

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

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  
(State or other jurisdiction of incorporation or organization)

98-0140269  
(I.R.S. Employer Identification Number)

2525 SPEAKMAN DRIVE, MISSISSAUGA, ONTARIO, CANADA  
(Address of principal executive offices)

L5K 1B1  
(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  
-----  
None

NAME OF EXCHANGE  
ON WHICH REGISTERED  
-----

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  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 9, 2001 was \$62,720,065 (18,413,230 common shares times \$3.40625). As of March 9, 2001, there were 30,126,514 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.

DOCUMENT INCORPORATED BY REFERENCE\*

DOCUMENT -----	WHERE INCORPORATED -----
Proxy Statement	Part III (Item 11)

\* As stated under various Items of this Report, only certain specified portions of such document are incorporated by reference in this Report.

## ANNUAL REPORT ON FORM 10-K

DECEMBER 31, 2000

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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, 2000 was U.S. \$0.6669.

	YEAR ENDED DECEMBER 31				
	2000	1999	1998	1997	1996
Exchange rate at end of period.....	U.S. \$0.6669	U.S. \$0.6925	U.S. \$0.6522	U.S. \$0.6999	U.S. \$0.7301
Average exchange rate during period.....	0.6732	0.6730	0.6740	0.7220	0.7329
High exchange rate during period.....	0.6944	0.6925	0.7105	0.7471	0.7513
Low exchange rate during period.....	0.6410	0.6535	0.6341	0.6945	0.7235

## 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.

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 IMAX(R), IMAX(R) Dome, IMAX Solido(R), OMNIMAX(R), IMAX(R) 3D, Personal Sound Environment(R), The IMAX Experience(R), and An IMAX Experience(R) are trademarks and trade names of the Company or its subsidiaries that are registered or otherwise protected under laws of various jurisdictions.

## PART I

## ITEM 1. BUSINESS

## GENERAL

IMAX Corporation together with its subsidiaries (the "Company") is one of the world's leading entertainment technology companies, with particular emphasis on film and digital imaging technologies including giant screen images, 3D presentations, post-production and digital projection. The Company designs and manufactures projection and sound systems for giant-screen ("15/70-format") theaters based on proprietary and patented technology and is a major distributor of films for giant-screen theaters. The Company, through its subsidiary Digital Projection International ("DPI"), also designs and manufactures high performance digital image delivery systems in the form of digital projectors capable of projecting high quality images on large screens from any video, computer or High Definition Television (HDTV) source. The IMAX(R) brand name enjoys widespread recognition with more than 700 million viewers throughout the world having experienced the Company's high-quality, giant-screen theater attractions since 1970 including over 75 million viewers in 2000.

The IMAX theater network is the most extensive giant-screen theater network in the world with 221 theaters operating in 28 countries as of December 31, 2000. In addition to the existing library of general entertainment and educational 15/70-format films, the increased number of commercial IMAX theaters in operation has attracted more commercial films to the medium including films produced by major Hollywood studios. In January 2000, Buena Vista Pictures Distribution, a unit of The Walt Disney Company, released Disney's animated feature *Fantasia 2000: The IMAX Experience* exclusively to 75 IMAX theaters around the world for the four-month period ended April 30, 2000. *Fantasia 2000* was the first theatrical full-length feature film to be reformatted into 15/70-format film and has become the fastest grossing large-format film in history demonstrating the potential for Hollywood films to be shown in IMAX theaters. The Company believes that the success of *Fantasia 2000: The IMAX Experience* has the potential to lead to additional Hollywood films being released to IMAX theaters which, the Company believes, could create further demand worldwide for commercial IMAX theaters.

The Company generally does not own IMAX theaters but leases its projection and sound systems and licenses the use of its trademarks. 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 immersive 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 story screens with 3D images that further increase the audience's feeling of immersion in the film. The Company believes that the network of IMAX 3D theaters is the largest out-of-home, 3D distribution network in the world.

DPI's digital projectors are based on Texas Instruments' Digital Micromirror Device(TM) ("DMD"), a unique digital imaging platform based on an optical semiconductor chip that has an array of up to 1,310,000 hinged, microscopic mirrors which operate as optical switches to create a high resolution, full color image. DPI played an important role in the development of the DMD chip. DPI designs, manufactures and sells high quality digital image delivery devices for applications such as rock concerts, casinos and trade shows. DPI offers a number of different product offerings based on a range of brightness and resolution of the projected image. The Company believes that new markets are emerging for DPI's products including applications for digital cinema in conventional movie theaters and digital media networks, including location-based advertising networks.

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.

## PRODUCT LINES

The Company is the largest designer and supplier of specialty projection and sound systems and a major 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 a significant portion of its revenues from the sale and lease of its theater systems to giant-screen theaters and related film products and services. Segmented information is provided in note 18 to the audited financial statements contained in Item 8.

In 1999, the Company acquired 100% of DPI. DPI designs, manufactures and sells high quality digital image delivery devices for applications such as rock concerts, casinos and trade shows. DPI offers a number of different product offerings based on a range of brightness and resolution of the projected image. The Company believes that new markets are emerging for DPI's products including applications for digital cinema in conventional movie theaters and digital media networks, including location based advertising networks (see Digital Projection International).

## 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 221 theaters in 28 countries as of December 31, 2000. IMAX theaters have flat or dome shaped screens for 2D and 3D presentations 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 (15-perforation film frame, 70mm), which is 10 times larger than conventional film (4-perforation film frame, 35mm) and therefore are able to project significantly more detail on a larger screen. The Company believes 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 compliment 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, 2000:

	2D			3D		
	PRODUCT	INSTALLED BASE	BACKLOG	PRODUCT	INSTALLED BASE	BACKLOG
Flat Screen.....	IMAX	61	--	IMAX 3D	73	34
				IMAX 3D SR	24	33
Dome Screen.....	IMAX Dome	59	4	IMAX Solido	4	1

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-eye and right-eye images. The IMAX 3D projectors can project both 2D and 3D films, allowing theater owners the flexibility to exhibit either type of film. 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 13 theater systems.

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 to operate at lower costs than the larger IMAX 3D GT theater system.

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 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 for a separate fee provides ongoing maintenance to the system. Prospective theater owners are responsible for providing the theater location, the design and construction of the theater building, the installation of the system 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) initial rental fees, (ii) ongoing additional rental payments and (iii) ongoing maintenance fees. Rental 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.

#### THEATER OPERATIONS AND INVESTMENTS

The Company has 8 theaters in which it holds an equity interest and 7 joint ventures.

In the case of 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

Sonics Associates, Inc. ("Sonics"), the Company's 100% owned subsidiary, is a world leader in the development and manufacture of sound systems for all applications including traditional movie theaters, auditoriums and specialized uses including the development of 3D sound capabilities, and manufactures the sound systems for the Company's theaters. Prior to October 1, 1999, Sonics was 51% owned by the Company and 49% owned by four executive officers of Sonics. On October 1, 1999, the Company purchased the remaining 49% of Sonics that it did not own (see note 4 to the financial statements contained in Item 8). In February 2001, the Company decided to relocate the manufacture of sound systems from Birmingham, Alabama to the Company's headquarters near Toronto, Canada.

## DIGITAL PROJECTION INTERNATIONAL

DPI's digital projectors are based on Texas Instruments' Digital Micromirror Device(TM) ("DMD"), a unique digital imaging platform based on an optical semiconductor chip that has an array of up to 1,310,000 hinged, microscopic mirrors which operate as optical switches to create a high resolution, full color image. DPI played an important role in the development of the DMD chip. DPI designs, manufactures and sells high quality digital image delivery devices for applications such as rock concerts, casinos and trade shows. DPI offers a number of different product offerings based on a range of brightness and resolution of the projected image. The Company believes that new markets are emerging for DPI's products including applications for digital cinema in conventional movie theaters and digital media networks, including location based advertising networks. DPI's products are the only projectors to be honored with two Emmy(R) awards for broadcast engineering. On September 3, 1999 the Company purchased 100% of DPI (see note 4 to the financial statements contained in Item 8).

## FILM PRODUCTION, DISTRIBUTION AND POST-PRODUCTION

The Company produces films financed either internally or partially or fully financed by third parties. With respect to films financed by third parties, 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.

The Company is a major distributor of 15/70-format films. The Company generally distributes films which it produces 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.

The library of 15/70-format films includes general entertainment and educational films on subjects such as space, wildlife, music, history and natural wonders, and consisted of 167 films at the end of 2000, of which the Company had distribution rights to 52 such films. In recent years, several 15/70-format commercial films have been successfully released, including T-REX: Back to the Cretaceous, which was released by the Company in 1998 and has grossed over \$58 million to date and Everest, which was released by MacGillivray Freeman Films in 1998 and has grossed over \$107 million to date. On January 1, 2000 pursuant to an agreement between the Company and Buena Vista Pictures Distribution, a unit of The Walt Disney Company, Fantasia 2000: The IMAX Experience was released exclusively to 75 IMAX theaters around the world for the four-month period ended April 30, 2000. This was the first theatrical full-length feature film to be reformatted into 15/70-format film and it became the fastest grossing large-format film in history, grossing over \$63 million during its initial release. The film was re-released in August 2000 and has grossed on a cumulative basis over \$80 million to date. 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 2000. In 2000, there were 13 new films released in the 15/70-format.

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), and digital post-production services.

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 11 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 filmstrips 3D cameras which are among the most advanced motion pictures cameras in the world and are the only 3D cameras of their kind. The IMAX 3D camera simultaneously shoots left-eye 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 three dual filmstrip cameras available for rent.

## 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. The commercial theater segment of the Company's theater network is now its largest segment with a total of 151 theaters opened or in backlog. At December 31, 2000, 47% 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.

## 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 believes that it is one of the world's leading entertainment technology companies with significant in-house proprietary expertise in projection system, camera and sound system design, engineering and technology. The Company believes that virtually all aspects of the motion picture industry will be affected by the development of digital techniques, particularly in the areas of content creation (image capture), post-production (editing and special effects), distribution and display. The Company has made significant investments in digital technologies, including its 1999 acquisition of 100% of DPI, a designer and manufacturer of digital image delivery systems, and has a number of patents and intellectual property rights in these areas. DPI played an important role in the development of the DMDTM chip that forms the basis for DPI's projectors. The Company has made a number of significant technological advances in the past and in January 1997, the Company was awarded an Academy Award(TM) 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, 2000, 59 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 plans to continue to fund research and development activity in areas considered important to the Company's continued commercial success.



## 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 Original Equipment Manufacturers (OEM) agreements with outside vendors. These proprietary components include custom loudspeaker enclosures and horns and specialized amplifiers, signal processing and control equipment.

### DPI MANUFACTURING

DPI develops, designs and manufactures digital projector systems utilizing digital and micromirror technology. These projector systems are marketed typically to commercial clients in the staging, rental and display advertising sectors who require an industry leading combination of high brightness and resolution. DPI manufactures projectors at its production and research facility in Manchester, England and also maintains a sales and customer support office in Atlanta, Georgia.

### 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 and 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 of 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) and a method for synchronizing digital data systems. The Company has been diligent in the protection of its proprietary interests.

The Company currently holds 56 patents, has 24 patents pending in the United States and has corresponding patents or filed applications in many countries throughout the world. While the Company considers its patents to be important to the overall conduct of its business, it does not consider any particular patent essential to its operations. Certain of the Company's patents in the United States, Canada and Japan for improvements to the IMAX projector, IMAX Solido and sound systems expire between 2001 and 2018.

The Company owns or otherwise has rights to trademarks and trade names used in conjunction with the sale of its products, systems and services. The following trademarks are considered significant in terms of the current and contemplated operations of the Company: The IMAX Experience(R), An IMAX Experience(R), IMAX(R), IMAX(R) 3D, IMAX(R) Dome, IMAX Solido(R), Personal Sound Environment(R) and OMNIMAX(R). These trademarks are widely protected by registration or common law 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, 2000, the Company had 701 employees not including hourly employees at Company-owned theaters.

## ITEM 2. PROPERTIES

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

	OPERATION -----	OWN/LEASE -----	EXPIRATION -----
Mississauga, Ontario (1).....	Headquarters, Administrative, Assembly and Research and Development	Own	N/A
New York, New York.....	Executive	Lease	2004
Birmingham, Alabama .....	Sound Systems Design and Assembly	Own	N/A
Kempton, Germany.....	Sales and Marketing	Lease	2001
Santa Monica, California.....	Sales, Marketing, Film Production and Post-Production	Lease	2012
Singapore.....	Sales and Marketing	Lease	2002
Tokyo, Japan.....	Sales, Marketing, Maintenance and Theater Design	Lease	2001
Manchester, England.....	Digital Projection International Design and Assembly, Research and Development	Lease	2004
Atlanta, Georgia.....	Digital Projection International Sales, Marketing and Service	Lease	2002

- (1) This property is subject to a collateral secured charge in favour of The Toronto-Dominion Bank in connection with a 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. 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 plaintiff appealed the decision to the Quebec Court of Appeal. The Company believes that the amount of the loss, if any, suffered in connection with a successful appeal by the plaintiff 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 matter.

In January 2000, the Commission of the European Communities (the "Commission") informed the Company that Euromax, an association of European large screen cinema owners, had filed a complaint against the Company under EC competition rules. The complaint addressed a variety of alleged abuses, mainly relating to the degree of the control that the Company asserts over the projection systems it leases and the form and terms of the Company's agreements. No formal investigation has been initiated to date, and the Commission has limited itself to a request of IMAX to comment on the complaint and subsequent response. Should proceedings be initiated, it is expected that no decision would be rendered until the end of 2001 or 2002 at the earliest. Although the Commission has the power to impose fines of up to a maximum of 10% of Company revenue for breach of EC competition rules, the Company believes on the basis of currently available information and an initial review that such result would not be likely. The Company further believes that the allegations in the complaint are meritless and will accordingly defend the matter vigorously. The Company believes that the amount of the loss, if any, suffered in connection with this dispute would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of this litigation.

In April 2000, Themax Inc., a 33% owned investee of the Company, and certain of its shareholders (collectively "Themax") filed a claim against the Company in the Superior Court in the District of Longueuil, in the Province of Quebec, alleging breach of contract in respect of the IMAX System Lease agreement between IMAX Ltd. and Themax dated February 5, 1996 as well as a claim for damages suffered as a result of IMAX Ltd.'s alleged failure to adequately manage the Brossard Theater during its tenure as manager. Themax claimed damages representing a return of the original investment by Themax as well as lost profits and costs. The Company believes that the allegations made by Themax are entirely without merit and has and will accordingly defend the matter vigorously. The Company believes that the amount of loss, if any, suffered in connection with this lawsuit would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome for any such litigation.

In June 2000, a complaint was filed against the Company and a third party by Mandalay Resort Group f/k/a Circus Circus Enterprises, Inc., alleging breach of contract and express warranty, fraud and misrepresentation in connection with the installation of certain motion simulation bases in Nevada. The complaint alleges damages in excess of \$30,000. The Company believes that the allegations made against it in this complaint are meritless and will accordingly defend the matter vigorously. The Company further believes that the amount of loss, if any, suffered in connection with this lawsuit would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome for any such litigation.

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, 2000.

## 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.

	U.S. DOLLARS	
	HIGH	LOW
NASDAQ		
Year ended December 31, 2000		
Fourth quarter.....	16.938	2.500
Third quarter.....	29.438	13.188
Second quarter.....	24.125	18.000
First quarter.....	28.500	19.500
Year ended December 31, 1999		
Fourth quarter.....	28.750	17.000
Third quarter.....	25.500	19.563
Second quarter.....	24.125	18.688
First quarter.....	33.625	15.000

	CANADIAN DOLLARS	
	HIGH	LOW
TSE		
Year ended December 31, 2000		
Fourth quarter.....	25.650	3.800
Third quarter.....	42.500	20.000
Second quarter.....	35.000	27.550
First quarter.....	40.500	29.000
Year ended December 31, 1999		
Fourth quarter.....	42.500	25.750
Third quarter.....	38.000	28.500
Second quarter.....	35.000	27.400
First quarter.....	51.000	23.700

As of December 31, 2000 the Company had 266 registered holders of record of the Company's common shares.

The Company has not paid within the last two 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 11 to the financial statements in Item 8 and the discussion of liquidity and capital resources in Item 7). The payment of any future dividends will be determined by the Board of Directors in light of conditions then existing, including the Company's financial condition and requirements, future prospects, restrictions in financing agreements, business conditions and other factors deemed relevant by the Board of Directors.

## ITEM 6. SELECTED FINANCIAL DATA

(in thousands of dollars, except per share data)

The selected financial data set forth below is derived from the consolidated financial statements of the Company. The financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"). All financial information referred to herein is expressed in U.S. dollars unless otherwise noted.

	YEARS ENDED DECEMBER 31,				
	2000(1)	1999(1)	1998	1997	1996
<b>STATEMENT OF OPERATIONS DATA:</b>					
<b>REVENUE</b>					
IMAX systems.....	\$ 113,226	\$ 126,826	\$ 140,874	\$ 97,539	\$ 85,972
Digital projection systems.....	46,356	10,999	--	--	--
Films.....	41,711	47,227	30,824	39,683	28,367
Other.....	18,179	18,783	18,657	21,259	15,499
Total revenue.....	219,472	203,835	190,355	158,481	129,838
<b>COSTS AND EXPENSES (2).....</b>					
GROSS MARGIN.....	59,474	97,594	78,571	84,675	71,581
Selling, general and administrative expenses (3).....	62,946	36,584	38,777	32,115	29,495
Research and development .....	8,732	3,868	2,745	2,129	2,493
Amortization of intangibles (4).....	4,202	2,585	5,948	2,701	2,708
Loss from equity-accounted investees (5).....	4,811	683	6,763	22	--
<b>EARNINGS (LOSS) FROM OPERATIONS.....</b>	<b>(21,217)</b>	<b>53,874</b>	<b>24,338</b>	<b>47,708</b>	<b>36,885</b>
Interest income.....	3,339	9,984	5,320	5,604	5,797
Interest expense.....	(21,961)	(21,860)	(14,646)	(13,402)	(11,765)
Impairment of long-term investments (6).....	(4,133)	--	--	--	--
Foreign exchange gain (loss).....	(1,103)	977	588	(623)	(337)
<b>EARNINGS (LOSS) BEFORE TAXES AND MINORITY INTEREST.....</b>	<b>(45,075)</b>	<b>42,975</b>	<b>15,600</b>	<b>39,287</b>	<b>30,580</b>
Recovery of (provision for) income taxes.....	13,238	(16,535)	(9,810)	(17,265)	(13,579)
<b>EARNINGS (LOSS) BEFORE MINORITY INTEREST.....</b>	<b>(31,837)</b>	<b>26,440</b>	<b>5,790</b>	<b>22,022</b>	<b>17,001</b>
Minority interest.....	--	(1,207)	(1,895)	(1,357)	(1,593)
<b>EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF</b>	<b>\$ (31,837)</b>	<b>\$ 25,233</b>	<b>\$ 3,895</b>	<b>20,665</b>	<b>15,408</b>
Extraordinary loss on early retirement of debt, net of income tax benefit of \$1,588 (7).....	--	--	(2,095)	--	--
Cumulative effect of changes in accounting principles, net of income tax benefit of \$37,286 (8).....	(61,110)	--	--	--	--
<b>NET EARNINGS (LOSS).....</b>	<b>\$ (92,947)</b>	<b>\$ 25,233</b>	<b>\$ 1,800</b>	<b>\$ 20,665</b>	<b>\$ 15,408</b>
<b>PER SHARE DATA:</b>					
<b>Earnings per share - basic :</b>					
Earnings (loss) before extraordinary item and cumulative effect of changes in accounting principles....	\$ (1.07)	\$ 0.85	\$ 0.10	\$ 0.71	\$ 0.54
Extraordinary item.....	\$ --	\$ --	\$ (0.07)	\$ --	\$ --
Cumulative effect of changes in accounting principles.....	\$ (2.05)	\$ --	\$ --	\$ --	\$ --
<b>Net earnings (loss).....</b>	<b>\$ (3.11)</b>	<b>\$ 0.85</b>	<b>\$ 0.03</b>	<b>\$ 0.71</b>	<b>\$ 0.54</b>
<b>Earnings per share - diluted :</b>					
Earnings (loss) before extraordinary item and cumulative effect of changes in accounting principles.....	\$ (1.07)	\$ 0.83	\$ 0.09	\$ 0.68	\$ 0.50
Extraordinary item.....	\$ --	\$ --	\$ (0.06)	\$ --	\$ --
Cumulative effect of changes in accounting principles.....	\$ (2.05)	\$ --	\$ --	\$ --	\$ --
<b>Net earnings (loss).....</b>	<b>\$ (3.11)</b>	<b>\$ 0.83</b>	<b>\$ 0.03</b>	<b>\$ 0.68</b>	<b>\$ 0.50</b>

- (1) Operating statement data for 1999 includes approximately four months of DPI's operations (acquired by the Company on September 3, 1999). The full twelve months of DPI operations are included in the operating statement data for 2000.
- (2) 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. The year ended December 31, 2000 includes a \$29.4 million charge which principally relates to the impairment of certain theater and fixed assets, the write down of certain films in distribution and development and the expense of film exploitation costs as required pursuant to the Statement of Position No. 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2") effective January 1, 2000.
- (3) For the year ended December 31, 2000 selling, general and administration expenses includes a \$11.5 million charge principally related to provision against uncollectible amounts due under lease.
- (4) Amortization of intangibles in 1998 includes a \$3.3 million charge related to the write-off of goodwill associated with the Ridefilm business.
- (5) 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. In 2000, it includes a \$4.0 million provision related to the guarantee of a term loan undertaken by the Forum Ride Associates joint venture.
- (6) Impairment of long-term investments represents a charge of \$4.1 million relating to the impairment of certain of the Company's long-term investments.
- (7) In 1998, all of the 10% Senior Notes due 2001 were redeemed. The excess of the redemption price over the principal amount of the Notes of \$2.8 million and the write-off of the unamortized deferred financing costs of \$894,000 resulted in an extraordinary pre-tax loss of \$3.7 million in the year ended December 31, 1998.
- (8) For the year ended December 31, 2000, the Company recognized an after-tax charge of \$54.5 million in accordance with the interpretive guidance of Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). In fiscal 2000, the Company also adopted Statement of Position No. 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2") and recorded an after-tax charge of \$6.6 million to reflect the adoption of this new principle.

BALANCE SHEET DATA:	AS AT DECEMBER 31,				
	2000(1)	1999(1)	1998	1997	1996
Cash, cash equivalents and investments in marketable debt securities.....	\$ 38,437	\$ 123,605	\$ 202,941	\$ 90,530	\$ 120,688
Total assets.....	492,100	538,237	490,091	344,359	308,744
Total long-term indebtedness.....	300,000	300,000	300,000	165,000	167,023
Total shareholders' equity.....	22,263	111,065	84,446	81,117	54,841

- (1) includes the assets and liabilities of DPI, acquired by the Company on September 3, 1999.

## PRO FORMA AMOUNTS IN ACCORDANCE WITH SAB 101

PRO FORMA AMOUNTS ASSUMING THE NEW ACCOUNTING PRINCIPLE IS APPLIED  
RETROACTIVELY:

	2000	1999	1998
	-----	-----	-----
Revenue.....	\$ 219,472	\$ 166,617	\$ 144,437
Earnings (loss) before extraordinary item.....	\$ (31,837)	\$ 7,655	\$ (15,487)
Basic earnings (loss) per share.....	\$ (1.07)	\$ 0.26	\$ (0.56)
Diluted earnings (loss) per share.....	\$ (1.07)	\$ 0.25	\$ (0.56)
Net earnings (loss).....	\$ (31,837)	\$ 7,655	\$ (17,582)
Basic earnings (loss) per share.....	\$ (1.07)	\$ 0.26	\$ (0.63)
Diluted earnings (loss) per share.....	\$ (1.07)	\$ 0.25	\$ (0.63)

See pro forma disclosure in note 3 of the audited financial statements contained in Item 8.

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, the distribution of films, film production agreements and from the sale of digital projectors. The Company also derives revenue from the operation of theaters in which the Company has an equity interest 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) initial rental fees; (ii) ongoing rental payments; and (iii) maintenance fees. The initial rental 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. Ongoing rental 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 rental payments and maintenance fees are typically indexed to the consumer price index.

Theater system leases that transfer substantially all of the benefits and risks of ownership to customers are classified as sales-type leases as a result of meeting the criteria established by Statement of Financial Accounting Standards No. 13 ("FAS 13"). In accordance with the interpretive guidance of SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), the Company, effective January 1, 2000, recognizes revenue on theater systems, whether pursuant to sales-type leases or sales, at the time that installation is complete. Prior to January 1, 2000, the Company recognized revenue from sales-type leases and sales of theater systems at the time of delivery.

The timing of installation of the theater system is largely dependent on the timing of the construction of the customer's theater. Revenues recognized at the time of installation of the theater system are derived from contracts signed prior to the date of recognition. Such revenue is shown as sales backlog until it is recognized at the time of installation. Therefore, revenue for theater systems is generally predictable on a long-term basis. However, systems revenue in any given quarter may vary significantly depending on the timing of the installation of systems.

Cash receipts received in advance of installation are recorded as deferred revenue. The associated costs of manufacturing the theater system are recorded as inventory. At the time of installation, the deferred revenue and inventory costs are recognized in income.

**SALES BACKLOG.** Sales backlog represents the sales value of all signed system sale and lease agreements that will be recognized as revenue in the future. Sales backlog does not include revenues from theaters in which the Company has an equity interest, letters of intent, or long-term conditional theater commitments.

## FILM PRODUCTION AND DISTRIBUTION

The Company adopted Statement of Position 00-2 of the American Institute of Certified Public Accountants, "Accounting by Producers or Distributors of Films" ("SOP 00-2") effective January 1, 2000. Prior to January 1, 2000, revenues associated with the licensing of exhibition rights to motion pictures distributed by the Company were recognized in accordance with U.S. Statement of Financial Accounting Standard No. 53, "Financial Reporting by Producers and Distributors of Motion Picture Films ("FAS 53)". In accordance with SOP 00-2, the Company recognizes revenue from such licensing arrangements when the film is complete and has been delivered, the license period has begun, the fee is fixed or determinable and collection is reasonably assured. Where the license fees are based on a share of the customer's revenue, and all other revenue recognition criteria are met, the Company recognizes revenue as the customer exhibits the film. Costs of producing film and acquiring film distribution rights are capitalized and amortized using the individual film-forecast-computation method, which amortizes such costs in the same ratio that current period actual revenue bears to estimated remaining unrecognized ultimate revenue as of the beginning of the fiscal year. All advertising, exploitation costs and marketing costs are expensed as incurred. The cumulative effect of the change in accounting principle was recorded as a one time, non-cash after-tax charge of \$6.6 million in the consolidated statement of income for the year ended December 31, 2000.

## INTERNATIONAL OPERATIONS

A significant portion of the Company's sales are made to customers located outside of the United States and Canada. During 2000, 1999 and 1998 approximately 44.3%, 40.3% 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.

## SUBSEQUENT EVENTS

The Company and John M. Davison, its President, Chief Operating Officer and Chief Financial Officer, entered into an agreement dated February 22, 2001, in which Mr. Davison resigned from the Company effective between May 31 and June 30, 2001. Under the agreement, Mr. Davison agreed to work for the Company until his resignation date, continuing to handle a variety of financial, budgetary and other matters. The agreement provides that the Company shall continue to pay Mr. Davison his base salary and certain bonus payments through December 31, 2002. The agreement permits Mr. Davison to exercise his stock options which are vested as of the earlier of December 31, 2002 or the date he secures alternate employment, with all other options being cancelled.

Subsequent to December 31, 2000, the Company approved a formal plan to rationalize its operations and reduce staffing levels. The Company anticipates it will record charges in 2001 in the approximate range of \$15 to \$20 million to provide for severances, exit costs and to write-down certain assets to be disposed of to net realizable value.

## RESULTS OF OPERATIONS

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

	YEARS ENDED DECEMBER 31,				
	2000	1999	1998	1997	1996
	%	%	%	%	%
Revenue					
IMAX systems.....	51.6	62.2	74.0	61.6	66.2
Digital projection systems.....	21.1	5.4	--	--	--
Films.....	19.0	23.2	16.2	25.0	21.9
Other.....	8.3	9.2	9.8	13.4	11.9
Total.....	100.0	100.0	100.0	100.0	100.0
Costs and expenses.....	72.9	52.1	58.7	46.6	44.9
Gross margin.....	27.1	47.9	41.3	53.4	55.1
Selling, general and administrative expenses.....	28.7	18.0	20.4	--	--
Research and development.....	4.0	1.9	1.4	20.3	22.7
Amortization of intangibles.....	1.9	1.3	3.1	1.3	1.9
Loss from equity-accounted investees.....	2.2	0.3	3.6	1.7	2.1
Earnings (loss) from operations.....	(9.7)	26.4	12.8	30.1	28.4
Earnings (loss) before extraordinary item and cumulative effect of changes in accounting principles.....	(14.5)	12.4	2.0	13.0	11.9
Net earnings (loss).....	(42.4)	12.4	0.9	13.0	11.9





YEAR ENDED DECEMBER 31, 2000 VERSUS YEAR ENDED DECEMBER 31, 1999

In 2000 the Company had revenues of \$219.5 million and a net loss before the cumulative effect of changes in accounting principles (described above) of \$31.8 million (\$1.07 per share on a diluted basis) compared to revenues of \$203.8 million and net earnings of \$25.2 million (\$0.83 per share on a diluted basis) in 1999. Included in the net loss are charges of \$11.5 million (\$0.27 per share) associated with provisions for estimated uncollectible amounts from theater customers, \$15.3 million (\$0.36 per share) associated with the write-down for estimated impairment of certain long-term assets of the Company, \$8.6 million (\$0.20 per share) associated with the write-down of certain assets in the Company's film library and \$7.1 million (\$0.17 per share) related to the impact of adopting SOP 00-2 on current year results. The Company reported a net loss of \$92.9 million (\$3.11 per share) after the cumulative effect of accounting charges. The increase in revenues of 8% is due to the inclusion of twelve months of revenues versus four months of revenues in 1999 from DPI which more than offset a decline in systems revenue and film revenue.

#### REVENUES

The Company's revenues in 2000 were \$219.5 million, compared to \$203.8 million in 1999, an increase of 8%. The following table sets forth the breakdown of revenue by category in thousands of dollars:

	2000	1999	1998
	-----	-----	-----
<b>IMAX SYSTEMS REVENUE</b>			
Sales and leases.....	\$ 87,384	\$ 103,414	\$ 121,042
Royalties (1).....	12,097	11,747	10,154
Maintenance.....	13,745	11,665	9,678
	-----	-----	-----
	113,226	126,826	140,874
	-----	-----	-----
<b>DIGITAL PROJECTION SYSTEMS</b>	46,356	10,999	-
	-----	-----	-----
<b>FILM REVENUE</b>			
Distribution.....	21,221	23,224	15,052
Post-production.....	20,490	24,003	15,772
	-----	-----	-----
	41,711	47,227	30,824
	-----	-----	-----
<b>OTHER REVENUE</b>	18,179	18,783	18,657
	-----	-----	-----
	\$ 219,472	\$ 203,835	\$ 190,355
	=====	=====	=====

(1) Includes finance income.

Systems revenue decreased to \$113.2 million in 2000 from \$126.8 million in 1999, a decrease of 11%. Revenue from sales and leases decreased to \$87.4 million from \$103.4 million in 1999 a decrease of 15%. In 2000, 24 theater systems were installed under sales and sales-type leases as compared to 35 theater systems being delivered in 1999. Royalty revenue increased 3% over 1999. Maintenance revenue increased 18% over the prior year principally due to the increased number of theater systems in the network.

Revenues from the sale of digital projection systems increased to \$46.4 million in 2000 from \$11.0 million in 1999 following the acquisition of DPI on September 3, 1999. The 1999 results include only four months of DPI results.

Film revenues decreased to \$41.7 million in 2000 from \$47.2 million in 1999. Film distribution revenues decreased to \$21.2 million in 2000 from \$23.2 million in 1999, a decrease of 9%, and film post-production activities decreased to \$20.5 million in 2000 from \$24.0 million in 1999, a decrease of 15%. The decrease in revenues was due to a decline in the number of prints released and the timing and performance of films released in the year.

Other revenue decreased slightly to \$18.2 million in 2000 from \$18.8 million in 1999. While theater operations revenue increased in 2000 versus 1999 due to the increase in the number of owned and operated theaters and the increase in camera rentals, the increases were more than offset by a decline in the Company's discontinued Ridefilm operations.

## GROSS MARGIN

Gross margin in 2000 was \$59.5 million versus \$97.6 million in 1999. Gross margin in 2000 was reduced by \$8.6 million associated with the write-down of the value of certain films in the Company's library, \$7.1 million due to the adoption of SOP 00-2 and a provision of \$13.7 million against certain of the Company's long-term assets.

The decline in the gross margin in 2000 over 1999, is due to lower system revenues on 24 theater systems in 2000 versus 35 theater systems in 1999, reduced margin on the operation of the company-owned theaters and the provisions noted above. Gross margin as a percentage of total revenues was 27% in 2000 compared to 48% in 1999. The decline in the gross margin percentage in 2000 over 1999, is due to the same reasons.

## OTHER

Selling, general and administrative expenses were \$62.9 million in 2000 versus \$36.6 million in 1999. The selling, general and administrative expenses include a charge of \$11.5 million in 2000 associated with the provision for impairment in amounts receivable from theaters including amounts classified as net investment in leases on the balance sheet. The balance of the increase in selling, general and administrative expenses was due to the inclusion of twelve months in 2000 versus four months in 1999 of selling, general and administrative expenses of DPI, and higher corporate expenses.

Research and development expenses were \$8.7 million in 2000 versus \$3.9 million in 1999. The increase is due mainly to the inclusion of twelve months in 2000 versus four months in 1999 of research and development costs of DPI, and increased activities in developing digital technologies.

Interest income decreased to \$3.3 million in 2000 from \$10.0 million in 1999 due mainly to a decline in the average balance of cash, cash equivalents and marketable debt securities held.

The Company experienced a foreign exchange loss of \$1.1 million in 2000 compared to a gain of \$1.0 million in 1999. The foreign exchange loss in 2000 resulted primarily from fluctuations in exchange rates on Canadian dollar cash balances and Canadian dollar and Japanese Yen denominated net investment in leases, the majority of which is unrealized. The gain in 1999 resulted primarily from fluctuations in exchange rates on Canadian dollar cash balances and Canadian dollar and Japanese Yen denominated 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, the Canadian manufacturing and processing profits deduction and the provision for income taxes at different rates in foreign and other provincial jurisdictions. The effective tax rate in 2000 declined over prior years due to certain non-deductible expenses and valuation allowances against certain losses which are assumed to be not recoverable in the future.

Minority interest expense in 1999 relates to the 49% minority interest in Sonics, held by principals of Sonics, that was acquired by the Company on October 1, 1999.

## YEAR ENDED DECEMBER 31, 1999 VERSUS YEAR ENDED DECEMBER 31, 1998

In 1999 the Company had revenues of \$203.8 million and net earnings of \$25.2 million (\$0.83 per share on a diluted basis) compared to 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) in 1998. The increase in revenues of 7% is due to increased film revenues and the inclusion of four months of revenues from DPI, which more than offset a decline in systems revenue. 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.

## REVENUES

Systems revenue decreased to \$126.8 million in 1999 from \$140.9 million in 1998, a decrease of 10%. Revenue from sales and leases decreased to \$103.4 million from \$121.0 million, a decrease of 15%. The Company delivered 35 theater systems under sales and sales-type leases in 1999 as compared to 41 theater systems in 1998. Royalty and maintenance revenue increased 16% and 21%, respectively, over the prior year principally due to the increased number of theater systems in the network.

Revenues from the sale of digital projection systems of \$11.0 million represents the revenues earned by DPI since its acquisition by the Company on September 3, 1999.

Film revenues increased to \$47.2 million in 1999 from \$30.8 million in 1998. Film distribution revenues increased to \$23.2 million in 1999 from \$15.1 million in 1998 due to the timing of the release of films and the strong performance of T-REX: Back to the Cretaceous which was released late in 1998. Film post-production activities increased to \$24.0 million in 1999 from \$15.8 million in 1998, an increase of 52%. 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 increased slightly to \$18.8 million in 1999 from \$18.7 million in 1998.

## GROSS MARGIN

Gross margin in 1999 was \$97.6 million versus \$78.6 million in 1998. In 1998, the gross margin was adversely affected by the write-down of the Company's motion simulation assets of \$7.9 million and a write-down of its film assets of \$19.1 million.

The decline in the gross margin in 1999 over 1998, exclusive of these write-downs, is due mainly to the decline in system deliveries to 35 in 1999 from 41 in 1998.

Gross margin as a percentage of total revenues was 47.9% in 1999 compared to 41.3% in 1998. The write-downs described above reduced the gross margin in 1998 by 4.1% and 10.0% respectively. The decline in the gross margin in 1999 over 1998, exclusive of these write-downs, is due to the higher proportion of film and other revenues (which generally have lower margins than IMAX systems revenue).

## OTHER

Selling, general and administrative expenses were \$36.6 million in 1999 versus \$38.8 million in 1998. The decrease in selling, general and administrative costs in 1999 over 1998 resulted primarily from a \$1.9 million charge in 1998 associated with the rationalization of the Company's motion simulation and attractions business.

Research and development expenses were \$3.9 million in 1999 versus \$2.7 million in 1998. The increase is due mainly to the inclusion of four months of research and development costs of DPI.

Interest income increased to \$10.0 million in 1999 from \$5.3 million in 1998 due to higher average cash, cash equivalents and marketable debt securities balances as a result of the proceeds from the \$200 million Senior Notes due 2005 issued on December 4, 1998.

Interest expense increased in 1999 as a result of the issue in December 1998 of the Senior Notes.

The Company experienced a foreign exchange gain of \$1.0 million in 1999 compared to a gain of \$0.6 million in 1998. The foreign exchange gain in 1999 resulted primarily from fluctuations in exchange rates on Canadian dollar cash balances and Canadian dollar and Japanese Yen denominated net investment in leases. The gain in 1998 resulted primarily from fluctuations in exchange rates on the Japanese Yen denominated net investment in leases.

Minority interest expense declined to \$1.2 million in 1999 from \$1.9 million in 1998 due mainly to the acquisition by the Company of the remaining 49% minority interest in Sonics on October 1, 1999.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2000, the Company's principal source of liquidity included cash and cash equivalents of \$30.9 million, marketable securities of \$7.5 million, trade accounts receivable of \$40.8 million, net investment in leases due within one year of \$12.6 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, 2000, \$0.4 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 Senior 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 Senior 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 Senior Notes may require the Company to repurchase all or part of the Senior 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 \$100 million of 5 3/4% Convertible Subordinated Notes (the "Subordinated Notes") due 2003. These Subordinated 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 Subordinated 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 (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 receives cash payments for some of its film productions in advance of related cash expenditures. These cash flows have generally been adequate to finance the ongoing operations of the Company.

Cash used in operating activities amounted to \$54.1 million for the year ended December 31, 2000 after the payment of \$21.5 million of interest, \$33.6 million of income taxes and working capital requirements. Changes in operating assets and liabilities include \$19.7 million that was invested in film assets, a decrease of \$9.1 million in accounts receivable, an increase of \$9.3 million in net investment in leases due to the theater systems installed under sales-type leases in 2000 and a decrease of \$42.6 million in current taxes payable due to tax payments in connection with the reorganization of the Company's lines of business in 1999. Cash provided by investing activities in 2000 amounted to \$45.3 million. Of this amount, \$81.5 million was received from the sale of marketable debt securities, \$28.8 million was invested in fixed assets, principally owned and operated theaters and theater systems contributed to joint ventured theaters, and facilities, and \$6.2 million was invested in other assets including patents, trademarks and software. Cash provided by financing activities included proceeds of \$1.4 million from the issuance of common shares pursuant to the Company's stock option plan.

Cash used by operating activities amounted to \$2.6 million for the year ended December 31, 1999 after the payment of \$21.4 million of interest, \$7.5 million of income taxes and working capital requirements. Changes in operating assets and liabilities include \$18.1 million that was invested in film assets, an increase of \$7.9 million in accounts receivable primarily related to

an increase in film post production activity and an increase in DPI's activity and an increase of \$34.1 million in net investment in leases due to the theater systems delivered under sales-type leases in 1999 partially offset by an increase in current income taxes payable of \$32.8 million due to the impact of the reorganization of the Company's lines of business, most notably the transfer of its lease portfolio to IMAX Ltd., a 100% owned subsidiary of the Company. Cash used in investing activities in 1999 amounted to \$108.2 million. Of this amount, \$25.7 million relates to the acquisition of DPI on September 3, 1999, \$12.7 million relates to the acquisition of the minority interest in Sonics on October 1, 1999, \$22.7 million was invested in capital assets, principally owned and operated theaters and theater systems contributed to joint ventured theaters, and facilities, \$29.6 million was invested in marketable debt securities and \$17.4 million was invested in other assets including an \$11.6 million investment in Mainframe Entertainment Inc., costs associated with Fantasia 2000: The IMAX Experience and patents, trademarks and software. Cash provided by financing activities included proceeds of \$2.2 million from the issuance of common shares pursuant to the Company's stock option plan.

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.

#### ITEM 7A. 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 occasionally 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 and Japanese Yen which are converted to U.S. dollars generally through forward contracts to minimize currency exposure.

A substantial portion of the Company's cash equivalents earn interest at short-term floating rates while all of its long-term debt incurs interest at long-term fixed rates. The Company entered into an interest rate swap for the notional amount of \$65 million to partially hedge this exposure. Subsequent to year end, the Company sold this swap for proceeds of \$190,000.

The following table provides information about the Company's foreign currency and interest rate swap contracts as at December 31, 2000. The fair value represents the amount the Company would receive or pay to terminate the contracts at December 31, 2000.

	2001	2002	2003	2004	2005	TOTAL	FAIR VALUE
	----	----	----	----	----	-----	-----
(IN THOUSANDS OF U.S. DOLLARS)							
<b>FOREIGN CURRENCY EXCHANGE CONTRACTS</b>							
(Receive Canadian \$, pay U.S. \$)	\$20,000	-	-	-	-	\$20,000	\$(158)
Average contractual exchange rate per one U.S. dollar	1.48	-	-	-	-	1.48	
(Pay Yen, receive U.S. \$)	\$318	\$174	\$179	\$137	-	\$808	\$43
Average contractual exchange rate per one U.S. dollar	97.85	97.85	97.85	97.85	-	97.85	
(Pay FF, receive U.S. \$)	\$423	\$435	\$448	\$462	\$476	\$2,244	\$478
Average contractual exchange rate per one U.S. dollar	5.07	5.07	5.07	5.07	5.07	5.07	
<b>INTEREST RATE SWAP</b>							
Fixed to floating	\$65,000 (1)	-	-	-	-	\$65,000	\$(209)
Average pay rate	L*+ 2.09%						
Receive rate	7.875%						

\* LIBOR

(1) Agreement sold to a third party on January 10, 2001 for proceeds of \$190,000.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

	PAGE
	-----
Report of Independent Accountants to the Shareholders of IMAX Corporation.....	23
Consolidated Balance Sheets as at December 31, 2000 and 1999.....	24
Consolidated Statements of Operations for the years ended December 31, 2000, 1999 and 1998.....	25
Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998.....	26
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2000, 1999 and 1998.....	27
Notes to Consolidated Financial Statements.....	28

## REPORT OF INDEPENDENT ACCOUNTANTS TO THE SHAREHOLDERS OF IMAX CORPORATION

We have audited the accompanying consolidated balance sheets of IMAX Corporation (the "Company") as at December 31, 2000 and 1999 and the related consolidated statements of operations, cash flows and shareholders' equity for each year in the three-year period ended December 31, 2000. These financial statements and the financial statement schedule listed in the index appearing under Item 14(a)(2) on page 57 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and cash flows for each year in the three-year period ended December 31, 2000 in accordance with accounting principles generally accepted in the United States.

In addition, in our opinion, the financial statement schedule referred to above presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP  
Chartered Accountants  
Toronto, Canada  
March 28, 2001



## IMAX CORPORATION

CONSOLIDATED BALANCE SHEETS  
 IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES  
 (In thousands of U.S. dollars)

	AS AT DECEMBER 31,	
	2000	1999
<b>ASSETS</b>		
Cash and cash equivalents	\$ 30,908	\$ 34,573
Investments in marketable debt securities	7,529	89,032
Accounts receivable, less allowance for doubtful accounts of \$19,774 (1999 - \$5,276)	34,835	42,619
Net investment in leases (note 6)	77,093	137,005
Inventories (note 7)	69,910	31,141
Income taxes recoverable	8,830	-
Prepaid expenses	3,650	2,621
Film assets (note 8)	29,749	38,453
Fixed assets (note 9)	89,879	66,897
Other assets (note 10)	32,859	28,232
Deferred income taxes (note 16)	46,345	4,913
Goodwill, net of accumulated amortization of \$14,818 (1999 - \$11,463)	60,513	62,751
	-----	-----
Total assets	\$ 492,100	\$ 538,237
<b>LIABILITIES</b>		
Accounts payable	\$ 23,250	\$ 18,361
Accrued liabilities (note 20)	40,160	34,910
Deferred revenue	106,427	40,146
Income taxes payable	-	33,755
Senior notes due 2005 (note 11)	200,000	200,000
Convertible subordinated notes (note 13)	100,000	100,000
	-----	-----
Total liabilities	469,837	427,172
<b>COMMITMENTS AND CONTINGENCIES (Notes 15 and 21)</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Common stock (note 14) - no par value. Authorized - unlimited number. Issued and outstanding - 30,051,514 (1999 - 29,757,888)	60,136	57,471
Retained earnings (deficit)	(38,278)	54,669
Accumulated other comprehensive income (loss)	405	(1,075)
	-----	-----
Total shareholders' equity	22,263	111,065
	-----	-----
Total liabilities and shareholders' equity	\$ 492,100	\$ 538,237

(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,		
	2000	1999	1998
REVENUE			
IMAX systems	\$ 113,226	\$ 126,826	\$ 140,874
Digital projection systems	46,356	10,999	-
Films	41,711	47,227	30,824
Other	18,179	18,783	18,657
	-----	-----	-----
	219,472	203,835	190,355
COSTS AND EXPENSES (notes 5, 8 and 9)	159,998	106,241	111,784
	-----	-----	-----
GROSS MARGIN	59,474	97,594	78,571
Selling, general and administrative expenses (notes 5 and 6)	62,946	36,584	38,777
Research and development	8,732	3,868	2,745
Amortization of intangibles	4,202	2,585	5,948
Loss from equity-accounted investees (note 5)	4,811	683	6,763
	-----	-----	-----
EARNINGS (LOSS) FROM OPERATIONS	(21,217)	53,874	24,338
Interest income	3,339	9,984	5,320
Interest expense, net of interest capitalized of \$1,393 (1999 - \$754; 1998 - \$nil)	(21,961)	(21,860)	(14,646)
Impairment of long-term investments (note 10)	(4,133)	-	-
Foreign exchange gain (loss)	(1,103)	977	588
	-----	-----	-----
EARNINGS (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	(45,075)	42,975	15,600
Recovery of (provision for) income taxes (note 16)	13,238	(16,535)	(9,810)
	-----	-----	-----
EARNINGS (LOSS) BEFORE MINORITY INTEREST	(31,837)	26,440	5,790
Minority interest	-	(1,207)	(1,895)
	-----	-----	-----
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	(31,837)	25,233	3,895
Extraordinary loss on early retirement of debt, net of income tax benefit of \$1,588 (note 12)	-	-	(2,095)
Cumulative effect of changes in accounting principles, net of income tax benefit of \$37,286 (note 3)	(61,110)	-	-
	-----	-----	-----
NET EARNINGS (LOSS)	\$ (92,947)	\$ 25,233	\$ 1,800
	=====	=====	=====
PER SHARE DATA (note 14):			
Earnings (loss) per share - basic:			
Earnings (loss) before extraordinary item and cumulative effect of changes in accounting principles	\$ (1.07)	\$ 0.85	\$ 0.10
Extraordinary item	\$ -	\$ -	\$ (0.07)
Cumulative effect of changes in accounting principles	\$ (2.05)	\$ -	\$ -
	-----	-----	-----
Net earnings (loss)	\$ (3.11)	\$ 0.85	\$ 0.03
	=====	=====	=====
Earnings (loss) per share - diluted:			
Earnings (loss) before extraordinary item and cumulative effect of changes in accounting principles	\$ (1.07)	\$ 0.83	\$ 0.09
Extraordinary item	\$ -	\$ -	\$ (0.06)
Cumulative effect of changes in accounting principles	\$ (2.05)	\$ -	\$ -
	-----	-----	-----
Net earnings (loss)	\$ (3.11)	\$ 0.83	\$ 0.03
	=====	=====	=====

Pro forma earnings per share data related to accounting change (note 3)

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

## IMAX CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS  
 IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES  
 (In thousands of U.S. dollars)

	YEARS ENDED DECEMBER 31,		
	2000	1999	1998
<b>CASH PROVIDED BY (USED IN):</b>			
<b>OPERATING ACTIVITIES</b>			
Net earnings (loss)	\$ (92,947)	\$ 25,233	\$ 1,800
Items not involving cash:			
Depreciation, amortization and write-downs (note 17)	50,628	25,110	45,415
Loss from equity-accounted investees (note 5)	4,811	683	6,763
Deferred income taxes	(5,300)	(24,249)	5,563
Impairment of long-term investments (note 10)	4,133	-	-
Extraordinary loss on early extinguishment of debt	-	-	2,095
Cumulative effect of changes in accounting principles (note 3)	61,110	-	-
Minority interest	-	1,207	1,895
Other	-	10	(259)
Changes in operating assets and liabilities (note 17)	(76,524)	(30,583)	(60,517)
Net cash (used in) provided by operating activities	(54,089)	(2,589)	2,755
<b>INVESTING ACTIVITIES</b>			
Acquisition of Digital Projection International, net of cash acquired	(900)	(25,724)	-
Acquisition of minority interest in Sonics Associates, Inc.	(295)	(12,740)	-
Net sale (purchase) of investments in marketable securities	81,503	(29,639)	(32,920)
Purchase of fixed assets	(28,782)	(22,708)	(14,021)
Increase in other assets	(6,190)	(17,402)	(3,982)
Net cash provided by (used in) investing activities	45,336	(108,213)	(50,923)
<b>FINANCING ACTIVITIES</b>			
Issue of 7.875% Senior notes due 2005	-	-	200,000
Repurchase of 10% Senior notes due 2001	-	-	(67,789)
Deferred charges on debt financing	-	-	(4,852)
Paid-in-capital on stock options granted	1,034	-	-
Class C preferred shares dividends paid	-	(365)	(386)
Common shares issued	1,442	2,235	2,632
Redemption of Class C preferred shares	-	-	(2,178)
Net cash provided by financing activities	2,476	1,870	127,427
Effects of exchange rate changes on cash	2,612	(61)	238
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	(3,665)	(108,993)	79,497
Cash and cash equivalents, beginning of year	34,573	143,566	64,069
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 30,908	\$ 34,573	\$ 143,566

(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)	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL SHAREHOLDERS' EQUITY	COMPREHENSIVE INCOME (LOSS)
	-----	-----	-----	-----	-----	-----
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	1,800
Foreign currency translation adjustments, net of income taxes of \$nil	-	-	-	(97)	(97)	(97)
	-----	-----	-----	-----	-----	-----
						\$ 1,703
						=====
BALANCE AT DECEMBER 31, 1998	29,478,384	55,236	29,436	(226)	84,446	-
Issuance of common stock	279,504	2,235	-	-	2,235	-
Net earnings	-	-	25,233	-	25,233	25,233
Unrealized loss on available- for-sale security, net of income taxes of \$nil	-	-	-	(867)	(867)	(867)
Foreign currency translation adjustments, net of income taxes of \$nil	-	-	-	18	18	18
	-----	-----	-----	-----	-----	-----
						\$ 24,384
						=====
BALANCE AT DECEMBER 31, 1999	29,757,888	57,471	54,669	(1,075)	111,065	-
Issuance of common stock	293,626	1,631	-	-	1,631	-
Adjustment in paid-in-capital for stock options granted	-	1,034	-	-	1,034	-
Net loss	-	-	(92,947)	-	(92,947)	(92,947)
Net adjustment on available- for-sale security, net of income tax benefit of \$123	-	-	-	586	586	586
Foreign currency translation adjustments, net of income taxes of \$nil	-	-	-	894	894	894
	-----	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 2000	30,051,514	\$ 60,136	\$ (38,278)	\$ 405	\$ 22,263	\$ (91,467)
	=====	=====	=====	=====	=====	=====

Components of accumulated other comprehensive income (loss) consist of :

	December 31, 2000	December 31, 1999	December 31, 1998
	-----	-----	-----
Foreign currency translation adjustments	\$ 686	\$ (208)	\$ (226)
Unrealized gain (loss) on available-for-sale security	(281)	(867)	-
	-----	-----	-----
Accumulated other comprehensive income (loss)	\$ 405	\$ (1,075)	\$ (226)
	=====	=====	=====

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

IMAX CORPORATION  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES  
 (Tabular amounts in thousands of U.S. dollars unless otherwise stated)

1. DESCRIPTION OF THE BUSINESS

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

- o the design, manufacture and marketing of proprietary projection and sound systems for IMAX theaters principally owned and operated by institutional and commercial customers located in 28 countries as of December 31, 2000;
- o the development, production, post-production and distribution of films shown in the IMAX theater network;
- o the operation of certain IMAX theaters located primarily in the United States;
- o 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; and
- o the design, manufacture and marketing of digital projection systems following the acquisition of Digital Projection International on September 3, 1999.

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. 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 debt and equity securities categorized as available-for-sale securities are carried at fair value with unrealized gains or losses included in other comprehensive income (loss). Investments in marketable debt 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. A loss in value of an investment, which is other than a temporary decline, is recognized as a charge to consolidated net earnings.

(c) CASH AND CASH EQUIVALENTS

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

(d) INVENTORIES

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

IMAX CORPORATION  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES  
 (Tabular amounts in thousands of U.S. dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

(e) FILM ASSETS

Costs of producing films, including capitalized interest, and costs of acquiring film rights are recorded as film assets. The film assets are amortized using the individual-film forecast method as prescribed by AICPA Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2") whereby film costs are amortized in the same ratio that current gross revenues bear to anticipated total future gross revenues. Estimates of anticipated total gross revenues are reviewed regularly by management and revised where necessary to reflect more current information.

The recoverability of film costs is dependent upon commercial acceptance of the films. If events or circumstances indicate that the fair value of a film is less than the unamortized film costs, the film is written down to fair value by a charge to consolidated net earnings.

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

(f) FIXED ASSETS

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

(g) OTHER ASSETS

Other assets include an investment in Mainframe Entertainment, Inc. ("Mainframe"), patents, trademarks and other intangibles, investments in equity-accounted investees, capitalized computer software, defined pension plan intangibles and deferred charges on debt financing.

Patents, trademarks and other intangibles are recorded at cost and are amortized on a straight-line basis over estimated useful lives ranging from 10 to 13 years.

Application development costs of computer software for internal use by the Company are capitalized. Amortization commences when the software is available for use, on a straight-line basis over their estimated useful lives ranging from 3 to 5 years.

Costs of debt financing are deferred and amortized over the term of debt.

(h) GOODWILL

Goodwill represents the excess of the 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 20 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.

(i) DEFERRED REVENUE

Deferred revenue comprises cash received under system contracts, film production contracts, film exhibition contracts and other contracts not yet recognized as revenue.

IMAX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES  
(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

(j) 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. Investment tax credits are recognized as a reduction of income tax expense in the year the credit is earned.

(k) REVENUE RECOGNITION

SALES-TYPE LEASES OF THEATER SYSTEMS

Theater system leases that transfer substantially all of the benefits and risks of ownership to customers are classified as sales-type leases as a result of meeting the criteria established by Statement of Financial Accounting Standards No. 13 ("FAS 13"). Lease payments include initial rentals, which are fixed in amount, and additional rentals, which are equal to the greater of a percentage of ongoing theater admissions revenue and a minimum annual amount. "Minimum lease payments" include the initial rentals and minimum additional rental amounts. Additional rentals in excess of minimum annual amounts are recognized as revenue when the contracted portion of theater admissions due to the Company reported by theater operators exceed the minimum amounts, provided that collection is reasonably assured.

Cash installments of initial rents received in advance of the time at which installation is complete are recorded as deferred revenue. The associated costs of constructing the systems not yet recognized as revenue are included in inventories.

As described in note 3, effective January 1, 2000, revenue associated with the present value of minimum lease payments is recognized when installation of the theater system is complete. Prior to January 1, 2000, the Company recognized such revenue at the time of delivery of the theater system.

OPERATING LEASES OF THEATER SYSTEMS

Leases that do not transfer substantially all of the benefits and risks of ownership to the customer are classified as operating leases. For these leases, minimum lease payments are recognized as revenue on a straight-line basis over the lease term. Additional rentals in excess of minimum annual amounts are recognized as revenue when the contracted portion of theater admissions due to the Company reported by theater operators exceed the minimum amounts, provided that collection is reasonably assured.

SALES OF THEATER SYSTEMS

Revenue from the sales of theater systems is recognized when all of the following criteria are met: persuasive evidence of an agreement exists; the price is fixed or determinable; title passes to the customer; installation of the system is complete; and collection is reasonably assured. Prior to January 1, 2000, the Company recognized such revenue on the same basis, except that the time of delivery was used instead of the time when installation was complete.

SALE OF DIGITAL PROJECTION SYSTEMS

Revenue from the sales of digital projection systems is recognized when all of the following criteria are met: persuasive evidence of an agreement exists; the price is fixed or determinable; the system is delivered; title passes to the customer; and collection is reasonably assured.

MAINTENANCE AND OTHER SERVICES

Maintenance revenues are recognized on a straight-line basis over the maintenance period. Revenues from post-production film services are recognized when the service has been completed. Revenues on camera rentals are recognized over the period the camera is used. Theater admission revenues are recognized on the date of the performance. Other service revenues are recognized when the services are performed.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

FILM PRODUCTION AND DISTRIBUTION

In accordance with SOP 00-2, the Company recognizes revenue from licensing of films when the film is complete and has been delivered, the license period has begun, the fee is fixed or determinable and collection is reasonably assured. Where the license fees are based on a share of the customer's revenue, and all other revenue recognition criteria mentioned in the preceding sentence are met, the Company recognizes revenue as the customer exhibits the film.

(l) RESEARCH AND DEVELOPMENT

Research and development expenditures are expensed as incurred.

(m) FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities of the Company's operations, which are denominated in currencies other than the functional currency, are translated into the functional currency at the exchange rates prevailing at the end of the period. Non-monetary items are translated at historical exchange rates. Revenue and expense transactions are translated at exchange rates prevalent at the transaction date. Such exchange gains and losses are included in the determination of net earnings in the period in which they arise. For foreign subsidiaries with functional currencies other than the U.S. dollar, all assets and liabilities are translated at the year end exchange rates and all revenue and expense items are translated at the average rate for the period, with exchange differences arising on translation accumulated in other comprehensive income (loss).

(n) STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation under the intrinsic value method set out in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and its related interpretations and has made pro forma disclosures of net earnings and earnings per share in note 14 as if the methodology prescribed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", had been adopted.

(o) DEFINED PENSION PLAN

Defined pension plan liabilities are recorded as the excess of the accumulated benefit obligation over the fair value of plan assets. Assumptions used in computing benefit obligations are regularly reviewed by management and adjusted to market conditions. Prior service costs resulting from plan inception or amendments are amortized over the expected future service of the employees while current service costs are expensed when earned.

3. CHANGES IN ACCOUNTING POLICIES

(a) SEC STAFF ACCOUNTING BULLETIN NO. 101, "REVENUE RECOGNITION IN FINANCIAL STATEMENTS"

In preparing its financial statements for the year ended December 31, 2000, the Company reviewed its revenue recognition accounting policies in the context of SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which is applicable for the Company's quarter ended December 31, 2000. In accordance with the interpretive guidance of SAB 101, the Company, effective January 1, 2000, recognizes revenue on theater systems, whether pursuant to sales-type leases or sales, at the time that installation is complete. Prior to January 1, 2000, the Company recognized revenue from sales-type leases and sales of theater systems at the time of delivery.

The effect of applying this change in accounting principle is a fiscal 2000 non-cash charge of \$54.5 million, net of income taxes of \$33.4 million, or \$1.83 per share, representing the cumulative impact on retained earnings as at December 31, 1999.



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3. CHANGE IN ACCOUNTING POLICIES - (CONTINUED)

The following are pro forma amounts as if SAB 101 had been applied during all years presented:

	2000 -----	1999 -----	1998 -----
Revenue	\$ 219,472	\$ 166,617	\$ 144,437
Earnings (loss) before extraordinary item	\$ (31,837)	\$ 7,655	\$ (15,487)
Basic earnings (loss) per share	\$ (1.07)	\$ 0.26	\$ (0.56)
Diluted earnings (loss) per share	\$ (1.07)	\$ 0.25	\$ (0.56)
Net Earnings (loss)	\$ (31,837)	\$ 7,655	\$ (17,582)
Basic earnings (loss) per share	\$ (1.07)	\$ 0.26	\$ (0.63)
Diluted earnings (loss) per share	\$ (1.07)	\$ 0.25	\$ (0.63)

(b) AICPA STATEMENT OF POSITION 00-2, "ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS"

Effective January 1, 2000, the Company adopted SOP 00-2. Prior to January 1, 2000, revenues associated with the licensing of films were recognized in accordance with Statement of Financial Accounting Standard No. 53, "Financial Reporting by Producers and Distributors of Motion Picture Films" ("FAS 53") and exploitation costs were capitalized and amortized. As a result of adopting SOP 00-2, the Company has recorded a non-cash charge of \$6.6 million, net of income taxes of \$3.9 million, or \$0.22 per share, to fiscal 2000 earnings, representing the cumulative impact on retained earnings as at December 31, 1999.

4. ACQUISITIONS

- (a) On September 3, 1999, the Company acquired all of the common and preferred shares of Digital Projection International, ("DPI") a designer and manufacturer of digital image delivery systems. The transaction has been accounted for as a purchase and the assets acquired and the liabilities assumed were recorded at their estimated fair market value. The purchase price of approximately \$27.3 million was paid with approximately \$25.5 million of cash and 100,000 shares of the Company, valued at approximately \$1.8 million, to be issued to former shareholders of DPI over the next five years. In addition, the purchase price was subject to a valuation adjustment with the vendors to a maximum of an additional \$1.5 million, for which funds were placed in escrow by the Company.

The purchase price has been allocated to assets and liabilities acquired to record them at their estimated fair values at September 3, 1999 as follows:

Cash	\$ 1,526
Accounts receivable	3,867
Inventory	6,654
Fixed assets	3,056
Other assets	4,000
Accounts payable and accrued liabilities	(12,013)
Deferred income tax	1,783
Goodwill	18,377
	-----
	\$ 27,250
	=====

In 2000, the Company recorded an increase of \$2.7 million to goodwill in finalizing the purchase allocation and the additional amounts arising under the escrow arrangements.

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4. ACQUISITION - (CONTINUED)

- (b) On October 1, 1999, the Company acquired the remaining 49% interest of Sonics Associates, Inc. ("Sonics"), not owned by the Company. Sonics is the provider of sound systems for the Company's theater systems. The purchase price of \$12.7 million in cash was paid to Sonics management to acquire its minority interest which had a carrying value of \$6.0 million and effecting an increase in goodwill of \$6.7 million. The purchase agreement also provides for an additional earn out amount to be paid to the former shareholders over the period 2000 to 2004.

The Company increased goodwill in 2000 by \$295,000 to account for the guaranteed earn-out amount paid to the former shareholders. In 2000, no compensation costs were recognized for the earn-out.

5. RATIONALIZATION OF MOTION SIMULATION AND ATTRACTIONS BUSINESS

In 1998, the Company rationalized its motion simulation and attraction business and recorded costs and expenses of \$13.3 million as follows: a) amortization of intangibles of \$3.3 million for the write-off of the goodwill; b) costs and expenses of \$1.4 million for the write-down of three participating joint venture operations, \$3.7 million for the write-down of film assets, \$768,000 for the write-down of inventory and \$1.1 million for the write-down of fixed assets, and \$950,000 for other liabilities; c) selling, general and administrative expense of \$1.7 million related to a provision for doubtful accounts and \$201,000 for severance. In addition, in 1999 the Company recorded a loss from equity-accounted investees of \$543,000 for the write-down of the Company's interest in the joint venture and a deferred income tax asset valuation adjustment of \$875,000.

Included in loss from equity-accounted investees for 1998 is a charge of \$4.2 million to write-down the Company's investment in the Forum Ride Associates joint venture.

The Company has guaranteed up to \$4.0 million of a term loan undertaken by the Forum Ride Associates joint venture. The term loan, which matures in January 2009, is collateralized by the assets of the joint venture. In 2000, the Company recorded a provision of \$4.0 million representing the estimated funding required under its debt guarantee.

6. LEASES

(a) NET INVESTMENT IN LEASES

The Company enters into sales-type leases, for which the customer makes initial rental payments and additional rental payments with contracted minimums, which are generally indexed with inflation. The Company's net investment in sales-type leases comprises:

	2000	1999
	-----	-----
Gross minimum lease amounts receivable	\$ 174,124	\$ 211,838
Accumulated allowance for uncollectible amounts	(6,813)	(302)
	-----	-----
Gross minimum lease amounts receivable, net of allowance	167,311	211,536
Residual value of equipment	2,223	6,325
Unearned finance income	(92,441)	(80,856)
	-----	-----
Present value of net minimum lease amounts receivable	\$ 77,093	\$ 137,005
	=====	=====

(b) RENTAL AMOUNTS

Revenue includes annual rental amounts comprised of the following:

	2000	1999	1998
	-----	-----	-----
Minimum rental amounts on operating leases	\$ 879	\$ 875	\$ 910
Additional rentals in excess of minimum amounts, on operating and sales-type leases	4,611	5,646	4,100
Finance income on sales-type leases	6,607	5,228	5,144
	-----	-----	-----
	\$ 12,097	\$ 11,749	\$ 10,154
	=====	=====	=====

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## 6. LEASES - (CONTINUED)

The estimated amount of gross minimum rental amounts receivable from operating and sales-type leases at December 31, 2000, for each of the next five years is as follows:

2001	\$ 11,765
2002	12,984
2003	12,891
2004	13,019
2005	11,805
Thereafter	114,750
	-----
	\$ 177,214
	=====

## (C) PROVISION FOR UNCOLLECTIBLE AMOUNTS

Included in selling, general and administrative expenses for 2000 is a provision for uncollectible amounts of \$11.5 million (1999 - \$nil, 1998 - \$nil) for net investment in leases and related accounts receivable.

## 7. INVENTORIES

	2000	1999
	-----	-----
Raw materials	\$ 16,037	\$ 16,831
Work-in-process	11,963	11,974
Finished goods	41,910	2,336
	-----	-----
	\$ 69,910	\$ 31,141
	=====	=====

Finished goods at December 31, 2000 include \$29.6 million in theater systems delivered to customers where installation was not complete.

## 8. FILM ASSETS

	2000	1999
	-----	-----
Completed and released films, net of accumulated amortization	\$ 12,884	\$ 27,775
Development costs	1,452	2,301
Films in production	15,413	8,377
	-----	-----
	\$ 29,749	\$ 38,453
	=====	=====

Included in costs and expenses for 2000 and 1998 are charges of \$8.6 million and \$22.7 million, respectively, to reflect write-downs of unamortized film costs.

Included in net loss for 2000 is a pre-tax charge of \$10.5 million as a result of the Company's adoption of SOP 00-2 (see note 3).

The percentage of unamortized film costs for released films that the Company expects to amortize within three years from December 31, 2000 amounts to 95%. The amount of accrued participation liabilities that the Company expects to pay during 2001 is \$979,000.

Film assets include \$843,000 of interest capitalized in 2000 (1999 - \$204,000; 1998 - \$nil).

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## 9. FIXED ASSETS

	2000		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Equipment leased or held for use			
Projection equipment	\$ 44,375	\$ 12,547	\$ 31,828
Camera equipment	10,447	7,388	3,059
	-----	-----	-----
	54,822	19,935	34,887
	-----	-----	-----
Assets under construction	3,936	-	3,936
	-----	-----	-----
Other fixed assets			
Land	1,949	-	1,949
Buildings	16,653	3,571	13,082
Office and production equipment	34,863	22,163	12,700
Leasehold improvements	32,116	8,791	23,325
	-----	-----	-----
	85,581	34,525	51,056
	-----	-----	-----
	\$ 144,339	\$ 54,460	\$ 89,879
	=====	=====	=====

	1999		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Equipment leased or held for use			
Projection equipment	\$ 21,085	\$ 10,313	\$ 10,772
Camera equipment	13,760	3,749	10,011
	-----	-----	-----
	34,845	14,062	20,783
	-----	-----	-----
Assets under construction	5,638	-	5,638
	-----	-----	-----
Other fixed assets			
Land	2,431	-	2,431
Buildings	16,536	2,949	13,587
Office and production equipment	27,271	15,487	11,784
Leasehold improvements	13,610	936	12,674
	-----	-----	-----
	59,848	19,372	40,476
	-----	-----	-----
	\$ 100,331	\$ 33,434	\$ 66,897
	=====	=====	=====

Fixed assets include \$550,000 of interest capitalized in 2000 (1999 - \$550,000, 1998 - \$nil).

Included in costs and expenses for 2000 is an impairment provision of \$2.6 million on camera equipment. The impairment results from technological developments and declining rental revenues. The camera equipment was written down to the discounted expected future cash flows from rentals. In 2000, the Company has also recognized in costs and expenses an impairment provision of \$8.6 million on fixed assets used in certain under-performing owned and operated theaters. These fixed assets were written down to estimated fair value based on the discounted expected future cash flows of the theaters.

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## 10. OTHER ASSETS

	2000	1999
Investment in Mainframe Entertainment, Inc.	\$ 7,679	\$ 10,732
Patents, trademarks and other intangibles	6,479	5,872
Investments in equity-accounted investees	1,462	1,797
Computer software	1,135	1,353
Deferred charges on debt financing	4,717	5,930
Pension asset, representing unrecognized prior service costs	8,489	-
Other assets	2,898	2,548
	-----	-----
	\$ 32,859	\$ 28,232
	=====	=====

The investment in Mainframe consists of a 19% investment in common shares and an investment in 6% convertible debentures maturing June 1, 2004.

Included in net loss for 2000 is a charge of \$3.1 million to reflect a write-down for the impairment of the common share investment in Mainframe and a charge of \$1.0 million to reflect a write-down of other investments.

## 11. 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 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. 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 Senior 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 Senior 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 Senior 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 Senior Notes may require the Company to repurchase all or part of the Senior 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 \$15.8 million in 2000 (1999 - \$15.8 million, 1998 - \$1.2 million).

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12. SENIOR NOTES DUE 2001

In 1998, the Company redeemed its 10% Senior Notes due 2001 for cash of \$67.8 million, which resulted in an extraordinary pre-tax loss of \$3.7 million. Interest expense on the 10% Senior Notes amounted to \$6.7 million in 1998.

13. 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 Subordinated 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 Subordinated Notes) at any time prior to maturity.

The Subordinated 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 (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.

Interest expense related to the Convertible Subordinated Notes was \$5.8 million in each of the years ended December 31, 2000, 1999 and 1998.

14. CAPITAL STOCK

(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.

REDEEMABLE CLASS C PREFERRED SHARES, SERIES 1

The holders of Class C Series 1 preferred shares are entitled to a cumulative dividend at the rate of 7% to 10% per annum under certain conditions on the issue price of Canadian \$100 per share.

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

Notice of redemption for all outstanding Class C Series 1 preferred shares was delivered on December 29, 1998 and all outstanding shares were redeemed on January 21, 1999.

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 terms of the Series 2 shares shall be identical to the Class C Series 1 shares except that the holders of Class C 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.

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.

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## 14. CAPITAL STOCK- (CONTINUED)

## (b) CHANGES DURING THE PERIOD

In 2000, the Company issued 281,300 common shares pursuant to the exercise of stock options for cash proceeds of \$1.4 million, 10,658 common shares with a value of \$189,000 related to the DPI acquisition (see note 4) and 1,668 common shares under the terms of an employment contract with an ascribed value of \$28,000.

In 1999, the Company issued 277,838 common shares pursuant to the exercise of stock options for cash proceeds of \$2.2 million and 1,666 common shares were issued under the terms of an employment contract with an ascribed value of \$28,000.

In 1998, the Company issued 361,300 common shares pursuant to the exercise of stock options for cash proceeds of \$2.6 million and 1,666 common shares were issued under the terms of an employment contract with an ascribed value of \$27,000.

## (c) SHARES HELD BY A SUBSIDIARY

Issued common shares held by a subsidiary of the Company amounted to nil at December 31, 2000 (1999 - 148,000, 1998 - 213,000). During 2000, 148,000 (1999 - 65,000, 1998 - nil) common shares held by this subsidiary were sold to a former employee of the Company in connection with the exercise of a stock option grant for cash proceeds of \$32,000 (1999 - \$14,000, 1998 - \$nil).

## (d) STOCK OPTIONS

The Company has reserved a total of 8,522,550 common shares for future issuance as follows:

- (i) 166,744 common shares have been reserved for issuance pursuant to stock options granted to a former officer 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) 15,008 common shares have been reserved for issuance pursuant to stock options granted at an exercise price equivalent to Canadian \$1.59 per share, which options are fully vested and expire on April 8, 2004.
- (iii) 8,340,798 common shares remain reserved for issuance under the Stock Option Plan, of which options in respect of 8,071,072 common shares are outstanding at December 31, 2000. The options granted under the Stock Option Plan generally vest over a five-year period and expire 10 years from the date granted. At December 31, 2000, options in respect of 3,269,728 common shares were vested and exercisable.

	NUMBER OF SHARES			WEIGHTED AVERAGE EXERCISE PRICE PER SHARE		
	2000	1999	1998	2000	1999	1998
Options outstanding, beginning of year	5,157,400	3,327,300	2,005,600	\$ 20.18	\$ 19.38	\$ 14.55
Granted	3,224,972	2,225,000	1,815,500	24.25	20.32	22.58
Exercised	(131,300)	(201,638)	(335,900)	9.06	10.82	7.14
Forfeited	(180,000)	(193,262)	(157,900)	26.17	18.09	19.56
Options outstanding, end of year	8,071,072	5,157,400	3,327,300	21.91	20.18	19.38

The following table summarizes certain information in respect of options outstanding under the Stock Option Plan as at December 31, 2000:

RANGE OF EXERCISE PRICES PER SHARE	NUMBER OF SHARES		AVERAGE EXERCISE PRICE PER SHARE	AVERAGE REMAINING TERM
	OUTSTANDING	VESTED		
\$ 5.00 - \$ 9.99	271,300	249,300	\$ 6.56	4 1/2 Years
\$ 10.00 - \$ 14.99	46,000	32,000	11.82	5 Years
\$ 15.00 - \$ 19.99	1,385,100	1,187,300	17.55	8 Years
\$ 20.00 - \$ 24.99	4,605,872	1,519,028	22.28	8 1/2 Years
\$ 25.00 - \$ 28.99	1,762,800	282,100	27.00	9 Years
Total	8,071,072	3,269,728	21.91	8 1/2 Years





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## 14. CAPITAL STOCK - (CONTINUED)

## (e) EARNINGS PER SHARE

	2000	1999	1998
	-----	-----	-----
Net earnings (loss) applicable to common shareholders:			
Earnings (loss) before extraordinary loss and cumulative effect of changes in accounting principles	\$ (31,837)	\$ 25,233	\$ 3,895
Less: accrual of preferred dividends	-	-	(171)
accretion of discount of preferred shares	-	-	(183)
premium paid on early redemption of preferred shares	-	-	(652)
	-----	-----	-----
	(31,837)	25,233	2,889
	=====	=====	=====
Extraordinary loss on the early redemption of debt, net of income tax benefit of \$1,588	-	-	(2,095)
Cumulative effect of changes in accounting principles, net of income tax benefit of \$37,286	(61,110)	-	-
	-----	-----	-----
	\$ (92,947)	\$ 25,233	\$ 794
	=====	=====	=====
Weighted average number of common shares:			
Issued and outstanding at beginning of year	29,757,888	29,478,384	29,115,418
Weighted average number of shares issued in the year	116,227	137,404	165,175
	-----	-----	-----
Weighted average number of shares used in computing basic earnings (loss) per share	29,874,115	29,615,788	29,280,593
Assumed exercise of stock options, net of shares assumed	-	897,590	1,192,975
Assumed conversion of Convertible Subordinated Notes	-	1,167,855	-
	-----	-----	-----
Weighted average number of shares used in computing diluted earnings (loss) per share	29,874,115	31,681,233	30,473,568
	=====	=====	=====

The calculation of diluted loss per share for 2000 excludes options to purchase common shares of stock which were outstanding during 2000, and common shares issuable upon conversion of the Convertible Subordinated Notes.

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

	2000	1999	1998
	-----	-----	-----
Net earnings (loss)	\$ (99,314)	\$ 20,362	\$ (2,828)
Earnings (loss) per share:			
Basic	\$ (3.32)	\$ 0.69	\$ (0.13)
Diluted	\$ (3.32)	\$ 0.64	\$ (0.13)

The weighted average fair value of common share options granted in 2000 at the time of grant is \$24,108,000 (1999 - \$14,672,000, 1998 - \$11,707,000). 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 risk free interest rate of 6% (1999 - 6%, 1998 - 5%), expected life of five years and expected volatility of 40% through October 12, 2000 and 200% thereafter due to the significant fluctuations in the stock price.

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## 15. COMMITMENTS

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

2001	\$ 5,988
2002	5,765
2003	5,614
2004	5,368
2005	2,743
Thereafter	17,924
	-----
	\$ 43,402
	=====

Rent expense was \$5.5 million for 2000 (1999 - \$2.9 million, 1998 - \$1.5 million).

- (b) 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, 2000, the Company had Canadian \$9.4 million or its U.S. dollar equivalent in letters of credit outstanding and Canadian \$580,000 or the equivalent U.S. dollars available for use under this facility. No commitment fees are payable on this facility.

The Company's primary operating headquarters is subject to a collateral charge in favor of The Toronto-Dominion Bank in connection with the working capital facility.

## 16. INCOME TAXES

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

	2000	1999	1998
	-----	-----	-----
Canada	\$ (31,884)	\$ 36,774	\$ 16,481
United States	(8,008)	6,693	(5,439)
Japan	338	498	1,475
Other	(5,521)	(990)	3,083
	-----	-----	-----
	\$ (45,075)	\$ 42,975	\$ 15,600
	=====	=====	=====

- (b) The recovery of (provision for) income taxes related to income before extraordinary item and cumulative changes in accounting principles comprises the following:

	2000	1999	1998
	-----	-----	-----
Current:			
Canada	\$ 8,167	\$ (38,719)	\$ (1,647)
Foreign	(229)	(2,065)	(2,600)
	-----	-----	-----
	7,938	(40,784)	(4,247)
	-----	-----	-----
Deferred:			
Canada	1,915	24,874	(6,944)
Foreign	3,385	(625)	1,381
	-----	-----	-----
	5,300	24,249	(5,563)
	-----	-----	-----
	\$ 13,238	\$ (16,535)	\$ (9,810)
	=====	=====	=====

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## 16. INCOME TAXES - (CONTINUED)

(c) The recovery of (provision for) income taxes before extraordinary item and cumulative changes in accounting principles differs from the amount that would have resulted by applying the combined Canadian federal and Ontario provincial statutory income tax rates (43.95%) to earnings as described below:

	2000 -----	1999 -----	1998 -----
Income tax recovery (expense) at combined statutory rates	\$ 19,810	\$ (19,175)	\$ (6,961)
(Decrease) increase resulting from:			
Non-deductible expenses, including amortization of goodwill	(3,800)	(1,901)	(2,727)
Manufacturing and processing credits deduction	(2,841)	3,832	159
Large corporations tax	(405)	(404)	(235)
Income tax at different rates in foreign and other provincial jurisdictions	(653)	684	(266)
Investment tax credits and other	1,127	429	220
Recovery of (provision for) income taxes as reported	\$ 13,238 =====	\$ (16,535) =====	\$ (9,810) =====

(d) The deferred income tax asset (liability) consists of:

	2000 -----	1999 -----
Net operating loss carryforwards	\$ 4,672	\$ 2,021
Investment tax credit carryforwards	1,353	1,977
Write-downs of other assets	2,590	1,688
Excess book over tax depreciation and amortization of fixed assets	43,400	47,474
Other	5,635	2,624
Total deferred tax assets	57,650	55,784
Valuation allowance	(4,265)	(2,927)
	53,385	52,857
Income recognition on net investment in leases	(7,040)	(47,944)
Total deferred tax liabilities	(7,040)	(47,944)
Net deferred tax asset	\$ 46,345 =====	\$ 4,913 =====

Net operating loss carryforwards amounting to \$11.5 million can be carried forward to reduce taxable income through to 2015. Investment tax credits of \$1.4 million can be carried forward to reduce income taxes payable through to 2010.

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## 17. CONSOLIDATED STATEMENTS OF CASH FLOWS

	2000	1999	1998
	-----	-----	-----
(a) Changes in operating assets and liabilities were as follows:			
Decrease (increase) in:			
Accounts receivable	\$ 9,115	\$ (7,904)	\$ (2,363)
Net investment in leases	(9,258)	(34,097)	(40,900)
Inventories	(16,997)	(5,671)	2,476
Prepaid expenses	(1,939)	1,145	(1,635)
Film assets	(19,665)	(18,051)	(21,192)
Increase (decrease) in:			
Accounts payable	4,889	3,458	2,969
Accrued liabilities	8,469	(5,338)	5,933
Deferred revenue	(8,553)	3,079	(5,618)
Income taxes payable	(42,585)	32,796	(187)
	-----	-----	-----
	\$ (76,524)	\$ (30,583)	\$ (60,517)
	=====	=====	=====
(b) Cash payments made during the year on account of:			
Income taxes	\$ 33,613	\$ 7,464	\$ 4,106
	=====	=====	=====
Interest	\$ 21,500	\$ 21,369	\$ 14,597
	=====	=====	=====
(c) Depreciation, amortization and write-downs are in respect of the following:			
Film assets	\$ 17,948	\$ 13,595	\$ 28,478
Fixed assets	22,283	5,443	8,459
Goodwill and intangibles	4,202	2,585	5,948
Deferred financing costs	1,213	1,219	935
Other	4,982	2,268	1,595
	-----	-----	-----
	\$ 50,628	\$ 25,110	\$ 45,415
	=====	=====	=====

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## 18. SEGMENTED AND OTHER INFORMATION

The Company has four reportable segments: IMAX systems, digital projection systems, films and other. The IMAX systems segment designs, manufactures, sells or leases and maintains IMAX theater projection systems. The digital projection systems segment designs, manufactures and sells digital projectors to the staging, rental and display advertising sector. The film segment produces and distributes films, and performs film post-production. The other segment includes camera rentals and theater operations. 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, amortization and loss from equity-accounted investees. Inter-segment transactions are not significant.

## (a) OPERATING SEGMENTS

	2000	1999	1998
	-----	-----	-----
REVENUE			
IMAX systems	\$ 113,226	\$ 126,826	\$ 140,874
Digital projection systems	46,356	10,999	-
Films	41,711	47,227	30,824
Other	18,179	18,783	18,657
	-----	-----	-----
Total	\$ 219,472	\$ 203,835	\$ 190,355
	=====	=====	=====
EARNINGS (LOSS) FROM OPERATIONS			
IMAX systems	\$ 38,660	\$ 70,403	\$ 78,145
Digital projection systems	(2,886)	(562)	-
Films	(13,734)	244	(16,458)
Other	(23,321)	(1,979)	(18,053)
Corporate overhead	(19,936)	(14,232)	(19,296)
	-----	-----	-----
Total	\$ (21,217)	\$ 53,874	\$ 24,338
	=====	=====	=====
DEPRECIATION, AMORTIZATION AND WRITE-DOWNS			
IMAX systems	\$ 8,187	\$ 5,741	\$ 7,572
Digital projection systems	2,088	464	-
Films	19,810	14,044	28,646
Other and corporate	20,543	4,861	9,197
	-----	-----	-----
Total	\$ 50,628	\$ 25,110	\$ 45,415
	=====	=====	=====
PURCHASE OF FIXED ASSETS			
IMAX systems	\$ 3,600	\$ 9,934	\$ 4,547
Digital projection systems	1,139	111	-
Films	15,147	5,778	194
Other	8,896	6,885	9,280
	-----	-----	-----
Total	\$ 28,782	\$ 22,708	\$ 14,021
	=====	=====	=====
ASSETS			
IMAX systems	\$ 222,119	\$ 254,940	\$ 204,349
Digital projection systems	55,852	40,678	-
Films	68,609	65,149	49,048
Other	38,262	47,099	26,092
Corporate	107,258	130,371	210,602
	-----	-----	-----
Total	\$ 492,100	\$ 538,237	\$ 490,091
	=====	=====	=====

## IMAX CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## (b) GEOGRAPHIC INFORMATION

Theater system revenue, maintenance, film distribution and film post-production revenue by geographic area are based on the location of the theater, while the location of the customer determines the geographic allocation of other revenue:

## REVENUE

	2000	1999	1998
	-----	-----	-----
Canada	\$ 8,454	\$ 15,289	\$ 22,037
United States	113,692	106,469	79,494
Europe	54,397	37,624	45,680
Japan	5,814	11,144	12,454
Rest of World	37,115	33,309	30,690
	-----	-----	-----
Total	\$ 219,472	\$ 203,835	\$ 190,355
	=====	=====	=====

## LONG-LIVED ASSETS

	2000	1999	1998
	-----	-----	-----
Canada	\$ 163,582	\$ 175,990	\$ 134,740
United States	94,385	83,469	49,888
Europe	51,039	63,405	30,012
Japan	5,059	4,344	4,820
Rest of World	12,545	16,998	10,727
	-----	-----	-----
Total	\$ 326,610	\$ 344,206	\$ 230,187
	=====	=====	=====

## (c) REVENUE AND COSTS AND EXPENSES

	2000	1999	1998
	-----	-----	-----
Revenue:			
Products	\$ 167,834	\$ 152,815	\$ 148,492
Services	51,638	51,020	41,863
	-----	-----	-----
Total revenue	\$ 219,472	\$ 203,835	\$ 190,355
	=====	=====	=====
Costs and expenses:			
Products	\$ 102,512	\$ 66,540	\$ 74,461
Services	57,486	39,701	37,323
	-----	-----	-----
Total costs and expenses	\$ 159,998	\$ 106,241	\$ 111,784
	=====	=====	=====

Product revenue includes sales and sales-type leases of theater systems, sales of digital projection systems, film distribution and other products. Service revenue includes operating leases, maintenance, post-production services, camera rentals, theater operations and other services.

## 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 Company has entered into forward exchange contracts at December 31, 2000 to hedge the conversion of \$20 million into Canadian dollars at an average exchange rate of Canadian \$1.48 per U.S. dollar. 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 79 million Yen at 98 Yen per U.S. dollar through September 2004 and on 11.4 million Francs at 5.1 Francs per U.S. dollar through September 2005. These forward contracts are accounted for as hedges of identifiable foreign currency commitments.

## IMAX CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 19. FINANCIAL INSTRUMENTS - (CONTINUED)

The Company entered into an interest rate swap transaction in May 1999 for a term commencing June 1, 1999 and terminating on December 1, 2002. The Company has agreed to pay a floating rate of LIBOR plus 1.49% to June 1, 2000 and LIBOR plus 2.09% for the remainder of the term and the counterparty has agreed to pay a fixed rate of 7.875% on notional principal of \$65 million. The floating rate is revised every 1st of December, March, June and September. The Company adjusts interest expense over each three-month period for the net amount it is to receive from or pay to the counterparty. The Company sold its entire position in the swap to a third party on January 10, 2001 for net proceeds of \$190,000.

The carrying values of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair values due to the short-term maturity of these instruments. The Company's other financial instruments at December 31, 2000 are summarized as follows:

	2000		1999	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Investments in Mainframe	\$ 7,679	\$ 7,679	\$ 10,732	\$ 10,732
Investments in marketable debt securities	7,529	7,529	89,032	88,654
Senior Notes	200,000	110,000	200,000	186,500
Convertible Subordinated Notes	100,000	38,500	100,000	132,940
Foreign currency contracts	731	363	636	754
Interest rate swap contracts	-	(209)	-	(1,855)

Investments include marketable debt securities for which fair value has been based on quoted market prices or dealer quotes. The fair values of the Company's Senior Notes and Convertible Subordinated 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 receive upon termination of the agreements, taking into consideration current exchange rates and the credit worthiness of the counterparties. The fair value of the interest rate swap contracts represents the estimated amount the Company would pay to the counterparty to terminate the agreement, taking into account the interest rate at year end.

Financial instruments consist primarily of cash, cash equivalents and those which potentially subject the Company to credit risk such as investments in marketable debt securities, accounts receivable and financial instruments used for hedging purposes. The Company maintains cash and cash equivalents with various major financial institutions. Cash equivalents and investments in marketable debt securities include investments in commercial paper of companies with high credit rating and investment in money market securities. The credit risk associated with financial instruments held for hedging purposes would be limited to all unrealized gains on contracts based on current market prices. The Company believes that dealing with highly rated institutions has minimized this credit risk.

A substantial proportion of the Company's revenues are generated from customers in the commercial exhibition industry, which experienced significant deterioration in financial condition in 2000. To minimize its credit risk in this area, the Company retains title to underlying theater systems leased, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimate of potentially uncollectible amounts.

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## 20. EMPLOYEE PENSION PLANS

## (a) DEFINED BENEFIT PLAN

On July 12, 2000, the Company established a defined benefit pension plan covering its two Co-Chief Executive Officers. The plan provides for a lifetime retirement benefit from age 55 determined as 75% of the member's best average 60 consecutive months of earnings during the 120 months preceding retirement. Once benefit payments begin, the benefit is indexed annually to the cost of living and further provides for 100% continuance for life to the surviving spouse. The benefits are 50% vested as at July 12, 2000, the plan initiation date. The vesting percentage increases on a straight-line basis from inception until age 55. The vesting percentage of a member whose employment terminates other than by voluntary retirement shall be 100%. Also, upon the occurrence of a change in control prior to termination of a member's employment, the vesting percentage shall become 100%. The following assumptions were used in determining the funded status of the Company's defined benefit pension plan:

	2000
	----
Discount rate	7.0%
Rate of increase in compensation levels	1.5%

The amounts accrued at December 31, since the plan initiation date of July 12, 2000, included the following components:

	2000
	-----
Change in projected benefit obligation:	
Obligation arising on initiation of plan	\$ 11,321
Service cost	831
Interest cost	411
Actuarial gain	(968)
	-----
Obligation at end of year	\$ 11,595
	=====
Funded status:	
Obligation at end of year	\$ 11,595
Unrecognized prior service cost	(10,622)
Unrecognized actuarial gain	968
	-----
Accrued pension liability	\$ 1,941
	=====

In addition, included in accrued liabilities at December 31, 2000 is a minimum pension unrecognized prior service costs.

The following table provides disclosure of pension expense for the defined benefit plan for the year ended December 31:

	2000
	-----
Service cost	\$ 831
Interest cost	411
Amortization of prior service cost	699
	-----
Pension expense	\$ 1,941
	=====

At the time the Company established the defined benefit pension plan, it also took out life insurance policies on the two Co-Chief Executive Officers, and the Company intends to use the proceeds of such insurance policies to satisfy, in whole or in part, the survival benefits due and payable under the plan, though there can be no assurance that the Company will elect to do so.

## (b) DEFINED CONTRIBUTION PLANS

The Company also 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 2000, the Company contributed and expensed an aggregate of \$591,000 to the Canadian plan and an aggregate of \$416,000 to the Company's defined contribution employee pension plan under Section 401(k) of the U.S. Internal Revenue Code.



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21. 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. 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 plaintiff appealed the decision to the Quebec Court of Appeal. The Company believes that the amount of the loss, if any, suffered in connection with a successful appeal by the plaintiff 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 matter.
- (b) In January 2000, the Commission of the European Communities (the "Commission") informed the Company that Euromax, an association of European large screen cinema owners, had filed a complaint against the Company under EC competition rules. The complaint addressed a variety of alleged abuses, mainly relating to the degree of the control that the Company asserts over the projection systems it leases and the form and terms of the Company's agreements. No formal investigation has been initiated to date, and the Commission has limited itself to a request of IMAX to comment on the complaint and subsequent response. Should proceedings be initiated, it is expected that no decision would be rendered until the end of 2001 or 2002 at the earliest. Although the Commission has the power to impose fines of up to a maximum of 10% of Company revenue for breach of EC competition rules, the Company believes on the basis of currently available information and an initial review that such result would not be likely. The Company further believes that the allegations in the complaint are meritless and will accordingly defend the matter vigorously. The Company believes that the amount of the loss, if any, suffered in connection with this dispute would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of this litigation.
- (c) In April 2000, Themax Inc., a 33% owned investee of the Company, and certain of its shareholders (collectively "Themax") filed a claim against the Company in the Superior Court in the District of Longueuil, in the Province of Quebec, alleging breach of contract in respect of the IMAX System Lease agreement between IMAX Ltd. and Themax dated February 5, 1996 as well as a claim for damages suffered as a result of IMAX Ltd.'s alleged failure to adequately manage the Brossard Theater during its tenure as manager. Themax claimed damages representing a return of the original investment by Themax as well as lost profits and costs. The Company believes that the allegations made by Themax are entirely without merit and has and will accordingly defend the matter vigorously. The Company believes that the amount of loss, if any, suffered in connection with this lawsuit would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome for any such litigation.
- (d) In June 2000, a complaint was filed against the Company and a third party by Mandalay Resort Group f/k/a Circus Circus Enterprises, Inc., alleging breach of contract and express warranty, fraud and misrepresentation in connection with the installation of certain motion simulation bases in Nevada. The complaint alleges damages in excess of \$30,000. The Company believes that the allegations made against it in this complaint are meritless and will accordingly defend the matter vigorously. The Company further believes that the amount of loss, if any, suffered in connection with this lawsuit would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome for any such litigation.
- (e) 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.

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22. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") and its subsequent amendments and interpretations will be adopted by the Company effective January 1, 2001. FAS 133 established accounting and reporting standards requiring that all derivative instruments be recorded in the balance sheet either as an asset or a liability at their fair values. The statement requires that changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. The Company has decided not to account for the derivatives held at December 31, 2000 as hedges when it adopts FAS 133. As a result, the Company will record a transition loss of \$210,000 in its consolidated statement of earnings for 2001 as a cumulative effect of a change in accounting principle. In addition, a transition amount of \$158,000 is expected to be recorded as a charge to comprehensive loss.

23. SUBSEQUENT EVENTS

Subsequent to December 31, 2000, the Company approved a formal plan to rationalize its operations and reduce staffing levels. The Company anticipates it will record charges in 2001 in the approximate range of \$15 to \$20 million to provide for severances, exit costs and to write-down certain assets to be disposed of to net realizable value.

24. FINANCIAL STATEMENT PRESENTATION

Certain comparative balances have been reclassified to conform with the presentation adopted in the current year. The consolidated balance sheets for the years ended December 31, 2000 and 1999 are now presented on an unclassified basis in accordance with industry practice for companies with significant leasing 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.

Bradley J. Wechsler.....	49	Co-Chairman and Co-Chief Executive Officer and Director
Richard L. Gelfond.....	45	Co-Chairman and Co-Chief Executive Officer and Director
Michael J. Biondi.....	43	Director
Kenneth G. Copland.....	63	Director
J. Trevor Eyton.....	66	Director
Garth M. Girvan.....	51	Director
G. Edmund King.....	67	Director
Murray B. Koffler.....	77	Director
Sam Reisman.....	48	Director
Marc A. Utay.....	41	Director
Townsend Ziebold.....	39	Director
John M. Davison.....	42	President, Chief Operating Officer and Chief Financial Officer
Michael A. Gibbon.....	57	Executive Vice President, Technology
Richard Intrator.....	48	Executive Vice President and President, IMAX Enterprises
Mary Pat Ryan.....	44	Executive Vice President, Worldwide Marketing
Udo von Karhan.....	58	Executive Vice President, Theatre Development
Brian Critchley.....	48	Chief Executive and Managing Director, DPI
Andrew Gellis.....	46	Senior Vice President, Film
David B. Keighley.....	52	Senior Vice President and President, David Keighley Productions 70MM Inc.
Robert D. Lister.....	32	Senior Vice President, Legal Affairs and General Counsel
Mark J. Thornley.....	43	Senior Vice President, Finance
Brian E. Weisfeld.....	33	Senior Vice President, Operations
G. Mary Ruby.....	43	Deputy General Counsel, Vice President, Legal Affairs and Corporate Secretary

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 III directors, currently composed of Michael J. Biondi, Richard L. Gelfond and Bradley J. Wechsler expires in 2001. The term of Class II directors, currently composed of Kenneth G. Copland, Garth M. Girvan, Murray B. Koffler and Marc A. Utay expires in 2002. The term of Class I directors, currently composed of J. Trevor Eyton, O.C., G. Edmund King, Sam Reisman and W. Townsend Ziebold expires in 2003.

BRADLEY J. WECHSLER has been Co-Chairman of the Company since June 1999 and Co-Chief Executive Officer since May 1996. Mr. Wechsler was Chairman of the Company from March 1994 to June, 1999. In June 1999, Mr. Wechsler became Co-Chairman along with Mr. Gelfond. Mr. Wechsler also served as Interim Chief Executive Officer. Mr. Wechsler 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 Co-Chairman of the Company since June 1999 and Co-Chief Executive Officer since May 1996. From March 1994 to June 1999 Mr. Gelfond served as Vice Chairman of the Company. 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.

MICHAEL J. BIONDI has been a Director and Non-Executive Chairman of the Board of the Company since June 1999. He has been Co-Head of Dresdner Kleinwort Wasserstein, North America since January 2001. Previously, Mr. Biondi had been the Chairman and Chief Executive Officer of Wasserstein Perella & Co., Inc. since January, 1996. One of the founding partners of Wasserstein Perella & Co. Inc., Mr. Biondi oversaw Wasserstein Perella's domestic investment banking activities, and was the Chief Operating Officer of Wasserstein Perella Group, Inc. Mr. Biondi was a CEO Advisor of the Company from June 1994 to March 1996.

KENNETH G. COPLAND, a Director of the Company since June 1999, has been the Vice Chairman of BMO Nesbitt Burns Inc. since 1994, prior to which he was the Executive Vice President. He is Chairman of Humber College Foundation and Educational Ventures Corporation. Mr. Copland is a Canadian citizen.

THE HONOURABLE J. TREVOR EYTON, a Director of the Company since June 1999, is a senior director of Brascan Corporation, and prior to May 2000 was a senior officer of Brascan Corporation in various capacities dating back to 1979 when he was appointed President and Chief Executive Officer. He is also a director of Trilon Financial Corporation, Noranda Inc., Coca-Cola Enterprises, General Motors of Canada, Limited and Ivernia West Inc., as well as a member of The Advisory Board of Nestle Canada Ltd. Senator Eyton, a Canadian citizen, has been a member of the Senate of Canada since September 1990 and is an Officer of the Order of Canada.

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

G. EDMUND KING, a Director of the Company since June 1999, has been Deputy Chairman and a director of McCarvill Corporation since January, 1996. Mr. King is also a director of Falconbridge Ltd., Wolf Group Integrated Communications Ltd. and Afton Food Group Ltd. Prior to November 1995, he was the Chairman and Chief Executive Officer of The CIBC Wood Gundy Corporation and from June 1994 to January 1998 was Chairman of WIC Western International Communications. Mr. King 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 its 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.

SAM REISMAN, a Director of the Company since June 1999, has been the principal shareholder, Chairman and Chief Executive Officer of The Rose Corporation, a real estate finance and investment company which was previously a real estate development company, since September 1986. Mr. Reisman was the Chairman and Chief Executive Officer of the Equion Corporation, a manufacturer and distributor of vehicular climate control systems and other products for original equipment manufacturers, the aftermarket and industrial customers from 1982 to 1996. Mr. Reisman is currently the principal shareholder of Hayden Industrial Products of Corona, California, formerly a division of The Equion Corporation. Mr. Reisman is a Canadian citizen.

MARC A. UTAY, a Director of the Company since May 1996, has been a Member of Clarion Capital Partners since November 1999; prior to joining Clarion, Mr. Utay was a Managing Director of Wasserstein Perella & Co. Inc. and a member of Wasserstein Perella's Policy Committee. Mr. Utay was head of Wasserstein Perella'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. Mr. Utay is a director of P & F Industries, Inc.

W. TOWNSEND ZIEBOLD, a Director of the Company since June 1999, is currently President of the Venture Capital Practice of Wasserstein & Co., L.P., formerly the private equity arm of Wasserstein Perella Group Inc. Previously, Mr. Ziebold was a Managing Director of Wasserstein Perella & Co., Inc. and head of its Venture Capital Practice. Mr. Ziebold was a director of Maybelline, Inc. and Collins & Aikman Corporation and currently serves on several private company boards in the media, entertainment and Internet industries.

JOHN M. DAVISON joined the Company in 1987 and was appointed President in January 2000. 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 1999 was appointed Chief Operating Officer and Chief Financial Officer. He was a Director of the Company from May 1994 to June 1999. Mr. Davison is a Chartered Accountant and Chartered Business Valuator. Mr. Davison is a Canadian citizen.

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 1998. 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.

RICHARD INTRATOR joined the Company as Executive Vice President and President, IMAX Enterprises in February 2000 responsible for developing new opportunities, both for the Company's traditional business and new businesses. Mr. Intrator manages the corporate strategy and development function, oversees merger and acquisition activity and participates in the development and implementation of new business initiatives. Prior to joining the Company, Mr. Intrator was the group head at several major investment banks including The Lodestar Group/LSG Advisors, a division of Societe Generale Securities Corporation from September 1992 to January 1996 and PaineWebber from September 1997 to September 1999.

MARY PAT RYAN joined the Company in 1999 as Executive Vice President, IMAX Ltd. and President, Network Group and was appointed Executive Vice President, Worldwide Marketing in January 2001. Prior to joining the Company, Ms. Ryan was Senior Vice President, Marketing and Creative Services of Lifetime Entertainment Services, provider of one of the nations leading basic television networks Lifetime, Television for Women, and Lifetime Movie Network, a movie network targeted to women, from September 1998 to July 1999. Prior to that, Ms. Ryan was Executive Vice President, Marketing and Programming of US Satellite Broadcasting, a national satellite television provider from February 1994 to August, 1998.

UDO VON KARHAN joined the Company in 1988 as General Manager for Europe and was appointed Executive Vice President, Theatre Development in January 2001. Since joining the Company Mr. von Karhan has held various senior positions within the Company including Senior Vice President Sales & Marketing and General Manager for Europe, Middle East & Africa from January 1999 and Executive Vice President, Worldwide Sales and Marketing, IMAX Theatre Systems from January 2000.

BRIAN CRITCHLEY joined the Company in 1999 as Chief Executive and Managing Director of DPI. Prior to joining the company Mr. Critchley held various other positions within Rank Brimar (predecessor company of DPI) from 1979 to 1996 when he was appointed Managing Director of DPI.

ANDREW GELLIS joined the Company as Senior Vice President, Film and Distribution in January 1996. He supervises the development and production of the Company's slate of pictures for both the institutional and commercial markets. Prior to joining the Company, Mr. Gellis was with Sony Corporation and its numerous entertainment/technology divisions, where he led Sony's entrance into the large-format filmmaking arena.

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. He is responsible for motion picture post-production and image quality assurance for 15/70-format films. Mr. Keighley is a Canadian citizen.

ROBERT D. LISTER joined the Company as Senior Vice President, Legal Affairs and General Counsel in May 1999. Prior to joining the Company, Mr. Lister was Vice President, General Counsel and Secretary of Clearview Cinemas, a film exhibitor, from March 1998 until his employment with the Company. Prior to that, Mr. Lister served as Associate General Counsel of Merit Behavioral Care Corporation, a behavioral healthcare company, from March 1996 through March 1998. Prior to that, Mr. Lister was an attorney with the New York office of Kelley Drye & Warren LLP from September 1993 through March 1996.

MARK J. THORNLEY joined the Company in 1996 was appointed Vice President, Planning in January 1998 and was appointed Vice President, Finance in October 1998. In January 2000, Mr. Thornley was appointed to Senior Vice President, Finance. Prior to joining the Company, Mr. Thornley was a partner in a private financial consulting and communications firm. Mr. Thornley is a Canadian citizen.

BRIAN E. WEISFELD joined the Company in March 1994 as Deputy to the Chief Executive Officers and Director of Investor Relations. Mr. Weisfeld was appointed Managing Director, IMAX Theatres and Communications in December 1997. In January 1999, Mr. Weisfeld was appointed Senior Vice President, Operations. Prior to joining the Company, Mr. Weisfeld was a Vice President of Cheviot Capital Advisors, Inc. a financial advisory and merchant banking firm that specializes in acquisitions and venture capital investments.

G. MARY RUBY joined the Company in 1987 as Associate General Counsel and was appointed Vice President, Legal Affairs and Corporate Secretary in 1991 and was General Counsel from February 1989 to February 1997. Ms. Ruby is Deputy General Counsel and 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.

#### ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference from the information under the following captions in the Company's Proxy Statement: "Summary Compensation Table", "Options Granted", "Pension Plans", "Employment Contracts", "Compensation Committee" and "Directors' Compensation".

## 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, 2000 or as otherwise indicated in the notes below, including (i) all beneficial owners of more than 5% of the Company's voting capital stock, (ii) all Named Executive Officers and directors individually, and (iii) all executive officers and directors as a group.

TITLE OF CLASS	BENEFICIAL OWNERS	SHARES BENEFICIALLY OWNED		
		NUMBER OF SHARES(1)		% OF CLASS(2)
Common Shares	WASSERSTEIN PERELLA GROUP: Wasserstein Perella Partners, L.P. Wasserstein Perella Offshore Partners, L.P. WPPN, L.P. Michael J. Biondi solely in his capacity as Voting Trustee	10,170,384	(3)	30.6
	PRUDENTIAL INSURANCE COMPANY OF AMERICA: Prudential Insurance Company of America Jennison Associates LLC	2,875,020	(4)	8.7
	Bradley J. Wechsler.....	1,912,466	(5)	5.8
	Richard L. Gelfond.....	2,039,766	(6)	6.2
	John M. Davison.....	135,708	(7)	*
	David B. Keighley.....	76,500	(8)	*
	Andrew Gellis .....	47,100	(9)	*
	Richard Intrator.....	105,000	(10)	*
	Michael J. Biondi.....	9,466	(11)	*
	Kenneth G. Copland.....	9,466	(11)	*
	J. Trevor Eyton.....	9,466	(11)	*
	Garth M. Girvan.....	47,364	(12)	*
	G. Edmund King.....	9,466	(11)	*
	Murray B. Koffler.....	24,200	(13)	*
	Sam Reisman.....	46,466	(11)	*
	Marc A. Utay.....	261,466	(12)	*
	W. Townsend Ziebold.....	33,966	(11)	*
	All executive officers and directors as a group (23 persons).....	5,086,754	(14)	15.3

\* less than 1%

- (1) Includes number of shares owned at December 31, 2000 and common shares as to which each individual had at December 31, 2000 the right to acquire beneficial ownership through the exercise of options plus options that vested within 60 days of December 31, 2000.
- (2) Based on dividing the Number of Shares by the total shares outstanding as of December 31, 2000 adjusted for shares issuable through the exercise of options to the Beneficial Owners.
- (3) Based on information contained in a Schedule 13G/A dated February 14, 2001.
- (4) Based on information contained in a Schedule 13G dated February 5, 2001 and information provided directly to the Company by Prudential Insurance Company of America and information contained in a Schedule 13G provided by Jennison Associates LLC.
- (5) Included in the amount shown are 1,204,666 common shares as to which Mr. Wechsler had the right to acquire beneficial ownership through the exercise of options.

- (6) Included in the amount shown are 1,204,666 common shares as to which Mr. Gelfond had the right to acquire beneficial ownership through the exercise of options.
- (7) Included in the amount shown are 125,708 common shares as to which Mr. Davison had the right to acquire beneficial ownership through the exercise of options.
- (8) Included in the amount shown are 66,500 common shares as to which Mr. Keighley had the right to acquire beneficial ownership through the exercise of options.
- (9) Included in the amount shown are 47,100 common shares as to which Mr. Gellis had the right to acquire beneficial ownership through the exercise of options.
- (10) Included in the amount shown are 100,000 common shares as to which Mr. Intrator had the right to acquire beneficial ownership through the exercise of options.
- (11) Included in the amount shown are 9,466 common shares as to which Messrs. Biondi, Copland, Eyton, King, Reisman and Ziebold had the right to acquire beneficial ownership through the exercise of options.
- (12) Included in the amount shown are 21,466 common shares as to which Messrs. Girvan and Utay had the right to acquire beneficial ownership through the exercise of options.
- (13) Included in the amount shown are 20,000 common shares as to which Mr. Koffler had the right to acquire beneficial ownership through the exercise of options.
- (14) Included in the amount shown are 3,157,058 common shares as to which all directors and executive officers as a group had the right to acquire beneficial ownership through the exercise of options.

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

IMAX Corporation (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 whom 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 and resident Canadian. 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.

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 Board, 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 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. All of the WP Employee Designees were elected as directors at the Corporation's annual and special meeting of shareholders held June 7, 1999 and the CEO Advisors were disbanded in June, 1999. 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 also entered into a registration rights agreement (the "Registration Rights Agreement") dated as of February 9, 1999, which carried 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 affect 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 in the Proxy Statement 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 amended and restated 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 affect 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 and special parties as of February 9, 1999. To accomplish this, the Corporation agreed to submit to its shareholders at its annual meeting of shareholders (held June 7, 1999) 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 its 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 Articles and Bylaws were amended effective June 7, 1999. 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.

The Articles of the Corporation 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 \$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).

## 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

Financial Statement Schedule for each of the three years in the period ended December 31, 2000

## II. Valuation and Qualifying Accounts

## (a)(3) Exhibits

The Items listed as Exhibits 10.1 to 10.14 relate to management contracts or compensatory plans or arrangements.

EXHIBIT NO.	DESCRIPTION
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2.1	Agreement of Purchase and Sale dated August 4, 1999 among IMAX Corporation, the Vendors as defined therein and Digital Projection International, PLC. Incorporated by reference to Form 8-K filed on September 17, 1999.
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	Articles of Amendment dated June 7, 1999, to the Restated Articles of Incorporation of IMAX Corporation. Incorporated by reference to Exhibit 3.1 to Form 10-Q for the quarter ended September 30, 1999.
3.3	Bylaw No. 1 of IMAX Corporation. Incorporated by reference to Exhibit 3.2 to the Registration Statement.
3.4	New By-Law No.1 of IMAX Corporation enacted on June 7, 1999. Incorporated by reference to Exhibit 3.1 to Form 10-Q for the quarter ended September 30, 1999.
*4.1	Share Option Agreement, dated as of March 1, 1994, between WGIM Acquisition Corporation and Douglas Trumbull.
*4.2	Shareholders' Agreement, dated as of January 3, 1994, among WGIM Acquisition Corporation, the Selling Shareholders as defined therein, Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., Bradley J. Wechsler, Richard L. Gelfond and Douglas Trumbull (the "Selling Shareholders' Agreement").
*4.3	Amendment, dated as of March 1, 1994, to the Selling Shareholders' Agreement.
4.4	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).
4.5	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. Incorporated by reference to Exhibit 4.9 to Form 10-K for the year ended December 31, 1998. 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.
4.6	Amended and Restated 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. Incorporated by reference to Exhibit 4.10 to Form 10-K for the year ended December 31, 1998.
4.7	Amended and Restated 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. Incorporated by reference to Exhibit 4.11 to Form 10-K for the year ended December 31, 1998.
4.8	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. Incorporated by reference to Exhibit 4.12 to Form 10-K for the year ended December 31, 1998.
10.1	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.
10.2	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.
*10.3	Share Option Agreement, dated as of April 8, 1994 between IMAX Corporation and John M. Davison.
10.4	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.

EXHIBIT NO.	DESCRIPTION
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10.5	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.
*10.6	Employment Agreement, dated October 8, 1998 between IMAX Corporation and Andrew Gellis.
10.7	Stock Option Plan of IMAX Corporation, dated June 7, 1999. Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended September 30, 1999.
10.8	Amended Employment Agreement, dated July 12, 2000 between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.9 to Form 10-Q for the quarter ended September 30, 2000.
10.9	Amended Employment Agreement, dated July 12, 2000 between IMAX Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 10.10 to Form 10-Q for the quarter ended September 30, 2000.
10.10	Amended Employment Agreement, dated April 4, 2000 between IMAX Corporation and John M. Davison. Incorporated by reference to Exhibit 10.11 to Form 10-Q for the quarter ended September 30, 2000.
*10.11	Amended Employment Agreement, dated August 17, 2000 between IMAX Corporation and Andrew Gellis.
*10.12	Employment Agreement, dated February 17, 2000 between IMAX Corporation and Richard L. Intrator.
*10.13	Letter Agreement, dated August 21, 2000 between IMAX Corporation and John M. Davison
*10.14	Letter Agreement dated February 22, 2001 between IMAX Corporation and John M. Davison.
*21	Subsidiaries of IMAX Corporation.
*23	Consent of PricewaterhouseCoopers LLP.
*24	Power of Attorney of certain directors.

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\* Filed herewith

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  
President, Chief Operating Officer  
and Chief Financial Officer  
(Principal Financial Officer)

Date: March 30, 2001

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 30, 2001.

/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  
President,  
Chief Operating Officer  
Chief Financial Officer

/s/ MARK J. THORNLEY  
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Mark J. Thornley  
Senior Vice President, Finance  
(Principal Accounting Officer)

MICHAEL J. BIONDI\*  
-----  
Michael J. Biondi  
Director

KENNETH G. COPLAND\*  
-----  
Kenneth G. Copland  
Director

J. TREVOR EYTON\*  
-----  
J. Trevor Eyton  
Director

GARTH M. GIRVAN\*  
-----  
Garth M. Girvan  
Director

G. EDMUND KING\*  
-----  
G. Edmund King  
Director

MURRAY B. KOFFLER\*  
-----  
Murray B. Koffler  
Director

SAM REISMAN\*  
-----  
Sam Reisman  
Director

MARC A. UTAY\*  
-----  
Marc A. Utay  
Director

W. TOWNSEND ZIEBOLD\*  
-----  
W. Townsend Ziebold  
Director

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

## SCHEDULE II

## VALUATION AND QUALIFYING ACCOUNTS

	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO EXPENSES	DEDUCTIONS(1)	BALANCE AT END OF YEAR
	-----	-----	-----	-----
Reserve for Net Investment in Leases				
Year ended December 31, 1998 (2)	\$ 1,347	\$ 2,613	(1,090)	2,870
Year ended December 31, 1999 (2)	2,870	45	(2,613)	302
Year ended December 31, 2000	302	6,511	--	6,813
Provision for Doubtful Accounts				
Year ended December 31, 1998	\$ 2,171	\$ 2,455	--	4,626
Year ended December 31, 1999	4,626	1,576	(926)	5,276
Year ended December 31, 2000	5,276	15,870	(1,372)	19,774
Deferred Income Tax Valuation Allowance				
Year ended December 31, 1998	1,889	922	--	2,811
Year ended December 31, 1999	2,811	116	--	2,927
Year ended December 31, 2000	2,927	1,338	--	4,265

(1) Amounts represent write-offs of amounts previously charged to the provision.

(2) Revised from amounts reported in prior years to be consistent with current year's presentation.

SHARE OPTION AGREEMENT dated as of the 1st day of March, 1994;

B E T W E E N:

WGIM ACQUISITION CORPORATION, a corporation incorporated under the laws of Canada,

(hereinafter called the "Corporation")

- and -

DOUGLAS TRUMBULL, of the Town of Lenox in the Commonwealth of Massachusetts,

(hereinafter called the "Optionee").

WHEREAS the Optionee and the Corporation have agreed that the Optionee shall be granted an option to purchase common shares of the Corporation on the terms and conditions set forth in this agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the mutual covenants and agreements hereinafter contained the parties hereto agree as follows:

1. SHARE OPTION

(a) The Corporation hereby grants to the Optionee an irrevocable option (the "Option") to purchase, in accordance with the exercise rights outlined in Subsection 1(c) hereof, and subject to adjustment as provided herein, all or any part of 207,186 Common Shares ("Common Shares" means the fully paid and non-assessable common shares in the capital of the Corporation on the date hereof and as the same shall be constituted at any time or times hereafter, such Common Shares being hereinafter referred to as the "Optioned Shares") in the capital of the Corporation at a price of Cdn. \$1.29 per share (the "Exercise Price"). The number of Common Shares subject to the Option and the exercise price therefor have been calculated in accordance with Appendix B to Exhibit 12 to the agreement as of December 3, 1993 among the Corporation, Gelfco Inc. and The Trumbull Company, Inc.

(b) Subject to Subsection 1(c), 1(d), 2(a) and 2(b) hereof, the Option may be exercised during the 8 and one-half year period commencing on the date hereof and ending on the date which is eight and one-half years after the date hereof, or the immediately following business day if such date is not a business day in the city where the chief executive office of the Corporation is located on that day (such date being hereinafter referred to as the "Expiration Date") for any number of Optioned Shares up to the maximum number specified in Section 1(a)



above. At the close of business in the city where the chief executive office of the Corporation is located on that day on the Expiration Date the Option shall expire and be of no further force whatsoever as to such of the Optioned Shares in respect of which the Option has not been fully exercised and thereafter, the Option may not be exercised.

(c) Subject to Subsection 1(d), 2(a) and 2(b) hereof the Option shall only be exercisable by the Optionee in the following manner:

(i) if the employment agreement between the Optionee and Ridefilm Theaters Corporation, a Delaware corporation and a wholly-owned subsidiary of the Corporation dated the date hereof (the "Trumbull Employment Agreement") has not been terminated pursuant to either of paragraphs 1(a)(i) or 1(a)(ii) thereof prior to the first anniversary of the date hereof, then the Option may be exercised as to 38,847 of the Optioned Shares in whole at any time or in part from time to time on or after such first anniversary;

(ii) if the Trumbull Employment Agreement is terminated pursuant to either of paragraphs 1(a)(i) or 1(a)(ii) thereof prior to the first anniversary of the date hereof, but prior to such first anniversary the Optionee has not resigned as Chairman and Chief Executive Officer of The Ridefilm Theaters Company or the Optionee has been willing to remain in such positions but has been asked to resign therefrom, then the Option may be exercised as to 12,949 Optioned Shares in whole at any time or in part from time to time on or after such first anniversary;

(iii) if the Trumbull Employment Agreement has not been terminated pursuant to either of paragraphs 1(a)(i) or 1(a)(ii) thereof prior to the second anniversary of the date hereof, then the Option may be exercised as to an additional 38,847 of the Optioned Shares in whole at any time or in part from time to time on or after such second anniversary;

(iv) if the Trumbull Employment Agreement is terminated pursuant to either of paragraphs 1(a)(i) or 1(a)(ii) thereof prior to the second anniversary of the date hereof, but prior to such second anniversary the Optionee has not resigned as Chairman and Chief Executive Officer of The Ridefilm Theaters Company or the Optionee has been willing to remain in such positions but has been asked to resign therefrom, then the Option may be exercised as to an additional 12,949 Optioned Shares in whole at any time or in part from time to time on or after such second anniversary;

(v) if the Trumbull Employment Agreement has not been terminated pursuant to either of paragraphs 1(a)(i) or 1(a)(ii) thereof prior to the third anniversary of the date hereof, then the Option may be exercised as to the balance of the Optioned Shares in whole at any time or in part from time to time on or after such third anniversary; and

(vi) if the Trumbull Employment Agreement is terminated pursuant to either of paragraphs 1(a)(i) or 1(a)(ii) thereof prior to the third anniversary of the date hereof, but prior to such third anniversary the Optionee has not resigned as Chairman and Chief Executive Officer of The Ridefilm Theaters Company or the Optionee has been willing to remain in such positions but has been asked to resign therefrom, then the Option may be exercised as to an additional 12,949 Optioned Shares in whole at any time or in part from time to time on or after such third anniversary.

Options for any Optioned Shares which have not become exercisable as provided above in this paragraph 1(c) on or prior to the third anniversary of the date hereof shall expire and be of no further force whatsoever as to such of the Optioned Shares in respect of which the Option has not become exercisable.

(d) Notwithstanding any other provisions contained in this agreement, the Option may be exercised as to all of the Optioned Shares in whole at any time or in part from time to time on or after the date upon which either (i) the Corporation issues Common Shares or (ii) the Corporation consolidates, amalgamates or merges with or into any other corporation or other entity, and as a result of any of such events at least 51% of the Common Shares of the Corporation outstanding immediately after such event are held by or for the benefit of any person or group of persons acting in concert who, immediately prior to such event, held less than 5% of the total number of Common Shares outstanding of the Corporation, calculated on a fully diluted basis.

## 2. DEATH OF OPTIONEE

(a) In the event of the death of the Optionee on or prior to the Expiration Date and at a time when the Optionee has not fully exercised the Option, the Option shall be exercisable, to the same extent that the Option was exercisable at the date of the death of the Optionee, by the Optionee's executors or legal personal representatives at any time up to and including a date six months following the date of death of the Optionee or the Expiration Date, whichever is earlier. In the event the Option is not exercised within the foregoing time period, the Option shall expire.

(b) Except as provided in paragraph (a) above, the Option shall not be transferable or assignable and is exercisable only by the Optionee.

## 3. SHARE CAPITAL ADJUSTMENTS

(a) If at any time after the date hereof the Class D Conversion Rate (the "Class D Conversion Rate"), as such term is defined in the Articles of Incorporation of the Corporation as the same are in effect on the date hereof, is adjusted pursuant to paragraph 6.I.(h)(d) of such Articles, then the number of Optioned Shares shall be adjusted by multiplying the number of Optioned Shares in effect on the date of such adjustment to the Class D Conversion Rate by a fraction: (A) the numerator of which will be the Class D Conversion Rate in effect immediately after giving effect to the adjustment thereto, and (B) the denominator of which will be the Class D Conversion Rate in effect immediately before giving effect to the adjustment thereto.

(b) If at any time after the date hereof there is a reclassification or redesignation of the Common Shares at any time outstanding or a change of the Common Shares into other shares or into other securities or other capital reorganization (other than a capital reorganization which results in an adjustment to the Class D Conversion Rate), or a consolidation, amalgamation or merger of the Corporation with or into any other Corporation or other entity (other than a consolidation, amalgamation or merger which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares), or a transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation or entity (any of such events being called a "Capital Reorganization"), the Optionee shall be entitled upon the future exercise of the Option to receive, and will accept, upon the exercise of the Option at any time thereafter in lieu of the number of Optioned Shares to which the Optionee was previously entitled, the aggregate number of shares, other securities or other property which the Optionee would have been entitled to receive as a result of such Capital Reorganization if, on the record date thereof, the Optionee had been the registered holder of the number of Common Shares which the Optionee was entitled to receive upon the exercise of the Option to the extent that the Optionee had exercised the Option prior to the Capital Reorganization. The Corporation will take all steps necessary to ensure that, on the exercise of the Option after a Capital Reorganization, the Optionee will receive the aggregate number of shares, other securities or other property to which he is entitled as a result of the Capital Reorganization. If determined appropriate by the directors of the Corporation, appropriate adjustments will be made as a result of any such Capital Reorganization to the provisions of this paragraph 3(b) such that such provisions will thereafter correspond as nearly as is reasonably possible in relation to any shares, other securities or other property thereafter deliverable upon the exercise of the option. Any such adjustment will be made by a resolution of the directors of the Corporation and set forth in a notice sent to the Optionee.

(c) The following rules shall apply regarding the adjustment to the number of Optioned Shares:

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(i) any adjustments made as a result of the provisions of this paragraph 3 are cumulative and will be computed to the nearest whole Optioned Share;

(ii) if any question arises at any time with respect to the number of Optioned Shares or any adjustment to such number or the amount of any cash payment made in lieu of issuing a fractional share, such question shall be conclusively determined by the auditors of the Corporation or, if they are unwilling or unable to act, by such other firm of independent internationally recognized chartered accountants as may be selected by the directors and such determination shall be binding upon the Corporation and the Optionee. If any such determination is made, the Corporation shall deliver a notice to the Optionee setting forth the determination made; and

(iii) if a fraction of a Common Share would otherwise be issuable upon any exercise of the Option, the Corporation shall not issue such fractional share but shall pay to the Optionee an amount equal to the then current fair market value of such fractional share as such fair market value may be determined by the directors of the Corporation.

(d) As long as the Option has not been exercised in full and is exercisable, the Corporation shall reserve, out of its unissued Common Shares, a sufficient number of Common Shares to enable the Option to be exercised into all of the Optioned Shares in respect of which the Option may be exercised. Nothing set forth in this paragraph 3(d) or otherwise in this agreement shall affect or restrict the right of the Corporation to issue Common Shares from time to time.

#### 4. RIGHTS OF OPTIONEE BEFORE EXERCISE OF OPTION

The Optionee shall not have any rights whatsoever as a shareholder in respect of the Optioned Shares covered by the Option until the Option is exercised, in whole or in part, and payment for the Optioned Shares thereby purchased has been made.

#### 5. EXERCISE OF OPTION

(a) The Option may be exercised from time to time by delivery to the Corporation at its registered office of a written notice of exercise specifying the number of Optioned Shares with respect to which the Option is being exercised and accompanied by payment in full of the purchase price for the Optioned Shares then being purchased. All Optioned Shares subscribed for hereunder shall be paid for in full in cash at the time of purchase and when issued and delivered to or at the direction of the Optionee shall be issued as fully paid and non-assessable Common Shares.

(b) As soon as practicable following the receipt of a written notice of exercise and payment in full of the purchase price for the Optioned Shares then being purchased, the Corporation shall cause to be delivered to the Optionee a certificate for the shares so purchased

and shall cause to be recorded in the appropriate registers of shareholders of the Corporation the Optionee as a holder of the number of Optioned Shares so issued.

6. RESTRICTIONS ON EXERCISE AND TRANSFER

(a) The exercise of the Option granted hereunder shall be subject to the condition that if at any time the Corporation shall determine in its sole discretion that it is necessary or desirable to comply with any legal requirements or the requirements of any stock exchange or other regulatory authority or to obtain any approval or consent from any such stock exchange or other regulatory authority as a condition of, or in connection with, such exercise or the issue of Common Shares as a result thereof, then in any such event such exercise shall not be effective unless such compliance shall have been effected or such approval or consent obtained on conditions satisfactory to the Corporation. The Optionee further acknowledges that Common Shares obtained pursuant to the exercise of the Option granted hereunder may be subject to hold period requirements imposed by applicable securities legislation.

(b) The Options may not be transferred. Neither Common Shares issued upon the exercise of Options nor any of the preferred shares referred to in Section 7, below, which may be issued pursuant to such Section, may be transferred, sold, assigned, pledged or otherwise hypothecated, or otherwise disposed of (each, a "Transfer") by the Optionee prior to the second anniversary of the date hereof, other than transfers for tax and estate planning purposes, or pursuant to laws of descent and distribution.

7. PUT RIGHT

The Optionee may, at any date after the date hereof and on or prior to the date which is eight and one-half years after the date hereof, or if such date is not a business day, then the next business day, upon notice in writing to the Corporation exchange all Options which may be exercised on such date of exchange for preferred shares of the Corporation which shall have rights, privileges, restrictions and conditions identical to those of the Class D Shares of the Corporation, except that such preferred shares shall have no right to be converted into Common Shares of the Corporation. The number of such preferred shares for which the Options may be exchanged shall be calculated at the date of notice of exchange on the basis that if all of the Options were then exercisable, they would be exchanged into such number of preferred shares as would have a liquidation preference equal to the aggregate of Cdn.\$4,000,000 plus, if Options for all of the Optioned Shares are exchanged, an amount equal to 7% per annum for the period from the date hereof to the date of the notice of exchange, and if less than all of the Options are exercisable at the date of exchange, a proportionately smaller number of preferred shares would be issued to the Optionee upon such exchange. Notwithstanding the foregoing, the Optionee shall have no right to exchange any of the Options on or after the date upon which the Class D Shares of the Corporation become mandatorily convertible into Common Shares in accordance with the terms of the Class D Shares.

8. INTENTIONALLY DELETED

9. WITHHOLDING

Upon the exercise of the Option, the Optionee shall make arrangements satisfactory to the Corporation regarding payment of any federal, provincial or local taxes of any kind required by law to be withheld with respect to the exercise of the Option. In addition, the Corporation shall, to the extent permitted by law, have the right to deduct from any payment of any kind due to the Optionee any federal, provincial or local taxes of any kind required by law to be withheld with respect to the exercise of the Option.

10. SUCCESSORS

This Agreement and the Option shall be binding upon the Corporation and its successors, including upon the corporation continuing following the amalgamation of the Corporation and Imax Corporation on the date hereof.

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first above written.

WGIM ACQUISITION CORPORATION

Per: "Richard L. Gelfond"  
-----

Per: "Peter D. Lyons"  
-----

"Douglas Trumbull"

-----  
Douglas Trumbull

-----  
Witness

## SHAREHOLDERS' AGREEMENT

SHAREHOLDERS' AGREEMENT, dated as of January 3, 1994, by and among WGIM Acquisition Corporation, a corporation organized under the laws of Canada (the "Company"), the persons listed as "Selling Shareholders" on the signature pages hereof (collectively, the "Selling Shareholders"), Wasserstein Perella Partners, L.P., a Delaware limited partnership, Wasserstein Perella Offshore Partners, L.P., a Delaware limited partnership (the two immediately preceding parties referred to herein collectively as "WP"), Bradley J. Wechsler ("Wechsler"), Richard L. Gelfond ("Gelfond" and, together with Wechsler, the "GW Shareholders") and Douglas Trumbull ("Trumbull"); the Selling Shareholders and Trumbull being collectively referred to herein as the "Original Shareholders"; the Selling Shareholders, the GW Shareholders, Trumbull and WP sometimes being collectively referred to herein as the "Shareholders".

## W I T N E S S E T H:

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WHEREAS, the Company has entered into a Share Purchase Agreement dated as of the date hereof (the "Acquisition Agreement") with the Selling Shareholders pursuant to which the Company has agreed, subject to the terms and conditions thereof, to purchase all of the outstanding shares of common stock of Imax Corporation, a corporation organized under the laws of Canada ("Imax") (the "Acquisition") from the Selling Shareholders;

WHEREAS, upon the Closing (as defined in the Acquisition Agreement), each of Gelfond and Wechsler will be the registered holder and beneficial owner of an aggregate of 323,728 common shares of the Company (the "Common Stock") and warrants (the "GW Warrants") to purchase 143,879 shares of Common Stock;

WHEREAS, upon the Closing, WP will be the registered holder and beneficial owner of 240,000 Class A Preferred Shares ("Class A Preferred Shares") of the Company and warrants ("Warrants") to purchase 3,107,786 shares of Common Stock;

WHEREAS, upon the Closing, each Selling Shareholder will be the registered holder and beneficial owner of such number of Class B Convertible Preferred Shares ("Class B Preferred Shares") of the Company and of such number of Class C Preferred Shares ("Class C Preferred Shares" which, together with Class A Preferred Shares and Class D Preferred

Shares, are referred to collectively herein as the "Preferred Stock" of the Company), in each case set forth opposite such shareholder's name on Schedule A hereto;

WHEREAS, Trumbull has entered into an Agreement (the "Agreement") to sell all the shares of the Trumbull Company, Inc., a Delaware corporation ("TCI") to the Company in return for 60,000 Class D Preferred Shares ("Class D Preferred Shares") of the Company and employee stock options ("Options") to purchase 129,491 shares of Common Stock.

WHEREAS, the Shareholders desire to enter into an agreement to provide for certain restrictions on the transferability of Shares (as hereinafter defined) held by the Original Shareholders, pursuant to which the Original Shareholders are granted registration rights with respect to their Shares in the manner and for the purposes specified herein, and to provide for certain other matters, all as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and legal sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

#### Section 1. Definitions

The terms set forth below shall have following definitions:

"Acquisition" has the meaning set forth in the Recitals hereto.

"Acquisition Agreement" has the meaning set forth in the Recitals hereto.

"Act" means the Securities Act of 1933, as amended.

"Advice" has the meaning set forth in Section 4(b) hereof.

"Affiliate" of any Person means a Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Person. A Person shall be deemed to "control" (including the correlative meanings, the terms "controlling", "controlled by", and "under common control with") another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies, of the controlled Person, whether through ownership of voting securities, by contract or otherwise.



"Class A Preferred Shares" has the meaning set forth in the Recitals hereto.

"Class B Preferred Shares" has the meaning set forth in the Recitals hereto.

"Class C Preferred Shares" has the meaning set forth in the Recitals hereto.

"Class D Preferred Shares" has the meaning set forth in the Recitals hereto.

"Closing" has the meaning set forth in the Recitals hereto.

"Come Along Notice" has the meaning set forth in Section 2(e) hereof.

"Commission" has the meaning set forth in Section 4(b) hereof.

"Common Stock" has the meaning set forth in the Recitals hereto.

"Company" has the meaning set forth in the introductory paragraph hereto; provided that, after the effectiveness of the amalgamation referred to in Section 3, all references herein to the "Company" shall refer to the new corporation formed by such amalgamation.

"Exchange Act" has the meaning set forth in Section 4(e) hereof.

"GW Warrants" has the meaning set forth in the Recitals hereto.

"Imax" has the meaning set forth in the Recitals hereto.

"Inspectors" has the meaning set forth in Section 4(b) hereof.

"NASD" has the meaning set forth in Section 4(b) hereof.

"Original Shareholders" has the meaning set forth in the introductory paragraph hereto.

"Person" means any individual, corporation, partnership, joint venture, trust, unincorporated or

governmental organization or any agency or political subdivision thereof.

"Piggyback Registration" has the meaning set forth in Section 4(a) hereof.

"Preferred Stock" has the meaning set forth in the Recitals hereto.

"Proposed Registration" has the meaning set forth in Section 4(a) hereof.

"Prospective Transferee" has the meaning set forth in Section 2(d) hereof.

"Records" has the meaning set forth in Section 4(b) hereof.

"Registration Expenses" has the meaning set forth in Section 4(d) hereof.

"Registrable Securities" means the shares of Common Stock issuable upon conversion of the Class B Preferred Shares, but with respect to any such share, only so long as such share continues to be a Restricted Security.

"Restricted Security" means a share of Common Stock or a share of Preferred Stock (or a share of Common Stock issuable upon conversion of Preferred Stock) until such time as such share (i) has been effectively registered under the Act and disposed of in accordance with the registration statement covering it, (ii) has been sold publicly pursuant to Rule 144 (or any similar provision then in force) under the Act, or (iii) has been otherwise transferred and the Company has delivered a new certificate or other evidence of ownership for it not subject to any legal or other restriction and not being a legend restricting its transfer without registration or an exemption therefrom.

"Second Anniversary" means the second anniversary of the Closing.

"Shares" means the Preferred Stock, the Warrants, the GW Warrants, and the Common Stock, including the Common Stock issuable upon conversion of the Class B Preferred Shares and upon exercise of the Warrants, as the context requires.

"Shareholders" has the meaning set forth in the introductory paragraph hereto.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the Board of Directors of their equivalents of such Person shall, at the time as of which any determination is being made, be owned by the Company, either directly or through Subsidiaries.

"Take-Along Notice" has the meaning set forth in Section 2(d) hereof.

"transfer" has the meaning set forth in Section 2(a) hereof.

"Warrants" has the meaning set forth in the Recitals hereto.

"WP" has the meaning set forth in the introductory paragraph hereto.

Section 2. Restrictions on Transfers of Shares and Rights of Co-Sale; Financial Statements.

(a) Restrictions on Transfers of Shares. No transfer, sale, assignment, pledge or other hypothecation or disposition, voluntary or involuntary (each, a "transfer"), of Shares held by an Original Shareholder shall be valid unless the terms and conditions of this Agreement shall have been complied with. Any attempted transfer in violation of the terms and conditions of this Agreement shall be ab initio void.

(b) Legends. (i) The Company shall be entitled to affix to each certificate evidencing Shares held by an Original Shareholder a legend in substantially the following form:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF TRANSFER OF SUCH SECURITIES WILL BE MADE ON THE BOOKS OF THE ISSUER UNLESS SUCH TRANSFER IS MADE IN CONNECTION WITH AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT OR SUCH ACT DOES NOT APPLY.

THE SECURITIES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN A SHAREHOLDERS' AGREEMENT, DATED AS OF JANUARY 3, 1994, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF THE ISSUER. NO REGISTRATION OF TRANSFER OF SUCH SECURITIES WILL BE

MADE ON THE BOOKS OF THE ISSUER UNLESS AND UNTIL SUCH RESTRICTIONS SHALL HAVE BEEN COMPLIED WITH."

(ii) In the event that any Shares held by an Original Shareholder shall cease to be Restricted Securities, the Company shall, upon the written request of the holder thereof, issue to such holder a new certificate evidencing such Shares without the first paragraph of the legend required by Section 2(b)(i) endorsed thereon. In the event that any Shares shall cease to be subject to the restrictions on transfer set forth in this Agreement, the Company shall, upon the written request of the holder thereof, issue to such holder a new certificate evidencing such Shares without the second paragraph of the legend required by Section 2(b)(i).

(c) Certain Restrictions on Transfer. Each Original Shareholder agrees that he will not, directly or indirectly, make or solicit any transfer of any Share held by such Shareholder other than (i) any transfer to a person (A) by will or the laws of descent and distribution or (B) by transfer of any kind for tax or estate planning purposes, provided, however, that such transferee is (I) the issue or spouse of an Original Shareholder, (II) a company controlled by any combination of an Original Shareholder, the issue or the spouse of an Original Shareholder (provided that such company continues to be so controlled), or (III) any trust established for the benefit of an Original Shareholder, the issue or the spouse of an Original Shareholder, or any combination thereof; (ii) any transfer that is made in compliance with the procedures, and subject to the limitations, set forth in Sections 2(d) and 2(e); (iii) any transfer pursuant to an effective registration statement under the Act or under Rule 144 under the Act (or any similar or successor rule). Notwithstanding the foregoing, except as otherwise expressly provided in this Agreement, all transfers permitted by the foregoing clause (i) shall be subject to, and shall not be made other than in compliance with, the provisions of Section 2(f).

(d) Take-Along Right. If any of WP, Gelfond or Wechsler, as the case may be, proposes to sell or transfer any of their Shares (other than Preferred Stock) in one or more related transactions which will result in a sale or transfer by WP, Gelfond or Wechsler, as the case may be, of a majority of the aggregate number of Shares held by such parties, then WP, Gelfond or Wechsler, as the case may be, shall promptly give written notice thereof (a "Take-Along Notice") to the Original Shareholders at least 30 days prior to the closing of such sale or transfer. The Take-Along Notice shall specify the precise number of Shares or percentage of holdings to be sold or transferred and shall describe in reasonable

detail the proposed sale or transfer including, without limitation, the name and address of the prospective purchaser or transferee of the Shares (such purchaser or transferee and any other purchaser or transferee of the Shares permitted under this Agreement being a "Prospective Transferee"), the number of and type of the Shares to be sold or transferred, the proposed amount and form of the conditions of payment thereof offered by the Prospective Transferee, that the Prospective Transferee has been informed of the take-along right in this Section 2(d) and has agreed to purchase Shares in accordance with the terms hereof and any other material terms or conditions of the sale or transfer. Each Original Shareholder shall have the right, exercisable upon written notice (the "Acceptance Notice") delivered to WP, Gelfond or Wechsler, as the case may be, within 15 days after such receipt of the Take-Along Notice, to participate in such sale or transfer on the same terms and conditions as set forth in the Take-Along Notice. The Acceptance Notice shall state that such Original Shareholder wishes to transfer Shares to the Prospective Transferee on the terms described in the Take-Along Notice, and shall state the number of Shares thereof that such Original Shareholder wishes to include in the proposed transfer. If such Original Shareholder has delivered a timely Acceptance Notice it shall have the right to sell a number of Shares equal to the product obtained by multiplying (i) the aggregate number of Shares covered by the Take-Along Notice by (ii) a fraction the numerator of which is the number of Shares owned by the Original Shareholders at the time of the sale or transfer and the denominator of which is the number of Shares owned by WP, the GW Shareholders and the Original Shareholders at the time of such sale or transfer. For purposes of this Section 2(d), the number of Shares owned by a party shall be the number of shares of Common Stock owned by such party assuming that such party exercises all of its exchange, conversion and subscription and similar rights with respect to all securities of the Company.

(e) Come-Along Right. If any of WP, Gelfond or Wechsler, as the case may be, determines to transfer all of their Shares in one or more related transactions which will result in a transfer by WP, Gelfond or Wechsler, as the case may be, of a majority of the aggregate number of Shares held by such parties, and it wishes to require the Original Shareholders to sell their Shares in such sale, then WP, Gelfond or Wechsler, as the case may be, shall give written notice thereof (the "Come-Along Notice") to the Original Shareholders, at least 20 days prior to such transfer. Such notice shall describe in reasonable detail the proposed transfer by WP, Gelfond or Wechsler, as the case may be, including, without limitation, the name and address of the Prospective Transferee, the number and type of the Shares

proposed to be transferred, the proposed amount and form of the consideration to be paid and the terms and conditions of payment thereof offered by the Prospective Transferee and any other material terms or conditions of the transfer. Each Original Shareholder shall be required to sell all of his Shares to such third party or parties concurrently with the sale by WP, Gelfond or Wechsler, as the case may be, of its Shares, on the terms and conditions approved by WP, Gelfond or Wechsler, as the case may be, subject to the consideration per Share to be received by such Original Shareholder being identical to the consideration per Share being received by WP, Gelfond or Wechsler, as the case may be.

(f) Transferees to Execute Agreement. Each Original Shareholder agrees that it will not directly or indirectly make any transfer of any Shares held by such Original Shareholder, unless, prior to the consummation of any such transfer, the Prospective Transferee (i) executes and delivers to the Company an agreement, in form and substance satisfactory to the Company, whereby such Prospective Transferee confirms that, with respect to the Shares that are the subject of such transfer, it shall be deemed to be an "Original Shareholder" for the purposes of this Agreement and agrees to be bound by all the terms of this Agreement and (ii) unless the Company otherwise agrees in writing, delivers to the Company an opinion of counsel, satisfactory in form and substance to the Company, to the effect that the agreement referred to above that is delivered by such Prospective Transferee is a legal, valid and binding obligation of such Prospective Transferee enforceable against such Prospective Transferee in accordance with its terms. Upon the execution and delivery by such Prospective Transferee of the agreement referred to in clause (i) of the next preceding sentence and, if required, the delivery of the opinion of counsel referred to in clause (ii) of the next preceding sentence, such Prospective Transferee shall be deemed an "Original Shareholder" for the purposes of this Agreement, and shall have the rights and be subject to the obligations of an Original Shareholder hereunder with respect to the Shares transferred to such Prospective Transferee. Notwithstanding the foregoing, the provisions of this Section 2(f) shall not apply to transfers of Shares made pursuant to Section 2(c)(ii) or (iii) hereof.

(g) Financial Statements. The Company will furnish to the Shareholders, contemporaneously with holders of the Company's debt securities, audited consolidated financial statements of the Company, including a balance sheet, income statement, statement of surplus and statement of changes in financial position, together with notes thereto and setting

forth the corresponding figures of the previous year in comparative form.

Section 3. Amalgamation. Each party hereto acknowledges that, immediately following the Closing, Imax, a wholly-owned subsidiary of the Company, will amalgamate with the Company, pursuant to which, among other things, all Shares shall be Shares of the corporation continuing following such amalgamation. Each party hereto agrees to vote all Shares, if any, held by such party entitled to a vote thereon, in favour of such amalgamation and to cause its respective directors to vote in favor of such amalgamation. From and after such amalgamation, all references herein to the "Company" shall refer to the new corporation continuing following such amalgamation.

#### Section 4. Registration Rights.

##### (a) Piggyback Registration Rights.

(1) Right to Piggyback. Subject to the last sentence of this paragraph (1), whenever the Company proposes to register any shares of Common Stock under the Act at any time after the Second Anniversary, other than (A) a registration statement on Form S-4 or S-8 (or any successor forms or comparable foreign forms) or filed in connection with an exchange offer or (B) an offering of securities solely to the Company's existing shareholders (a "Proposed Registration"), and the registration form to be used may be used for the registration of the Registrable Securities (a "Piggyback Registration"), the Company will give prompt written notice to each Original Shareholder of its intention to effect such a registration and will, subject to Section 4(a)(2) hereof, include in such Piggyback Registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein from each Original Shareholder within 15 days after receipt of the Company's notice, provided that if, at any time after giving written notice of its intention to register any shares of Common Stock and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such shares, the Company may, at its election, give written notice of such determination to each holder of Registrable Securities and, thereupon, (1) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration, and (2) in the case of delay in registering, shall be permitted to delay registering any Registrable Securities for the same period as the delay in registering such other shares.

Except as may otherwise be provided in this Agreement, Registrable Securities with respect to which such request for registration has been received will be registered by the Company and offered to the public pursuant to this Section 4 on the same terms and subject to the same conditions applicable to similar securities of the Company included in the Proposed Registration. No Original Shareholder will be entitled to include Registrable Securities pursuant to this Section 4(a) (1) in a registration statement relating to the initial public offering of shares of Common Stock (or securities exchangeable or exercisable for or convertible into Common Stock, or the Common Stock underlying such exchangeable or convertible securities).

If the Company proposes, in conjunction with a Piggyback Registration, to file a prospectus with any Canadian securities regulatory authority or otherwise to qualify the shares of Common Stock for distribution in any province of Canada (a "Canadian Offering"), the Original Shareholders shall be entitled to participate in such Canadian Offering to the same extent and on the same terms and conditions (before, during and after the Canadian Offering), mutatis mutandis, as they are entitled to participate in the Piggyback Registration under this Agreement.

(2) Priority of Piggyback Registrations. If the managing underwriter or underwriters advise the Company that in its or their opinion the number or type of securities proposed to be sold in a registration statement exceeds the number or type which can be sold in such offering (a) at a price reasonably related to the then current market value of such securities, or (b) without otherwise materially and adversely affecting the entire offering, then the Company will include in such registration the number or type of Registrable Securities which, in the opinion of such underwriter or underwriters, can be sold as follows without having the adverse effect referred to above: (i) first, all the securities that the Company proposed to sell for its own account or is required to register on behalf of any third party exercising demand registration rights and (ii) second, to the extent that the number of securities described in clause (i) above is less than the number of securities that the Company has been advised can be sold in such offering without the adverse effect referred to above, the Registrable Securities which have been requested to be included in such registration under this Section 4(a) and all shares of Common Stock requested to be included by third parties exercising rights similar to those granted in this Section 4(a), on a pro rata basis (which shall be based on the number of shares of Common Stock then owned by each holder of Registrable



Securities and each such other party, assuming exercise by them of all exchange, conversion, subscription and similar rights with respect to all securities of the Company).

(b) Registration Procedures. With respect to any Piggyback Registration, the Company will, as expeditiously as practicable:

(1) prepare and file with the Securities and Exchange Commission (the "Commission") a registration statement which includes the Registrable Securities and use all reasonable efforts to cause such registration statement to become effective;

(2) prepare and file with the Commission such amendments and post-effective amendments to the registration statement as may be necessary to keep the registration statement effective for a period of not less than 90 days (or such shorter period which will terminate when all Registrable Securities covered by such registration statement have been sold or withdrawn) cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act; and comply with the provisions of the Act applicable to it with respect to the disposition of all securities covered by such registration statement during the applicable period in accordance with intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus;

(3) furnish to any holder of Registrable Securities included in such registration statement and the underwriter or underwriters, if any, without charge, at least one confirmed copy of the registration statement and any post-effective amendment thereto, upon request, and such number of copies of the prospectus (including each preliminary prospectus) and any amendments or supplements thereto, and any documents incorporated by reference therein, as such holder or underwriter may request in order to facilitate the disposition of the Registrable Securities being sold by such holder (it being understood that the Company consents to the use of the prospectus and any amendment or supplement thereto by each holder holding Registrable Securities covered by the registration statement and the underwriter or underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by the prospectus or any amendment or supplement thereto);

(4) notify each holder of Registrable Securities included in such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Act, when the Company becomes aware of the occurrence of any event as a result of which the prospectus included in such registration statement (as then in effect) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading and, as promptly as practicable at the request of such holder, prepare and file with the Commission and furnish a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(5) use all reasonable efforts to cause all Registrable Securities included in such registration statement to be listed on each securities exchange on which the Common Stock is then listed, if any;

(6) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible moment;

(7) on or prior to the date on which the registration statement is declared effective, use all reasonable efforts to register or qualify, and cooperate with the holders of Registrable Securities included in such registration statement, the underwriter or underwriters, if any, and their counsel, in connection with the registration or qualification of the Registrable Securities covered by the registration statement for offer and sale under the securities or blue sky laws of each state and other jurisdiction as any such holder or underwriter reasonably requests in writing, to use all reasonable efforts to keep each such registration or qualification effective, including through new filings, or amendments or renewals, during the period such registration statement is required to be kept effective and to do any and all other acts or things necessary or advisable to enable the disposition in all such jurisdictions of the Registrable Securities covered by the applicable registration statement; provided, that the

Company will not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to general service of process in any such jurisdiction where it is not then so subject;

(8) cooperate with the holders of Registrable Securities covered by the registration statement and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing securities to be sold under the registration statement, and enable such securities to be in such denominations and registered in such names as the managing underwriter or underwriters, if any, or such holders may request;

(9) use all reasonable efforts to cause the Registrable Securities covered by the registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such securities;

(10) enter into such customary agreements (including, without limitation, an underwriting agreement in customary form) and take all such other actions as the holders of a majority of the Registrable Securities being sold or the underwriters retained by the holders participating in an underwritten public offering, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities;

(11) make available for inspection by any holder of Registrable Securities included in such registration statement, any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant or other agent retained by any such seller or underwriter (collectively, the "Inspectors") all financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records") as shall be reasonably necessary to enable the Inspectors to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Inspector in connection with such registration statement; provided that Records which the Company determines, in good faith, to be confidential and which it notifies the Inspectors are confidential shall not be disclosed to the Inspectors;

(12) use all reasonable efforts to obtain a "cold comfort" letter from the Company's independent public accountants and an opinion of outside counsel to the Company, each in customary form and covering matters of the type customarily covered by "cold comfort" letters or opinions of counsel; and

(13) cooperate with each seller of Registrable Securities and each underwriter participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc. (the "NASD").

Each holder of Registrable Securities, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 4(b)(4) will forthwith discontinue disposition of the Registrable Securities until such holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 4(b)(4) or until it is advised in writing (the "Advice") by the Company that the use of the prospectus may be resumed and has received copies of any additional or supplemental filings which are incorporated by reference in the prospectus, and, if so directed by the Company, such holder will, or will request the managing underwriter or underwriters, if any, to deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such holder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the time periods mentioned in Section 4(b)(2) shall be extended by the number of days during the period from and including the date of the giving of such notice to and including the date when each seller of Registrable Securities covered by each registration statement shall have received the copies of the supplemented or amended prospectus contemplated by Section 4(b)(4) or the Advice.

(c) Holdback Arrangements.

(1) Restrictions on Public Sale by Holders of Registrable Securities. To the extent not inconsistent with applicable law, each holder whose Registrable Securities are included in an underwritten registration statement agrees not to effect any public sale or distribution of the securities being registered or a similar security of the Company, or any securities convertible into or exchangeable or exercisable for such

securities, including a sale pursuant to Rule 144 under the Act, during the 14 days prior to, and during the 30-day period beginning on, the effective date of such registration statement, if and to the extent requested by the managing underwriter or underwriters of such underwritten public offering, other than pursuant to such underwritten public offering.

(2) Restrictions on Public Sale by the Company and Others. The Company, WP, each of Gelfond and Wechsler and each Original Shareholder agree (i) not to effect any public sale or distribution of any securities similar to those being registered, or any securities convertible into or exchangeable or exercisable for such securities (other than any such sale or distribution of such securities pursuant to registration of such securities on Form S-4 or S-8 or any successor forms or comparable foreign forms or any such sale or distribution of such securities in connection with any merger, amalgamation or consolidation involving the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of the capital equity or substantially all of the assets of any other Person) during the 14 days prior to, and during the 30-day period beginning on, the effective date of any registration statement except as part of such registration statement; and (ii) that any agreement entered into after the date of this Agreement pursuant to which the Company issues or agrees to issue any privately placed securities shall contain a provision under which holders of such securities agree not to effect any public sale or distribution of any such securities during the periods described in (i) above, in each case including a sale pursuant to Rule 144 (or any similar provision then in force) under the Act (except as part of any such registration, if permitted) provided, however, that the provisions of this Section 4(c)(2) shall not prevent the conversion or exchange of any securities pursuant to their terms into or for other securities.

(3) Other Registrations. If the Company has previously filed a registration statement with respect to any of its Registrable Securities, and if such previous registration has not been withdrawn or abandoned, the Company will not file or cause to be effected any other registration of any of its Registrable Securities under the Act (except on Form S-4 or S-8 or any successor forms or comparable foreign forms) whether on its own behalf or at the request of any holder or holders of Registrable Securities, until a period of at least six months has elapsed from the effective date of such previous registration.

(d) Registration Expenses. All of the costs and expenses of each registration hereunder, including, without limitation, all registration and filing fees, all fees and expenses associated with filings required to be made with the NASD (including, if applicable, the fees and expenses of any "qualified independent underwriter" as such term is defined in Schedule E of the By-laws of the NASD, and of its counsel) as may be required by the rules and regulations of the NASD, fees and expenses of compliance with securities or blue sky laws of any jurisdiction (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), printing expenses, messenger and delivery expenses, internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the fees and expenses incurred in connection with the listing of the securities to be registered on any securities exchange, and fees and disbursements of counsel for the Company and its independent certified public accountants (including the expenses of any special audit or comfort letters required by or incident to such performance) securities act liability insurance (if the Company elects to obtain such insurance), the fees and expenses of any special experts retained by the Company in connection with such registration, fees and expenses of other persons retained by the Company (but not including any underwriting fees, discounts or commissions attributable to the sale of Registrable Securities or fees or expenses of counsel for holders of Registrable Securities, all of which shall be for the account of such holders) (all such expenses being herein called "Registration Expenses"), will be borne by the Company.

(e) Indemnification; Contribution.

(1) Indemnification by the Company. The Company agrees to indemnify and hold harmless each selling holder of Registrable Securities, its officers, directors, agents, employees, partners and Affiliates and each Person, if any, who controls such selling holder within the meaning of Section 15 of the Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), from and against any and all losses, claims, damages, liabilities and expenses (including reasonable costs of investigation) arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus relating to the Registrable Securities or in any amendment or supplement

thereto or in any preliminary prospectus, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or expenses arise out of, or are based upon, any such untrue statement or omission based upon information with respect to such selling holder furnished in writing to the Company by such selling holder expressly for use therein. The Company also agrees to indemnify any underwriters of the Registrable Securities, their officers, directors, agents, employees, partners and Affiliates and each Person who controls such underwriters on substantially the same basis as that of the indemnification of the selling holders provided in this Section 4(e).

(2) Conduct of Indemnification Proceedings. If any action or proceeding (including any governmental investigation) shall be brought or asserted against any selling holder (or any of its officers, directors, agents, employees, partners or Affiliates) or any Person controlling any such selling holder in respect of which indemnity may be sought from the Company, the Company shall be permitted, unless in the reasonable judgment of such indemnified party a conflict of interest may exist between such indemnified party and the Company with respect to such claim, to assume the defense thereof, including the employment of counsel reasonably satisfactory to such selling holder, and shall assume the payment of all expenses. Whether or not such defense is assumed by the Company, the Company shall not be liable for any settlement of any such action or proceeding effected without its written consent. The Company will not consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation. If the Company is not entitled to, or elects not to, assume the defense of a claim, it will not be obligated to pay the fees and expenses of more than one counsel with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim, in which event the Company shall be obligated to pay the fees and expenses of such additional counsel or counsels. Any selling holder entitled to indemnification hereunder agrees to give prompt written notice to the Company after

the receipt by such selling holder of any written notice of the commencement of any action, suit, proceeding or investigation or threat thereof made in writing for which such selling holder will claim indemnification or contribution pursuant to this Agreement.

(3) Indemnification by Holders of Registrable Securities. Each selling holder of Registrable Securities agrees to indemnify and hold harmless the Company, its officers, directors, agents, employees, partners and Affiliates, and each Person, if any, who controls the Company within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to the selling holders of Registrable Securities, but only with respect to information furnished in writing by such selling holder with respect to such selling holder expressly for use in any registration statement or prospectus relating to the Registrable Securities which contained a material misstatement of fact or omission of a material fact, or any amendment or supplement thereto, or any preliminary prospectus. In case any action or proceeding shall be brought against the Company or its officers, directors, agents, employees, partners or Affiliates, or any such controlling Person, in respect of which indemnity may be sought against any selling holder, such selling holder shall have the rights and duties given to the Company, and the Company or its officers, directors, agents, employees, partners or Affiliates, or such controlling Person shall have the rights and duties given to such selling holders by Section 4(e)(2).

Each selling holder of Registrable Securities also agrees to indemnify and hold harmless underwriters of the Registrable Securities, their officers, directors, agents, employees, partners and Affiliates, and each Person who controls such underwriters on substantially the same basis as that of the indemnification of the Company provided in this Section 4(e)(3).

(4) Contribution. If the indemnification provided for in this Section 4(e) is unavailable to the Company, the selling holders or the underwriters in respect of any losses, claims, damages, liabilities or judgments referred to herein, then each such indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities and judgments in such proportion as is appropriate to reflect the relative fault of the



indemnifying parties and indemnified parties in connection with such statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement of omission.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 4(e)(4) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable consideration referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities, or judgments referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 4(e)(4), no underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, and no selling holder shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities of such selling holder were offered to the public exceeds the amount of any damages which such selling holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(f) Participation in Underwritten Registrations. No holder of Registrable Securities may participate in any underwritten registration hereunder unless such holder (i) agrees to sell its securities on the basis provided in

any underwriting arrangements approved by the holders as provided herein and (ii) completes and executes all questionnaires, powers of attorneys, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and these registration rights.

(g) Participation under Rule 144. The Company covenants that it will file any reports required to be filed by it under the Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder (or, if the Company is not required to file such reports, it will, upon the request of any holder of Registrable Securities, make publicly available other information so long as necessary to permit sales under Rule 144 under the Act) and that it will take such further action as the holders of Registrable Securities may reasonably request, all to the extent required from time to time to enable the holders of Registrable Securities to sell Registrable Securities without registration under the Act within the limitation of the exemption provided by Rule 144, as it may be amended from time to time (or any similar rule or regulation hereafter adopted by the Commission).

(h) Termination. This Section 4 shall continue in full force and effect until none of the Shares are Registrable Securities, except that paragraph (e) shall survive any termination of this Section 4.

#### Section 5. Miscellaneous.

(a) Effectiveness. The provisions of this Agreement shall be effective as of the Closing Date (as defined in the Acquisition Agreement).

(b) Termination. The provision of Section 2(c) shall terminate on the Second Anniversary. The provisions of Section 2(d) and 2(e) shall terminate on the tenth anniversary of the Closing. The provisions of Section 2(a) and (b) and Section 3 shall survive indefinitely. The provisions of Section 4 shall terminate as provided in Section 4(h).

(c) Entire Agreement. This Agreement represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written of the parties.

(d) Amendments, etc. This Agreement can be amended, supplemented or changed, and any provision hereof can be

waived, only by written instrument signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought.

(e) Severability. If any provision of this Agreement is invalid or unenforceable, the balance of this Agreement shall remain in full force and effect and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

(f) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(g) Notices. All communications provided for under this Agreement shall be in writing and shall be delivered by hand or by first-class regular mail, postage prepaid, to the following addresses, or such other addresses as shall be given by notice delivered hereunder, and shall be deemed to have been given on the day of personal delivery thereof or the third business day after such mailing:

If to WP, to:

Wasserstein Perella & Co., Inc.  
31 West 52nd Street  
26th Floor  
New York, New York 10019  
Attention: W. Townsend Ziebold

Wasserstein Perella Partners, L.P.  
31 West 52nd Street  
26th Floor  
New York, New York 10019  
Attention: W. Townsend Ziebold

Wasserstein Perella Offshore Partners, L.P.  
31 West 52nd Street  
26th Floor  
New York, New York 10019  
Attention: W. Townsend Ziebold

with a copy to:

Shea & Gould  
1251 Avenue of the Americas  
New York, New York 10020  
Attention: Richard L. Smithline, Esq.

If to Gelfond or Wechsler, to:

Bradley J. Wechsler  
88 East Middle Patent Road  
Bedford, New York 10506

and

Richard L. Gelfond  
4 Cheviot Road  
Southampton, New York 11968

with a copy to:

Shearman & Sterling  
599 Lexington Avenue  
New York, New York 10022  
Attention: Peter D. Lyons, Esq.

If to the Company, to:

IMAX Corporation  
John Davison  
45 Charles Street  
Toronto, Ontario M4Y 1N1

If to Trumbull, to:

The Trumbull Company, Inc.  
P.O. Box 847  
Riverview Road  
Lenox, Massachusetts 01240  
Attention: Douglas Trumbull

with a copy to:

Douglas Trumbull  
P.O. Box 55  
Southfield, Massachusetts 01259

If to a Selling Shareholder, to the address set forth in Exhibit A for such Shareholder,

or to such other Persons or at such other addresses as shall be furnished by any such party by like notice given to the other parties of this Agreement.

(h) Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Ontario and to laws of Canada applicable therein.

(i) Benefit; Successors and Assigns. Except as otherwise provided herein, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns; provided, however, that this Agreement shall not inure to the benefit of any Prospective Transferee unless such Prospective Transferee shall have complied with the terms of Section 2(f). No Original Shareholder may assign any of its rights hereunder to any Person other than a transferee that has complied with the requirements of Section 2(f) in all respects to the extent required thereby. Nothing in this Agreement either express or implied is intended to confer on any person other than the parties hereto and their respective successors and permitted assigns, any rights, remedies or obligations under or by reason of this Agreement.

(j) Injunctive Relief. Each party recognizes that in the event such party fails to perform, observe or discharge any of such party's obligations or liabilities under this Agreement, no remedy at law will provide adequate relief to the injured parties, and agree that the injured parties shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages and without being required to post a bond or other security.

(k) Limitation of Liability. No personal liability or responsibility of either GW Shareholder shall at any time be enforceable against either GW Shareholder on account of any representation, warranty, undertaking, covenant or agreement made by it hereunder, either express or implied, all such personal liability, if any, being expressly waived by each party to this Agreement and by all Persons claiming by, through or under any such party, provided that any party to this Agreement making claim hereunder may realize upon the Securities held by each GW Shareholder for satisfaction of the same.

(l) Execution in Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed as of the day and year first above written.

WGIM ACQUISITION CORPORATION

By /s/ Bradley J. Wechsler

-----  
Name: Bradley J. Wechsler  
Title: President

WASSERSTEIN PERELLA PARTNERS, L.P.  
By Wasserstein Perella Management  
Partners, Inc. its general partner

By -----  
Name:  
Title:

WASSERSTEIN PERELLA OFFSHORE  
PARTNERS, L.P.  
By Wasserstein Perella Management  
Partners, Inc. its general partner

By -----  
Name:  
Title:

/s/ Richard L. Gelfond  
-----  
Richard L. Gelfond

/s/ Bradley J. Wechsler  
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Bradley J. Wechsler

/s/ Douglas Trumbull  
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Douglas Trumbull

Jonathan Barker by \* as attorney-in-fact  
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Jonathan Barker

Nancy Bell by \* as attorney-in-fact  
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Nancy Bell

Gregory J. Breen by \* as attorney-in-fact  
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Gregory J. Breen

C.W. Breukelman by \* as attorney-in-fact  
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C.W. Breukelman

David Breukelman by \* as attorney-in-fact  
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David Breukelman

Elaine Breukelman by \* as attorney-in-fact  
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Elaine Breukelman

Marion Breukelman by \* as attorney-in-fact  
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Tanya Breukelman by \* as attorney-in-fact  
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Tanya Breukelman

W.A. Breukelman by \* as attorney-in-fact  
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W.A. Breukelman

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James Scott Shaw

William C. Shaw by \* as attorney-in-fact  
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Alexandra Shea by \* as attorney-in-fact  
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James Warnock by \* as attorney-in-fact  
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James Warnock

Anne D. Watkinson by \* as attorney-in-fact  
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Anne D. Watkinson

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\* William A. Breukelman, by signing his name hereto, does hereby sign this Shareholders Agreement on behalf of each of the Selling Shareholders after whose typed names asterisks appear pursuant to a power of attorney duly executed by each such Selling Shareholder.

By /s/ William A. Breukelman  
-----  
Attorney-in-fact

/s/ William A. Breukelman  
-----  
William A. Breukelman

## SCHEDULE A

Selling Shareholder	Associated Group B Seller	Class B Convertible Preferred Shares	Class C Preferred Shares
Jonathan Barker		1,448	290
Nancy Bell		666	133
Gregory J. Breen		1,448	290
C.W. Breukelman		1,293	259
David Breukelman		376	75
Elaine Breukelman		376	75
Marion E. Breukelman		376	75
Tanya Breukelman		376	75
W. A. Breukelman	Executronics Limited	1,546	309
Canmont Investment Corp. Ltd.		1,940	388
James B. Cawthon, Jr.		290	58
Elizabeth Chaplin		405	81
Diana Chaplin		405	81
434786 Ontario Limited		579	116
434787 Ontario Limited		5,417	1,083
James D. Chaplin	434787 Ontario Limited	41	8
Janet Chaplin		405	81
Richard Chaplin		405	81
Charlford Investments Inc.		985	197
Ann Cochren		434	87
Doug Daymond		145	29
Daedalus Investments Ltd.		5,174	1,035
John M. Davison		1,086	217
Executronics Limited		19,961	3,992
Allison Ferguson		1,361	272
Betty Ferguson		16,912	3,382
Graeme Ferguson	Graeholdings Ltd.	1,059	212
Munro Ferguson		1,361	272
Joan Fisk		695	139
Forden Investments Ltd.		956	191
Nancy Garrett		550	110
Michael A. Gibbon		1,014	203
Graeholdings Ltd.		22,635	4,527
Janro Holdings Inc.		16,668	3,334
David Bedford Keighley		413	83
Patricia Anne Keighley		413	83
Barbara Kerr		666	133
Robert Kerr	Sero Sed Serio Inc.	1,332	266
Janet Kroitor	Janro Holdings Inc.	1,484	297
Paul Kroitor		681	136
Roman Kroitor	Janro Holdings Inc.	1,149	230
Stephanie Kroitor		681	136
Tanya Kroitor		681	136
Yvanna Kroitor		681	136

Original Shareholder	Associated Group B Seller	Class B Convertible Preferred Shares	Class C Preferred Shares
Karen Kucera		666	133
Ian Maxwell		290	58
Lynn A. McCroskey		290	58
Andre Picard		64	13
Jennifer H. Rae		290	58
G. Mary Ruby		507	101
Scocam Investment Corp.		19,842	3,968
Sero Sed Serio Inc.		22,564	4,513
James Scott Shaw		666	133
William C. Shaw	Scocam Investment Corporation	1,332	266
Alexander Shea		681	136
Stephen Low Productions Inc.		579	116
Martha Turner		290	58
Alvis F. Wales, Jr.		290	58
Andrew Warnock		463	93
James Warnock		463	93
Anne D. Watkinson		290	58

## Names and Addresses of Selling Shareholders

Exhibit A  
Page 1 of 6

NAMES OF SELLERS -----	ADDRESSES -----
Jonathan Barker	28 Neville Park Boulevard TORONTO, Ontario M4E 3P6
Nancy Bell	178 Edgemont Street S. HAMILTON, Ontario L8K 2H9
Gregory J. Breen	64 Greencroft Crescent UNIONVILLE, Ontario L3R 3Y5
C.W. Breukelman	4104 Burkerridge Place WEST VANCOUVER, British Columbia V7V 3M9
David Breukelman	4138 Perivale Road MISSISSAUGA, Ontario L5C 3V6
Elaine Breukelman	1801 Stonepath Crescent MISSISSAUGA, Ontario L4X 1Y1
Marion E. Breukelman	46 Miranda Avenue TORONTO, Ontario M6E 4G4
Tanya Breukelman	1801 Stonepath Crescent MISSISSAUGA, Ontario L4X 1Y1
W. A. Breukelman	1801 Stonepath Crescent MISSISSAUGA, Ontario L4X 1Y1
Canmont Investment Corp. Ltd.	18A Hazelton Avenue Apt 406 East TORONTO, Ontario M5R 2E2
James B. Cawthon, Jr.	600 Stratton Court BIRMINGHAM, Alabama 35209
Diana Chaplin	c/o Mrs. Janet Young 2743 West First Avenue VANCOUVER, British Columbia V6K 1H2

## NAMES OF SELLERS

## ADDRESSES

NAMES OF SELLERS	ADDRESSES
Elizabeth Chaplin	Sea to Sky Real Estate Ltd. P.O. Box 1500 4202 Village Square WHISTLER VILLAGE, British Columbia V0N 1B0
James D. Chaplin	R.R. #4 CAMBRIDGE, Ontario N1R 5S5
Janet Chaplin	58 Blair Road CAMBRIDGE, Ontario N1S 2J1
Richard Chaplin	R.R. #4 CAMBRIDGE, Ontario N1R 5S5
Charlford Investments Inc.	Suite 1055 Place du Canada MONTREAL, Quebec H3B 2N2
Ann Cochren	13 Cumminsville Road Box 7 MILLGROVE, Ontario L0R 1V0
Daedalus Investments Ltd.	c/o Sontair Limited 2450 Derry Road East, Hanger #9 MISSISSAUGA, Ontario L5S 1B2
John M. Davison	64 Hanna Road TORONTO, Ontario M4G 3N1
Doug Daymond	R. R. #22 CAMBRIDGE, Ontario N3C 2V2

NAMES OF SELLERS -----	ADDRESSES -----
Executronics Limited	c/o 38 Isabella Street TORONTO, Ontario M4Y 1N1
	Attention: W.A. Breukelman
Allison Ferguson	R.R. #2 PUSLINCH, Ontario N0B 2J0
Betty Ferguson	R.R. #2 PUSLINCH, Ontario N0B 2J0
Graeme Ferguson	R.R. #1 Norway Point BAYSVILLE, Ontario P0B 1A0
Munro Ferguson	4622 Esplanade Avenue MONTREAL, Quebec H2T 2Y5
Joan Fisk	50 Charles Street CAMBRIDGE, Ontario N1S 2W8
Forden Investments Ltd.	Suite 1055 Place du Canada MONTREAL, Quebec H3B 2N2
Nancy Ellen Garrett	50 Charles Street CAMBRIDGE, Ontario N1S 2W8
Michael A. Gibbon	1430 Monk's Passage OAKVILLE, Ontario L6M 1J5
Graeholdings Ltd.	R.R. #1 Norway Point BAYSVILLE, Ontario P0B 1A0
Janro Holdings Inc.	255 Chemin de la Rouge R.R. #3 ARUNDEL, Quebec J0T 1A0



NAMES OF SELLERS -----	ADDRESSES -----
David Bedford Keighley	7 McCarty Crescent MARKHAM, Ontario L3P 4R4
Patricia Anne Keighley	7 McCarty Crescent MARKHAM, Ontario L3P 4R4
Barbara Kerr	55A Avenue Road Apartment 412 TORONTO, Ontario M5R 2G3
Robert Kerr	55A Avenue Road Apartment 412 TORONTO, Ontario M5R 2G3
Janet Kroitor	255 Chemin de la Rouge R.R. #3 ARUNDEL, Quebec J0T 1A0
Paul Kroitor	c/o 255 Chemin de la Rouge R.R. #3 ARUNDEL, Quebec J0T 1A0
Roman Kroitor	255 Chemin de la Rouge R.R. #3 ARUNDEL, Quebec J0T 1A0
Stephanie Kroitor	255 Chemin de la Rouge R.R. #3 ARUNDEL, Quebec J0T 1A0
Tanya Kroitor	R.R. #2 PUSLINCH, Ontario N0B 2J0
Yvanna Kroitor	198 Arlington Avenue Apartment #2 OTTAWA, Ontario K1R 5S9
Karen Kucera	7 Joycelyn Drive STREETSVILLE, Ontario L5M 1T5

NAMES OF SELLERS -----	ADDRESSES -----
Ian Maxwell	233 Vance Drive OAKVILLE, Ontario L6L 3K9
Lynn A. McCroskey	4912 Brandywood Drive BIRMINGHAM, Alabama 35223
Andre Picard	2496 Route 125 NOTRE-DAME-DE-LA- MERCY, Quebec J0T 2A0
Jennifer H. Rae	470 Wellesley Street East TORONTO, Ontario M4X 1H9
G. Mary Ruby	113 Inglewood Drive TORONTO, Ontario M4T 1H6
Scocam Investment Corp.	300 West River Road R.R. #4 CAMBRIDGE, Ontario N1R 5S5
Sero Sed Serio Inc.	55A Avenue Road Apartment 412 TORONTO, Ontario M5R 2G3
	ATTENTION: Robert Kerr
James Scott Shaw	2418 Glenwood School Drive Unit 42 BURLINGTON, Ontario L7R 3S2
William C. Shaw	300 West River Road R.R. #4 CAMBRIDGE, Ontario N1R 5S5
Alexander Shea	1217 Northshore Drive SUDBURY, Ontario P3B 1E7

NAMES OF SELLERS	ADDRESSES
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Stephen Low Productions Inc.	1015 Lakeshore Drive DORVAL, Quebec H9S 2C9
	ATTENTION: Stephen Low
Martha Turner	R.R. #4 7 Taylor Court CAMBRIDGE, Ontario N1R 5S5
Alvis F. Wales, Jr.	4933 Stone Mill Road BIRMINGHAM, Alabama 35223
Andrew Warnock	180 Salisbury Avenue CAMBRIDGE, Ontario N1S 1K4
James Warnock	31 Brant Road North CAMBRIDGE, Ontario N1S 2W3
Anne D. Watkinson	22 Southport Street Apartment #123 TORONTO, Ontario M6S 4Y9
434786 Ontario Limited	Gordon Chaplin Canadian General-Tower Ltd. 52 Middleton Street CAMBRIDGE, Ontario N1R 5T6
434787 Ontario Limited	James D. Chaplin Canadian General-Tower Ltd. 52 Middleton Street CAMBRIDGE, Ontario N1R 5T6

AMENDMENT TO SHAREHOLDERS' AGREEMENT  
(SELLING SHAREHOLDERS)

March 1, 1994

To the Parties Named on  
the Signature Pages Hereto

Gentlemen:

We refer to the Shareholders Agreement dated as of January 3, 1994 (the "Shareholders Agreement") among the undersigned and you. Unless otherwise defined herein, the terms defined in the Shareholders Agreement shall be used herein as therein defined.

The parties desire to amend the Shareholders Agreement as provided herein. Accordingly, it is hereby agreed by you and us that the second and third recitals of the Shareholders Agreement are, effective as of the date first above written, hereby amended and restated in their entirety to read as follows:

WHEREAS, upon the Closing (as defined in the Acquisition Agreement), each of Gelfond and Wechsler will be the registered holder and beneficial owner of an aggregate of 387,945 common shares of the Company (the "Common Stock") and warrants (the "GW Warrants") to purchase 143, 879 shares of Common Stock;

WHEREAS, upon the Closing, WP and certain of its partners and affiliates will be the registered holders and beneficial owners of an aggregate of 225,000 Class A Preferred Shares ("Class A Preferred Shares") of the Company and warrants ("Warrants") to purchase an aggregate of 3,562,060 shares of Common Stock;

On an after the effective date of this letter amendment, each reference in the Shareholders Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Shareholders Agreement shall mean and be a reference to the Shareholders Agreement as amended by this letter amendment. The Shareholders Agreement, as amended by this letter amendment, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed.

If you agree to the terms and provisions hereof, please evidence such agreement by executing and returning a counterpart of this letter amendment to the undersigned.

This letter amendment may be executed and delivered (including by facsimile transmission) in any number of counterparts and by and combination of the parties hereto in separate counterparts, each of which counterparts shall be an original and all of which taken together shall constitute one and the same instrument.

Very truly yours,

WGIM ACQUISITION CORPORATION

By /s/ Peter D. Lyons

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Name: Peter D. Lyons  
Title: Vice President and  
Assistant Secretary

Agreed as of the date first above written:

/s/ Richard L. Gelfond

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Richard L. Gelfond

/s/ Bradley J. Wechsler

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Bradley J. Wechsler

/s/ Douglas Trumbull

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Douglas Trumbull

WASSERSTEIN PERELLA PARTNERS, L.P.

By WASSERSTEIN PERELLA MANAGEMENT  
PARTNERS, INC., its general partner

By W. Townsend Ziebold

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Name: W. Townsend Ziebold  
Title: Attorney-in-Fact

WASSERSTEIN PERELLA OFFSHORE PARTNERS, L.P.

By WASSERSTEIN PERELLA MANAGEMENT PARTNERS, INC., its general partner

By /s/ W. Townsend Ziebold

Name: W. Townsend Ziebold  
Title: Attorney-in-Fact

Jonathan Barker by \* as attorney-in-fact  
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Jonathan Barker

Nancy Bell by \* as attorney-in-fact  
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Robert Andrew Warnock

James Warnock by \* as attorney-in-fact  
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James Warnock

Anne D. Watkinson by \* \_\_\_\_\_ as attorney-in-fact  
Anne D. Watkinson

- -----  
\* William A. Breukelman, by signing his name hereto, does hereby sign this letter amendment on behalf of each of the Selling Shareholders after whose typed names asterisks appear pursuant to a power of attorney duly executed by each such Selling Shareholder.

By /s/ William A. Breukelman  
-----  
Attorney-in-fact

By /s/ William A. Breukelman  
-----  
William A. Breukelman

SHARE OPTION AGREEMENT dated as of the 8th day of April, 1994;

B E T W E E N:

IMAX CORPORATION, a corporation incorporated under the laws of Canada,

(hereinafter called the "Corporation")

- and -

JOHN M. DAVISON of the City of Toronto, in the Province of Ontario,

(hereinafter called the "Optionee").

WHEREAS the Optionee and the Corporation have agreed that the Optionee shall be granted an option to purchase common shares of the Corporation on the terms and conditions set forth in this agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the mutual covenants and agreements hereinafter contained the parties hereto agree as follows:

1. SHARE OPTION

(a) The Corporation hereby grants to the Optionee an irrevocable option (the "Option") to purchase, in accordance with the exercise rights outlined herein and subject to adjustment as provided herein, all or any part of 18,752 Common Shares ("Common Shares" means the fully paid and non-assessable common shares in the capital of the Corporation on the date hereof and as the same shall be constituted at any time or times hereafter, such Common Shares being hereinafter referred to as the "Optioned Shares") in the capital of the Corporation at a price of Cdn. \$6.38 per share (the "Exercise Price").

(b) Subject to the provisions hereof, the Option may be exercised during the 10 year period commencing on the date hereof and ending on April 8, 2004 or the immediately following business day if such date is not a business day in the city where the chief executive office of the Corporation is located on that day (such date being hereinafter referred to as the "Expiration Date") for any number of Optioned Shares up to the maximum number specified in Section 1(a) above. At the close of business in the city where the chief executive office of the Corporation is located on that day on the Expiration Date the Option shall expire and be of no

further force whatsoever as to such of the Optioned Shares in respect of which the Option has not been fully exercised and thereafter, the Option may not be exercised.

(c) Subject to Subsection 2(a) and 2(b) hereof the Option shall only be exercisable by the Optionee as follows:

- (i) with respect of 9375 of the Optioned Shares, the Option may be exercised as to 1875 of the Optioned Shares in whole or in part from time to time on or after the first anniversary of the date hereof and may be exercised as to an additional 1875 of the Optioned Shares in whole or in part from time to time on or after each of the four anniversary dates of the date hereof after such first anniversary date;
- (ii) the Option may be exercised as to the remainder of the Optioned Shares, being 9377 Optioned Shares, in whole or in part from time to time on or after such dates and in accordance with the attainment of such performance criteria as the Corporation may from time to time establish within its sole discretion.

(d) Notwithstanding any other provisions contained in this agreement, the Option may be exercised as to all of the Optioned Shares in whole at any time or in part from time to time on or after the date upon which either (i) the Corporation issues Common Shares or (ii) the Corporation consolidates, amalgamates or merges with or into any other corporation or other entity, and as a result of any of such events at least 51% of the Common Shares of the Corporation outstanding immediately after such event are held by or for the benefit of any person or group of persons acting in concert who, immediately prior to such event, held less than 5% of the total number of Common Shares outstanding of the Corporation, calculated on a fully diluted basis.

## 2. TERMINATION OF EMPLOYMENT OF OPTIONEE

(a) Notwithstanding any other provisions contained in this agreement, no Option which is not then exercisable shall become exercisable for any Optioned Shares on or after the date upon which the Optionee ceases to be employed by the Corporation, for any reason whatsoever, except to the extent that any such Option becomes exercisable by reason of the termination of employment. All Options not exercisable on the date of cessation of employment shall be forfeited and cancelled without payment to the Optionee whatsoever. If the employment of the Optionee is terminated with cause, all Options which may then be exercised shall terminate and be cancelled without any consideration being paid to the Optionee therefor.

(b) If the Optionee materially breaches any of the restrictive covenants set forth in the Employment Agreement (including, without limitation, any restrictive covenant relating to non-competition, non-solicitation or confidentiality), then (i) all of the Options, whether or not exercisable at the date of such breach, shall terminate and be cancelled without any consideration being paid therefor, and (ii) the Optionee shall be obligated to promptly pay to the Corporation an amount equal to the aggregate profit (determined based on the difference between the fair market value of Common Shares on the date of the exercise of an Option and the applicable exercise price) realized by the Optionee with respect to any prior exercises of Options.

### 3. DEATH OF OPTIONEE

(a) In the event of the death of the Optionee on or prior to the Expiration Date and at a time when the Optionee has not fully exercised the Option, the Option shall be exercisable, to the same extent that the Option was exercisable at the date of the death of the Optionee, by the Optionee's executors or legal personal representatives at any time up to and including a date six months following the date of death of the Optionee or the Expiration Date, whichever is earlier. In the event the Option is not exercised within the foregoing time period, the Option shall expire.

(b) Except as provided in paragraph (a) above, the Option shall not be transferable or assignable and is exercisable only by the Optionee.

### 4. SHARE CAPITAL ADJUSTMENTS

(a) If at any time after the date hereof there is a reclassification, subdivision, or redesignation of the Common Shares at any time outstanding or a change of the Common Shares into other shares or into other securities or other capital reorganization, or a consolidation, amalgamation or merger of the Corporation with or into any other Corporation or other entity (other than a consolidation, amalgamation or merger which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares), or a transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation or entity (any of such events being called a "Capital Reorganization"), the Optionee shall be entitled upon the future exercise of the Option to receive, and will accept, upon the exercise of the Option at any time thereafter in lieu of the number of Optioned Shares to which the Optionee was previously entitled, the aggregate number of shares, other securities or other property which the Optionee would have been entitled to receive as a result of such Capital Reorganization if, on the record date thereof, the Optionee had been the registered holder of the number of Common Shares which the Optionee was entitled to receive upon the exercise of the Option to the extent that the Optionee had exercised the Option prior to the Capital Reorganization. The Corporation will take all steps necessary to ensure that, on the exercise of the Option after a Capital Reorganization, the

Optionee will receive the aggregate number of shares, other securities or other property to which he is entitled as a result of the Capital Reorganization. If determined appropriate by the directors of the Corporation, appropriate adjustments will be made as a result of any such Capital Reorganization to the provisions of this paragraph 4(a) such that such provisions will thereafter correspond as nearly as is reasonably possible in relation to any shares, other securities or other property thereafter deliverable upon the exercise of the option. Any such adjustment will be made by a resolution of the directors of the Corporation and set forth in a notice sent to the Optionee.

(b) The following rules shall apply regarding the adjustment to the number of Optioned Shares:

- (i) any adjustments made as a result of the provisions of this paragraph 4 are cumulative and will be computed to the nearest whole Optioned Share;
- (ii) if any question arises at any time with respect to the number of Optioned Shares or any adjustment to such number or the amount of any cash payment made in lieu of issuing a fractional share, such question shall be conclusively determined by the auditors of the Corporation or, if they are unwilling or unable to act, by such other firm of independent internationally recognized chartered accountants as may be selected by the directors and such determination shall be binding upon the Corporation and the Optionee. If any such determination is made, the Corporation shall deliver a notice to the Optionee setting forth the determination made; and
- (iii) if a fraction of a Common Share would otherwise be issuable upon any exercise of the Option, the Corporation shall not issue such fractional share but shall pay to the Optionee an amount equal to the then current fair market value of such fractional share as such fair market value may be determined by the directors of the Corporation.

(c) As long as the Option has not been exercised in full and is exercisable, the Corporation shall reserve, out of its unissued Common Shares, a sufficient number of Common Shares to enable the Option to be exercised into all of the Optioned Shares in respect of which the Option may be exercised. Nothing set forth in this paragraph 4(c) or otherwise in this agreement shall affect or restrict the right of the Corporation to issue Common Shares from time to time.



#### 5. RIGHTS OF OPTIONEE BEFORE EXERCISE OF OPTION

The Optionee shall not have any rights whatsoever as a shareholder in respect of the Optioned Shares covered by the Option until the Option is exercised, in whole or in part, and payment for the Optioned Shares thereby purchased has been made.

#### 6. EXERCISE OF OPTION

(a) The Option may be exercised from time to time by delivery to the Corporation at its registered office of a written notice of exercise specifying the number of Optioned Shares with respect to which the Option is being exercised and accompanied by payment in full of the purchase price for the Optioned Shares then being purchased. All Optioned Shares subscribed for hereunder shall be paid for in full in cash at the time of purchase and when issued and delivered to or at the direction of the Optionee shall be issued as fully paid and non-assessable Common Shares.

(b) As soon as practicable following the receipt of a written notice of exercise and payment in full of the purchase price for the Optioned Shares then being purchased, the Corporation shall cause to be delivered to the Optionee a certificate for the shares so purchased and shall cause to be recorded in the appropriate registers of shareholders of the Corporation the Optionee as a holder of the number of Optioned Shares so issued.

#### 7. RESTRICTIONS ON EXERCISE AND TRANSFER

(a) The exercise of the Option granted hereunder shall be subject to the condition that if at any time the Corporation shall determine in its sole discretion that it is necessary or desirable to comply with any legal requirements or the requirements of any stock exchange or other regulatory authority or to obtain any approval or consent from any such stock exchange or other regulatory authority as a condition of, or in connection with, such exercise or the issue of Common Shares as a result thereof, then in any such event such exercise shall not be effective unless such compliance shall have been effected or such approval or consent obtained on conditions satisfactory to the Corporation. The Optionee further acknowledges that Common Shares obtained pursuant to the exercise of the Option granted hereunder may be subject to hold period requirements imposed by applicable securities legislation.

(b) The Options may not be sold, transferred, assigned or otherwise dealt with in any manner, except to the extent provided in Section 3.

8. WITHHOLDING

Upon and as a condition to the exercise of the Option, the Optionee shall make arrangements satisfactory to the Corporation regarding payment of any taxes of any kind required by law to be withheld with respect to the exercise of the Option. In addition, the Corporation shall, to the extent permitted by law, have the right to deduct from any payment of any kind due to the Optionee any taxes of any kind required by law to be withheld with respect to the exercise of the Option.

9. GOVERNING LAW

This Agreement and the Option granted hereunder shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

10. SUCCESSORS

This Agreement and the Option shall be binding upon the Corporation and its successors, including upon the corporation continuing following the amalgamation of the Corporation and Imax Corporation on the date hereof.

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first above written.

IMAX CORPORATION

Per: "Bradley J. Wechsler"

-----  
Bradley J. Wechsler

"G. Mary Ruby"

-----  
Witness

"John M. Davison"

-----  
John M. Davison

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, You shall be bound by the non-solicitation, non-competition etc.: 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"

Bradley J. Wechsler  
Chairman and Co-Chief Executive Officer

"Andrew Gellis"

-----  
Andrew Gellis

Date: 11/3/98  
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## 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:

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(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.



IMAX LTD

2525 Speakman Drive  
Mississauga, Ontario  
Canada L5K 1B1

t 905.403.6500 f 905.403.6450  
www.imax.com

August 17, 2000

Mr. Andrew Gellis  
17333 Rancho Street  
Encino, California

91316

Dear Andy,

Re: Employment with Imax Ltd.

We have agreed that you shall continue your employment with Imax Ltd. ("Imax"). Commencing January 1, 2000, your employment with Imax will be on the same terms and conditions as outlined in my letter to you of October 8, 1998, with the only changes being as provided below:

1. 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 15/70 format and upon request by Imax. Imax will pay AGP a minimum in each year of the term of US\$ 60,000 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%) contribution on such payments. If Imax has not paid AGP for such services at least US\$ 30,000 by June 30, and at least US\$ 60,000 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\$ 850 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.
2. Term: January 1, 2000 through December 31, 2001
3. Salary: US\$ 275,000 for 2000 and US\$ 290,000 for 2001.

4. Stock Options: Effective as soon as practicable after the execution of this renewal agreement, you shall be granted non-qualified options (the "Options") to purchase 25,000 shares of common stock of the Company (the "Common Shares"), at an exercise price per Common Share equal to the Fair Market Value, as defined in the Company's Stock Option Plan (the "Option Plan"). Twenty percent (20%) of the Options shall vest and become exercisable on each of the first five anniversary dates of the grant date. The Options shall be subject to the terms and conditions of the Option Plan and the stock option agreement to be entered into between the Company and you as of the applicable date of grant pursuant to, and in accordance with, the terms of the Option Plan. If you are terminated other than for Cause at any time during the term, or if the contract is not renewed, the period of time during which you may exercise any options that have been granted to you throughout your employment and have vested at the time of such termination or non-renewal shall be one (1) year.

5. Termination In addition to those items outlined in Section 11 of the letter to you dated October 8, 1998, in the event that your employment is terminated other than for cause, you shall be entitled to keep your laptop computer.

Yours very truly,

"Mary Sullivan"

Mary C. Sullivan

Senior Vice President, Human Resources and Administration

"Andrew Gellis"

-----  
Andrew Gellis

Date: September 26, 2000  
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## EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") dated and effective as of this 17th day of February, 2000, is made between

IMAX LTD.  
a corporation organized  
under the laws of Ontario  
(hereinafter referred to as the "Company")

OF THE FIRST PART

And

IMAX CORPORATION  
a corporation organized  
under the laws of Canada  
(Imax Corporation, together with all its subsidiaries and affiliates are  
hereinafter referred to as "Imax")

OF THE SECOND PART

And

RICHARD INTRATOR  
of the County of Westchester in the  
State of New York  
(hereinafter referred to as the "Employee")

OF THE THIRD PART

WHEREAS, the Company wishes to enter into this Agreement to engage the Employee to provide services to the Company, and the Employee wishes to be so engaged, pursuant to the terms and conditions hereinafter set forth;

AND WHEREAS, the Employee is engaged to provide services to the Company as its President, Imax Enterprises / Executive Vice President, Imax Ltd.,

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

## EMPLOYMENT AND DUTIES

1.1 Employment. The Company hereby agrees to employ the Employee, and the Employee hereby agrees to serve, as President, Imax Enterprises / Executive Vice President, Imax Ltd., upon the terms and conditions herein contained. The Employee's primary responsibilities shall be to organize and manage the corporate strategy and development function, and to perform such other duties commensurate with his position with the Company as are reasonably designated by the Co-Chief Executive Officers of the Company. Such duties shall include, but shall not be limited to: (i) defining appropriate goals and approaches for achieving strategic corporate objectives as well as executing transactions in furtherance of goals, all as generally articulated by the Co-Chief Executive Officers; and (ii) fulfilling the objectives outlined in the Josara Agreement (as defined in Section 2.4 herein). It is expected that specific assignments will include such items as: (i) overseeing significant merger and acquisition activity, (ii) digital/internet strategies and transactions, (iii) financial engineering, restructuring and management oversight with respect to select portfolio businesses (i.e. Imax Theater Co., Mainframe Entertainment, Inc.), and (iv) aiding in administration of overall Company where/if needed. The Employee 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 Employee shall report to the Co-Chief Executive Officers of the Company on all of his material activities.

1.2 Exclusive Services. Except as may otherwise be approved in advance by the Co-Chief Executive Officers of the Company, the Employee shall devote his full working time throughout the Employment Term (as defined in Section 1.3) to the services required of him hereunder. The Employee shall render his services exclusively to the Company and its subsidiaries and affiliates during the Employment Term, and shall use his best efforts, judgement and energy to improve and advance the business and interests of the Company in a manner consistent with the duties of his position. The Company acknowledges that current and proposed board memberships held by the Employee, as enumerated on Schedule A (attached hereto), may continue, and additional charitable activities may be undertaken which do not interfere with Employee's business activities, unless future conflicts of interest develop.

1.3 Term of Employment. The Employee's employment under this Agreement shall commence on the date hereof (the "Commencement Date") and shall terminate (unless otherwise extended by the parties) on the earlier of (i) the third anniversary of the Commencement Date, or (ii) termination of the Employee's employment pursuant to this Agreement. The period commencing as of the Commencement Date and ending on the third anniversary of the Commencement Date or such later date to which the term of the Employee's employment under this Agreement shall have been extended is hereinafter referred to as the "Employment Term." Notwithstanding the above, the Company shall provide Employee with three (3) months notice prior to the end of the Employment Term if it intends to negotiate an extension to this Agreement.

1.4 Place of Employment. During the Employment Term the Employee will, subject to work-related travel, principally work at the Company's offices in New York City and, as

reasonably requested or as reasonably required by circumstance, at the offices of the Company in Los Angeles and Mississauga.

1.5 Reimbursement of Expenses. The Company shall reimburse the Employee for reasonable travel and other business expenses incurred by him in the fulfillment of his duties hereunder in accordance with Company practices for senior executives consistently applied.

## 2. COMPENSATION

2.1 Base Salary. During his employment under this Agreement, the Employee shall be paid an annual base salary ("Base Salary") of no less than US\$350,000. Effective on the first anniversary of the Commencement Date, the Employee's Base Salary shall be increased to US\$375,000. Effective on the second anniversary of the Commencement Date, the Employee's Base Salary shall be increased to US\$400,000. The Employee shall be paid no less frequently than monthly in accordance with the Company's payroll practices.

2.2 Bonus. In addition to the Base Salary, during the Employment Term the Employee shall be entitled to participate in the management bonus plan of the Company which applies to senior executives of the Company. The Employee will be eligible, subject to the terms of the plan, to receive a bonus (the "Management Bonus") of up to 50% of the Base Salary for the applicable year, which is normally paid in February of each year. Notwithstanding the foregoing, the Employee shall receive a minimum bonus of US\$150,000 (the "Minimum Bonus Amount") in each year of the Employment Term. In addition, the Employee will be entitled to an additional performance bonus, determined at Imax's sole discretion and based upon excellent performance, of up to US\$150,000 for each year of the Employment Term. The Employee acknowledges that the said bonus plans may be changed from time to time by the Company without notice to or any requirement to obtain the consent of the Employee and without the Employee having any claim against the Company with respect to any changes thereto, except that the Employee's Minimum Bonus Amount shall not change. Following any changes to the said plans, the Employee will be given notice of the changes in the same manner as are other employees of the Company of the Employee's stature. Any annual bonus will be pro-rated for any part calendar year of employment hereunder.

## 2.3 Stock Options.

2.3.1. Effective on or as soon as is practicable after the Commencement Date, the Employee shall be granted non-qualified options (the "Options") to purchase 300,000 shares of common stock of Imax Corporation (the "Common Shares"), at an exercise price per Common Share equal to the Fair Market Value on the grant date, as defined in Imax Corporation's Stock Option Plan (the "Option Plan"). Thirty-three and one third percent (33 1/3%) of the Options shall vest and become exercisable on each of the first three (3) anniversary dates of the Commencement Date. The Options granted hereunder shall be subject to the terms and conditions of the Option Plan and the stock option agreement (the "Option Agreement") to be

entered into between the Company and the Employee as of the Commencement Date pursuant to, and in accordance with, the terms of the Option Plan. A copy of the Option Agreement is contained in Schedule B (attached hereto).

2.3.2 Notwithstanding anything provided herein (or in the Option Plan) to the contrary, all of the Employee's Options, together with any additional options granted to the Employee under the Option Plan, including those which are not yet exercisable, shall become immediately exercisable in the event of both of (a) a change of control of the Company (a "Change of Control") (i.e. any person, or group of persons acting in concert, other than Bradley J. Wechsler and Richard L. Gelfond, acquiring greater than fifty percent (50%) of the outstanding common shares of Imax Corporation, whether by direct or indirect acquisition or as a result of a merger, reorganization or sale of substantially all of the assets of Imax Corporation) and (b) the occurrence of one or more of the following: (i) Bradley J. Wechsler and Richard L. Gelfond cease to be Co-Chief Executive Officers of the Company; (ii) the Employee's termination from the Company Without Cause; (iii) the diminution of the Employee's title and/or responsibilities; (iv) the Employee is asked to relocate more than twenty-five (25) miles from his existing offices; or (v) any other material breach of this Agreement. The Options shall in all other respects be governed pursuant to, and in accordance with, the terms of the Option Plan.

2.3.3 Notwithstanding anything provided herein to the contrary, if the Employee is terminated Without Cause (as herein defined) (unless such termination Without Cause is pursuant to a Change of Control, in which case Employee's Options shall be governed pursuant to Section 2.3.2 herein) at any time prior to the first anniversary of the Commencement Date (the "First Commencement Anniversary"), all of the Employee's Options which would have vested on the First Commencement Anniversary had the Employee not been terminated Without Cause shall, notwithstanding such termination Without Cause, vest and become immediately exercisable on the First Commencement Anniversary. Upon a termination Without Cause, all Options that have vested, including those vesting in accordance with the terms contained in this section, shall remain exercisable for a period of one (1) year from the date of the termination Without Cause. This provision shall not apply to a resignation or termination with Cause. The Options shall in all other respects be governed pursuant to, and in accordance with, the terms of the Option Plan.

2.4 Josara Agreement. The agreement between Imax Ltd and The Josara Companies, Inc. ("Josara") dated June 15, 1999, including the July 19, 1999 Indemnification Agreement (the "Indemnification Agreement") attached thereto (collectively, the "Josara Agreement") is hereby terminated (including expressly all post-termination provisions and covenants, though the Indemnification Agreement shall remain in effect for all claims accruing prior to the date hereof), except as expressly provided in this Agreement. The monthly fee (the "Retainer") outlined in the Josara Agreement shall cease to be paid beginning on the date hereof, with Josara entitled to payment of the entire pro rata portion of the Retainer accrued up to the date hereof (the total Retainer paid to Josara by the Company, including the payment made upon execution of the Josara Agreement, shall herein be referred to as the "Total Paid Retainer"). Notwithstanding the above, the Company shall be obligated to pay to Josara the transaction fee (the "Transaction Fee") as defined in the Josara Agreement if Employee meets all of the

criteria required of Josara for payment of the Transaction Fee enumerated in the third and fourth full paragraphs, second page of the Josara Agreement, which is hereby incorporated herein in full, with the term "Josara" being replaced with the term "Employee" and "this engagement" being replaced with "the Employment Term"; provided however, that the Transaction Fee shall ultimately be credited against and reduced by (i) the Total Paid Retainer; and (ii) \$15,000 multiplied by each month during the Employment Term beginning on the date hereof and ending on the date of the Transaction Fee is earned pursuant to the terms of the Josara Agreement.

2.5 Attorneys Fees. The Company agrees to pay the Employee's legal fees in connection with this Agreement, up to a total of \$5,000, payable directly to Employee's attorney upon execution of the Agreement.

### 3. EMPLOYEE BENEFITS

3.1 General. The Employee shall, during the Employment Term, receive employee benefits including vacation time, medical benefits, disability and life insurance, all at least consistent with those established by the Company for its other key employees at a level commensurate with that of the Employee. Without limitation, however, the Employee shall be entitled to the following benefits:

- (i) four (4) weeks' paid vacation in each year of the Employment Term; and
- (ii) car allowance of \$700 per month; and
- (iii) standard medical benefits available to US employees of the Company.

### 4. TERMINATION OF EMPLOYMENT

Definitions. As used in this Article 4, the following terms have the following meanings:

(a) "Termination Payment" means each of the following amounts to the extent that such amounts are due to be paid to and including the date upon which the Employee's employment is terminated: (i) Base Salary, (ii) unreimbursed business expenses as outlined in Section 1.5, (iii) any amounts to be paid pursuant to the terms of any benefit plans of the Company in which the Employee participates or pursuant to any policies of the Company applicable to the Employee; (iv) any outstanding vacation pay calculated up to and including such date; and (v) pro-rated portion of the Minimum Bonus Amount.

(b) "Without Cause" means termination of the Employee's employment by the Company other than for Cause (as defined in Section 4.3), death or disability (as set forth in Section 5).

#### 4.1 Termination Without Cause

4.1.1 General. Subject to the provisions of Sections 4.1.2, 4.1.3 and 6, if, prior to the expiration of the Employment Term, the Employee's employment is terminated by the Company Without Cause, the Company shall pay the Termination Payment then due to be paid within 30 days of the date of termination and shall continue to pay the Employee the Base Salary and the Minimum Bonus Amount for the entire remainder of the Employment Term, (such period being referred to hereinafter as the "Severance Period"), either at such intervals as the same would have been paid had the Employee remained in the active service of the Company, or, at the option of the Company, by immediate payment to the Employee of the remaining Base Salary and Minimum Bonus Amount which would be payable during the Severance Period. Upon such termination, the Employee shall also be entitled to continue to receive his employee benefits referred to in Section 3.1 at the Company's expense (to the extent paid for by the Company as at the date of termination).

The Employee agrees that the Company may deduct from any payment of Base Salary and Minimum Bonus Amount to be made during the Severance Period the benefit plan contributions which are to be made by the Employee during the Severance Period in accordance with the terms of all benefit plans. The Employee 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 applicable law. Payment of Base Salary and Minimum Bonus Amount and the continuation of the aforementioned employee benefits during the Severance Period as outlined above shall be deemed to include all termination and severance pay to which the Employee is entitled pursuant to applicable statute law and common law. The date of termination of employment Without Cause shall be the date specified in a written notice of termination to the Employee and does not include the Severance Period.

4.1.2 Fair and Reasonable. The parties confirm that notice and pay in lieu of notice provisions contained in Subsection 4.1.1 are fair and reasonable and the parties agree that upon any termination of this Agreement Without Cause, the Employee shall have no action, cause of action, claim or demand against the Company or Imax or any other person as a consequence of such termination other than to enforce Section 4.1.1, the Option Agreement (consistent with the Option Plan and Section 2.3.3 herein) or any applicable employee benefit plan.

4.1.3 Conditions Applicable to the Severance Period. If, during the Severance Period, the Employee breaches his obligations under Article 7 of this Agreement, the Company may, upon written notice to the Employee, terminate the Severance Period and cease to make any further payments or provide further benefits as described in Section 4.1.1.

4.2 Termination for Cause; Resignation. At any time prior to the expiration of the Employment Term the Employee's employment may be terminated by the Company upon written notice for Cause. If, prior to the expiration of the Employment Term, the Employee's employment is terminated by the Company for Cause, or the Employee resigns from his employment hereunder, the Employee shall only be paid, within 15 days of the date of such termination or resignation, the Termination Payment, then due to be paid. The Employee shall have no further right to receive any other compensation or benefits after such termination or resignation of employment, except as determined in accordance with the terms of the employee



benefit plans or programs of the Company. The date of termination for Cause shall be the date specified in a written notice of termination to the Employee (or the date immediately after any applicable cure periods), which notice shall set forth the basis for the termination. The date of resignation shall be thirty (30) days following the date or receipt of notice of resignation from the Employee to the Company.

4.3 Cause. Termination for "Cause" shall mean termination of the Employee's employment because of:

- (i) the cessation of the Employee's ability to work legally in the United States other than for reasons not within the Employee's reasonable control;
- (ii) any act or omission that constitutes a material breach by the Employee of any of his material obligations under this Agreement, which is not cured within thirty (30) days after written notice is provided to Employee of such material breach;
- (iii) the continued failure or refusal of the Employee to perform the material duties reasonably required of him as President, Imax Enterprises / Executive Vice President, Imax Ltd which is not cured within thirty (30) days after written notice is provided to Employee of such failure or refusal;
- (iv) any material violation by the Employee of any Canadian or United States federal, provincial, state or local law or regulation applicable to the business of the Company or Imax of which the Employee is not exonerated, which violation is injurious to the financial condition or business reputation of the Company or Imax, or the Employee's conviction of a felony, indictment for an offense for which he is not pardoned or in any way cleared, or any perpetration by the Employee of a common law fraud;
- (v) any other action by the Employee which is both: (i) outside of the normal or ordinary course of his business activities and (ii) not taken upon the advice of Company internal or external counsel, which is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or Imax, or which results in a material violation by the Company or Imax of any Canadian or United States federal, provincial, state or local law or regulation applicable to the business of the Company or Imax, which violation is injurious to the financial condition or business reputation of the Company or Imax.

## 5. DEATH OR DISABILITY

In the event of termination of employment by reason of death or Permanent Disability (as hereinafter defined), the Employee (or his estate, as applicable) shall be paid the Termination Payment then due to be paid within 30 days of the date of such termination of employment. Both the employment of the Employee and the entitlement of the Employee to be paid amounts under Section 4.1.1, in respect of the Severance Period, shall terminate immediately and without notice upon his death or upon his Permanent Disability (as hereinafter defined), provided that Employee (or his estate, as applicable) continues to receive (Company-provided) life and/or disability benefits. Any benefits thereafter shall be determined in accordance with the benefit plans maintained by the Company, and the Company shall have no further obligation hereunder. For purposes of this Agreement, "Permanent Disability" means a physical or mental disability or infirmity of the Employee that prevents the normal performance of substantially all his duties under this Agreement as an employee of the Company, which disability or infirmity shall exist for any continuous period of 180 days. The parties agree that such Permanent Disability cannot be accommodated short of undue hardship.

## 6. MITIGATION

The Employee shall not be required to mitigate the amount of any payment provided for herein by seeking other employment or remunerative activity; provided, however, that if the Employee does obtain other employment or remunerative activity (subject to Section 7.2), then any Base Pay and Minimum Bonus Amount payable under Section 4.1.1. after the date he begins such other employment or remunerative activity will be reduced by the amount of fifty percent (50%) of the Employee's remuneration (the "Mitigation Amount") from such other employment or other activity during the Severance Period (whether paid to the Employee or deferred during such period), which Mitigation Amount shall under no circumstances reduce the Employee's payment by the Company during the Severance Period to less than fifty percent (50%) of the Base Salary and Minimum Bonus Amount payable after the date he begins such other employment or remunerative activity. The Employee shall be required as a condition of any payment under Section 4.1.1 (other than the Termination Payment) promptly to disclose to the Company any such employment or remunerative compensation.

## 7. NON-SOLICITATION, CONFIDENTIALITY, NON-COMPETITION

7.1 Non-solicitation. For so long as the Employee is employed by the Company or receiving payment hereunder and continuing for two years thereafter, notwithstanding whether the Employee's employment is terminated with or without Cause or whether the Employee resigns, the Employee shall not, without the prior written consent of the Company and Imax, directly or indirectly, for the Employee's own benefit or the benefit of any other person, whether as a sole proprietor, member of a partnership, stockholder or investor (other than a stockholder or investor owning not more than a 5% interest), officer or director of a corporation, or as a trustee, employee, associate, consultant, principal or agent of any person, partnership, corporation or other business organization or entity other than the Company or Imax solicit or endeavour to entice away from Imax, any person or entity who is, or, during the then most recent 12-month period, was employed by, or had served as an agent or consultant of, the Company and/or Imax, excepting solely the Employee's secretary at the time of the termination of the Employee's employment, or his resignation. The Employee confirms that all restrictions in this Section are reasonable and valid and waives all defences to the strict enforcement thereof.

7.2 Non-Competition For so long as the Employee is employed by the Company or receiving payment hereunder and continuing for a period of two years after the date of the termination of the employment of the Employee with the Company, notwithstanding whether the Employee's employment is terminated with or without Cause or whether the Employee resigns, the Employee shall not, without the prior written consent of the Company and Imax, directly or indirectly anywhere within Canada, the United States, Europe or Asia, as a sole proprietor, member of a partnership, stockholder or investor (other than a stockholder or investor owning not more than a 5% interest), officer or director of a corporation, or as a trustee, employee, associate, consultant, principal or agent of any person, partnership, corporation or other business organization or entity other than Imax: (x) solicit, endeavour to entice away or gain the custom of, canvass or interfere in the Company's and/or Imax's relationship with any person or entity who is, or was within the then most recent 12-month period, a supplier, customer or client (or, at the time of termination of Employee's employment, reasonably anticipated to become a supplier, customer or client) of the Company and/or Imax and with whom the Employee had dealings during his employment with the Company; or (y) render any service to or in any way be affiliated with a Competitor of Imax. A "Competitor" of Imax shall be defined for these purposes as any person or entity which is either: (i) primarily engaged or reasonably anticipated to become primarily engaged in the Business, or (ii) engaged in, or reasonably anticipated to become engaged in the Business, though not primarily, -- but then only if the Employee would be directly and materially involved in the Business. "Business" shall be defined for these purposes as designing or supplying large format theatres, designing or distributing projection or sound systems for large format theatres, designing or supplying motion simulation attractions, producing or distributing films specifically for large format theatres or motion simulation attractions or designing, supplying, marketing, manufacturing or otherwise offering for sale or purchase image capture, post capture image processing or projection display systems, including but not

limited to, in connection with the "electronic cinema" projector or "digital cinema" projector business. The Employee confirms that all restrictions in this Section are reasonable and valid and waives all defences to the strict enforcement thereof.

7.3 Confidentiality. The Employee covenants and agrees with Imax that he will not at any time during employment hereunder or thereafter, except in performance of his obligations to the Company hereunder or with the prior written consent of the Co-Chief Executive Officers of the Company, directly or indirectly, disclose or use any secret or confidential information that he may learn or has learned by reason of his association with Imax. The term "confidential information" includes information not previously disclosed to the public or to the trade by Imax's management, or otherwise in the public domain, with respect to Imax's products, facilities, applications and methods, trade secrets and other intellectual property, systems, procedures, manuals, confidential reports, product price lists, customer lists, technical information, financial information, business plans, prospects or opportunities, but shall exclude any information which (i) is or becomes available to the public or is generally known in the industry or industries in which Imax operates other than as a result of disclosure by the Employee in violation of his agreements under this Section 7.3, or (ii) the Employee is required to disclose under any applicable laws, regulations or directives of any government agency, tribunal or authority having jurisdiction in the matter or under subpoena or other process of law. The Employee confirms that all restrictions in this Section are reasonable and valid and waives all defences to the strict enforcement thereof.

7.4 Exclusive Property. The Employee confirms 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 records kept or made by Employee relating to the business of Imax shall be and remain the property of Imax, and shall be promptly returned by the Employee to Imax upon any termination of employment.

7.5 Injunctive Relief. Without intending to limit the remedies available to Imax, the Employee acknowledges that a material breach of any of the covenants contained in Article 7 will result in material and irreparable injury to Imax 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 the Employee from engaging in activities prohibited by Article 7 or such other relief as may be required specifically to enforce any of the covenants in Article 7. If for any reason it is held that the restrictions under Article 7 are not reasonable or that consideration therefor is inadequate, such restrictions shall be interpreted or modified to include as much of the duration and scope identified in Article 7 as will render such restrictions valid and enforceable.

7.6 Representation. The Employee represents and warrants that he is not subject to any non-competition covenant or any other agreement with any party which would in any manner restrict or limit his ability to render the services required of him hereunder. The Company represents and warrants that this Agreement (specifically Section 2.3) and the Option Agreement are valid and enforceable.

7.7 Indemnification. The Company shall indemnify and hold harmless the Employee and Josara to the fullest extent permitted by law against all costs (including reasonable attorneys' fees) incurred or sustained by either of them in connection with any action, suit or proceeding to which Employee and/or Josara may be made a party by reason of their being an employee, officer, director, consultant or adviser of Imax, except in connection with Employee/Josara's: (i) gross misconduct, (ii) fraud, and/or (iii) conduct outside of the normal or ordinary course of their business activities, and then only if not taken upon the advice of Company internal or external counsel or with the knowledge of the Company's Board of Directors and/or Co-Chief Executive Officers.

## 8. MISCELLANEOUS

8.1 Notices. All notices or communications hereunder shall be in writing, addressed as follows:

To the Company:           Imax Ltd.  
                              2525 Speakman Drive  
                              Mississauga, Ontario  
                              L5K 1B1

                              Telecopier No:           (905) 403-6468  
                              Attention:                Legal Department

To Imax:                    Imax Corporation  
                              2525 Speakman Drive  
                              Mississauga, Ontario  
                              L5K 1B1

                              Telecopier No:           (905) 403-6468  
                              Attention:                Legal Department

To the Employee:

                              Richard Intrator  
                              69 Indian Hill Road  
                              Mount Kisco, NY 19549

with a copy to:           Whitman, Breed, Abbot & Morgan  
                              200 Park Avenue  
                              New York, NY 10166  
                              Attn. Sander Ross, Esq.

or to such other addresses as the parties may designate in writing. All such notices shall be conclusively deemed to be received and shall be effective, (i) if sent by hand delivery, upon receipt or (ii) if sent by registered or certified mail, on the fifth day after the day on which such notice is mailed.

8.2 Severability. Each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. The parties agree that Sections 4, 5, 6 and 7 shall survive the termination of this Agreement.

8.3 Assignment. This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Employee and the assigns and successors of the Company and Imax, if any are permitted by law and provided that the Company and Imax and its assignee shall each remain liable to the Employee in the event of any assignment, but neither this Agreement nor any rights hereunder shall be assignable or otherwise subject to hypothecation by the Employee. The Employee expressly agrees that each of Imax and the Company may assign any of its rights, interest or obligations hereunder to any affiliate of either of them without the consent of the Employee; provided, however, that no such assignment shall relieve the assignor of any of its obligations hereunder.

8.4 Entire Agreement: Amendment. This Agreement, together with the Josara Agreement (per Sec. 2.4), represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Company and the Employee. This Agreement may only be amended at any time by mutual written agreement of the parties hereto.

8.5 Withholding. The payment of any amount pursuant to this Agreement shall be subject to any applicable withholding and payroll taxes, and such other deductions as may be required under applicable law or the Company's employee benefit plans, if any.

8.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein without regard to principles of conflicts of laws.

IN WITNESS WHEREOF, the Company and the Employee have duly executed and delivered this Agreement as of the 17th day of March 01.

IMAX LTD:

By: "Bradley J. Wechsler"  
-----  
Name: Bradley J. Wechsler  
Title: Co-Chief Executive Officer

IMAX CORPORATION:

By: "Bradley J. Wechsler"  
-----  
Name: Bradley J. Wechsler  
Title: Co-Chief Executive Officer

SIGNED, SEALED AND DELIVERED  
in the presence of:

EMPLOYEE:

"Yasmin Best"  
-----  
Witness

"Richard Intrator"  
-----  
Richard Intrator



## IMAX LOGO

Imax Corporation  
2525 Speakman Drive, Sheridan Park  
Mississauga, Ontario, Canada L5K 1B1

To: John M. Davison  
From: Rich Gelfond and Brad Wechsler  
Date: August 21, 2000

As we discussed a few weeks back, among our top priorities as we go through the process of evaluating potential strategic options for the Company is the retention of our key staff members. Toward this end, we are providing our most valuable employees with incentives to remain with the Company during this process and to be committed to, and focused on, advancing the business and supporting our continued operations. Thus, the Company is pleased to offer you the following package of incentive payments and benefits, on and subject to the terms and conditions set forth below. Please read these terms and feel free to call us, Mary Sullivan or Rob Lister with any questions you may have.

**2000 BONUS:** We are committing that the Company's management bonus plan will be honored this year and bonuses for the calendar year 2000 will be paid in accordance with past practice. If there is a Change of Control of the Company during 2000, we will ensure that any successor commits to honoring the management bonus plan for your calendar year 2000 bonus.

**RETENTION BONUS:** You shall be eligible to receive a retention bonus of up to a total of US\$400,000, based upon the following terms: (a) On July 1, 2001, you shall receive US\$200,000, provided that you have not resigned from the Company or been terminated For Cause prior thereto, regardless of whether there has been a Transaction; (b) if there is a Transaction, and you are terminated Without Cause after July 1, 2001, but within two (2) years of the completion of the Transaction, you shall receive (in addition to the July 1 payment) an additional US\$200,000; (c) if there is a Transaction and you are terminated Without Cause prior to July 1, 2001, you shall receive (in lieu of the July 1 payment) US\$400,000.

**SEVERANCE:** If a Transaction occurs and you are terminated Without Cause by the Company within two (2) years after the completion of the Transaction, you will be entitled to a severance benefit at least equal to six (6) months of your base salary (at the time of such termination). This benefit will be payable, at the Company's option, in either a lump sum or by salary continuation in accordance with the Company's normal payroll procedures. This payment shall be in addition to any bonus that may be payable to you pursuant to the preceding paragraph. In the event you are entitled to other benefits in the nature of severance, whether under contract or law, the severance benefit payable under this paragraph shall be offset by the amount of such other severance benefits.

The Company will require any successor to expressly assume and agree to perform the obligations under this letter agreement.

Please make sure you have read the above and the attached terms and conditions and indicate your agreement with all of such terms and conditions by executing this letter agreement in the space provided below and returning it to Mary Sullivan.

Sincerely,

IMAX LTD.

"Bradley J. Wechsler"

-----  
By: Bradley J. Wechsler  
Title: Co-Chief Executive Officer

Agreed to and accepted,  
this 21st day of August, 2000:

"John M. Davison"

-----  
John M. Davison

## Terms and Conditions of Retention Incentive Package

## Definitions:

For purposes of this letter agreement, a "CHANGE OF CONTROL" of the Company will be deemed to occur if (a) (i) there is a sale of more than 50% of the assets of the Company to a third party (other than to a person or group including Brad Wechsler or Rich Gelfond); or (ii) any person or group (other than a person or group including Brad Wechsler or Rich Gelfond) acquires 50% or more of the voting power of the outstanding stock of the Company or the shareholders of the Company immediately prior to any corporate transaction cease to own at least 50% of the voting power of the outstanding stock of the surviving entity (any of the above, a "TRANSACTION"); and (b) immediately after the Transaction is completed, Brad Wechsler and Rich Gelfond either (i) are no longer co-CEOs of the Company or (ii) do not have the power to determine your year-end bonus for calendar year 2000.

For purposes of this letter agreement, termination "WITHOUT CAUSE" shall mean termination of your employment for any reason or no reason, other than For Cause.

For purposes of this letter agreement, termination "FOR CAUSE" shall have the same meaning as the term "for just cause" as defined in your Employment Agreement, and shall include as further grounds your breaching of the confidentiality provision of this letter agreement.

## Legal Terms and Conditions:

The payments and benefits referred to herein are one-time-only payments and benefits, applicable to just one (1) Transaction and not to any subsequent such event.

The terms of this letter agreement are strictly confidential. Your disclosure of these terms to any other person (aside from your immediate family, your legal, financial or other advisors or as required by law) shall subject you to the revocation of any or all of the payments and benefits provided herein, at the sole discretion of the Company.

This letter agreement, together with your employment agreement and your April 4, 2000 employment letter, shall constitute the entire agreement between the parties hereto with respect to the subject matter of benefits in connection with a Change of Control or Transaction, and all promises, representations, understandings, arrangements and prior arrangements relating to such subject matter are merged and superseded by such letter and agreements.

Any payments made under this letter agreement shall be subject to all applicable federal, state, city or other taxes required under relevant law.

This letter agreement shall be binding on and inure to the benefit of the Company and its successors and permitted assigns. This letter agreement shall also be binding on and inure to the benefit of you and your heirs, executors, administrators and legal representatives.

February 22, 2001

VIA OVERNIGHT DELIVERY

PERSONAL AND CONFIDENTIAL

Mr. John M. Davison  
57 Hanna Road  
Toronto, Ontario  
M4G 3M8

Dear John:

On several occasions over the past several months, you have expressed a desire to resign from Imax Corporation (the "Company") and pursue other interests. The purpose of this letter is to set out the terms and conditions under which you and our Company have mutually agreed to end our employment relationship.

In exchange for the consideration referred to below, you have agreed to:

1. Continue to work as one of three members of our Company's new Office of the Chief Executive Officer along with me and Rich Gelfond
  - (a) on a full time basis until March 31, 2001;
  - (b) for four days a week during April, 2001; and
  - (c) for three days a week during May, 2001, provided that if a new Chief Financial Officer has not commenced employment with our Company by April 1, 2001, you will continue to work three days a week from May 1 until June 30, 2001 or such earlier date as Rich Gelfond and I (the "Co-Chief Executive Officers") shall determine in our discretion (June 30, 2001 or such earlier date being deemed to be your "Resignation Date" provided that such Resignation date shall not be before May 31, 2001).
2. Continue to have responsibility for,
  - (a) the preparation and finalization of our Company's financial statements and annual report for the year ended December 31, 2000;
  - (b) the preparation and finalization of our Company's financial statements and Report on Form 10-Q for the first quarter 2001;

(c) the preparation and finalization of our Company's 2001 budget;  
and

(d) such other work and/or projects given to you at the reasonable discretion of the Co-Chief Executive Officers.

3. Assume primary responsibility for the recruitment and selection of a new Chief Financial Officer for our Company as expeditiously as possible.

4. Train and familiarize the new Chief Financial Officer with respect to the duties and responsibilities of the position and the financial affairs of our Company prior to your Resignation Date so as to ensure that the transition of your duties and responsibilities to the new Chief Financial Officer is as smooth, efficient and seamless as possible.

5. Conduct yourself in a fully professional and ethical manner up to and including your Resignation Date.

6. Provide our Company with a letter of resignation confirming your decision to resign as an employee, officer and director of our Company effective as of your Resignation Date.

7. Return all Company property and information in your possession, control or custody to our Company on or before your Resignation Date.

8. Refrain from making any derogatory, disparaging or critical comments regarding our Company, its management, employees, expertise, services or products, either before or following your Resignation Date.

9. Remain bound by Article 7 of your employment agreement dated January 16, 1991, a copy of which is attached, on the understanding that the "date of any termination of his employment" referred to in such Article 7 shall be deemed to be June 30, 2001.

10. Provide information and make yourself available to answer questions relating to the accounting, financial and other affairs of the Company for up to ten hours per month between your Resignation Date and December 31, 2002.

11. Release our Company from any and all claims you may have arising from or relating to your employment with our Company, or the termination of your employment with our Company, by signing and returning the Acknowledgement, Representation and Release to me by no later than February 26, 2001.

12. The termination and cancellation, immediately upon signing the Acknowledgement, Representation and Release at the end of this letter, of all of your stock options which are scheduled to vest after December 31, 2002.

13. The termination and cancellation, immediately upon securing alternate employment prior to December 31, 2002, of all of your stock options which have not vested by the date you secure such alternate employment.

In consideration for your agreement to, and subject to your fulfillment of, the terms and conditions described above, our Company has agreed to:

1. Continue to pay you your regular base salary, less all applicable deductions, up to and including your Resignation Date.
2. Continue to provide you with full benefits, including short term disability and long term disability benefits and car and all car related benefits, up to and including your Resignation Date, but not thereafter.
3. Pay you any accrued vacation pay, less all applicable deductions, owing to you up to and including your Resignation Date.
4. Pay for the cost of executive outplacement counselling services to be provided to you by Miller Dallas up to a maximum of CDN\$50,000.
5. In full and complete settlement of your August 21, 2000 retention letter agreement, pay you U.S. \$200,000, less all applicable deductions, on July 1, 2001 provided that you have not resigned from our Company, except in accordance with this letter, or been terminated for cause prior thereto.
6. Pay you amounts equal to your former annual salary of U.S. \$400,000, less all applicable deductions, commencing July 1, 2001 and ending December 31, 2002 (total payment U.S. \$600,000).
7. Continue to cover you for all normal employment benefits, including car and pension benefits, (but excluding short term disability benefits, long term disability benefits and vacation pay) up to and including the earlier of December 31, 2002 or the date that you accept employment with a new employer, whichever occurs first.
8. Allow you to exercise those stock options which you have been granted and which have already vested or will vest on or before (a) December 31, 2002 or (b) the date you secure alternate employment, whichever date occurs first, before such date or within 30 days of such date in accordance with, and subject to, the terms and conditions of the our Company's Stock Option Plan dated June 2000 and the letter to you from our Company dated April 4, 2000 in respect of Future Options (as defined therein) (it being understood and agreed that you will not receive any new grant of options after the date of this letter).
9. Refrain from making any derogatory, disparaging or critical comments regarding you.

10. Secure your agreement to the timing and context of any internal or external announcement of your resignation, subject to our Company's legal obligations.

I trust that the foregoing reflects the agreement that we have reached as a result of our recent discussions.

Yours very truly,

/s/ "Bradley Wechsler"

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Bradley Wechsler  
Co-Chief Executive Officer

## ACKNOWLEDGEMENT, REPRESENTATION AND RELEASE

I have read the above letter carefully. I hereby accept the consideration referred to in the above letter in full settlement of any and all claims I may have relating to my employment with Imax Corporation or my resignation therefrom. In consideration of my acceptance of this consideration, I hereby release and forever discharge Imax Corporation and its successors and assigns and any associated or related corporations (collectively, "IMAX"), and their officers, directors, employees, shareholders and agents from any and all actions, causes of action, claims and demands whatsoever and without limitation, all actions, causes of action, claims and demands arising from my employment with IMAX or my resignation therefrom, including without limitation, any claims, statutory or otherwise, for termination pay, severance pay or vacation pay under the Ontario Employment Standards Act or for pay in lieu of notice or damages for wrongful dismissal or constructive dismissal at common law.

I hereby confirm that, to the best of my knowledge, I have provided to the Co-Chief Executive Officers reasonably complete information and guidance as to what I believe:

- (a) the Company's earnings for the fiscal year 2000 will be;
- (b) the Company's earnings for the first quarter of 2001 will be; and
- (c) the Company's 2001 budget will be.

I further confirm that, during my employment with IMAX, to the best of my knowledge, IMAX complied with all relevant, material accounting rules and regulations, consistent with the advice of its auditors.

In consideration for my acceptance of this consideration, I further agree that I will not disclose any of the terms or conditions of this letter to anyone, except as necessary to obtain financial or legal advice. I further agree to abide by the terms and conditions set out in the above letter and confirm that such terms and conditions are reasonable and enforceable.

/s/ "John M. Davison"

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John M. Davison

February 26, 2001

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Date



## 7. Non-Competition

7.1 The Executive acknowledges that he will be entrusted with detailed confidential information and trade secrets concerning the present and contemplated techniques and modes of merchandising evolved and used in connection with the Business and concerning the customers and clients of the Business, their names, addresses and requirements and concerning employees of the Business, the disclosure of any of which detailed confidential information and trade secrets to competitors of the Corporation or to the general public would be highly detrimental to the best interests of the Corporation. The Executive further acknowledges and agrees that the right to maintain confidential such detailed confidential information and trade secrets constitutes a proprietary right which the Corporation is entitled to protect. Accordingly, the Executive covenants and agrees with the Corporation:

- (a) that he will not, except with the prior written consent of the Corporation or in the course of his employment for the purposes of the Business, at any time during his employment with the Corporation or during the period of two years from the date of any termination of his employment, disclose any of such detailed confidential information and trade secrets with respect to the Business to any person or use the same for any purposes other than those of the Corporation;
- (b) that he will not, except with the prior written consent of the Corporation, at any time during his employment with the Corporation or during the period of two years from the date of any termination of his employment, either individually or in partnership or jointly or in conjunction with any person as principal, agent, shareholder, creditor, employee, partner or in any other manner whatsoever carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligation of or permit his name or any part thereof to be used or employed by any person engaged in or concerned with or interested in any business directly competitive with the Business or any portion of ht Business, anywhere in any country of the world in which the Business or any portion of the Business is carried on or is proposed to be carried on at any time during his employment with the Corporation; and
- (c) that he will not, except with the prior written consent of the Corporation, at any time during his employment with the Corporation or at any time during the period of two years from the date of any termination of his employment:

- (i) contact, for the purpose of solicitation in connection with a similar business, any person, firm, corporation or governmental agency who is a customer of the Corporation in connection with the Business at such date of termination; or
- (ii) contact any employee or executive of the Corporation employed by the Corporation at such date of termination in connection with the Business for the purpose of offering him or her employment with any person other than the Corporation.

7.2 In any covenant or provision herein is determined to be void or unenforceable in whole or in part, it shall not be deemed to affect or impair the validity of any other covenant or provision and subclauses (a), (b) and (c) and paragraphs (i) and (ii) of subclause (c) of clause 7.1 hereof are declared to be separate and distinct covenants. The Executive hereby agrees that all restrictions in clause 7.1 are reasonable and valid and all defences to the strict enforcement thereof by the Corporation are hereby waived by the Executive. The Executive acknowledges that a violation of any of the provisions of clause 7.1 will result in immediate and irreparable damage to the Corporation and agrees that in the event of such violation the Corporation shall, in addition to any other right to relief, be entitled to equitable relief by way of temporary or permanent injunction and to such other relief as any court of competent jurisdiction may deem just and proper.

## IMAX CORPORATION

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 Significant and other major subsidiary companies of the Registrant at December 31, 2000 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	100%
Ridefilm Corporation	Delaware	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%
IMAX II U.S.A. Inc.	Delaware	100%
IMAX Scribe Inc.	Delaware	100%
IMAX Theatre Services Ltd.	Ontario	100%
IMAX Space Ltd.	Ontario	100%
IMAX Sandde Animation Inc.	Ontario	100%
Mountainview Theatre Management Ltd.	Alberta	100%
IMAX Theatre Holdings (OEI) Inc.	Delaware	100%
IMAX Theatre Holding Co.	Delaware	100%
IMAX Minnesota Holding Co.	Delaware	100%
IMAX Rhode Island Limited Partnership	Rhode Island	100%
Sacramento Theatre LLC	Delaware	100%
Miami Theatre LLC	Delaware	100%
Nyack Theatre LLC	Delaware	100%
IMAX Theatre Management Company	Delaware	100%
Starboard Theatres Ltd.	Canada	100%
IMAX Forum Ride, Inc.	Delaware	100%
IMAX Australia Pty. Limited	Australia	100%
IMAX Australia (Perth) Pty. Limited	Australia	100%
Digital Projection International Limited	U.K.	100%
Digital Projection, Inc.	Georgia	100%
Digital Projection Limited	U.K.	100%
Wire Frame Films Ltd.	Ontario	100%

## CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-2076; No. 333-5720; No. 333-85815; No. 333-30956; No. 333-30970; No. 333-44412) and the Post-Effective Amendment No. 1 to Form S-8 (No. 333-5720) of IMAX Corporation of our report dated March 28, 2001 relating to the consolidated financial statements and financial statement schedule of Imax Corporation, which appears in this Annual Report on Form 10-K.

Toronto, Canada  
March 28, 2001

## POWER OF ATTORNEY

Each of the persons whose signature appears below hereby constitutes and appoints John M. Davison and Robert D. Lister, and each of them severally, as his true and lawful attorney or attorneys with power of substitution and re-substitution to sign in his name, place and stead in any and all such capacities the 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 and without the other, and to have full power and authority to do and perform, in the name and on behalf of each of the directors of the Corporation, every act whatsoever which such attorneys, or either of them, may deem necessary or desirable to be done in connection therewith as fully and to all intent and purposes as such directors of the Corporation might or could do in person.

Dated this 30th day of March, 2001

Signature	Title
-----	-----
/s/ Bradley J. Wechsler ----- Bradley J. Wechsler	Co-Chairman and Co-Chief Executive Officer (Principal Executive Officer)
/s/ Richard L. Gelfond ----- Richard L. Gelfond	Co-Chairman and Co-Chief Executive Officer (Principal Executive Officer)
/s/ Michael J. Biondi ----- Michael J. Biondi	Non Executive Chairman of the Board and Director
/s/ Kenneth G. Copland ----- Kenneth G. Copland	Director
/s/ J. Trevor Eyton ----- J. Trevor Eyton	Director
/s/ Garth M. Girvan ----- Garth M. Girvan	Director

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Signature -----	Title -----
/s/ G. Edmund King ----- G. Edmund King	Director
/s/ Murray B. Koffler ----- Murray B. Koffler	Director
/s/ Sam Reisman ----- Sam Reisman	Director
/s/ Marc A. Utay ----- Marc A. Utay	Director
/s/ W. Townsend Ziebold ----- W. Townsend Ziebold	Director
/s/ John M. Davison ----- John M. Davison	President and Chief Financial Officer (Principal Financial Officer)
/s/ Mark J. Thornley ----- Mark J. Thornley	Senior Vice President, Finance (Principal Accounting Officer)