrangement (which may be structured as an unincorporated joint venture, corporation, partnership, association or limited liability company) (i) in which the Company and its Subsidiaries own at least 20% but less than 50% of the ownership interest thereof and (ii) which engages only in a Related Business.

"Permitted Lien" means (a) Liens created in connection with the incurrence of Indebtedness under the Revolving Credit Facility and Capitalized Lease Obligations and Purchase Money Indebtedness, to the extent otherwise permitted by clause (b) or (e) of the definition "Permitted Indebtedness"; (b) Liens existing on the Issue Date and which are set forth in a schedule to this Indenture; (c) Liens imposed by governmental authorities for taxes, assessments or other charges not yet subject to penalty or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the Company in accordance with generally accepted accounting principles; (d) statutory liens of carriers, warehousemen, mechanics, materialmen, landlords, repairmen or other like Liens arising by operation of law in the ordinary course of business provided that (i) the underlying obligations are not overdue for a period of more than 30 days, or (ii) such Liens are being contested in good faith and by appropriate proceedings and adequate reserves with respect thereto are maintained on the books of the Company in accordance with generally accepted accounting principles; (e) Liens securing the performance of bids, trade contracts (other than borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business; (f) easements, rights-of-way, zoning, similar restrictions and other similar encumbrances or title defects which, singly or in the aggregate, do not in any case materially detract from the value of the property subject thereto (as such property is used by the Company or any of its Subsidiaries) or interfere with the ordinary conduct of the business of the Company or any of its Subsidiaries; (g) Liens arising by operation of law in connection with judgments, only to the extent, for an amount and for a period not resulting in an Event of Default with respect thereto; (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 the Notes; (j) Liens securing Indebtedness of a person existing at the time such person becomes a Subsidiary or is merged with or into the Company or a Subsidiary or Liens securing Indebtedness incurred in connection with an Acquisition, provided that such Liens were in existence prior to the date of such acquisition, merger or consolidation, were not incurred in anticipation thereof, and do not extend to any assets other than those acquired; (k) leases or subleases granted to other persons in the ordinary course of business not materially interfering with the conduct of the business of the Company or any of its Subsidiaries or materially detracting from the value of the relative assets of the Company or any Subsidiary; (l) Liens arising from precautionary Uniform Commercial Code financing statement or similar filings regarding operating leases entered into by the Company or any of its Subsidiaries in the ordinary course of business;(m) Liens securing Refinancing Indebtedness incurred to refinance any Indebtedness that was previously so secured in a manner no more adverse to the Holders of the Notes than the terms of the Liens securing such refinanced Indebtedness provided that the Indebtedness secured is not increased and the Lien is not extended to any additional assets or property, (n) Liens in favor of the Company or any Subsidiary, (o) Liens securing obligations under Interest Swap and Hedging Obligations permitted to be incurred under this Indenture, (p) Liens created or deposits made to secure the performance of tenders, bids, leases, statutory

obligations, government contracts, performance bonds and other obligations of a like nature incurred in the ordinary course of business, (q) Liens in favor of customs and revenue authorities, arising as a matter of law to secure payment of customs duties in connection with the importation of goods, (r) Liens in connection with securitizations of accounts receivable under long term system leases and (s) other Liens securing obligations incurred in the ordinary course of business, which obligations do not exceed $5.0 million in the aggregate at any one time outstanding.

"Person" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Public Equity Offering" means an underwritten offering of common shares of the Company for cash pursuant to an effective registration statement under the Securities Act or a prospectus under applicable Canadian securities laws.

"Purchase Money Indebtedness" of any Person means Indebtedness of such Person secured by a Lien on real or personal property of such person which Indebtedness (a) constitutes all or a part of the purchase price or construction cost of such property or (b) is incurred prior to, at the time of or within 90 days after the acquisition or substantial completion of such property for the purpose of financing all or any part of the purchase price or construction cost thereof; provided, however, that (w) the Indebtedness so Incurred does not exceed 100% of the purchase price or construction cost of such property, (x) such Lien does not extend to or cover any property other that such item of property and any improvements on such item, (y) the purchase price or construction cost for such property is or should be included in "addition to property, plant and equipment" in accordance with generally accepted accounting principles and (z) the purchase or construction of such property is not part of any acquisition of a Person or business unit or line of business.

"Qualified Capital Stock" means any Capital Stock of the Company that is not Disqualified Capital Stock.

"Qualified Exchange" means any legal defeasance, redemption, retirement, repurchase or other acquisition of Capital Stock or Indebtedness of the Company with the Net Cash Proceeds received by the Company from the substantially concurrent sale (other than from or to a Subsidiary or from or to an employee stock ownership plan financed by loans from the Company or a Subsidiary of the Company) of Qualified Capital Stock or any exchange of Qualified Capital Stock for any Capital Stock or Indebtedness of the Company.

"Rating Agencies" means Moody's and S&P.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Reference Period" with regard to any person means the most recently ended four full fiscal quarters, for which financial statements are available immediately preceding any date upon which any determination is to be made pursuant to the terms of the Notes or this Indenture.

"Refinancing Indebtedness" means Indebtedness or Disqualified Capital Stock (a) issued in exchange for, or the proceeds from the issuance and sale of which are used substantially concurrently to repay, redeem, defease, refund, refinance, discharge or otherwise retire for value, in whole or in part, or (b) constituting an amendment, modification or supplement to, or a deferral or renewal ((a) and (b) above are, collectively, a "Refinancing") of any Indebtedness or Disqualified Capital Stock in a principal amount or, in the case of Disqualified Capital Stock, liquidation preference, not to exceed (after deduction of reasonable and customary fees and expenses incurred in connection with the Refinancing) the (A) lesser of (i) the principal amount or, in the case of Disqualified Capital Stock, liquidation preference, of the Indebtedness or Disqualified Capital Stock so Refinanced and (ii) if such Indebtedness being Refinanced was issued with an original issue discount, the accreted value thereof (as determined in accordance with generally accepted accounting principles) at the time of such Refinancing, plus (B) the amount of any premium required to be paid in connection with such Refinancing pursuant to the terms of the Indebtedness being so refinanced or the amount of any premium reasonably determined by the Company as necessary to accomplish such Refinancing by means of a tender offer or privately negotiated repurchase and plus (C) the expenses of the Company or the Subsidiary, as the case may be, incurred in connection with such Refinancing; provided, that (A) such Refinancing Indebtedness of any Subsidiary of the Company shall only be used to refinance outstanding Indebtedness or Disqualified Capital Stock of such Subsidiary, (B) such Refinancing Indebtedness shall (x) not have an Average Life shorter than the Indebtedness or Disqualified Capital Stock to be so refinanced at the time of such Refinancing and (y) in all respects, be no less subordinated or junior, if applicable, to the rights of Holders of the Notes than was the Indebtedness or Disqualified Capital Stock to be refinanced and (C) such Refinancing Indebtedness shall have a final stated maturity or redemption date, as applicable, no earlier than the final stated maturity or redemption date, as applicable, of the Indebtedness or Disqualified Capital Stock to be so refinanced.

"Regular Record Date" for the interest payable on any Interest Payment Date means the November 15 or May 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

"Related Business" means the business conducted (or proposed to be conducted) by the Company and its Subsidiaries as of the Issue Date and any and all businesses that in the good faith judgment of the Board of Directors of the Company are related businesses.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Payment" means, with respect to any person, (a) the declaration or payment of any dividend or other distribution in respect of Equity Interests of such person or any parent or Subsidiary of such person, (b) any payment on account of the purchase, redemption or other acquisition or retirement for value of Equity Interests of such person or any Subsidiary or direct or indirect parent of such person (other than any such Equity Interests owned by such person or any Subsidiary), (c) other than with the proceeds from the substantially concurrent sale of, or in exchange for, Refinancing Indebtedness, any purchase, redemption, or other acquisition or retirement for value of, any payment in respect of any amendment of the terms of or any defeasance of, any Subordinated Indebtedness, directly or indirectly, by such person or a parent or Subsidiary of such person prior to the scheduled maturity, any scheduled repayment of principal, or scheduled sinking fund payment, as the case may be, of such Indebtedness and (d) any Investment by such person, other than a Permitted Investment; provided, however, that the term "Restricted Payment" does not include (i) any dividend, distribution or other payment on or with respect to Equity Interests of an issuer to the extent payable solely in shares of Qualified Capital Stock or in options, warrants or other rights to acquire Qualified Capital Stock of such issuer; or (ii) any dividend, distribution or other payment to the Company, or to any of its Subsidiaries, by the Company or any of its Subsidiaries (or, in the case of payment by any non-Wholly Owned Subsidiary, to any other holder of Equity Interests of such non-Wholly Owned Subsidiary on a pro rata basis). If (x) the Company or a Subsidiary of the Company issues, transfers, conveys, leases or otherwise disposes of any shares of Capital Stock of a Subsidiary of the Company or securities convertible or exchangeable into, or options, warrants, rights or any other interest with respect to, Capital Stock of a Subsidiary of the Company, and as a result of such transaction or as a result of the exercise, conversion or exchange of such securities, options, warrants, rights or other interest such Subsidiary would cease to be a Subsidiary, or (y) the Company or a Subsidiary of the Company issues, transfers, conveys, leases or otherwise disposes of any shares of Capital Stock or ownership interests of a Permitted Joint Venture which complies with the provisions of clauses (e)(1)(i) or (e)(2) of the definition of Permitted Investment or securities convertible or exchangeable into, or options, warrants, rights or any other interest with respect to, Capital Stock or ownership interests of a Permitted Joint Venture, or permits such a Permitted Joint Venture to issue any shares of Capital Stock or ownership interests of such Permitted Joint Venture or securities convertible or exchangeable into, or options, warrants, rights or any other interest with respect to Capital Stock of or ownership interests, in such Permitted Joint Venture, the Company shall be deemed to have made a Restricted Payment in an amount equal to its net investment in such Subsidiary or Permitted Joint Venture unless, after giving effect to such issuance, transfer, conveyance, lease or disposition, the former Subsidiary shall be or the

Permitted Joint Venture shall continue to be, a Permitted Joint Venture which complies with the provisions of clauses (e)(1)(i) or (e)(2) of the definition of Permitted Investment.

"Revolving Credit Facility" means the revolving credit facilities dated March 25, 1998 with The Toronto-Dominion Bank.

"Sale and Leaseback Transaction" of any Person means an arrangement with any lender or investor or to which such lender or investor is a party providing for the leasing by such Person of any property or asset of such Person which has been or is being sold or transferred by such Person more than 90 days after the acquisition thereof or the completion of construction or commencement of operation thereof to such lender or investor or to any person to whom funds have been or are to be advanced by such lender or investor on the security of such property or asset.

"Securities" means securities designated in the first paragraph of the RECITALS OF THE COMPANY.

"Securities Act" means the U.S. Securities Act of 1933 and (unless the context otherwise requires) includes the rules and regulations of the Commission promulgated thereunder.

"Shareholders' Agreement" means the Shareholders' Agreement dated as of June 16, 1994 among the Company, Wasserstein Perella Partners, Wasserstein Offshore Partners, Richard L. Gelfond and Bradley J. Wechsler, and certain other parties, as amended in the manner contemplated by a letter agreement, dated August 25, 1998, among Wasserstein & Co., Inc., Bradley J. Wechsler and Richard L. Gelfond and as such agreement may be amended, modified or supplemented from time to time.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., and its successors.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

"Special Subsidiary" means a Subsidiary of the Company whose primary business is other than systems design, manufacturing and/or leasing as lessor of the Company's projection and sound systems, and which is so designated pursuant to an Officer's Certificate; provided that neither the Company nor any of its other Subsidiaries (i) provides credit support for, or guarantee of, any Indebtedness of such Subsidiary or any Subsidiary of such Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness) or (ii) is directly or indirectly liable for any Indebtedness of such Subsidiary or any Subsidiary or such Subsidiary ad (b) no default with respect to any Indebtedness of such Subsidiary or any Subsidiary of such Subsidiary (including any right which the holders thereof may have to take enforcement action against such Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Company and its Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity.

"Stated Maturity," when used with respect to any Security or any instalment of interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such instalment of interest is due and payable.

"Strategic Equity Placement" means an issuance of common shares with aggregate proceeds of at least $30.0 million to a person which is (or a controlled Affiliate of any person which is) engaged in a Related Business and has Total Common Equity of at least $600.0 million.

"Subordinated Indebtedness" means Indebtedness of the Company that is subordinated in right of payment to the Notes in any respect or has a stated maturity on or after the Stated Maturity.

"Subsidiary" means, with respect to any person, (i) any corporation, association or other business entity of which more than 50% of the total voting power of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such person or one or more of the other Subsidiaries of that person (or a combination thereof), (ii) any partnership (a) the sole general partner or the managing general partner of which is such person or a Subsidiary of such person or (b) the only general partners of which are such person or of one or more Subsidiaries of such person (or any combination thereof) or (iii) any other person not described in clauses (i) and (ii) above in which such person, or one more other Subsidiaries of such person or such person and one or more other Subsidiaries thereof, directly or indirectly, has a 50% ownership and the power, pursuant to a written contract or agreement, to direct the policies and management or the financial and other affairs thereof.

"Taxes" has the meaning specified in Section 1016.

"Total Common Equity" of any person means, as of any of determination, the product of (i) the aggregate number of outstanding primary shares of Capital Stock of such person on such day (which shall not include any options or warrants on, or securities convertible or exchangeable into, shares of Capital Stock of such person) and (ii) the average Closing Price of such Capital Stock over the 20 consecutive Trading Days immediately preceding such day. If no such Closing Price exists with respect to shares of any such class, the value of such shares for purposes of clause (ii) of the preceding sentence shall be determined by the Board of Directors of the Company in good faith and evidenced by a resolution of the Board of Directors filed with the Trustee.

"Treasury Rate" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) which has become publicly available at least five Business Days prior to the date fixed for repayment (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the then remaining Weighted Average Life to Maturity of the Security

(calculated as if the first date on which the Security can be redeemed at the option of the Company were the final maturity of the Security); provided, however, that if such Weighted Average Life to maturity of the Securities is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which yields are given, except that if such Weighted Average Life to Maturity of the Securities is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed, except as provided in Section 905; provided, however, that in the event the Trust
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Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Unrestricted Subsidiary" means (i) any Subsidiary designated by the Board of Directors of the Company as an Unrestricted Subsidiary and (ii) any Subsidiary of an Unrestricted Subsidiary. An Unrestricted Subsidiary may be designated pursuant to an Officers' Certificate (including any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary so long as; (i) neither the Company nor any Subsidiary (a) provides credit support for, or guarantee of, and Indebtedness of such Subsidiary or any Subsidiary of such Subsidiary, (including any undertaking or agreement in respect of such debt) or (b) is directly or indirectly liable for any Indebtedness of such Subsidiary or any Subsidiary of such Subsidiary, (ii) no default with respect to any Indebtedness of such Subsidiary or any Subsidiary of such Subsidiary would permit (upon notice, lapse of time or otherwise) any holder of any other Indebtedness of the Company of any Subsidiary to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity, (iii) any Investment in such Subsidiary made as a result of designating such Subsidiary an Unrestricted Subsidiary will not violate the provisions of Section 1009, (iv) neither the Company nor any Subsidiary has a contract, agreement, arrangement, understanding or obligation of any kind, whether written or oral, with such Subsidiary other than those that might be obtained at the time from persons who are not Affiliates of the Company, and (v) neither the Company nor any other Subsidiary, has any obligation (a) to subscribe for additional Equity Interests in such Subsidiary, or (b) to maintain or preserve such Subsidiary's financial condition or to cause such Subsidiary to achieve certain levels of operating results. Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing a certified resolution with the Trustee giving effect to such designation. The Board of Directors of the Company may designate any Unrestricted Subsidiary as a Subsidiary if, immediately after giving effect to such designation, there would be no Default or Event of Default under this Indenture and the Company could incur $1.00 of additional Indebtedness pursuant to the Debt Incurrence Ratio test under Section 1008.

"U.S. Government Obligations" means direct non-callable obligations of the United States of America for the payment of which the full faith and credit of the United States is pledged.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

"Wasserstein Offshore Partners" means Wasserstein Perella Offshore Partners, L.P., a Delaware limited partnership.

"Wasserstein Perella Partners" means Wasserstein Perella Partners, L.P., a Delaware limited partnership.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (ii) the then outstanding principal amount of such Indebtedness.

"Wholly Owned Subsidiary" means a Subsidiary all the Equity Interests of which are owned by the Company or one or more wholly owned Subsidiaries of the Company.

SECTION 12. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture (including any covenant compliance with which constitutes a condition precedent) relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent, if any, have been complied with, except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with which, in the case of an Opinion of Counsel may be limited to reliance on an Officers' Certificate as to matters of fact; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 13. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 14. Acts of Holders; Record Date.

Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

The ownership of Securities shall be proved by the Security Register.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

The Company may set any day as a record date for the purpose of determining the Holders of Outstanding Securities entitled to give, make or take any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given, made or taken by Holders of Securities, provided that the Company may not set a record date for,
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and the provisions of this paragraph shall not apply with respect to, the giving or making of any notice, declaration, request or direction referred to in the next paragraph. If not set by the Company prior to the first solicitation of a Holder made by any Person in respect of any such matter referred to in the foregoing sentence, the record date for any such matter shall be the 30th day (or, if later, the date of the most recent list of Holders required to be provided pursuant to Section 701) prior to such first solicitation. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities on such record date, and no other Holders, shall be entitled to take the relevant action, whether or not such Holders remain Holders after such record date; provided that no such action shall be effective hereunder unless
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taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Securities on such record date. Nothing in this paragraph shall be construed to prevent the Company from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Company, at its own expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Trustee in writing and to each Holder of Securities in the manner set forth in Section 106.

The Trustee may set any day as a record date for the purpose of determining the Holders of Outstanding Securities entitled to join in the giving or making of (i) any Notice of Default, (ii) any declaration of acceleration referred to in Section 502, (iii) any request to institute proceedings referred to in Section 507(2) or (iv) any direction referred to in Section 512. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities on such record date, and no other Holders, shall be entitled to join in such notice, declaration, request or direction, whether or not such Holders remain Holders after such record date. Nothing in this paragraph shall be construed to prevent the Trustee from

setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Trustee, at the Company's expense, shall cause notice of such record date and the proposed action by Holders to be given to the Company in writing and to each Holder of Securities in the manner set forth in Section 106.

Without limiting the foregoing, a Holder entitled hereunder to take any action hereunder with regard to any particular Security may do so with regard to all or any part of the principal amount of such Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such principal amount.

SECTION 15. Notices. Etc., to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office or to it at U.S. Bank Trust National Association, 111 East Wacker Drive, Suite 3000, Chicago, Illinois, 60601.

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 16. Notice to Holders: Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

SECTION 17. Conflict with Trust Indenture Act

This Indenture is subject to and governed by the Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be a part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

SECTION 18. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 19. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 110. Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 111. Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Holders of Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. Governing Law.

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

SECTION 113. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date, Purchase Date or Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest or principal (and premium, if any) need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date, Redemption Date or Purchase Date, or at the Stated Maturity,

provided that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date or Purchase Date or Stated Maturity, as the case may be.

SECTION 114. Consent to Service; Jurisdiction.

The Company and the Trustee agree that any legal suit, action or proceeding arising out of or relating to this Indenture, and the Company agrees that any legal suit, action or proceeding arising out of or relating to the Securities, may be instituted in any federal or state court in the Borough of Manhattan, The City of New York, waives any objection which it may now or hereafter have to the laying of the venue of any such legal suit, action or proceeding, waives any immunity from jurisdiction or to service of process in respect of any such suit, action or proceeding, and irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding. The Company further submits to the jurisdiction of the courts of its own corporate domicile in any legal suit, action or proceeding arising out of or relating to this Indenture or the Securities. The Company hereby designates and appoints Imax U.S.A. Inc., 110 E. 59th Street, Suite 2100, New York, New York 10022 as its authorized agent upon which process may be served in any legal suit, action or proceeding arising out of or relating to this Indenture or the Securities which may be instituted in any federal or state court in the Borough of Manhattan, The City of New York, New York, and agrees that service of process upon such agent, and written notice of said service to the Company by the Person serving the same, shall be deemed in every respect effective service of process upon the Company in any such suit, action or proceeding and further designates its domicile, the domicile of Imax U.S.A. Inc. specified above and any domicile Imax U.S.A. Inc. may have in the future as its domicile to receive any notice hereunder (including service of process). If for any reason Imax U.S.A. Inc. (or any successor agent for this purpose) shall cease to act as agent for service of process as provided above, the Company will promptly appoint a successor agent for this purpose reasonably acceptable to the Trustee. The Company agrees to take any and all actions as may be necessary to maintain such designation and appointment of such agent in full force and effect.

SECTION 115. Conversion of Currency.

The Company covenants and agrees that the following provisions shall apply to conversion of currency in the case of the Securities and this Indenture.

(a) (i) If for the purpose of obtaining judgment in, or enforcing the judgment of, any court in any country, it becomes necessary to convert into any other currency (the "judgment currency") an amount due in such coin or currency of the United States of America which as at the time of payment is legal tender for payment of public and private debts ("U.S. Dollars"), then the conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which the judgment is given or the order of enforcement is made, as the case may be (unless a court shall otherwise determine).

(ii) If there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment is given or an order of enforcement is made, as the case may be (or such other date as a court shall determine), and the date of receipt of the amount due, the Company will pay such additional (or, as the case may be, such lesser) amount, if any, as may be necessary so that the amount paid in the judgment currency when converted at the rate of exchange prevailing on the date of receipt will produce the amount in U.S. Dollars originally due.

(b) In the event of the winding-up of the Company at any time while any amount or damages owing under the Securities and this Indenture, or any judgment or order rendered in respect thereof, shall remain outstanding, the Company shall indemnify and hold the Holders and the Trustee harmless against any deficiency arising or resulting from any variation in rates of exchange between (1) the date as of which the equivalent of the amount in U.S. Dollars due or contingently due under the Securities and this Indenture (other than under this Subsection (b)) is calculated for the purposes of such winding-up and (2) the final date for the filing of proof of claim in such winding-up. For the purpose of this Subsection (b), the final date for the filing of proofs of claim in the winding-up of the Company shall be the date fixed by the liquidator or otherwise in accordance with the relevant provisions of applicable law as being the latest practicable date as at which liabilities of the Company may be ascertained for such winding-up prior to payment by the liquidator or otherwise in respect thereto.

(c) The obligations contained in Subsections (a)(ii) and (b) of this Section 115 shall constitute separate and independent obligations of the Company from its other obligations under the Securities and this Indenture, shall give rise to separate and independent causes of action against the Company, shall apply irrespective of any waiver or extension granted by any Holder or the Trustee or any of them from time to time and shall continue in full force and effect notwithstanding any judgment or order or the filing of any proof of claim in the winding-up of the Company for a liquidated sum in respect of amounts due hereunder (other than under Subsection (b) above) or under any such judgment or order. Any such deficiency as aforesaid shall be deemed to constitute a loss suffered by the Holders and no proof or evidence of any actual loss shall be required by the Company or the liquidator or otherwise or any of them. In the case of Subsection (b) above, the amount of such deficiency shall not be deemed to be increased or reduced, as the case may be, by any variation in rates of exchange occurring between the said final date and the date of any liquidating distribution.

(d) The term "rate(s) of exchange" shall mean the noon spot rate of exchange for Canadian interbank transactions applied in converting any other currency into U.S. dollars published by the Bank of Canada for the date of determination.

SECTION 116. Currency Equivalent.

Except as provided in Section 115, for purposes of the construction of the terms of this Indenture or of the Securities, in the event that any amount is stated herein in the currency of one nation (the "First Currency"), as of any date such amount shall also be deemed to represent the amount in the currency of any other relevant nation (the "Other Currency") which is required to purchase such amount in the First Currency at the noon spot rate of exchange for Canadian interbank transactions applied in converting the Other Currency into the First Currency published by the Bank of Canada for the date of determination.

SECTION 117. Shareholders, Officers and Directors Exemption from Individual Liability.

No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in any Security, or because of any indebtedness evidenced thereby, shall be had against any past, present or future shareholder, officer or director, as such, of the Company or of any successor, either directly or through the Company or any successor, under any rule of law, statute or constitutional

provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Securities by the Holders thereof and as part of the consideration for the issue of the Securities.

ARTICLE II

Security Forms

SECTION 118. Forms Generally.

The Securities and the Trustee's certificates of authentication shall be in substantially the forms set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities.

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these methods on steel engraved borders or may be produced in any other manner provided that such manner is permitted by the rules of any securities exchange on which the Securities may be listed, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

SECTION 119. Form of Face of Security.

IMAX CORPORATION

7 7/8 % Senior Notes due 2005

CUSIP No. 45245E AE 9
No. $_____

Imax Corporation, a corporation duly organized and existing under the laws of Canada (herein called the "Company", which term includes any successor Person under this Indenture hereinafter referred to), for value received, hereby promises to pay to , or registered assigns, the principal sum of Dollars on December 1, 2005, and to pay interest thereon from December 4, 1998 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on December 1 and June 1 in each year, commencing June 1, 1999, at the rate of 7.875% per annum, until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the rate of 8.875% per annum on any overdue principal and premium and on any overdue installment of interest until paid. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the May 15 or November 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities

exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and interest on this Security will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under this Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: December 4, 1998

Imax Corporation

[Seal]

By_____
Title:

By_____
Title:

SECTION 120. Form of Reverse of Security.

This Security is one of a duly authorized issue of Securities of the Company designated as its 7 7/8% Senior Notes due 2005 (herein called the "Securities"), limited (except as otherwise provided in this Indenture referred to below) in aggregate principal amount to $400,000,000, issued and to be issued under an Indenture, dated as of December 4, 1998 (herein called the "Indenture"), between the Company and U.S. Bank Trust National Association, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which the Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered.

The Company will pay to each Holder, other than an Excluded Holder, certain Additional Amounts in the event of the withholding or deduction of certain Canadian taxes as described in the Indenture.

The Company does not have the right to redeem any Securities prior to December 1, 2002, except as described in the next following paragraphs. The Securities are redeemable for cash at the option of the Company, in whole or in part, at any time on or after December 1, 2002, upon not less than 30 days nor more than 60 days notice to each holder of Securities, at the following redemption prices (expressed as percentages of the principal amount) if redeemed during the 12-month period commencing December 1 of the years indicated below, in each case (subject to the right of Holders of record on a Record Date to receive interest due on an Interest Payment Date that is on or prior to such Redemption Date) together with accrued and unpaid interest thereon to the Redemption Date:

Year	Percentage
2002.....	103.938%
2003.....	101.969%
2004 and ..... thereafter.....	100.000%

Until December 1, 2001 upon a Public Equity Offering or Strategic Equity Placement of common shares of the Company for cash, up to $70 million aggregate principal amount of the Securities may be redeemed at the option of the Company within 90 days of such Public Equity Offering or Strategic Equity Placement, on not less than 30 days, but not more than 60 days, notice to each Holder of the Securities to be redeemed, with cash from the Net Cash Proceeds of such Public Equity Offering or Strategic Equity Placement, at 107.875 % of the principal amount thereof (subject to the right of Holders of record on a Record Date to receive interest due on an Interest Payment Date that is on or prior to such Redemption Date) together with accrued and unpaid interest thereon to the date of redemption; provided, however, that immediately following such redemption not less than $130 million aggregate principal amount of the Securities are outstanding.

The Securities are also subject to redemption at any time or from time to time prior to December 1, 2002 upon not less than 30 nor more than 60 days' notice to each Holder of Securities redeemed, at the option of the Company, in whole or in part, in integral multiples of $1,000, at a redemption price equal to 100% of the principal amount thereof plus the applicable Make-Whole Premium (subject to the right of Holders of record on a Record Date to receive interest due on an Interest Payment Date that is on or prior to such Redemption Date) plus accrued and unpaid interest to but excluding the Redemption Date.

The Company also may, at its option, redeem the Securities, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Securities, together with accrued and unpaid interest to the redemption date, if the Company has become or would become obligated to pay, on the next date on which any amount would be payable under or with respect to the Securities, any Additional Amounts as a result of certain changes affecting Canadian withholding taxes which are specified in the Indenture at a Redemption Price equal to 100% of the principal amount of the Securities, together with accrued interest to but excluding the Redemption Date, provided that interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Regular Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a partial redemption, the Trustee shall select the Securities or portions thereof for redemption on a pro rata basis, by lot or in such other manner it deems appropriate and fair. The Securities may be redeemed in part in multiples of $1,000 only.

The Securities will not have the benefit of any sinking fund.

In the event of redemption or purchase pursuant to an Offer to Purchase of this Security in part only, a new Security or Securities for the unredeemed or unpurchased portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default shall occur and be continuing, the principal of all the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture provides that, subject to certain conditions, if (i) certain Excess Proceeds are available to the Company as a result of Asset Sales or (ii) a Change of Control occurs, the Company shall be required to make an Offer to Purchase for all or a specified portion of the Securities.

The Indenture contains provisions for defeasance at any time of (i) the entire indebtedness of this Security or (ii) certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth therein.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Securities at the time Outstanding, on behalf of the Holders of all the Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in the Borough of Manhattan, The City of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

As provided for in the Indenture, the Company may, subject to certain limitations, from time to time, without notice to or the consent of the Holders, create and issue Additional Securities so that such Additional Securities shall be consolidated and form a single series with the Securities initially issued by the Company and shall have the same terms as to status, redemption or otherwise as the Securities originally issued. Any Additional Securities shall be issued with the benefit of an indenture supplemental to the Indenture.

The Securities are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities are exchangeable for a like aggregate principal amount of Securities of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

The Indenture and this Security shall be governed by and construed in accordance with the laws of the State of New York.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased in its entirety by the Company pursuant to Section 1013 or 1015 of the Indenture, check the box:

[ ]

If you want to elect to have only a part of this Security purchased by the Company pursuant to Section 1013 or 1015 of the Indenture, state the amount:

$

Dated: Your Signature:

(Sign exactly as name appears on the other side of this Security)

Signature Guarantee:

(Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company)

SECTION 121. Form of Trustee's Certificate of Authentication.

This is one of the Securities referred to in the within-mentioned Indenture.

U.S. Bank Trust National Association,

as Trustee

By

Authorized Officer

SECTION 122. Form of Legend for Global Securities.

Every Global Security authenticated and delivered hereunder shall bear a legend in substantially the following form:

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

ARTICLE III

The Securities

SECTION 123. Title and Terms.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is limited to $400,000,000, except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities pursuant to Section 304, 305, 306, 906 or 1107 or in connection with an Offer to Purchase pursuant to Section 1013 or 1015.

The Securities shall be known and designated as the "7 7/8% Senior Notes due 2005" of the Company. Their Stated Maturity shall be December 1, 2005 and they shall bear interest at the rate of 7.875% per annum, from December 4, 1998 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, as the case may be, payable semi-annually on December 1 and June 1, commencing June 1, 1999, until the principal thereof is paid or made available for payment.

The principal of (and premium, if any) and interest on the Securities shall be payable at the office or agency of the Company in The City of New York, New York maintained for such purpose and at any other office or agency maintained by the Company for such purpose; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

The Securities shall be subject to repurchase by the Company pursuant to an Offer to Purchase as provided in Section 1013 or 1015.

Additional Securities ranking pari passu with the Securities issued the date hereof may be created and issued from time to time by the Company without notice or consent to the Holders and shall be consolidated with and form a single series with the Securities initially issued and shall have the same terms as to status, redemption or otherwise as the Securities originally issued, provided that, the aggregate principal amount of Securities issued shall be no more than U.S $400,000,000; any Additional

Securities shall be issued and the benefit of an indenture supplemental to this Indenture.

The Securities shall be redeemable as provided in Article Eleven.

The Securities shall be subject to defeasance at the option of the Company as provided in Article Twelve.

SECTION 124. Denominations.

The Securities shall be issuable only in registered form without coupons and only in denominations of $1,000 and any integral multiple thereof.

SECTION 125. Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Company by its Chairman of the Board, its President or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities; and the Trustee in accordance with such Company Order shall authenticate and deliver such Securities as in this Indenture provided and not otherwise.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

In case the Company, pursuant to Article Eight, shall be amalgamated, consolidated or merged with or into any other Person or shall convey, transfer, lease or otherwise dispose of substantially all of its properties and assets to any Person, and the successor Person resulting from such amalgamation, consolidation, or surviving such merger, or into which the Company shall have been merged, or the successor Person which shall have received a conveyance, transfer, lease or other disposition as aforesaid, shall have executed an indenture supplemental hereto with the Trustee pursuant to Article Eight, any of the Securities authenticated or delivered prior to such amalgamation, consolidation, merger, conveyance, transfer, lease or other disposition may, from time to time, at the request of the successor Person, be exchanged for other Securities executed in the name of the successor Person with such changes in phraseology and form as may be appropriate, but otherwise in substance of like tenor as the Securities surrendered for such exchange and of like principal amount; and the Trustee upon Company Order of the successor Person, shall authenticate and deliver replacement Securities as

specified in such request for the purpose of such exchange. If replacement Securities shall at any time be authenticated and delivered in any new name of a successor Person pursuant to this Section in exchange or substitution for or upon registration of transfer of any Securities, such successor Person, at the option of any Holder but without expense to such Holder, shall provide for the exchange of all Securities at the time outstanding held by such Holder for Securities authenticated and delivered in such new name.

SECTION 126. Temporary Securities.

Pending the preparation of definitive Securities, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at any office or agency of the Company designated pursuant to Section 1002, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 127. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 1002 being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security at an office or agency of the Company designated pursuant to Section 1002 for such purpose, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denominations and of a like aggregate principal amount.

At the option of the Holder, Securities may be exchanged for other Securities of any authorized denominations and of a like aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Security Registrar) be duly endorsed, or be accompanied by a

written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 906 or 1107 or in accordance with any Offer to Purchase pursuant to Section 1013 or 1015 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities selected for redemption under Section 1104 and ending at the close of business on the day of such mailing, or (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

The provisions of Clauses (1), (2), (3) and (4) below shall apply only to Global Securities:

(1) Each Global Security authenticated under this Indenture shall be registered in the name of the Depositary or a nominee thereof and delivered to the Depositary or a nominee thereof or custodian therefor, and each such Global Security shall constitute a single Security for all purposes of this Indenture.

(2) Notwithstanding any other provision in this Indenture or the Securities, no Global Security may be exchanged in whole or in part for Securities registered, and no transfer of a Global Security in whole or in part may be registered, in the name of any Person other than the Depositary or a nominee thereof unless (A) such Depositary (i) has notified the Company that it is unwilling or unable to continue as Depositary for such Global Security or (ii) has ceased to be a clearing agency registered under the Exchange Act and in either case the Company thereupon fails to appoint a successor depositary within 120 days of such notice, (B) the Company, at its option, executes and delivers to the Trustee a Company Order that such Global Security shall be exchanged in whole for Securities that are not Global Securities, or (C) there shall have occurred and be continuing an Event of Default with respect to such Global Security.

(3) Securities issued in exchange for a Global Security or any portion thereof pursuant to clause (2) above shall be issued in definitive, fully registered form, without interest coupons, shall have an aggregate principal amount equal to that of such Global Security or portion thereof to be so exchanged, shall be registered in such names and be in such authorized denominations as the Depositary shall designate and shall bear any legends required hereunder. Any Global Security to be exchanged in whole shall be surrendered by the Depositary to the Trustee, as Security Registrar. With regard to any Global Security to be exchanged in part, either such Global Security shall be so surrendered for exchange or, if the Trustee is acting as custodian for the Depositary or its nominee with respect to such Global Security, the principal amount thereof shall be reduced, by an amount equal to the portion thereof to be so exchanged, by means of an appropriate adjustment made on the records of the Trustee. Upon any such surrender or adjustment, the Trustee shall authenticate and deliver the Security issuable on such exchange to or upon the order of the U.S. Depositary or an authorized representative thereof.

(4) In the event of the occurrence of any of the events specified in clause (2) above, the Company will promptly make available to the Trustee a reasonable supply of certificated

Securities in definitive, fully registered form, without interest coupons.

(5) Neither any members of, or participants in, the U.S. Depositary ("Agent Members") nor any other Persons on whose behalf Agent Members may act shall have any rights under this Indenture with respect to any Global Security, or under any Global Security, and the Depositary or such nominee, as the case may be, may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner and Holder of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or such nominee, as the case may be, or impair, as between the Depositary, its Agent Members and any other person on whose behalf an Agent Member may act, the operation of customary practices of such Persons governing the exercise of the rights of a Holder of any Security.

SECTION 128. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the mutilation, destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section in lieu of any mutilated, destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 129. Payment of Interest; Interest Rights Preserved.

Interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 130. Persons Deemed Owners.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of (and premium, if any) and (subject to Section 307) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any

agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 131. Cancellation.

All Securities surrendered for payment, redemption, registration of transfer or exchange or for credit against any Offer to Purchase pursuant to Section 1013 or 1015 shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of by the Trustee in accordance with its customary procedures and certification of their disposal delivered to the Company unless by Company Order the Company shall direct that cancelled Securities be returned to it.

SECTION 132. Computation of Interest.

Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months.

ARTICLE IV

Satisfaction and Discharge

SECTION 133. Satisfaction and Discharge of Indenture.

This Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for), and the Trustee, upon a Company Order, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture (including, but not limited to Article Twelve hereof), when

(1) either

(1) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(2) all such Securities not theretofore delivered to the Trustee for cancellation

(2) have become due and payable, or

(3) will become due and payable at their Stated Maturity within one year, or

(4) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for in this Indenture relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture pursuant to this Article Four, the obligations of the Company to the Trustee under Section 607 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of Clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 134. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee.

ARTICLE V

Remedies

SECTION 135. Events of Default.

"Event of Default", wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) the failure by the Company to pay any installment of interest on the Securities as and when the same becomes due and payable and the continuance of any such failure for 30 days;

(2) the failure by the Company to pay all or any part of the principal, or premium, if any, on the Securities when and as the same becomes due and payable at maturity, redemption, by acceleration or otherwise, including, without limitation, payment of the Change of Control Purchase Price or the Asset Sale Offer Price, or otherwise;

(3) the failure by the Company or any Subsidiary to observe or perform any other covenant or agreement contained in the Securities or this Indenture and the continuance of such

failure for a period of 30 days after written notice is given to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities outstanding;

(4) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company or any Subsidiary in an involuntary case or proceeding under any applicable U.S. Federal or State, Canadian Federal or Provincial or other applicable bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company or any Subsidiary a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or any Subsidiary under any applicable U.S. Federal or State, Canadian Federal or Provincial or other applicable law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of the property of the Company or any Subsidiary, or ordering the winding up or liquidation of the affairs of the Company or any Subsidiary, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; the commencement by the Company or any Subsidiary of a voluntary case or proceeding under any applicable U.S. Federal or State, Canadian Federal or Provincial or other applicable bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Company or any Subsidiary to the entry of a decree or order for relief in respect of the Company or Subsidiary in an involuntary case or proceeding under any applicable U.S. Federal or State, Canadian Federal or Provincial or other applicable bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Company or Subsidiary, or the filing by the Company or any Subsidiary of a petition or answer or consent seeking reorganization or relief under any applicable U.S. Federal or State, Canadian Federal or Provincial or other applicable law, or the consent by the Company or any Restricted Subsidiary to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or any Subsidiary or of any substantial part of the property of the Company or Subsidiary, or the making by the Company or any Subsidiary of an assignment for the benefit of creditors, or the admission by the Company or any Subsidiary in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company or any Subsidiary in furtherance of any such action.

(5) failure to perform or comply with the provisions described under "Limitation on Merger, Sale or Consolidation";

(6) a default in Indebtedness of the Company or any of its Subsidiaries with an aggregate principal amount in excess of $10 million (a) resulting from the failure to pay principal or interest or (b) as a result of which the maturity of such Indebtedness has been accelerated prior to its stated maturity; and

(7) final unsatisfied judgments not covered by insurance aggregating in excess of $10 million, at any one time rendered against the Company or any of its Subsidiaries and not stayed, bonded or discharged within 60 days.

SECTION 136. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default occurs and is continuing (other than an Event of Default specified in Section 501(4) relating to the Company or any Subsidiary), then in every such case, unless the

principal of all of the Securities shall have already become due and payable, either the Trustee or the Holders of 25% in aggregate principal amount of the Securities then outstanding, by notice in writing to the Company (and to the Trustee if given by Holders) (an "Acceleration Notice"), may declare all principal and premium, if any, determined as set forth below, and accrued interest thereon to be due and payable immediately. If an Event of Default specified in Section 501(4) relating to the Company or any Subsidiary occurs, all principal and premium, if any, and accrued interest thereon will be immediately due and payable on all outstanding Notes without any declaration or other act on the part of the Trustee or the Holders.

In the case of any Event of Default occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Securities pursuant to the optional redemption provisions of the Indenture, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Securities.

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of Securities, by written notice to the Company and the Trustee, at the time outstanding generally are authorized to rescind such acceleration if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(1) all overdue interest on all Securities,

(2) the principal of (and premium, if any, on) any Securities which have become due otherwise than by such declaration of acceleration (including any Securities required to have been purchased on the Purchase Date pursuant to an Offer to Purchase made by the Company) and, to the extent that payment of such interest is lawful, interest thereon at the rate provided by the Securities,

(3) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate provided by the Securities, and

(4) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

and

(2) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Securities which have become due solely by such acceleration, have been cured or waived, except on default with respect to any provision requiring the approval of the Holder of each outstanding Security affected to amend.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 137. Collection of Indebtedness and Suits for Enforcement by Trustee.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 138. Trustee May File Proofs of Claim.

In case of any judicial proceeding relative to the Company (or any other obligor upon the Securities), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 139. Trustee May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 140. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 607; and

SECOND: To the payment of the amounts then due and unpaid for principal of (and premium, if any) and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal (and premium, if any) and interest, respectively; and

THIRD: The balance, if any, to the Company.

SECTION 141. Limitation on Suits.

No Holder of any Security shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities;

it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

SECTION 142. Unconditional Right of Holders to Receive Principal, Premium and Interest

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 307) interest on such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date or in the case of an Offer to Purchase made by the Company and required to be accepted as to such Security, on the Purchase Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 143. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 144. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 145. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 146. Control by Holders.

Subject to all provisions of the Indenture and applicable law, the Holders of a majority in aggregate principal amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture, and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 147. Waiver of Past Defaults.

Prior to the declaration of acceleration of the maturity of the Securities, the Holders of a majority in aggregate principal amount of the Outstanding Securities may waive on behalf of all Holders any default, except a default

(1) in the payment of principal of or interest on any Security not yet cured; or

(2) with respect to any covenant or provision which cannot be modified or amended without the consent of the Holder of each outstanding Security affected.

Upon any such waiver, such default shall cease to exist and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but not such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 148. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require

any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act; provided, that neither this Section nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company.

SECTION 149. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage or any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VI

The Trustee

SECTION 150. Certain Duties and Responsibilities.

The duties and responsibilities of the Trustee shall be as provided by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 151. Notice of Defaults.

Within 90 days after the occurrence of any default hereunder, the Trustee shall give the Holders notice of any default hereunder as and to the extent provided by the Trust Indenture Act; provided, however, that in the case of any default of the character specified in Section 501(3), no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

SECTION 152. Certain Rights of Trustee.

Subject to the provisions of Section 601:

(1) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, Officers' Certificate or any other certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(2) any request or direction of the Company mentioned herein shall be

sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(3) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate, including (i) as evidence of the truth of any statements of fact, and (ii) to the effect that any particular dealing or transaction or step or thing is, in the opinion of the Officers so certifying, expedient, as evidence that it is expedient; provided that the Trustee may in its sole discretion require from the Company or otherwise further evidence or information before acting or relying on such certificate

(4) such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(5) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(6) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(7) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 153. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificate of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the Securities and perform its obligations hereunder and that the statements made by it in a Statement of Eligibility on Form T-1 supplied to the Company are true and accurate, subject to the qualifications set forth therein. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 154. May Hold Securities.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 155. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 156. Compensation and Reimbursement.

The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses (including the reasonable fees and expenses of its agents and counsel) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

SECTION 157. Corporate Trustee Required; Eligibility.

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

SECTION 158. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such. Any successor Trustee shall have a combined capital and surplus of at least $50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign

immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 159. Resignation and Removal; Appointment of Successor.

(1) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 611.

(2) The Trustee may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(3) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Securities, delivered to the Trustee and to the Company.

(4) If at any time:

(2) the Trustee shall fail to comply with Section 608 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(3) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(4) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by a Board Resolution may remove the Trustee, or (ii) subject to Section 514, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the

Trustee and each appointment of a successor Trustee to all Holders in the manner provided in Section 106. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 160. Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 161. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 162. Preferential Collection of Claims Against Company.

If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

SECTION 163. Appointment of Authenticating Agent.

The Trustee may appoint an Authenticating Agent or Agents which shall be authorized to act on behalf of the Trustee to authenticate Securities issued upon original issue and upon exchange, registration of transfer, partial conversion or partial redemption or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the

Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions to this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall otherwise be eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Holders as their names and addresses appear in the Security Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Trustee agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments, subject to the provisions of Section 607.

If an appointment is made pursuant to this Section, the Securities may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

This is one of the Securities described in the within-mentioned Indenture.

U.S. Bank Trust National Association
As Trustee

By

As Authenticating Agent

By

Authorized Officer

ARTICLE VII

Holders' Lists and Reports by Trustee and Company

SECTION 164. Company to Furnish Trustee Names and Addresses of Holders.

The Company will furnish or cause to be furnished to the Trustee

(a) semi-annually, not more than 15 days after each Regular Record Date, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such Regular Record Date, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

SECTION 165. Preservation of Information; Communications to Holders.

(1) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(2) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities and the corresponding rights and duties of the Trustee, shall be provided by the Trust Indenture Act.

(3) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to the names and addresses of Holders made pursuant to Section 312 of the Trust Indenture Act regardless of the source from which such information was derived.

SECTION 166. Reports by Trustee.

(1) Within 60 days of each Regular Record Date, the Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto.

(2) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Securities are listed, with the Commission and with the Company. The Company will notify the Trustee when the Securities are listed on any stock exchange.

SECTION 167. Reports by Company.

The Company shall:

(1) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(3) transmit by mail to all Holders, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

ARTICLE VIII

Limitation on Merger, Sale or Consolidation

SECTION 168. Company May Consolidate, Etc. Only on Certain Terms.

The Company shall not, directly or indirectly, consolidate or amalgamate with or merge with or into another person or sell, lease, transfer or otherwise convey all or substantially all of its assets (computed on a consolidated basis), whether in a single transaction or a series of related transactions, to another person or group of affiliated persons or adopt a Plan of Liquidation, unless (i) either (a) the Company is the continuing entity or (b) the resulting, surviving or transferee entity or, in the case of a Plan of Liquidation, the entity which receives the greatest value from such Plan of Liquidation is a corporation organized under the laws of the United States of America, or any state thereof or the District

of Columbia, or Canada or any province or territory thereof and expressly assumes by supplemental indenture all of the obligations of the Company in connection with the Securities and this Indenture; (ii) no Default or Event of Default shall exist or shall occur immediately after giving effect on a pro forma basis to such transaction; (iii) immediately after giving effect to such transaction on a pro forma basis, the Consolidated Net Worth of the consolidated surviving or transferee entity or, in the case of a Plan of Liquidation, the entity which receives the greatest value from such Plan of Liquidation is at least equal to the Consolidated Net Worth of the Company immediately prior to such transaction; and (iv) immediately after giving effect to such transaction on a pro forma basis, the consolidated resulting, surviving or transferee entity or, in the case of a Plan of Liquidation, the entity which receives the greatest value from such Plan of Liquidation would immediately thereafter be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Debt Incurrence Ratio set forth in Section 1008 hereof.

SECTION 169. Successor Substituted

Upon any consolidation, amalgamation or merger or any transfer of all or substantially all of the assets of the Company or consummation of a Plan of Liquidation in accordance with Section 801, the successor corporation formed by such consolidation or amalgamation or into which the Company is merged or to which such transfer is made or, in the case of a Plan of Liquidation, the entity which receives the greatest value from such Plan of Liquidation shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named therein as the Company, and the Company shall be released from the obligations under the Securities and this Indenture except with respect to any obligations that arise from, or are related to, such transaction.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise) of all or substantially all of the properties and assets of one or more Subsidiaries, the Company's interest in which constitutes all or substantially all of the properties and assets of the Company, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

For purposes of the Sections 801 and 802, the transfer (by lease, assignment, sale or otherwise) of all or substantially all of the properties and assets of one or more Subsidiaries, the Company's interest in which constitutes all or substantially all of the properties and assets of the Company shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

ARTICLE IX

Supplemental Indentures

SECTION 170. Supplemental Indentures Without Consent of Holders

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders or to

surrender any right or power herein conferred upon the Company; or

(3) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trust hereunder by more than one Trustee, pursuant to the requirements of Section 611; or

(4) to supplement any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of the Securities pursuant to Sections 401, 1202 and 1203; provided that any such action shall not adversely affect the interests of the Holders of Securities in any material respect.; or

(5) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture, provided such action pursuant to this Clause (5) shall not adversely affect the interests of the Holders in any material respect; or

(6) to issue Additional Securities as provided in Section 301.

SECTION 171. Supplemental Indentures with Consent of Holders

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) to change the Stated Maturity of the principal of, or any instalment of interest on, any Security, or reduce the principal amount thereof or the rate (or extend the time for payment) of interest thereon or any premium payable upon the redemption thereof, or change the place of payment where, or the coin or currency in which, any Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or reduce the Change of Control Purchase Price or the Asset Sale Offer Price or alter the provisions (including the defined terms used therein) regarding the right of the Company to redeem the Securities in a manner adverse to the Holders, or

(2) to reduce the percentage in principal amount of the Outstanding Securities, the consent of whose Holders is required for any such amendment, supplemental indenture or waiver provided for in this Indenture, or

(3) to modify any of the provision of this Section, Section 513 or Section 1021, except to increase any required percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby, or

(4) cause the Securities to become subordinate in right of payment to any other

Indebtedness.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 172. Execution of Supplemental Indentures

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 173. Effect of Supplemental Indentures

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 174. Conformity with Trust Indenture Act

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

SECTION 175. Reference in Securities to Supplemental Indentures

Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

SECTION 176. Notice of Supplemental Indentures

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of Section 902, the Company shall give notice thereof to the Holders of each Outstanding Security affected, in the manner provided for in Section 106, setting forth in general terms the substance of such supplemental indenture.

ARTICLE X

Covenants

SECTION 177. Payment of Principal, Premium and Interest

The Company will duly and punctually pay the principal of (and premium, if any) and interest on the Securities in accordance with the terms of the Securities and this Indenture.

SECTION 178. Maintenance of Office or Agency

The Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies (in or outside the Borough of Manhattan, The City of New York) where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 179. Money for Security Payments to be Held in Trust

If the Company shall at any time act as its own Paying Agent, it will, on or before each due date of the principal of (and premium, if any) or interest on any of the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, prior to each due date of the principal of (and premium, if any) or interest on any Securities, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of (and premium, if any) or interest on Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities) in the making of any payment of principal (and premium, if any) or interest; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Security and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 180. Existence

Subject to Article Eight and Section 1013 the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; provided, however, that the Company shall not be required to preserve any such right or franchise if the Board of Directors in good faith shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 181. Maintenance of Properties

The Company will cause all properties used or useful in the conduct of its business or the business of any Subsidiary of the Company to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Company from discontinuing the operation or maintenance of any of such properties if such discontinuance is judged by the Company to be desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the Holders.

SECTION 182. Payment of Taxes and Other Claims

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or any of its

Subsidiaries or upon the income, profits or property of the Company or any of its Subsidiaries, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company or any of its Subsidiaries; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 183. Maintenance of Insurance

The Company shall, and shall cause its Subsidiaries to, keep at all times all of their properties which are of an insurable nature insured against loss or damage with insurers believed by the Company to be responsible to the extent that property of similar character is usually so insured by corporations similarly situated and owning like properties in accordance with good business practice. The Company shall, and shall cause its Subsidiaries to, use the proceeds from any such insurance policy to repair, replace or otherwise restore the property to which such proceeds relate.

SECTION 184. Limitation on Incurrence of Additional Indebtedness

Except as set forth in this covenant, the Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, issue, assume, guaranty, incur, become directly or indirectly liable with respect to (including as a result of an Acquisition), or otherwise become responsible for, contingently or otherwise (individually and collectively, to "incur" or, as appropriate, an "incurrence"), any Indebtedness (including Acquired Indebtedness) other than Permitted Indebtedness.

The immediately preceding paragraph will not prohibit (A) the Company from incurring Indebtedness if (i) no Default or Event of Default shall have occurred and be continuing at the time of, or would occur after giving effect on a pro forma basis to, such incurrence of Indebtedness and (ii) on the date of incurrence of such Indebtedness (the "Incurrence Date"), after giving effect on a pro forma basis to such incurrence and the use of proceeds thereof (including, if applicable, the Investment of such proceeds in Cash Equivalents), the Consolidated Coverage Ratio of the Company for the Reference Period immediately preceding the Incurrence Date would be at least 2.50 to 1 (the "Debt Incurrence Ratio") and (B) any Special Subsidiary from incurring Indebtedness if (i) no Default or Event Default shall have occurred and be continuing at the time of, or would occur after giving effect on a pro forma basis to, such incurrence of Indebtedness and (ii) on the Incurrence Date, after giving effect on a pro forma basis to such incurrence and the use of proceeds thereof (including, if applicable, the Investment of such proceeds in Cash Equivalents), (1) the Company could incur at least $1.00 of additional Indebtedness pursuant to clause A(ii) of this paragraph and (2) the ratio of the aggregate principal amount of Indebtedness of all Special Subsidiaries to Consolidated EBITDA of the Company for the Reference Period immediately preceding the Incurrence Date would be no more than 1.25 to 1. The accretion of original issue discount and any accruals of interest on any Indebtedness shall not be deemed an incurrence of Indebtedness for purposes of this Section.

SECTION 185. Limitation on Restricted Payments

The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, make any Restricted Payment if, after giving effect to such Restricted Payment on a pro forma basis, (1) a Default or an Event of Default shall have occurred and be continuing, (2) the Company is not permitted to incur at least $1.00 of additional Indebtedness pursuant to the Debt Incurrence Ratio set forth in Section 1008 hereof, or (3) the aggregate amount of all Restricted Payments made by the Company and its Subsidiaries, including after giving effect to such proposed Restricted Payment, from and after the Issue Date, would exceed the sum of (a) 50% of the aggregate Consolidated

Net Income of the Company and its Subsidiaries for the period (taken as one accounting period), commencing on the first day of the first full fiscal quarter commencing after the Issue Date, to and including the last day of the fiscal quarter ended immediately prior to the date of each such calculation (or, in the event Consolidated Net Income for such period is a deficit, then minus 100% of such deficit), (b) the aggregate Net Cash Proceeds received by the Company from the sale of its Qualified Capital Stock (including Qualified Capital Stock issued upon the exercise of options, warrants, or rights to purchase Qualified Capital Stock) or options, warrants or rights to purchase Qualified Capital Stock or of debt securities of the Company that have been converted into Qualified Capital Stock (other than (i) to a Subsidiary of the Company or (ii) to the extent applied in connection with a Qualified Exchange) after the Issue Date, (c) the aggregate principal amount of the Company's Convertible Subordinated Notes, which has been converted into common shares of the Company after the Issue Date, (d) an amount equal to the net reduction in Investments (including by way of dividends) by the Company and its Subsidiaries subsequent to the Issue Date in any Unrestricted Subsidiary, but only to the extent such amount is not included in Consolidated Net Income, and (e) $60 million.

The immediately preceding paragraph, however, shall not prohibit (t) the conversion of the Convertible Subordinated Notes; (u) so long as no Default or Event of Default shall have occurred and be continuing or should occur as a consequence thereof, any Refinancing of Indebtedness otherwise permitted by clause (c) of the definition of "Permitted Indebtedness"; (v) the repurchase of Capital Stock of the Company or options to purchase Capital Stock of the Company from employees of the Company or any Subsidiary of the Company pursuant to the forms of agreements under which employees may purchase or are granted the option to purchase, shares of Capital Stock of the Company, (w) a Qualified Exchange, (x) Investments, other than Permitted Investments, in an amount not to exceed $25 million in the aggregate, (y) the purchase, redemption or other acquisition or retirement for value of any Equity Interests of a Subsidiary not owned by the Company or a Subsidiary, provided that at the time of such purchase, redemption, acquisition or retirement and after giving effect thereto, the Company would be able to incur $1.00 of additional Indebtedness pursuant to the Debt Incurrence Ratio set forth in Section 1008 hereof, or (z) the payment of any dividend on Capital Stock within 60 days after the date of its declaration if such dividend could have been made on the date of such declaration in compliance with the foregoing provisions. The full amount of any payment made pursuant to clause (v), (x), and (z) (but not pursuant to clauses (t), (u), (w) or (y)) of the immediately preceding sentence will be treated as Restricted Payments for purposes of calculating the aggregate amount of Restricted Payments made pursuant to the immediately preceding paragraph.

SECTION 186. Limitation on Dividends and Other Payment Restrictions
Affecting Subsidiaries

The Company shall not, and shall not permit any of its Core Subsidiaries to, directly or indirectly, create, assume or suffer to exist any restriction on the ability of any Core Subsidiary of the Company to pay dividends or make other distributions to or on behalf of, or to pay any obligation to or on behalf of, or otherwise to transfer assets or property to or on behalf of, or make or pay loans or advances to or on behalf of, the Company or any Subsidiary of the Company, except (a) restrictions imposed by the Securities or this Indenture, (b) restrictions imposed by applicable law, (c) existing restrictions under Indebtedness outstanding on the Issue Date and which are set forth in a schedule to this Indenture, (d) restrictions under any Acquired Indebtedness not incurred in violation of this Indenture or any agreement relating to any property, asset, or business acquired by the Company or any of its Subsidiaries, which restrictions are not applicable to any person, other than the person acquired, or to any property, asset or business, other than the property, assets and business so acquired, (e) any such restriction or requirement imposed by Indebtedness incurred under paragraph (b) of the definition of "Permitted Indebtedness" provided such restriction or requirement is no more restrictive than that imposed by the Revolving Credit Facility as of the Issue Date, (f) restrictions with respect solely to a

Core Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of all or substantially all of the Equity Interests or assets of such Subsidiary, provided such restrictions apply solely to the Equity Interests or assets of such Subsidiary which are being sold, (g) customary restrictions on transfers of property contained in any security agreement (including a Capital Lease Obligation) securing Indebtedness of the Company or a Subsidiary otherwise permitted under this Indenture, and (h) in connection with and pursuant to permitted Refinancings, replacements of restrictions imposed pursuant to clauses (a), (c) or (d) of this paragraph that are not more restrictive than those being replaced and do not apply to any other person or assets than those that would have been covered by the restrictions in the Indebtedness so refinanced. Notwithstanding the foregoing, neither (a) customary provisions restricting subletting or assignment of any lease entered into in the ordinary course of business, consistent with industry practice, nor (b) Liens permitted under the terms of this Indenture shall in and of themselves be considered a restriction on the ability of the applicable Core Subsidiary to transfer such agreement or assets, as the case may be.

SECTION 187. Limitation on Liens Securing Indebtedness

The Company shall not, and shall not permit any of its Core Subsidiaries to, create, incur, assume or suffer to exist any Lien of any kind, other than Permitted Liens, upon any of their respective assets now owned or acquired on or after the Issue Date or upon any income or profits therefrom (any such Lien, the "Initial Lien"), unless the Company provides, and causes its Subsidiaries to provide, concurrently therewith, that the Securities are equally and ratably so secured. Any such Lien thereby created in favor of the Securities will be automatically and unconditionally released and discharged upon the release and discharge of the Initial Lien to which it relates.

SECTION 188. Limitation on Sale and Leaseback Transactions

The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, enter into any Sale and Leaseback Transaction unless (a) immediately after giving pro forma effect to such Sale and Leaseback Transaction (the Attributable Value of such Sale and Leaseback Transaction being deemed to be Indebtedness of the Company, if not otherwise treated so pursuant to the definition of Indebtedness), the Company could incur at least $1.00 of additional Indebtedness pursuant to the Debt Incurrence Ratio set forth set forth in Section 1008 hereof, (b) such Sale and Leaseback Transaction complies with Section 1013 hereof and (c) the Company or such Subsidiary could incur a Lien to secure Indebtedness in the amount of the Attributable Value of the Sale and Leaseback Transaction without equally and ratably securing the Securities.

SECTION 189. Limitation on Sale of Assets

The Company shall not, and shall not permit any of its Subsidiaries to convey, sell, transfer, assign or otherwise dispose of, directly or indirectly, any of its property, business or assets, including by merger or consolidation (in the case of a Subsidiary of the Company), and including any sale or other transfer or issuance of any Equity Interests of any Subsidiary of the Company, whether by the Company or a Subsidiary or through the issuance, sale or transfer of Equity Interests by a Subsidiary of the Company, and including any Sale and Leaseback Transaction, in a single transaction or through a series of related transactions, for an aggregate consideration net of out-of-pocket costs relating thereto (including without limitation, legal, accounting and investment banking fees and sales commissions), in excess of $1 million (any of the foregoing, an "Asset Sale"), unless (1) within 12 months after the date of such Asset Sale, (a) an amount equal to the Net Cash Proceeds therefrom is applied to the optional redemption of the Securities in accordance with the terms of this Indenture or to the repurchase of the Securities pursuant to an irrevocable, unconditional cash offer (the "Asset Sale Offer") to repurchase

Securities at a purchase price of 100% of the principal amount thereof (the "Asset Sale Offer Price") together with accrued and unpaid interest to the date of payment or (b) an amount equal to the Asset Sale Offer Amount is (i) invested in assets and property (other than notes, bonds, obligations and securities, except in connection with the acquisition of a Subsidiary) which in the good faith reasonable judgment of the Board of Directors will immediately constitute or be a part of a Related Business of the Company or such Subsidiary (if it continues to be a Subsidiary) immediately following such transaction or (ii) used to permanently reduce Indebtedness permitted pursuant to paragraph (b) of the definition "Permitted Indebtedness" (including that in the case of a revolver or similar arrangement that makes credit available, such commitment is also permanently reduced by such amount), (2) at least 80% of the total consideration received for such Asset Sale or series of related Asset Sales consists of Cash or Cash Equivalents; provided that the Company and its Subsidiaries may engage in Asset Sales for consideration not in the form of cash or Cash Equivalents in amounts in excess of that permitted in this clause (2), so long as (x) such excess consideration is in the form of Fully Traded Common Stock, (y) the aggregate market value of such Fully Traded Common Stock received by the Company and its Subsidiaries (measured as of the date of receipt) from all Asset Sales in reliance on this proviso since the date of this Indenture that has not been converted into cash or Cash Equivalents does not exceed $10 million and (z) any Fully Traded Common Stock that is converted into cash or Cash Equivalents shall be applied as provided in this Section, (3) no Default or Event of Default shall have occurred and be continuing at the time of, or would occur after giving effect, on a pro forma basis, to, such Asset Sale, and (4) the Board of Directors of the Company determines in good faith that the Company or such Subsidiary, as applicable, receives fair market value for such Asset Sale.

An acquisition of Securities pursuant to an Asset Sale Offer may be deferred until the accumulated Net Cash Proceeds from Asset Sales not applied to the uses set forth in clause (1)(b) of the immediately preceding paragraph (the "Excess Proceeds") exceeds $10.0 million and that each Asset Sale Offer shall remain open for 20 Business Days following its commencement (the "Asset Sale Offer Period"). Upon expiration of the Asset Sale Offer Period, the Company shall apply the Excess Proceeds plus an amount equal to accrued and unpaid interest to the purchase of all Securities properly tendered (on a pro rata basis if the Excess Proceeds are insufficient to purchase all Securities so tendered) at the Asset Sale Offer Price (together with accrued interest). To the extent that the aggregate amount of Securities tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company may use any remaining Net Cash Proceeds for general corporate purposes as otherwise permitted by this Indenture and following each Asset Sale Offer the Excess Proceeds amount shall be reset to zero. For purposes of clause (2) of the immediately preceding paragraph, total consideration received means the total consideration received for such Asset Sales minus the amount of (a) Indebtedness which is not Subordinated Indebtedness assumed by a transferee which assumption permanently reduces the amount of Indebtedness outstanding on the Issue Date or permitted pursuant to paragraph (b), (d) or (e) of the definition "Permitted Indebtedness" (including that in the case of a revolver or similar arrangement that makes credit available, such commitment is so reduced by such amount) and (b) property that within 30 days of such Asset Sale is converted into Cash or Cash Equivalents.

The Company and its Subsidiaries may undertake the following actions without complying with the prior two paragraphs:

(1) the Company and its Subsidiaries may, in the ordinary course of business, convey, sell, transfer, assign or otherwise dispose of inventory, receivables and notes receivable acquired and held for resale in the ordinary course of business;

(2) the sale, lease, transfer or other conveyance of all or substantially all of the assets of the Company, on a consolidated basis, will be governed by the provisions described under Section 1015 and Section 801 and Section 802 and not by the provisions

of this Section;

(3) the Company and its Subsidiaries may sell or dispose of damaged, worn out or other obsolete property in the ordinary course of business so long as such property is no longer necessary for the proper conduct of the business of the Company or such Subsidiary, as applicable;

(4) the Company and its Subsidiaries may convey, sell, transfer, assign or otherwise dispose of assets to the Company or a Subsidiary;

(5) the Company and its Subsidiaries may securitize their accounts receivable under long term system leases;

(6) the Company and its Subsidiaries may simultaneously exchange property or assets for other property or assets, provided that the property or assets received by the Company or Subsidiary have at least substantially equal fair market value to the Company or Subsidiary as the property or assets exchanged (as determined by the Board of Directors evidenced by a Board Resolution filed with the Trustee) and will immediately constitute or be part of a Related Business of the Company or such Subsidiary;

(7) the Company may sell its real estate located at Isabella Street, Toronto, Ontario and Invicta Drive, Oakville, Ontario;

(8) the Company and its Subsidiaries may make Investments in Permitted Joint Ventures that qualify as Permitted Investments pursuant to clause (e) of the definition of Permitted Investments;

(9) a Special Subsidiary may issue Equity Interests of such Special Subsidiary; and

(10) the Company may sell lease, transfer or otherwise convey, including by means of a merger or consolidation, all or any part of its motion simulation and attractions business, provided that it complies with the requirements of clause (4) of the first paragraph of this covenant.

All Net Cash Proceeds from an Event of Loss shall be invested, used for prepayment of Indebtedness, or used to repurchase Securities, all within the period and as otherwise provided above in clause 1(a) or 1(b) of the first paragraph of this Section.

Any Asset Sale Offer shall be made in compliance with all applicable laws, rules, and regulations, including, if applicable, Regulation 14E of the Exchange Act and the rules and regulations thereunder and all other applicable Federal and state securities laws. To the extent that the provisions of any securities laws or regulations conflict with the terms hereof, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations hereunder by virtue thereof.

SECTION 190. Limitation on Transactions with Affiliates

Neither the Company nor any of its Subsidiaries shall on or after the Issue Date enter

into or suffer to exist any contract, agreement, arrangement or transaction with any Affiliate (an "Affiliate Transaction"), or any series of related Affiliate Transactions, (other than Exempted Affiliate Transactions) (i) unless it is determined that the terms of such Affiliate Transaction are fair and reasonable to the Company, and no less favorable to the Company than could have been obtained in an arm's length transaction with a non-Affiliate and, (ii) if involving consideration to either party in excess of $2 million, unless such Affiliate Transaction(s) is evidenced by an Officers' Certificate addressed and delivered to the Trustee certifying that such Affiliate Transaction(s) has been approved by a majority of the members of the Board of Directors that are disinterested in such transaction and (iii) if involving consideration to either party in excess of $10 million, unless in addition the Company, prior to the consummation thereof, obtains a written favorable opinion as to the fairness of such transaction to the Company from a financial point of view from an independent investment banking firm of national reputation.

SECTION 191. Repurchase of Securities at the Option of the Holder
Upon A Change of Control

In the event that a Change of Control has occurred, each Holder of Securities shall have the right, at such Holder's option, pursuant to an irrevocable and unconditional offer by the Company (the "Change of Control Offer"), to require the Company to repurchase all or any part of such Holder's Securities (provided, that the principal amount of such Securities must be $1,000 or an integral multiple thereof) on a date (the "Change of Control Purchase Date") that is no later than 60 Business Days after the occurrence of such Change of Control, at a cash price equal to 101% of the principal amount thereof (the "Change of Control Purchase Price"), together with accrued and unpaid interest to the Change of Control Purchase Date. The Change of Control Offer shall be made within 10 Business Days following a Change of Control and shall remain open for 30 Business Days following its commencement (the "Change of Control Offer Period"). Upon expiration of the Change of Control Offer Period, the Company promptly shall purchase all Securities properly tendered in response to the Change of Control Offer.

"Change of Control" means (i) any merger, amalgamation or consolidation of the Company with or into any person or any sale, lease transfer or other conveyance, whether direct or indirect, of all or substantially all of the assets of the Company, on a consolidated basis, in one transaction or a series of related transactions, if, immediately after giving effect to such transaction(s), any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable) (other than an Excluded Person) is or becomes the "beneficial owner," directly or indirectly, of more than 50% of the total voting power in the aggregate normally entitled to vote in the election of directors, managers, or trustees, as applicable, of the transferee(s) or surviving entity or entities, (ii) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable) (other than an Excluded Person) is or becomes the "beneficial owner," directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of Capital Stock of the Company then outstanding normally entitled to vote in elections of directors, or (iii) during any period of 12 consecutive months after the Issue Date, individuals who at the beginning of any such 12-month period constituted the Board of Directors of the Company (together with any new directors whose election by such Board or whose nomination for election by the shareholders of the Company was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company then in office, other than as a result of the Shareholders Agreement as in effect on the Issue Date, as the same may be amended as contemplated by the letter agreement, dated August 25, 1998, among Wasserstein & Co., Inc., Bradley J. Wechsler and Richard L. Gelfond.

On or before the Change of Control Purchase Date, the Company shall (i) accept for payment Securities or portions thereof properly tendered pursuant to the Change of Control Offer, (ii) deposit with the Paying Agent cash sufficient to pay the Change of Control Purchase Price (together with accrued and unpaid interest) of all Securities so tendered and (iii) deliver to the Trustee Securities so accepted together with an Officers' Certificate listing the Securities or portions thereof being purchased by the Company. The Paying Agent promptly will pay the Holders of Securities so accepted an amount equal to the Change of Control Purchase Price (together with accrued and unpaid interest), and the Trustee promptly will authenticate and deliver to such Holders a new Security equal in principal amount to any unpurchased portion of the Security surrendered. Any Securities not so accepted will be delivered promptly by the Company to the Holder thereof. The Company publicly shall announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The Change of Control purchase feature of the Securities may make more difficult or discourage a takeover of the Company, and, thus, the removal of incumbent management.

SECTION 192. Payment of Additional Amounts

All amounts paid or credited by the Company with respect to the Securities will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment, or other governmental charge imposed or levied by or on behalf of the Government of Canada or of any province or territory thereof or by any authority or agency therein or thereof having power to tax (hereinafter "Taxes"), unless the Company is required to withhold or deduct Taxes by law or by the interpretation or administration thereof. If the Company is so required to withhold or deduct any amount from, for or on account of Taxes from any payment or credit made under or with respect to the Securities, the Company will pay such additional amounts (the "Additional Amounts") as may be necessary so that the net payment or credit received by each owner of a beneficial interest in the Securities (including Additional Amounts) after such withholding or deduction will not be less than the amount the Holder or owner of a beneficial interest in the Securities would have received if such Taxes had not been withheld or deducted; provided that no Additional Amounts will be payable with respect to a payment or credit made to an owner of a beneficial interest in the Securities (i) with whom the Company does not deal at arm's length (within the meaning of the Income Tax Act (Canada)) at the time of making such payment or credit, (ii) which is subject to such Taxes by reason of its being connected with Canada or any province or territory thereof otherwise than by the mere holding of the Securities or the receipt of payments or credits thereunder or (iii) which is subject to such Taxes by reason of its failure to comply with any certification, identification, information, documentation or other reporting requirement if compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or a reduction in the rate of deduction or withholding of, such Taxes (in each case referred to herein as an "Excluded Holder"). The Company will also (1) make such withholding or deduction and (2) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Company will furnish the Holders of the Securities, within 30 days after the date the payment of any Taxes is due pursuant to applicable law, certified copies of tax receipts evidencing such payment by the Company. In the event that the Company fails to remit any taxes in respect of which Additional Amounts are payable, the Company will indemnify and hold harmless each owner of a beneficial interest in the Securities (other than an Excluded Holder) and upon written request reimburse such owner of a beneficial interest in the Securities for the amount of (i) any Taxes levied on and paid by, such owner of a beneficial interest in the Securities as a result of payment made with respect to the Securities (including penalties, interest and expenses arising from or with respect to such Taxes) and (ii) any Taxes imposed with respect to payment of Additional Amounts or any reimbursement pursuant to this sentence.

At least 30 days prior to each date on which any payment under or with respect to the Securities is due and payable, if the Company will be obligated to pay Additional Amounts with respect to such payments, the Company will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and setting forth such other information necessary to enable the Trustee to pay such Additional Amounts to Holders or owners of a beneficial interest in the Securities, as the case may be, on the payment date.

The obligations of the Company under this Section 1016 shall survive the termination of this Indenture and the payment of all amounts under or with respect to the Securities.

SECTION 193. Limitation on Status as Investment Company

The Company and its Subsidiaries shall not be required to register as an "investment company" (as that term is defined in the Investment Company Act of 1940, as amended), or from otherwise becoming subject to regulation under the Investment Company Act.

SECTION 194. Payments for Consent

Neither the Company nor any of its Subsidiaries shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder of any Securities for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Securities unless such consideration is offered to be paid or agreed to be paid to all holders of the Securities who so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement, which solicitation documents will be mailed to all Holders of the Securities a reasonable amount of time prior to the expiration of such solicitation.

SECTION 195. Reports

The Company shall file with the Trustee, to be provided to Holders of Securities, within 15 days of the required date of filing with the Commission, copies of its annual and quarterly reports and of the information, documents and reports which the Company or any Subsidiary is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act. To the extent that the Company is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall file with the Commission and provide to the Trustee, to be provided to the holders of the Securities, at the same time as if it were subject to such requirements, such annual and quarterly reports and such information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulations prescribe) which it would be required to file with the Commission if it were subject to such requirements. The Company shall also make such reports available to prospective purchasers of the Securities, securities analysts and broker-dealers upon their request.

SECTION 196. Statement By Officers as to Default; Compliance Certificates

(1) The Company shall deliver to the Trustee, within 90 days after the end of each fiscal year, of the Company ending after the date hereof an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions of Section 801 and Sections 1004 to 1020, inclusive, and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

(2) The Company shall deliver to the Trustee, as soon as possible and in any event within 10 days after the Company becomes aware or should reasonably become aware of the occurrence of an Event of Default or an event which, with notice or the lapse of time or both, would constitute an Event of Default, an Officers' Certificate setting forth the details of such Event of Default or default, and the action which the Company proposes to take with respect thereto.

SECTION 197. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any covenant or condition set forth in Section 801 and Sections 1005 to 1019, if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect; provided, however, with respect to an Asset Sale Offer or Change of Control Offer as to which an offer has been mailed, no such waiver may be made or shall be effective against any Holder tendering Securities pursuant to such offer, and the Company may not omit to comply with the terms of such offer as to such Holder.

SECTION 198. Limitation on Applicability of Certain Covenants

During any period of time that (i) the ratings assigned to the Securities by each of S&P and Moody's are no less than BBB- and Baa3, respectively (the "Investment Grade Ratings"), and (ii) no Default or Event of Default has occurred and is continuing (the occurrence of the events described in the foregoing clauses (i) and (ii) being referred to as the "Fall-away Event"), the Company and its Subsidiaries will not be subject to the covenants set forth in Sections 1008, 1009, 1010, clause (a) of Sections 1012, 1013, 1014 and 1015 and clauses (iii) and (iv) of Section 801 (collectively, the "Suspended Covenants"); provided that the Company delivers to the Trustee (A) an Officers' Certificate certifying that the Fall-away Event has occurred, (b) an Opinion of Counsel pursuant to Section 102 stating, among other things, that No Event of Default has occurred and is continuing and (C) a letter from each of the Rating Agencies certifying the rating on the Securities.

If one or both Rating Agencies withdraws its rating or downgrades its rating so that its rating is no longer an Investment Grade Rating, then thereafter the Company and its Subsidiaries will be subject, on a prospective basis, to the Suspended Covenants (until both the Rating Agencies have again assigned Investment Grade Ratings to the Securities).

ARTICLE XI

Redemption of Securities

SECTION 199. Right of Redemption

(1) Except as set forth in paragraphs (b) and (c) of this Section 1101, the Company shall not have the option to redeem the Securities prior to December 1, 2002. Thereafter, the Company shall have the option to redeem the Securities for cash, in

whole or in part, upon not less than 30 days' nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest thereon to the Redemption Date if redeemed during the twelve-month period beginning on December 1 of the years indicated below:

(1) Year	Percentage
2002	103.938%
2003	101.969%
2004 and thereafter	100.000%

(2) Notwithstanding the provisions of paragraph (a) of this Section 1101, at any time or from time to time on or prior to December 1,, 2001, the Company may (but shall not have the obligation to) redeem in the aggregate up to $70 million principal amount of the Securities originally outstanding, upon not less than 30 nor more than 60 days notice at a redemption price of 107.875% of the aggregate principal amount so redeemed (subject to the right of Holders of record on a Record Date to receive interest due on an Interest Payment Date that is on or prior to such Redemption Date) together with accrued and unpaid interest thereon to the Redemption Date out of the Net Cash Proceeds of a Public Equity Offering or Strategic Equity Placement; provided, however, that immediately following such redemption not less than $130 million aggregate principal amount of the Securities are outstanding, and provided, further, that such redemption shall occur within 90 days of the closing of such Public Equity Offering or Strategic Equity Placement.

(3) Notwithstanding the provisions of paragraph (a) of this Section 1101, the Securities will also be subject to redemption at any time or from time to time prior to December 1,, 2002 upon not less than 30 nor more than 60 days' notice to each Holder of Securities redeemed, at the option of the Company, in whole or in part, in integral multiples of $1,000, at a redemption price equal to 100% of the principal amount thereof plus the applicable Make-Whole Premium (subject to right of Holders of record on a Record Date) to receive interest due on an Interest Payment Date that is on or prior to such Redemption Date plus accrued and unpaid interest to but excluding the Redemption Date.

(4) If, as a result of any change in, or amendment to, the laws (or any regulations promulgated thereunder) of Canada (or any political subdivision or taxing authority thereof or therein), or any change in or amendment to any official position or administration or assessing practices regarding the application or interpretation of such laws or regulations, which change or amendment is announced or becomes effective on or after the date hereof, the Company has become or would become obligated to pay, on the next date on which any amount would be payable under or with respect to the Securities, any Additional Amounts to a Holder (other than an Excluded Holder) in accordance with Section 1016 hereof, then the Company may, at its option at any time thereafter (provided the obligation to pay such Additional Amounts still exists at such time), redeem the Securities, as a whole but not in part, at a redemption price equal to 100% of their principal amount, together with interest accrued thereon to the Redemption Date provided that the Company determines, in its business judgment, that the obligation to pay such Additional Amounts cannot be avoided by the use of reasonable measures available to the Company which would not involve any liability of any kind to the Company, except for any cost or expense which is minimal, not including substitution of the obligor under the Securities.

SECTION 1100. No Mandatory Redemption

The Company shall not be required to make mandatory redemption payments with respect to the Securities.

SECTION 1101. Election to Redeem; Notice to Trustee

If the Company elects to redeem Securities pursuant to the optional redemption provisions of Section 1101 hereof, it shall furnish to the Trustee, at least 30 days (unless a shorter period is acceptable to the Trustee) but not more than 60 days before a redemption date, an Officers' Certificate setting forth (a) the clause of this Indenture pursuant to which the redemption shall occur, (b) the Redemption Date, (c) the principal amount of Securities to be redeemed and (d) the redemption price.

SECTION 1102. Selection by Trustee of Securities to Be Redeemed

If fewer than all of the Securities are to be redeemed at any time, the Trustee shall select the Securities to be redeemed among the Holders of the Securities in compliance with the requirements of the principal national securities exchange, if any, on which the Securities are listed or, if the Securities are not so listed, on a pro rata basis, by lot or in accordance with any other method the Trustee considers fair and appropriate. In the event of partial redemption by lot, the particular Securities to be redeemed shall be selected, unless otherwise provided herein not less than 30 nor more than 60 days prior to the Redemption Date by the Trustee from the Outstanding Securities not previously called for redemption.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed. Securities and portions of Securities selected shall be in amounts of $1,000 or integral multiples of $1,000; except that if all of the Securities of a Holder are to be redeemed, the entire outstanding amount of Securities held by such Holder, even if not an integral multiple of $1,000, shall be redeemed. Except as provided in the preceding sentence, provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption.

SECTION 1103. Notice of Redemption

Subject to the provisions of Section 1101 hereof, at least 30 days but not more than 60 days before a redemption date, the Company shall mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Securities are to be redeemed at its registered address.

The notice shall identify the Securities (including applicable CUSIP numbers) to be redeemed and shall state:

(1) the redemption date;

(2) the redemption price;

(3) if any of the Securities are being redeemed in part, the portion of the principal amount of such Security to be redeemed and that, after the redemption date upon surrender of such Security, a new Security or Securities in principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Security;

(4) the name and address of the Paying Agent;

(5) that Securities called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(6) that, unless the Company defaults in making such redemption payment or the Paying Agent is prohibited from making such payments pursuant to the terms of this Indenture, interest on Securities (or portions thereof) called for redemption ceases to accrue on and after the Redemption Date;

(7) the paragraph of the Securities and/or the Section of this Indenture pursuant to which the Securities called for redemption are being redeemed; and

(8) that no representation is made as to the correctness or accuracy of the CUSIP or ISIN number, if any, listed in such notice or printed on the Securities.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense; provided, however, that the Company shall have delivered to a Responsible Officer of the Trustee, at least 45 days (unless a shorter period is acceptable to the Trustee) prior to the redemption date, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

Once notice of redemption is mailed in accordance with Section 1105, Securities called for redemption become irrevocably due and payable on the Redemption Date at the redemption price stated in the notice. Failure to give notice or any defect in the notice to any Holder shall not affect the validity of the notice to any other Holder.

SECTION 1104. Deposit of Redemption Price

On or prior to the Redemption Date, the Company shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption price of and accrued interest on all Securities to be redeemed on that date other than Securities or portions of Securities called for redemption which have been delivered by the Company to the Trustee for cancellation. The Trustee or the Paying Agent shall promptly return to the Company any money deposited with the Trustee or the Paying Agent by the Company in excess of the amounts necessary to pay the redemption price of, and accrued interest on, all Securities to be redeemed.

If the Company complies with the provisions of the preceding paragraph, on and after the Redemption Date, interest shall cease to accrue on the Securities or the portions of Securities called for redemption. If a Security is redeemed on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Security was registered at the close of business on such record date. If any Security called for redemption shall not be so paid upon surrender for redemption because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption date until such unpaid principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Securities and in Section 307 hereof.

SECTION 1105. Securities Redeemed in Part

Upon surrender of a Security that is redeemed in part, the Company shall issue and, upon the Company's written request, the Trustee shall authenticate for the Holder at the expense of the

Company a new Security equal in principal amount to the unredeemed portion of the Security surrendered.

ARTICLE XII

Defeasance and Covenant Defeasance

SECTION 1106. Company's Option to Effect Defeasance or Covenant Defeasance.

The Company may at its option by Board Resolution, at any time, elect to have either Section 1202 or Section 1203 applied to all Outstanding Securities upon compliance with the conditions set forth below in this Article Twelve.

SECTION 1107. Defeasance and Discharge

Upon the Company's exercise of the option provided in Section 1201 applicable to this Section 1202, the Company shall, subject to the satisfaction of the conditions set forth in Section 1204 hereof, be deemed to have been discharged from its obligations with respect to all Outstanding Securities on the date the conditions set forth below are satisfied (hereinafter, "defeasance"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by the Outstanding Securities, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 1205 hereof and the other Sections of this Indenture referred to in (A) and (B) below, and to have satisfied all its other obligations under such Securities and this Indenture (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of Holders of such Outstanding Securities to receive, solely from the trust fund described in Section 1204, and as more fully set forth in such Section, payments in respect of the principal of (and premium, if any) and interest on such Securities when such payments are due, (B) the Company's obligations with respect to such Securities under Sections 304, 305, 306, 1002 and 1003 (C) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's obligations in connection therewith and (D) this Article Twelve. Subject to compliance with this Article Twelve, the Company may exercise its option under this Section 1202 notwithstanding the prior exercise of its option under Section 1203.

SECTION 1108. Covenant Defeasance

Upon the Company's exercise of the option provided in Section 1201 applicable to this Section 1203, (i) the Company shall, subject to the satisfaction of the conditions set forth in Section 1204 hereof, be released from its obligations under Sections 1005 through 1015, inclusive, Sections 1019 and 1020 and Clauses (iii) and (iv) of Section 801, and (ii) the occurrence of an event specified in Sections 501(3) (with respect to Sections 1005 through 1017, inclusive, and Sections 1019 and 1020), 501(5) (with respect to Clauses (iii) or (iv) of Section 801), 501(6) and 501(7) shall not be deemed to be an Event of Default (hereinafter "covenant defeasance"). For this purpose, such covenant defeasance means that the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such Section, Clause or Article, whether directly or indirectly by reason of any reference elsewhere herein to any such Section, Clause or Article or by reason of any reference in any such Section, Clause or Article to any other provision herein or in any other document, but the remainder of this Indenture and such Securities shall be unaffected thereby.

SECTION 1109. Conditions to Defeasance or Covenant Defeasance

The following shall be the conditions to application of either Section 1202 or Section 1203 to the then Outstanding Securities:

(1) The Company must irrevocably deposit with the Trustee (or another trustee satisfying the requirements of Section 609 who shall agree to comply with the provisions of this Article Twelve applicable to it), in trust, for the benefit of the Holders of such Securities, (A) U.S. legal tender, or (B) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge, the principal of (premium, if any,) and interest on such Securities on the applicable redemption date or such principal or installment of principal or interest on such Securities, and the Holders of Securities must have a valid, perfected, exclusive security interest in such trust.

(2) In the case of an election under Section 1202, the Company shall have delivered to the Trustee an Opinion of Counsel qualified to practice law in the United States reasonably acceptable to the Trustee confirming that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (y) since the date of this Indenture there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of such Securities will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such defeasance and will be subject to U.S. federal income tax on the same amount, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

(3) In the case of an election under Section 1203, the Company shall have delivered to the Trustee an Opinion of Counsel qualified to practice law in the United States reasonably acceptable to the Trustee confirming that the Holders of such Securities will not recognize income, gain or loss for U.S. Federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

(4) In the case of an election under Section 1202 or Section 1203, the Company shall have delivered to the Trustee an Opinion of Counsel qualified to practice law in Canada reasonably acceptable to the Trustee confirming that (x) that the Holders of such Securities will not recognize gain or loss for Canadian federal or provincial income tax purposes as a result of such deposit, defeasance or covenant defeasance or discharge, as applicable, and will be subject to Canadian federal or provincial income tax and other tax on the same amounts, in the same manner and at the same times as would have been the case had such deposit, defeasance or covenant defeasance and discharge, as the case may be, not occurred and (y) the interest, principal and other amounts paid or credited in respect of such Securities will not be subject to Canadian withholding tax as a result of such deposit, defeasance or covenants defeasance or discharge (and for the purposes of such opinion, such Canadian counsel shall assume that Holders of the Securities include Holders who are not resident in Canada).

(5) No Default or Event of Default shall have occurred and be continuing on the date of such deposit or, insofar as Events of Default from bankruptcy or insolvency are concerned, at any time in the period ending on the 91st day after the date of deposit;

(6) Such defeasance or covenant defeasance will not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(7) The Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of such Securities over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others; and

(8) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the conditions precedent provided for, in the case of the Officer's Certificate, clauses (1) through (7) and, in the case of the Opinion of Counsel, clauses (1) (with respect to the validity and perfection of the security interest), (2), (3), (4) and (6) of this subsection relating to the defeasance or covenant defeasance, as applicable, have been complied with.

SECTION 1110. Deposited Money and U.S. Government Obligations to be Held in Trust: Other Miscellaneous Provisions

Subject to the provisions of Section 1206, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee--collectively, for purposes of this Section 1205, the "Trustee") pursuant to Section 1204 in respect of the Securities shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities, of all sums due and to become due thereon in respect of principal (and premium, if any) and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or U.S. Government Obligations deposited pursuant to Section 1204 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the Outstanding Securities.

Anything in this Article Twelve to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the request of the Company any money or U.S. Government Obligations held by it as provided in Section 1204 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be opinion delivered under Section 1204(a) hereof), are in excess of the amount thereof which would then be required to be deposited to effect an equivalent defeasance or covenant defeasance.

SECTION 1111. Repayment to Company

Any money deposited with the Trustee or any Paying Agent, or then held by the

Company, in trust for the payment of the principal of, premium, if any, or interest on any Security and remaining unclaimed for two years after such principal, and premium, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as a secured creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in The New York Times and The Wall Street Journal (national edition) notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 1112. Reinstatement

If the funds deposited with the Trustee to apply to either Section 1202 or 1203 are insufficient to pay the principal of, premium, if any, and interest on the Securities due, or if the Trustee or the Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Section 1202 or 1203 by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Article Thirteen until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 1202 or 1203, and no such defeasance will be deemed to have occurred; provided, however, that if the Company makes any payment of principal of (and premium, if any) or interest on any Security following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money held by the Trustee or the Paying Agent.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

IMAX CORPORATION

By
/s/ RICHARD L. GELFOND

Name: Richard L. Gelfond
Title: Vice-Chairman and Co-CEO

By
/s/ BRADLEY J. WECHSLER

Name: Bradley J. Wechsler
Title: Chairman and Co-CEO

U.S. BANK TRUST NATIONAL ASSOCIATION

By
/s/ MICHAEL T. GOODWIN

Name: Michael T. Goodwin
Title: Assistant Vice President

SCHEDULE I

Debt outstanding on date of Indenture

5 3/4% Convertible subordinated notes due 2003	$100,000,000
10% Senior notes due 2001	$65,000,000
TOTAL DEBT OUTSTANDING	$165,000,000

SCHEDULE II

Limitation on Payments
affecting Restricted Subsidiaries

Limitation on Restricted Payments covenant contained in the indenture dated March 1, 1994 between WGIM Acquisition Corporation (predecessor to the Company) and Continental Bank, National Association relating to the Company's 10% Senior Notes due 2001.

SCHEDULE III

Liens existing on the date of this Indenture

1. LIENS HELD BY TORONTO-DOMINION BANK:

Registered General Security Agreement

Registered General Assignment of Book Debts

Registered All Purpose Collateral First Mortgage in the amount of C $10,000,000 against real property known municipally as 2525 Speakman Drive, Mississauga, Ontario.

Specific assignment of cash balances or investments in an amount of $US 1,428,000.

2. OTHER

Security Interest in favor of the State of Kuwait re: "Fires of Kuwait" giving the state of Kuwait priority over all accounts receivable related to the film "Fires of Kuwait" and the film itself.

Security Interest in favor of ANM (1991) III Limited Partnership re: "Into the Deep" giving the limited partnership priority over all accounts receivable related to the film "Into the Deep" and on the film itself.

EXHIBIT 4.10

EXECUTION COPY

SECOND AMENDED AND RESTATED SHAREHOLDERS' AGREEMENT

This SECOND AMENDED AND RESTATED SHAREHOLDERS' AGREEMENT (this "Agreement"), dated as of February 9, 1999, by and among 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"), Richard L. Gelfond ("Gelfond" and, together with Wechsler, the "GW Shareholders") and Imax Corporation, a corporation organized under the laws of Canada (the "Company").

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, certain of the parties hereto entered into an Amended and Restated Shareholders' Agreement dated June 16, 1994 (the "1994 Shareholders' Agreement") and now desire to further amend such agreement;

WHEREAS, contemporaneously herewith, certain of the parties hereto are entering into an Amended and Restated Standstill Agreement (the "1999 Standstill Agreement") and a Registration Rights Agreement (the "1999 Registration Rights 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:

"1994 Shareholders' Agreement" has the meaning set forth in the Recitals hereto.

"1998 Employment Agreements" means the employment agreements dated as of July 1, 1998 between the Company and each of Gelfond and Wechsler.

"1999 Registration Rights Agreement" has the meaning set forth in the Recitals hereto.

"1999 Standstill Agreement" has the meaning set forth in the Recitals hereto.

"Acceptance Notice" has the meaning set forth in Section 2(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, 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 calculated to obtain the intended result; 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.

"Come-Along Notice" has the meaning set forth in Section 2(c) hereof.

"Common Shares" has the meaning set forth in the Recitals hereto.

"Company" has the meaning set forth in the introductory paragraph hereto.

"Convertible Notes" means the 5 3/4% Convertible Subordinated Notes due April 1, 2003 issued by the Company.

"Designated Directors" has the meaning set forth in Section 3(c)(i).

"Exempted Transfer" has the meaning set forth in Section 2(d) hereof.

"Gelfond" has the meaning set forth in the introductory paragraph hereto.

"GW Designated Director" has the meaning set forth in Section 3(c)(iv) hereof.

"GW Shareholders" has the meaning set forth in the introductory paragraph hereto.

"GW Shareholders' Standstill Agreement" has the meaning set forth in Section 3(c)(iv) hereof.

"GW Shares" means (i) all Common Shares beneficially owned by the GW Shareholders and their Affiliates, including, without limitation, all restricted Common Shares, all Common Shares subject to outstanding Options and warrants and all Common Shares subject to options to be granted pursuant to Section 1(h) of the 1998 Employment Agreements, (ii) all Liquidation Shares and (iii) all Phantom Shares.

"Independent Person" means an individual who, at all times during such person's term as a director of the Company, meets each of the following three criteria: (a) an individual who is not, and has not previously been within the past three years, an employee of the Company, Wasserstein & Co., any Affiliate of the Company or Wasserstein & Co. or any entity in which Wasserstein & Co., the GW Shareholders or any of their Affiliates owns or previously has owned more than five percent of the outstanding voting securities or other ownership interests; (b) an individual who does not have, and has not had, any substantial business relationship with and has not been a partner with, employee of, or a service provider to, the Company, Wasserstein & Co., the GW Shareholders or any of their respective Affiliates within the past three years; and (c) an individual who will not, through relationship, business dealings or otherwise, be susceptible to influence from the Company, Wasserstein & Co., the GW Shareholders or any of their respective Affiliates.

"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 IPO Closing.

"Liquidation Shares" means, for purposes of this Agreement only, the deemed equivalent of 180,000 Common Shares held by the GW Shareholders representing the rights of the GW Shareholders to receive special bonuses pursuant to their employment agreements dated as of March 1, 1994, until such special bonuses are paid.

"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.

"Phantom Shares" means, for purposes of this Agreement only, the deemed equivalent of 30,000 Common Shares held by the GW Shareholders representing the right to receive certain payments pursuant to Section 1(g) of the 1998 Employment Agreements, until such payments are made.

"Prospective Transferee" has the meaning set forth in Section 2(b) hereof.

"Replacement Director" has the meaning set forth in Section 3(c)(iii) hereof.

"resident Canadian" has the meaning as defined in Section 2(1) of the Canada Business Corporations Act, as amended.

"Securities" means the Common Shares, the Convertible Notes, Options and any securities of the Company entitled to vote generally in the election of directors or any securities convertible into or exchangeable for any of the foregoing.

"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 or 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(b) hereof.

"transfer" has the meaning set forth in Section 2(a) hereof.

"Wasserstein & Co." means Wasserstein & Co., Inc., a Delaware corporation.

"Wechsler" has the meaning set forth in the introductory paragraph hereto.

"WP" has the meaning set forth in the introductory paragraph hereto.

"WP Employee Designees" has the meaning set forth in Section 3(b)(i) hereof.

"WP Shares" means all outstanding Common Shares owned by WP and its Affiliates and all Common Shares owned by current or former limited partners of WPLP or WPOP and over which WP or its Affiliates retain both dispositive power and a right to control voting on all matters submitted to the shareholders of the Company.

"WPLP" has the meaning set forth in the introductory paragraph hereto.

"WPOP" has the meaning set forth in the introductory paragraph hereto.

Section 2. Restrictions on Transfers of Securities and Rights of Co-Sale.

(a) Restrictions on Transfers of Securities. No transfer, sale, assignment, pledge or other hypothecation or disposition, voluntary or involuntary (each, a "transfer"), of Securities by any of the parties hereto 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) Take-Along Right. If WP owns at least 10% of the IPO Shares owned by it at the time of the IPO Closing and WP proposes to sell or transfer any Securities held by it

(including for these purposes WP Shares) in one or more related transactions which will result in a transfer by WP of 50% or more of the WP Shares outstanding at such time, then WP shall promptly give written notice thereof (a "Take-Along Notice") to the GW Shareholders at least 30 days prior to the closing of such sale or transfer. The Take-Along Notice shall describe in reasonable detail the proposed sale or transfer by WP, including, without limitation, the number and type of the Securities to be sold or transferred, the name and address of the prospective purchaser or transferee of the Securities (a "Prospective Transferee"), the proposed amount and form of the consideration to be paid and the terms and 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(b) and has agreed to purchase Securities in accordance with the terms hereof and any other material terms or conditions of the sale or transfer. Each GW Shareholder shall have the right, exercisable upon written notice (the "Acceptance Notice") delivered to WP within 15 days after such receipt of the Take-Along Notice, to participate in such sale on the same terms and conditions as set forth in the Take-Along Notice. The Acceptance Notice shall state that such GW Shareholder wishes to transfer Securities to the Prospective Transferee on the terms described in the Take-Along Notice, and shall state the number of Securities thereof that such GW Shareholder wishes to include in the proposed transfer. If such GW Shareholder has delivered a timely Acceptance Notice it shall have the right to sell a number of Securities equal to the product obtained by multiplying (i) the aggregate number of Securities covered by the Take-Along Notice by (ii) a fraction the numerator of which is the number of GW Shares at the time of the sale or transfer and the denominator of which is the number of WP Shares and GW Shares at the time of such sale or transfer. Notwithstanding the foregoing, WP shall not be required to comply with the provisions of this Section 2(b) if the GW Shareholders have received an offer for their Securities on identical terms to those received by WP and WP and the GW Shareholders shall have had an opportunity to close on the offer on identical terms.

(c) Come-Along Right. If (i) WP holds at least 35% of the IPO Shares held by it at the time of the IPO Closing, (ii) holders of a majority of the Securities desire to sell their

Securities and (iii) WP determines to sell or transfer all of the WP Shares in one or more related transactions and it would like to require the GW Shareholders to sell their Securities in such sale, then WP shall give written notice thereof (the "Come-Along Notice") to the GW Shareholders at least 20 days
prior to such sale. Such notice shall describe in reasonable detail the proposed sale or transfer by WP, including, without limitation, the name and address of the Prospective Transferee, the number and type of the Securities proposed to be sold or transferred, the proposed amount and form of the consideration to be paid to WP in connection with such sale or transfer and the terms and conditions of payment of such consideration offered by the Prospective Transferee and any other material terms or conditions of the sale or transfer. Each GW Shareholder shall be required to sell all of its Securities to such third party or parties concurrently with the sale by WP of the WP Shares, on the terms and conditions approved by WP subject to the consideration to be received by each GW Shareholder being identical on a pro rata basis to the consideration being received by WP.

(d) Exempted Transfers. The provisions of Section 2 hereof shall not
apply to transfers of Securities (including for these purposes WP Shares) (i) by a party to an Affiliate of such party, (ii) pursuant to an effective registration statement under the Securities Act or under Rule 144 under the Securities Act (or any similar or successor rule), (iii) pursuant to a prospectus filed with any Canadian securities regulatory authority or qualified for distribution in any province of Canada or a distribution exempt from the prospectus and registration requirements under applicable Canadian law, (iv) upon the merger, consolidation or liquidation of a party or an Affiliate of such party, (v) in which a warrant or warrants are exercised for Common Shares, (vi) by WP to (a) any of its partners in accordance with its partnership agreement as then in effect or (b) to any employee partnership of which WP or any of its Affiliates is the general partner, or of which any of their respective executive officers is the general partner or to any such executive officer or (vii) by either GW Shareholder to a Person by will or the laws of descent and distribution or by gift of any kind for tax or estate planning purposes (each, an "Exempted Transfer"). Notwithstanding the foregoing, each party to this
Agreement agrees that it will not directly or indirectly make any Exempted Transfer of any Securities held by such party pursuant to clause (i) or (vii) of the first sentence of this Section 2(d) or pursuant to clause (vi) of the first sentence of this Section 2(d) if such partner is party to any agreement with WP or one of its Affiliates, or any other partner of WP or one of its Affiliates with respect to the voting or disposition of such Securities, unless, prior to the consummation of any such Exempted Transfer, the prospective transferee executes and delivers to the Company an agreement, in form and substance reasonably satisfactory to the Company, whereby such prospective transferee confirms that, with respect to the Securities that are the subject of such transfer, it shall be deemed to be a party to this Agreement for the purposes of this Agreement and agrees to be bound by all the terms of this Agreement. Upon the execution and delivery by such prospective transferee of the agreement referred to in the immediately preceding sentence, such prospective transferee shall be deemed a party to this Agreement for the purposes of this Agreement, and shall, except as provided below, have the rights and be subject to the obligations of a party to this Agreement with respect to the Securities transferred to such prospective transferee. Notwithstanding the foregoing, any transferee of any of the Securities of the GW Shareholders (other than to a Person in a transfer of Securities of the type referred to in clause (i) or (vii) of the first sentence of this Section 2(d)) shall not succeed to any of the GW Shareholder's rights pursuant to this Agreement other than pursuant to Section 3 hereof and any transferee of any of WP's Securities (including for these purposes WP Shares) (other than to a Person in a transfer of Securities of the type

referred to in clause (i) or (vi) of the first sentence of this Section 2(d) or to a Person pursuant to a transfer in which WP retains the voting interest, if any, in the Securities transferred and a significant economic interest in the Company) shall not succeed to any of WP's rights pursuant to this Agreement other than pursuant to Section 3 hereof.

Section 3. Certain Agreements.

(a) Composition of Board of Directors. The GW Shareholders shall have the right to be elected, and each of WP and the GW Shareholders shall have the right to designate individuals to be elected, as directors and officers of the Company as provided in this Section 3.

(b) (i) WP Designees for the Board of Directors. WP shall be entitled to, but not required to, designate individuals as directors of the Company as follows: (x) so long as there are 3,685,759 or more WP Shares, six nominees for director, of which (A) three may be employees of WP and its Affiliates ("WP Employee Designees"), and (B) three shall be Independent Persons and, so long as the Company is required to have "resident Canadian" directors, resident Canadians; (y) so long as there are 1,842,879 or more but less than 3,685,759 WP Shares, four nominees for director, of which (A) two may be WP Employee Designees, and (B) two shall be Independent Persons and, so long as the Company is required to have "resident Canadian" directors, "resident Canadians" and (z) so long as there are more than 921,439 but less than 1,842,879 WP Shares, two nominees for director of which (A) one may be a WP Employee Designee, and (B) one shall be an Independent Person and, so long as the Company is required to have "resident Canadian" directors, a "resident Canadian." The designees of WP who are Independent Persons shall be approved by the GW Shareholders, which approval will not be unreasonably withheld. WP agrees that one of its initial designees who is an Independent Person shall be Murray Koffler. The GW Shareholders hereby approve of Mr. Koffler.

(ii) GW Shareholders Designees for the Board of Directors. Gelfond and Wechsler each shall be entitled to be a director of the Company so long as (x) he serves as either Co-Chief Executive Officer or Chief Executive Officer of the Company or (y) the GW Shareholders own more than 375,000 GW Shares. The GW Shareholders shall collectively be entitled to, but not required to, designate individuals as directors of the Company as follows: (x) so long as the GW Shareholders own 1,628,000 or more GW Shares, three nominees for director, all of whom shall be Independent Persons and, so long as the Company is required to have "resident Canadian" directors, "resident Canadians"; (y) so long as the GW Shareholders own 1,075,000 or more and less than 1,628,000 GW Shares, two nominees for director, both of whom shall be Independent Persons and, so long as the Company is required to have "resident

Canadian" directors, "resident Canadians"; and (z) if the GW Shareholders own at least 375,000 but less than 1,075,000 GW Shares, one nominee for director who shall be an Independent Person and, so long as the Company is required to have "resident Canadian" directors, a "resident Canadian." WP shall have the right to approve each individual, other than the GW Shareholders, designated by the GW Shareholders to serve as a director, such approval to be in WP's sole discretion for the first individual designated to serve each such position, and thereafter, not to be unreasonably withheld by WP. The GW Shareholders agree that one of their initial designees who is an Independent Person shall be Gary Girvan. WP hereby approves the designation of Mr. Girvan; provided, however, that such approval shall not establish a precedent for the interpretation of Independent Person.

(iii) Each of WP and the GW Shareholders shall only designate pursuant to Section 3(b)(i) or (ii) individuals who they believe in good faith (A) are qualified to serve as directors of the Company and (B) meet the criteria established in such sections.

(c) (i) Each of WP and the GW Shareholders shall use its Best Efforts to cause each of the individuals designated in accordance with Sections 3(b)(i), 3(b)(ii) and 3(c)(ii) (the "Designated Directors") to be elected or appointed as a director of the Company at the appropriate meeting of shareholders of the Company following the date hereof and prior to the expiration of the 1999 Standstill Agreement, such Best Efforts to include, without limitation, voting all of its Common Shares in favor of each person designated to serve as a director in accordance with this Section 3. Each of WP and the GW Shareholders shall reasonably cooperate with each other to allocate the Designated Directors among the three terms of office for directors. If, at the time of the mailing of the proxy materials for the Company's 1999 Annual Shareholders' Meeting, either WP or the GW Shareholders have not designated all of the individuals they are entitled to designate pursuant to Section 3(b) hereof, such party shall be entitled to designate such individuals as promptly as practicable after the Company's 1999 Annual Shareholders' Meeting. In furtherance of the foregoing, the parties hereto shall thereafter cooperate to elect or appoint such individuals as directors of the Company in an orderly and timely fashion.

(ii) If any of the Designated Directors shall at any time cease to meet any of the qualifications specified in Section 3(b) of this Agreement (e.g., he shall no longer be an Independent Person or "resident Canadian"), then, each of WP and the GW Shareholders shall use its Best Efforts to cause such Designated Director to resign or otherwise to be removed as a director of the Company. In addition, if the number of GW Shares or WP Shares drops below any numerical thresholds set forth in Section 3(b), then the GW Shareholders and WP each shall use its Best Efforts to cause one or more directors to resign or to be removed as a director so that the number of Designated Directors designated by WP or the GW Shareholders drops to a number corresponding with the then current shareholdings of WP or the GW Shareholders, as the case may be, and the Company, WP and the GW Shareholders each shall use its Best Efforts to cause such person to be replaced as a director by an individual nominated by the Nominating Committee; provided, however, that in the event that the number of WP Shares drops below 3,685,759 one of the two WP Designated Directors to be replaced as a result shall be replaced by an Independent Person who shall be designated by WP and approved by the GW Shareholders, such approval not to be unreasonably withheld.

(iii) Until such time as the 1999 Standstill Agreement expires, in the event of the resignation, death, disqualification under the Canada Business Corporations Act or of the expiration of the term of any Designated Director or Replacement Director or the removal of any Designated Director or Replacement Director pursuant to the first sentence of Section 3(c)(ii) of this Agreement, the party who designated such director shall have the right to designate a replacement for such director who meets the qualifications set forth in Section 3(b) of this Agreement (who may, in the case of the expiration of the term of any Designated Director or Replacement Director, be the existing director) (a

"Replacement Director") if the then current share ownership of such party would
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entitle such party to designate a number of Independent Persons, or, in the case of WP, WP Employee Designees, that exceeds the aggregate number of such directors designated by such person who are then serving as such directors following such resignation or removal, and each of WP and the GW Shareholders shall use its Best Efforts to cause each of the individuals designated in accordance with this Section 3(c)(iii) to be elected or appointed as a director of the Company, such Best Efforts to include, without limitation, voting all Common Shares in favor of each such individual.

(iv) In the event that WP does not extend the term of the 1999 Standstill Agreement, the GW Shareholders may, at their option to be exercised within the 10 business day period following the expiration of the 1999 Standstill Agreement, enter into a standstill agreement with the Company (the

"GW Shareholders' Standstill Agreement") on the terms set forth in Sections 1,
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2, 3 and 5 of the 1999 Standstill Agreement, which agreement shall have a term of one year subject to the ability of the GW Shareholders from time to time to extend the term of such agreement beyond such termination for additional one year terms until March 1, 2004 upon written notice delivered to the Company and WP within 10 business days prior to the expiration of the term as it may be extended from time to time. Until such time as the GW Shareholders' Standstill Agreement expires, in the event of the resignation, death, disqualification under the Canada Business Corporations Act or of the expiration of the term of any Designated Director who had been designated by the GW Shareholders or any Replacement Director who had been designated by the GW Shareholders, (each of whom, having been designated by the GW Shareholders, a "GW Designated Director")
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or the removal of any GW Designated Director pursuant to the first sentence of Section 3(c)(ii) of this Agreement, the GW Shareholders shall have the right to designate a replacement for such director who meets the qualifications set forth in Section 3(b) of this Agreement if the then current share ownership of the GW Shareholders would entitle them to designate a number of Independent Persons that exceeds the aggregate number of such directors designated by the GW Shareholders who are then serving as such directors following such resignation or removal, and WP shall use its Best Efforts to cause each of the individuals designated in accordance with this Section 3(c)(iv) to be elected or appointed as a director of the Company, such Best Efforts to include, without limitation, voting all Common Shares in favor of each such individual.

(d) The Company shall, and each of WP and the GW Shareholders shall use its Best Efforts to cause the Company to, establish a nominating committee of the Board of Directors of the Company (the "Nominating Committee"),
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consisting of two directors, one designated by WP and one designated by the GW Shareholders.

(e) Chairman of the Board; Committees of the Board of Directors.

(i) Subject to the approval of the GW Shareholders, such approval not to be unreasonably withheld, WP shall be entitled to designate a WP Employee Designee for appointment by the Board as the Non-Executive Chairman of the Board of the Company, so long as there are at least 2,948,607 WP Shares. The GW Shareholders hereby approve the designation of Michael J. Biondi as the Non-Executive Chairman of the Board and will use their Best Efforts to ensure his appointment by the Board. If Mr. Biondi shall no longer hold such position, WP shall then present to the GW Shareholders three individuals to replace him and the GW Shareholders shall select one of such individuals for appointment as the Non-Executive Chairman of the Board of the Company and the GW Shareholders will use their Best Efforts to ensure his appointment by the Board.

(ii) So long as either Gelfond or Wechsler serves as a Co-Chief Executive Officer or Chief Executive Officer, he shall also be entitled to be appointed to serve as a Co-Chairman or Chairman of the Company and WP shall use its Best Efforts to ensure his appointment by the Board.

(iii) The duties and powers of the Non-Executive Chairman of the Board and the Co-Chief Executive Officers shall be as set forth in the Bylaws of the Company, including without limitation, the requirement that the following actions be approved by the Non-Executive Chairman of the Board and at least one of the Co-Chief Executive Officers: (x) setting the dates and times of the meetings of the Board and the shareholders of the Company (other than the Board's normal quarterly meetings and annual shareholder meetings, which shall be established by the Board), (y) setting the agenda of such meetings and (z) appointing members of the committees of the Board other than persons designated by WP and the GW Shareholders pursuant to Section 3(e)(iv) below. The Co-Chief Executive Officers shall preside at meetings of the Board and the shareholders of the Company. None of Gelfond, Wechsler or the Non-Executive Chairman of the Board may use the rights granted pursuant to this Section 3(e) to frustrate the interests of the Company.

(iv) Each of WP and the GW Shareholders shall have the right to designate one individual director to serve on each committee of the Board. Each such person shall meet the requirements of the NASDAQ National Market System and The Toronto Stock Exchange and any other exchange on which the Common Shares are traded, and no person serving on the compensation committee shall be an employee of the Company.

(f) CEO Advisors. Each of WP and the GW Shareholders shall use its Best Efforts to cause there to no longer be CEO Advisors as of the date on which all of the WP Employee Designees are elected as directors of the Company. Thereafter, none of WP or the GW Shareholders shall take any action to reestablish the CEO Advisors.

Section 4. Miscellaneous.

(a) 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.

(b) Entire Agreement. This Agreement, together with the 1999 Standstill Agreement and the 1999 Registration Rights 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 with respect to the subject matter hereof, including, without limitation, the 1994 Shareholders' Agreement and the Standstill Agreement dated June 16, 1994 among the Company and certain of the parties hereto.

(c) 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.

(d) 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.

(e) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(f) 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 Tetrault
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.

(g) 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 without regard to principles of conflicts of laws.

(h) 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.

(i) Termination. The provisions of this Agreement shall terminate on March 1, 2004, except as otherwise provided therein.

(j) 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
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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.

(k) Execution in Counterparts. This Agreement may be executed and
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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.NYDOCS02/435926 14

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

EXBIHIT 4.11

EXECUTION COPY

AMENDED AND RESTATED STANDSTILL AGREEMENT

This STANDSTILL AGREEMENT (this "Agreement") dated as of February 9, 1999 among 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") and the Michael J. Biondi Voting Trust (together with WPPN, WPOP and WPLP, "WP"), Imax Corporation, a corporation organized under the laws of Canada (the "Company"), Richard L. Gelfond ("Gelfond") and Bradley J. Wechsler ("Wechsler").

WHEREAS, WP is beneficial owner of common shares of the Company ("Common Shares");

WHEREAS, certain of the parties hereto entered into a Standstill Agreement dated June 16, 1994 (the "1994 Standstill Agreement") and now desire to amend such agreement; and

WHEREAS, contemporaneously herewith, WP, Gelfond, Wechsler and the Company are entering into a Second Amended and Restated Shareholders' Agreement (the "1999 Shareholders' Agreement") and the parties hereto are also entering into a Registration Rights Agreement (the "1999 Registration Rights 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 do hereto agree as follows:

SECTION 1. COVENANTS OF WP.

Prohibited Transactions Involving the Company. WP agrees with the Company and Messrs. Gelfond and Wechsler that it will not, and will cause each "affiliate" "controlled" by WP, as such terms are defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (each referred to herein as an "Affiliate") (whether or not such person or entity is such an Affiliate or associate on the date hereof), not to, directly or indirectly:

(i) make, or in any way participate in, directly or indirectly, any solicitation of proxies, or become a "participant" in any solicitation or "election contest" (as such terms are defined or used in Regulation 14A under the Exchange Act), with respect to the Company or any successor or seek to influence any person or group (within the meaning of Section 13(d)(3) of the Exchange Act) with respect to the voting of any voting securities of the Company or any successor;

(ii) initiate, propose or otherwise solicit shareholders of the Company or any successor for the approval of one or more proposals submitted to the shareholders for a vote with respect to the Company or any successor;

(iii) deposit any voting securities of the Company or any successor in a voting trust or subject any such voting securities to any agreement or arrangement with respect to the voting of such voting securities, other than any such trust, agreement or arrangement whereby WP or any Affiliate controlled by WP or employees of WP have the right to vote such securities and continue to be bound by this Agreement or other arrangements entered into for tax purposes whereby the party having the right to vote such securities agrees to be bound by the terms of this Agreement;

(iv) acquire or affect, or attempt to acquire or affect, control of the Company or any successor or directly or indirectly participate in, or encourage the formation of, any group (within the meaning of Section 13(d)(3) of the Exchange Act) which owns or seeks to acquire beneficial ownership of voting securities of the Company or any successor, or to acquire or affect control of the Company or any successor;

(v) except through normal procedures of the Board of Directors (the "Board") or the CEO Advisors (the "CEO Advisors"), so long as the CEO Advisors shall remain in existence, of the Company or any successor, otherwise act, alone or in concert with others, to seek to control or to influence in any manner the management, Board, policies or affairs of the Company or any successor, or propose or seek to effect any form of business combination transaction with the Company, any successor or any Affiliate thereof or any restructuring, recapitalization or similar transaction with respect to any thereof; provided, however, that action taken by WP consistent with the terms of any engagement of WP as a financial advisor to the Company shall not be a breach of this Section 1(a)(v); or

(vi) encourage or render advice to or make any recommendation or proposal to any person or group (within the meaning of Section 13(d)(3) of the Exchange Act) to engage in any of the actions covered by clauses (i) through (v) of this Section l(a), or render advice with respect to voting securities of the Company or any successor, without the consent of the Company or any successor.

Nothing herein shall restrict WP from acquiring any Common Shares of the Company unless, following such acquisition, WP is the beneficial owner of more than 15,900,000 Common Shares, as such number shall be adjusted to take into account any stock dividend, stock split, reverse stock split, recapitalization or other similar transaction after the date hereof.

For purposes of this Agreement, the term "voting securities" shall mean (x) any securities which are entitled to vote generally in the election of directors of the Company or any successor, and (y) any options, warrants, rights or securities of the Company or any successor

which by their terms may be convertible into or exchangeable for any security described in clause (x) above.

(b) Voting of Voting Securities. WP agrees with the Company and Messrs. Gelfond and Wechsler that it will, and will cause each Affiliate it controls to:

(i) be present, in person or by proxy, at all meetings of shareholders of the Company or any successor, so that all voting securities beneficially owned by WP or any of its Affiliates may be counted for the purpose of determining the presence of a quorum at such meetings;

(ii) vote or cause to be voted at any meeting of shareholders of the Company or any successor any voting securities owned by WP or any of its Affiliates in favor of each person nominated by the Board or any successor for election as a director of the Company or any successor; and

(iii) not to vote or cause to be voted at any meeting of shareholders of the Company or any successor any voting securities owned by WP or any of its Affiliates in any way that is inconsistent with this Agreement or the 1999 Shareholders' Agreement.

(c) Spin-Offs. WP agrees with the Company and Messrs. Gelfond and Wechsler that it will not directly or indirectly make any Spin-Off (as hereinafter defined) of any voting securities held by it or transfer any voting securities to any Affiliate of WP, unless prior to the consummation of any such Spin-Off, the prospective transferees execute and deliver to the Company an agreement, in form and substance reasonably satisfactory to the Company, whereby such prospective transferees confirm that, with respect to the voting securities that are the subject of such transfer, they shall be deemed to be parties to this Agreement for the purposes of this Agreement and agree to be bound by all the terms of this Agreement. For purposes of this provision, "Spin-Off" means the transfer of voting securities by WP (a) to any of its partners in accordance with its respective partnership agreement as then in effect if any such partner or any of its Affiliates enter into any agreement with either, WP, any of its Affiliates or any other partner of such partnership or any Affiliate of such other partner with respect to the voting or transfer of such securities or (b) to any employee partnership of which WP or any of its Affiliates is the general partner, or of which any of their respective executive officers is the general partner or to any such executive officer.

SECTION 2. CEO ADVISORS, ETC.

(a) The Company, (i) shall cause there to no longer be CEO Advisors effective as of the date on which all of the WP Employee Designees (as defined in the 1999 Shareholders' Agreement) are elected as directors of the Company and (ii) thereafter, shall not take any action to reestablish the role of the CEO Advisors as contemplated by Section 5.1 of the Bylaws.

(b) Each of the Company, Gelfond, Wechsler and WP shall use its Best Efforts (as defined in the 1999 Shareholders' Agreement) to amend the Articles of Incorporation and By-law No. 1 of the Company as provided in Exhibit 2(b) as of the date on which all of the WP Employee Designees (as defined in the 1999 Shareholders' Agreement) are elected or appointed as directors of the Company. The Company shall, at its 1999 Annual Shareholders' Meeting, submit to the vote of its shareholders a resolution to amend the Company's Articles of Incorporation and a resolution to adopt a by-law each as provided in Exhibit 2(b), and each of WP, Gelfond and Wechsler shall use its Best Efforts (as defined in the 1999 Shareholders' Agreement), to cause such resolutions to be approved by such Shareholders, including, without limitation, voting and causing their Affiliates to vote all their Common Shares in favor of such resolutions.

SECTION 3. REPRESENTATIONS AND WARRANTIES.

Each of the Company, Gelfond, Wechsler and WP represents and warrants to the other parties to this Agreement that (a) it is duly authorized to execute and deliver, and to perform its obligations under, this Agreement; (b) this Agreement has been duly executed and delivered by such party and constitutes a valid and binding obligation of such party, enforceable against such party in accordance with its terms; and (c) the execution and delivery of this Agreement by such party does not, and the performance by such party of its obligations hereunder will not (i) constitute a violation of, conflict with or result in a default under any contract, commitment, agreement, instrument, understanding, arrangement or restriction of any kind to which it is a party or by which it is bound or any judgment, decree or order applicable to it, or (ii) violate any provision of law applicable to it or require any consent or approval of, or filing with or notice to any public body or authority under any provision of law applicable to it.

SECTION 4. TERM OF AGREEMENT.

(a) This Agreement shall be effective from the date hereof and shall terminate on the earlier of (i) June 30, 2001, unless extended by WP pursuant to Section 4(b) below, and (ii) such date as WP and its Affiliates and any group of which they are a member shall beneficially own (as defined pursuant to Section 13(d) of the Exchange Act) less than 700,000 Common Shares (including the WP Shares); provided, however, if such ownership exceeds 700,000 at any time
prior to June 30, 2001, then this Agreement shall immediately be reinstated.

(b) WP may, from time to time, extend the term of this Agreement beyond June 30, 2001 for additional one year terms until March 1, 2004 upon written notice delivered to the Company and the GW Shareholders 10 business days prior to the expiration of the term (as it may be extended from time to time) of this Agreement.

SECTION 5. MISCELLANEOUS.

(a) Specific Performance. The parties hereto acknowledge that in the event of any breach of the provisions of this Agreement, the nonbreaching party would be irreparably harmed and could not be made whole by monetary damages. It is accordingly agreed that, in addition to any other remedy to which a party may be entitled at law or in equity, the obligations of the parties hereunder shall be specifically enforceable and no party shall take any action to impede the other from seeking to enforce such right of specific performance.

(b) Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their directors, officers, heirs, legal representatives, successors and assigns.

(c) Notices. All notices, requests, claims, demands and other communications hereunder shall be effective upon receipt, shall be in writing and shall be delivered in person, by telecopy, telegram or telex, or by mail (registered or certified mail, postage prepaid, return receipt requested) as follows:

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 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 Tetrault
Suite 4700
Toronto Dominion Bank Tower
Toronto Dominion Centre
Toronto, Ontario
M5K IE6 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

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 Wechsler, to:

Bradley J. Wechsler
88 East Mile 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

or to such other address as either party may have furnished to the other in writing in accordance herewith.

(d) 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 without regard to principles of conflicts of laws.

(e) Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in counterparts, each of which shall be an original, but all of which together shall constitute one and the same agreement.

(f) Entire Agreement; Amendment; Waiver. This Agreement, together with the 1999 Shareholders' Agreement and the 1999 Registration Rights Agreement, constitutes the entire agreement and supersedes all prior agreements and understandings, whether oral or written, among the parties hereto with respect to the subject matter hereof, including, without limitation, the Shareholders' Agreement dated June 16, 1994 among the Company and certain of the parties hereto and the 1994 Standstill Agreement. No amendment or waiver of any provision of this Agreement or consent to departure therefrom shall be effective unless in writing and

signed by the Company Gelfond, Wechsler and WP in the case of an amendment or by the party which is the beneficiary of any such provision in the case of a waiver or a consent to departure therefrom. Any waiver by a party of a breach of any provision of this Agreement shall not operate as, or be construed to be, a waiver of any other breach of such provision or any breach of any other provision of this Agreement. The failure of a party to insist upon strict adherence to any term of this Agreement or one or more sections shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto all as of the day and year first above written.

IMAX CORPORATION

By /s/ John M. Davison

Name: John M. Davison
Title: Director

By /s/ Garth M. Girvan

Name: Garth M. Girvan
Title: Director

/s/ Richard L. Gelfond

Richard L. Gelfond

/s/ Bradley J. Wechsler

Bradley J. Wechsler

WASSERSTEIN PERELLA PARTNERS, L.P.

By WASSERSTEIN PERELLA
MANAGEMENT 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 PARTNERS, INC.,
its General Partner

By /s/ W. Townsend Ziebold

Name: W. Townsend Ziebold
Title: Director

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

EXHIBIT 4.12

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
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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.
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(1) Right to Piggyback. Subject to the last sentence of this
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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
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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
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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
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records, pertinent corporate documents and properties of the Company (collectively, the "Records") as shall be reasonably necessary to enable
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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,
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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
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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 Tetrault
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 u

nder 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 10.11

110 East 59th Street
Suite 2100
New York, New York USA 10022
Telephone: (212) 821-0100 Fax: (212) 371-5510

IMAX CORPORATION

October 8, 1998

Andrew Gellis
17333 Rancho Street
Encino, California, 91316

Dear Andy,

Re: Employment with Imax Corporation

We have agreed that you will continue your employment with Imax Corporation ("Imax"). From January 1, 1998, your employment with Imax will be on the terms noted below.

1. Position:	Senior Vice President, Film, performing services as a writer, and acting as an executive producer.
2. Duties:	To have overall responsibility for the development and production of 15/70 format live action film for Imax, including (i) overseeing the development of scripts for, and the production of, live action films in the 15/70 format; (ii) collaborating with other senior managers of Imax in the development of film technologies and production techniques for films in the 15/70 format; and (iii) performing other duties commensurate with your position with Imax as are reasonably designated by the senior operating officer(s) of Imax.

3. Other Activities: Imax will engage Andrew Gellis Productions, Inc. f/s/o Andrew Gellis ("AGP"), during the term to provide the services of writing scripts based on original ideas, or re-writing the scripts of others, in each case for films in the IMAX(R) 15/70 format and upon request by Imax. Imax will pay AGP a minimum in each year of the term of US$50,000 for such services, on the basis of US$30,000 for each completed first draft script, US$15,000 for each completed second draft script and US$5,000 for polishing a script, with treatments and concepts to be provided at no charge. Imax will also pay minimum WGA pension and health and welfare (of 12.5%) contributions on such payments. If Imax has not paid AGP for such services at least US$25,000 by June 30, and at least US$50,000 by December 1, of each year of the term, Imax will pay the difference to each such amount on June 30 and December 1, as the case may be. Any payments on such dates in excess of the value of the services actually rendered shall be advanced against such services to be rendered at some date in the future by AGP, provided that such services are requested by Imax during the term. In addition to these payments, Imax will also pay a car allowance of US$750 per month to AGP; Imax will not be required to make any WGA contributions on such allowance. The services to be rendered by AGP do not include reviewing and making notes on scripts of others which are part of your duties as Senior VP, Film.

4. Term: 2 years.

5. Salary: US$225,000 for 1998 and US$250,000 for 1999, subject to increase at the discretion of the Board of Directors of Imax.

6. Bonus: Participation in the Imax management bonus plan, with a target bonus of 30% of salary. Guaranteed minimum bonus of US$50,000 per year.

7. Credit: You shall have producer or executive producer credit on films upon which you work, at the sole discretion of Imax.

8. Reporting: You will report to the chief executive, operating, or film officer(s) of Imax, as Imax shall designate.

9. Location: Imax office in Los Angeles, California, with reasonably extensive travel to Imax's offices in New York and Mississauga.

10. Benefits/Perquisites:

(a) 4 weeks paid vacation per year;

(b) car allowance of US$750 per month;

(c) standard Imax benefits for U.S. resident employees;

(d) full time assistant at a salary of approximately US$750 per week.

11. Termination: Imax shall be entitled to terminate your employment at any time for cause without payment of any amounts attributable to any period after the date of termination of employment. If your employment is terminated by Imax other than for cause, you will be paid your salary, guaranteed bonus and benefits (but not stock options) for the balance of the term, subject to your obligation to seek alternate comparable employment (e.g. as a film executive at another company, or as an independent writer &/or producer, whether for Imax or otherwise) and the set-off of any amounts earned from amounts to be paid by Imax. If your employment is terminated by Imax other than for cause in connection with a change in control (i.e. the completion of any transaction(s) which result in any person or group of persons acting in concert holding, directly or indirectly, securities of Imax to which are attached more than 50% of the votes which may be cast to elect Directors of Imax) of Imax, you will be paid your salary, guaranteed bonus and benefits (but not stock options) for the greater of the balance of the term and 6 months, subject to your obligation (as set forth above) to seek alternate comparable employment and the set-off of any amounts earned from amounts to be paid by Imax.

12. Non-compete, etc.: You shall be bound by the non-solicitation, non-competition and other covenants attached to this letter.

13. Representation: You represent that you are under no restriction or competing interest affecting your ability to perform your responsibilities for Imax.

14. Governing Law: Your employment and this letter agreement shall be governed by the law of New York.

If the above is acceptable to you, please indicate by signing a copy of this letter and returning it to us.

Yours very truly,

Bradley J. Wechsler
Chairman and Co-Chief Executive Officer

/s/ Andrew Gellis
- ---------------------------------
Andrew Gellis

Date: 11/3/98

Attachment to Andrew Gellis Employment Letter

NON-SOLICITATION, CONFIDENTIALITY, NON-COMPETITION

(a) Non-solicitation. During the term and for one year thereafter, regardless of whether your employment is terminated with or without cause or whether you resign, you shall not directly or indirectly without the prior written consent of Imax, (i) solicit any person who is, or, during the then most recent 12-month period, was employed by, or had served as an agent or key consultant of, Imax or any of its subsidiaries or affiliates, or (ii) solicit or interfere in any commercial relationship of Imax or any of its subsidiaries or affiliates with any person who is, or was within the then most recent 12-month period, a customer or client (or reasonably anticipated to become a customer or client) and with whom you had dealings during your employment with Imax.

(b) Non Competition. Without the prior written consent of Imax:

(i) During the term of your employment with Imax and for one year thereafter, regardless of whether your employment is terminated with or without cause or whether you resign, you shall not directly or indirectly without the prior written consent of Imax, anywhere within Canada, the United States, Europe or Asia (the "Territory"), be engaged in any capacity by a competitor (or any person or entity that is, at the time you would otherwise commence rendering services to or become, affiliated with such person or entity, reasonably anticipated to become a competitor) of Imax or any of its subsidiaries or affiliates (a "Competitor"), which is engaged or reasonably anticipated to become engaged in designing or supplying large screen theaters or motion simulation theaters;

(ii) During the term of your employment with Imax and for one year thereafter if you resign during that term or for the period of time during which Imax is continuing to pay your salary if Imax has terminated your employment without cause, you shall not directly or indirectly without the prior written consent of Imax, anywhere within the Territory, be engaged as a film executive by a Competitor of Imax which is engaged or reasonably anticipated to become engaged in owning or operating large screen theaters or motion simulation theaters. Notwithstanding the foregoing, Imax agrees that it will not unreasonably withhold its consent to such an engagement if the Competitor uses IMAX(R) projection systems or IMAX(R) Ridefilm(TM) motion simulation systems in its theater operations; and

(iii) Notwithstanding the foregoing, Imax expressly acknowledges that you will not be restricted hereunder after the termination of your employment by Imax in any way in writing scripts or producing or developing films in any format.

(c) Confidentiality. You will not at any time during the term or thereafter use or disclose to any third party any information relating to the private or confidential affairs of Imax or relating to any secrets of Imax, other than for the purposes of Imax. You confirm that all confidential information is and shall remain the exclusive property of Imax. All business records, papers and documents regardless of the form of their recordal kept or made by you relating to the business of Imax shall be and remain the property of Imax, and shall be promptly returned by you to Imax upon any termination of employment.

(d) Grant of Rights. You hereby: (i) grant to Imax all copyrights, patent rights and other rights in all work furnished or created by you or AGP pursuant to this Agreement; (ii) agree to sign all documents which may be required to confirm Imax's absolute ownership of such work; (iii) waive the moral rights associated with such work; and (iv) grant to Imax the rights to and to license others to use the name, likeness, biography and other identifications of you in connection with any and all uses and promotions of such work and derivatives thereof. Without limiting the generality of the foregoing, all rights of whatsoever nature and kind (nor or hereafter known) in any and all film projects developed or contributed to by you and/or AGP pursuant to this Agreement shall be, from the inception of the creation thereof, the exclusive property of Imax, and for the purposes of the United States Copyright Act shall be deemed to constitute "works made for hire".

(e) Reasonableness. You confirm that all of the restrictions referred to above are reasonable and valid and waive all defences to the strict enforcement thereof. You also confirm that you are making the above covenants on behalf of yourself and of AGP.

(f) Injunctive Relief. Without intending to limit the remedies available to Imax, you acknowledge that a material breach of any of the covenants contained above will result in material and irreparable injury to Imax or its affiliates or subsidiaries 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, Imax shall be entitled to seek a temporary restraining order and/or a preliminary, interim or permanent injunction restraining you from engaging in activities prohibited hereby or such other relief as may be required specifically to enforce any of the covenants herein. You waive any defences to the strict enforcement by Imax of the covenants contained herein. If for any reason, it is held that the restrictions hereunder 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 herein as will render such restrictions valid and enforceable.

EXHIBIT 10.12

AMENDING AGREEMENT

This Amending Agreement dated and effective as of August 8, 1998 (the "Amending Agreement") is made between IMAX CORPORATION, a corporation organized under the laws of Canada (the "Company") and CHRISTIAN H. JORG, (the "Executive").

WHEREAS, the Company wishes to enter into this Amending Agreement to amend and extend the Employment Agreement dated as of August 8, 1995 (the "Agreement"), whereunder the Executive provides services to the Company, and the Executive wishes to so continue such engagement, as hereinafter set forth;

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follow:

1. Section 1.1 of the Agreement shall be deleted and replaced with the following:

"Section 1.1 Employment. The Executive agrees to serve as the Chief Operating Officer, IMAX(R) Attractions and Senior Vice President, Imax Corporation. The Executive's primary responsibilities in this role shall be:

(a) to have responsibility for the development of the Company's Attractions business, inclusive of Ridefilm Corporation, including but not limited to conducting presentations to potential clients for the purpose of developing Attractions concepts throughout the world; and

(b) to perform other duties commensurate with the position as are reasonably designated by the co-Chief Executive Officers.

The Executive agrees to serve the Company faithfully and to the best of his ability under the direction of the co-Chief Executive Officers of the Company. The Executive shall report to the co-Chief Executive Officers of the Company."

2. Section 1.3 of the Agreement shall be deleted and replaced with the following:

"Section 1.3 Term of Employment. The Executive's employment under this Agreement commenced on August 8, 1995 (the "Commencement Date") and shall terminate upon the termination of the Executive's employment pursuant to this Agreement. The period commencing as of the Commencement Date and ending on the date of termination pursuant to this Agreement is hereinafter referred to as the "Employment Term"."

3. Section 2.1 of the Agreement shall be deleted and replaced with the following:

"Section 2.1. Base Salary. During the Employment Term, the Executive shall be paid a base annual salary (the "Base Salary") of US$ 215,000, payable no less frequently than monthly, in accordance with the Company's payroll practices."

4. Section 4.1.1 of the Agreement shall be deleted and replaced with the following:

"Section 4.1.1. General. During the Employment Term, the Company may terminate the Executive's employment Without Cause, provided the Company gives the Executive ninety (90) days written notice of termination (the "Severance Period"). In the event that the Company gives the Executive any such notice of termination, the Company shall either continue to have the Executive be employed by the Company during some or all of the Severance Period and pay the Executive the Base Salary and Automobile Allowance during such time at the intervals it has paid those sums to the Executive in the past or have the Executive cease being employed by the Company and pay him those amounts, or the balance of those amounts for the remainder of the Severance Period, as the case may be, in a lump sum within 7 days from the date his employment ceases. The Company shall also pay to the Executive the

Termination Payment within 30 days of the date of termination. For greater certainty, regardless of whether the Company elects to have the Executive employed for all, some or none of the Severance Period, he shall receive the Base Salary and Automobile Allowance with respect to the entire Severance Period. Upon such termination, the Executive shall also be entitled to continue to receive, for the duration of the Severance Period, his employment benefits at the Company's expense (to the extent paid for by the Company as at the date of termination), other than those set forth in clauses 3.1 (ii), (iii) and (iv). The Executive shall not be entitled to payment after the date of termination of any bonus not already due to be paid at the date of termination, it being understood that a bonus shall be considered "due to be paid" once the period to which it applies has been completed. The Executive acknowledges that any stock options granted to him which are not exercisable at the date of termination of employment for any reason shall be forfeited, without compensation to the Executive, as provided in the Option Plan. 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 employee benefit plans or programs of the Company or as required by the Ontario Employment Standards Act. Payment of Base Salary and the Automobile Allowance and the continuation of the aforementioned employee benefits during the Severance Period outlined above shall be deemed to include all termination and severance pay to which the Executive is entitled pursuant to the Ontario Employment Standards Act and common law."

5. (a) Section 4.2 of the Agreement shall be amended by the addition of the following language after the second sentence of such Section:

"In addition, the Executive may resign from his employment hereunder by giving the Company at least 14 days written notice of his intention to do so."

(b) Section 4.2 of the Agreement shall be further amended by deleting the words after "delivered to the Company," in Section 4.2(ii) and replacing them with the following:

"the date on which the Executive ceases reporting to work."

6. The Agreement shall be amended by deleting Section 6.

7. Section 8.1 of the Agreement shall be deleted and replaced with the following:

"Section 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, Canada L5K 1B1

Telecopier No.: 905-403-6468
Attention: General Counsel

To the Executive:

Christian H. Jorg
Apt. 14D, 127 East 30th Street
New York, New York
10016

with a copy to:

Steven Rand, Esq.
Suite 416
230 Park Avenue
New York, New York
10169

Telecopier No.: 212-697-2521

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. Except as amended herein, all other terms of the Agreement shall remain in full force, unamended.

IN WITNESS WHEREOF, the Company and the Executive have duly executed and delivered this Amending Agreement as of the day and year first above written.

IMAX CORPORATION

By: /s/ John M. Davison

Title: Executive Vice President and
Chief Financial Officer

By: /s/ Peter J. Chilibeck

Title: Sr. Vice President and
General Counsel

SIGNED SEALED AND DELIVERED
in the presence of:

/s/ Christian H. Jorg l.s.
- ---
Witness Christian H. Jorg

EXHIBIT 21

IMAX CORPORATION

Significant and other major subsidiary companies of the Registrant at December 31, 1998 were:

Name of Subsidiary	Jurisdiction of Organization	Percentage held by Registrant
Imax Ltd.	Ontario	100%
David Keighley Productions 70MM Inc.	Delaware	100%
Sonics Associates, Inc.	Alabama	51%
Oxmoor Corporation	Alabama	49%
Ridefilm Corporation	Delaware	100%
1236627 Ontario Inc.	Ontario	100%
Imax Japan Inc.	Japan	100%
Imax Entertainment Pte.Ltd.	Singapore	100%
Imax (Netherlands) B.V.	Netherlands	100%
Imax U.S.A. Inc.	Delaware	100%
Nyack Theatre U.S.	Delaware	100%
Arizona Big Frame Theatres, L.L.C.	Delaware	50%
Starboard Theaters Ltd.	Canada	100%
Forum Ride Associates	Nevada	50%
Big Frame Theatre Ltd. Partnership	Arizona	50%

EXHIBIT 23

PricewaterhouseCoopers LLP
Chartered Accountants
145 King Street West
Toronto Ontario
Canada M5H 1V8
Telephone +1 (416) 869 1130
Facsimile +1 (416) 863 0926

March 30, 1999

Consent of Independent Chartered Accountants

We hereby consent to the incorporation in the Imax Corporation Annual Report ("Annual Report") on Form 10-K for the fiscal year ended December 31, 1998, of our Auditors' Report to Shareholders (the "Report") dated February 9, 1999, which appears on page 31 of the Annual Report.

We further consent to the incorporation by reference of our Report in the following registration statements: Registration Statement on Form S-8 (No. 333-2076); Registration Statement on Form S-8 (No. 333-5720); Post-Effective Amendment No. 1 to Form S-8 (No. 333-5720), Amendment No. 1 to Form F-3 (333-5212); and Amendment No. 1 to Form F-10 (No. 333-9670).

Chartered Accountants
Toronto, Ontario

EXHIBIT 24

POWER OF ATTORNEY

Each of the persons whose signature appears below hereby constitutes and appoints John M. Davison and G. Mary Ruby, 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 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 SEC and such other regulatory authorities as may be required, each of said attorneys to have power to act with or 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 director of the Corporation might or could do in person.

Dated this 30th day of March, 1999

Signature	Title
"Bradley J. Wechsler" - ---------- Bradley J. Wechsler	Chairman of the Board and Co-Chief Executive Officer (Principal Executive Officer)
"Richard L. Gelfond" - ---------- Richard L. Gelfond	Vice Chairman of the Board and Co-Chief Executive Officer
"Graeme Ferguson" - ---------- Graeme Ferguson	Director
"Michael Fuchs" - ---------- Michael Fuchs	Director
"Garth M. Girvan" - ---------- Garth M. Girvan	Director

Signature	Title
"Murray B. Koffler" - ---------- Murray B. Koffler	Director
"Philip C. Moore" - ---------- Philip C. Moore	Director
"Miles S. Nadal" - ---------- Miles S. Nadal	Director
"Marc A. Utay" - ---------- Marc A. Utay	Director
"John M. Davison" - ---------- John M. Davison	Chief Operating Officer and Chief Financial Officer (Principal Financial Officer)
"Mark J. Thornley" - ---------- Mark J. Thornley	Vice President, Finance (Principal Accounting Officer)