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

Form 10-Q

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

For the quarterly period ended March 31, 2015

OR

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

Commission file Number 001-35066

IMAX Corporation

(Exact name of registrant as specified in its charter)

Canada
(State or other jurisdiction of
incorporation or organization)

**2525 Speakman Drive,
Mississauga, Ontario, Canada L5K 1B1
(905) 403-6500**

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

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

**110 E. 59th Street, Suite 2100
New York, New York, USA 10022
(212) 821-0100**

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

Title of Each Class
Common Shares, no par value

Name of Exchange on Which Registered
The New York Stock Exchange

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

None
(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

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

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

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

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

Indicate the number of shares of each of the issuer's classes of common stock, as of the latest practicable date:

<u>Class</u>	<u>Outstanding as of March 31, 2015</u>
Common stock, no par value	69,586,041

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IMAX CORPORATION

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SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

IMAX CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

The following unaudited Condensed Consolidated Financial Statements are filed as part of this Report:

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IMAX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars)
(Unaudited)

	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Assets		
Cash and cash equivalents	\$ 140,342	\$ 106,503
Accounts receivable, net of allowance for doubtful accounts of \$946 (December 31, 2014 — \$947)	66,187	76,051
Financing receivables	105,228	105,700
Inventories	25,631	17,063
Prepaid expenses	7,026	4,946
Film assets	14,921	15,163
Property, plant and equipment	201,926	183,424
Other assets	24,448	23,047
Deferred income taxes	23,799	23,058
Other intangible assets	27,305	27,551
Goodwill	39,027	39,027
Total assets	<u>\$675,840</u>	<u>\$ 621,533</u>
Liabilities		
Bank indebtedness	\$ 16,080	\$ 4,710
Accounts payable	27,039	26,145
Accrued and other liabilities	59,412	75,425
Deferred revenue	95,694	88,566
Total liabilities	<u>198,225</u>	<u>194,846</u>
Commitments and contingencies		
Non-controlling interests	<u>83,223</u>	<u>43,912</u>
Shareholders' equity		
Capital stock common shares — no par value. Authorized — unlimited number.		
Issued and outstanding — 69,586,041 (December 31, 2014 — 68,988,050)	361,451	344,862
Other equity	43,990	47,319
Accumulated deficit	(6,090)	(6,259)
Accumulated other comprehensive loss	(4,959)	(3,147)
Total shareholders' equity	<u>394,392</u>	<u>382,775</u>
Total liabilities and shareholders' equity	<u>\$675,840</u>	<u>\$ 621,533</u>

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Revenues		
Equipment and product sales	\$14,436	\$ 6,354
Services	31,716	28,872
Rentals	13,814	10,791
Finance income	2,245	2,180
	<u>62,211</u>	<u>48,197</u>
Costs and expenses applicable to revenues		
Equipment and product sales	7,540	3,719
Services	14,807	14,350
Rentals	3,883	3,720
	<u>26,230</u>	<u>21,789</u>
Gross margin	35,981	26,408
Selling, general and administrative expenses (including share-based compensation expense of \$5.6 million for the three months ended March 31, 2015 (2014 - expense of \$3.2 million))	28,352	21,312
Research and development	4,542	3,599
Amortization of intangibles	430	402
Receivable provisions, net of recoveries	5	287
Income from operations	<u>2,652</u>	<u>808</u>
Interest income	246	16
Interest expense	(304)	(266)
Income from operations before income taxes	2,594	558
Provision for income taxes	(675)	(72)
Loss from equity-accounted investments, net of tax	(434)	(262)
Income from continuing operations	1,485	224
Net income from discontinued operations, net of tax	—	355
Net income	1,485	579
Less: Net income attributable to non-controlling interests	(1,094)	—
Net income attributable to Common Shareholders	<u>\$ 391</u>	<u>\$ 579</u>
Net income per share - basic & diluted:		
Net income per share from continuing operations	\$ —	\$ —
Net income per share from discontinued operations	—	0.01
	<u>\$ —</u>	<u>\$ 0.01</u>

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands of U.S. dollars)
(Unaudited)

	Three Months	
	Ended March 31,	
	2015	2014
Net income	\$ 1,485	\$ 579
Unrealized net loss from cash flow hedging instruments	(3,026)	(810)
Realization of cash flow hedging net loss upon settlement	635	248
Foreign currency translation adjustments	(70)	(146)
Other comprehensive loss, before tax	(2,461)	(708)
Income tax benefit related to other comprehensive loss	644	181
Other comprehensive loss, net of tax	(1,817)	(527)
Comprehensive (loss) income	(332)	52
Less: Comprehensive income attributable to non-controlling interests	(1,089)	—
Comprehensive (loss) income attributable to Common Shareholders	\$ (1,421)	\$ 52

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Cash provided by (used in):		
Operating Activities		
Net income	\$ 1,485	\$ 579
Net income from discontinued operations	—	(355)
Adjustments to reconcile net income to cash from operations:		
Depreciation and amortization	9,633	7,555
Write-downs, net of recoveries	128	518
Change in deferred income taxes	191	(75)
Stock and other non-cash compensation	5,666	3,281
Unrealized foreign currency exchange loss	1,351	646
Loss from equity-accounted investments	785	346
Gain on non-cash contribution to equity-accounted investees	(352)	—
Investment in film assets	(3,013)	(1,888)
Changes in other non-cash operating assets and liabilities	(9,805)	2,755
Net cash provided by operating activities from discontinued operations	—	572
Net cash provided by operating activities	<u>6,069</u>	<u>13,934</u>
Investing Activities		
Purchase of property, plant and equipment	(22,582)	(7,927)
Investment in joint revenue sharing equipment	(4,815)	(5,506)
Acquisition of other intangible assets	(665)	(287)
Net cash used in investing activities	<u>(28,062)</u>	<u>(13,720)</u>
Financing Activities		
Issuance of subsidiary shares to a non-controlling interest	40,000	—
Share issuance costs from the issuance of subsidiary shares to a non-controlling interest	(2,000)	—
Common shares issued - stock options exercised	11,407	742
Increase in bank indebtedness	11,371	—
Settlement of restricted share units	(3,905)	(789)
Credit facility amendment fees paid	(1,003)	—
Net cash provided by (used in) financing activities	<u>55,870</u>	<u>(47)</u>
Effects of exchange rate changes on cash	(38)	(21)
Increase in cash and cash equivalents during the period	33,839	146
Cash and cash equivalents, beginning of period	106,503	29,546
Cash and cash equivalents, end of period	<u>\$ 140,342</u>	<u>\$ 29,692</u>

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

IMAX CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in thousands of U.S. dollars unless otherwise stated)
(Unaudited)

1. Basis of Presentation

IMAX Corporation, together with its subsidiaries (the “Company”), prepares its financial statements in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”).

The condensed consolidated financial statements include the accounts of the Company together with its subsidiaries, except for subsidiaries which the Company has identified as variable interest entities (“VIEs”) where the Company is not the primary beneficiary. The nature of the Company’s business is such that the results of operations for the interim periods presented are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the information contained herein reflects all normal and recurring adjustments necessary to make the results of operations for the interim periods a fair statement of such operations.

The Company has evaluated its various variable interests to determine whether they are VIEs as required by the Consolidation Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC” or “Codification”).

The Company has 10 film production companies that are VIEs. For 4 of the Company’s film production companies, the Company has determined that it is the primary beneficiary of these entities as the Company has the power to direct the activities of the respective VIE that most significantly impact the respective VIE’s economic performance and has the obligation to absorb losses of the VIE that could potentially be significant to the respective VIE or the right to receive benefits from the respective VIE that could potentially be significant to the respective VIE. These consolidated production companies have total assets of \$7.1 million (December 31, 2014 — \$7.7 million) and total liabilities of \$0.3 million as at March 31, 2015 (December 31, 2014 — \$0.3 million). The majority of these consolidated assets are held by the IMAX Original Film Fund (the “Film Fund”) as described in note 16(b). For the other 6 film production companies which are VIEs, the Company did not consolidate these film entities since it does not have the power to direct activities and does not absorb the majority of the expected losses or expected residual returns. The Company equity accounts for these entities. As at March 31, 2015, these 6 VIEs have total assets of \$0.4 million (December 31, 2014 — \$0.4 million) and total liabilities of \$0.4 million (December 31, 2014 — \$0.4 million). Earnings of the investees included in the Company’s condensed consolidated statement of operations amounted to \$nil for the three months ended March 31, 2015 (2014 — \$nil). The carrying value of these investments in VIEs that are not consolidated is \$nil at March 31, 2015 (December 31, 2014 — \$nil). A loss in value of an investment other than a temporary decline is recognized as a charge to the condensed consolidated statement of operations. The Company’s exposure, which is determined based on the level of funding contributed by the Company and the development stage of the respective film, is \$nil at March 31, 2015 (December 31, 2014 — \$nil).

The Company accounts for investments in new business ventures using the guidance of the FASB ASC 323 “Investments – Equity Method and Joint Ventures” (“ASC 323”) or ASC 320 “Investments in Debt and Equity Securities” (“ASC 320”), as appropriate.

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

The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

These interim financial statements should be read in conjunction with the consolidated financial statements included in the Company’s 2014 Annual Report on Form 10-K for the year ended December 31, 2014 (“the 2014 Form 10-K”) which should be consulted for a summary of the significant accounting policies utilized by the Company. These interim financial statements are prepared following accounting policies consistent with the Company’s financial statements for the year ended December 31, 2014, except as noted below.

2. New Accounting Standards and Accounting Changes

The adoption of new accounting policies and recently issued FASB accounting standard codification updates were not material to the Company’s condensed consolidated financial statements for the period ended March 31, 2015.

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3. Financing Receivables

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

	March 31, 2015	December 31, 2014
Gross minimum lease payments receivable	\$ 12,942	\$ 13,928
Unearned finance income	(2,198)	(2,357)
Minimum lease payments receivable	10,744	11,571
Accumulated allowance for uncollectible amounts	(972)	(972)
Net investment in leases	9,772	10,599
Gross financed sales receivables	130,254	131,155
Unearned finance income	(34,304)	(35,560)
Financed sales receivables	95,950	95,595
Accumulated allowance for uncollectible amounts	(494)	(494)
Net financed sales receivables	95,456	95,101
Total financing receivables	<u>\$ 105,228</u>	<u>\$ 105,700</u>
Net financed sales receivables due within one year	\$ 17,048	\$ 15,544
Net financed sales receivables due after one year	\$ 78,408	\$ 79,557

As at March 31, 2015, the financed sale receivables had a weighted average effective interest rate of 10.1% (December 31, 2014 — 10.2%).

4. Inventories

	March 31, 2015	December 31, 2014
Raw materials	\$ 13,117	\$ 9,147
Work-in-process	1,674	1,211
Finished goods	10,840	6,705
	<u>\$ 25,631</u>	<u>\$ 17,063</u>

At March 31, 2015, finished goods inventory for which title had passed to the customer and revenue was deferred amounted to \$5.0 million (December 31, 2014 — \$1.4 million).

During the three months ended March 31, 2015, the Company had write-downs for excess and obsolete inventory based upon current estimates of net realizable value considering future events and conditions of less than \$0.1 million (2014 — less than \$0.1 million).

6. Other Intangible Assets

	As at March 31, 2015		
	Cost	Accumulated Amortization	Net Book Value
Patents and trademarks	\$ 9,767	\$ 6,108	\$ 3,659
Licenses and intellectual property	20,490	5,274	15,216
Other	10,312	1,882	8,430
	<u>\$40,569</u>	<u>\$ 13,264</u>	<u>\$27,305</u>

	As at December 31, 2014		
	Cost	Accumulated Amortization	Net Book Value
Patents and trademarks	\$ 9,686	\$ 5,967	\$ 3,719
Licenses and intellectual property	20,490	4,867	15,623
Other	9,873	1,664	8,209
	<u>\$40,049</u>	<u>\$ 12,498</u>	<u>\$27,551</u>

Other intangible assets of \$10.3 million are comprised mainly of the Company's investment in an enterprise resource planning system. Fully amortized other intangible assets are still in use by the Company.

During the three months ended March 31, 2015, the Company acquired \$0.5 million in other intangible assets. The weighted average amortization period for these additions was 10 years.

During the three months ended March 31, 2015, the Company incurred costs of less than \$0.1 million to renew or extend the term of acquired other intangible assets which were recorded in selling, general and administrative expenses (2014 – less than \$0.1 million).

As at March 31, 2015, estimated amortization expense for each of the years ended December 31, are as follows:

2015 (nine months remaining)	\$2,202
2016	2,864
2017	2,864
2018	2,864
2019	2,864

7. Credit Facility and Playa Vista Construction Loan

On March 3, 2015, the Company amended and restated the terms of its existing senior secured credit facility (the “Prior Credit Facility”) in order to, among other things, eliminate the fixed charge coverage ratio under the Prior Credit Facility and reset certain financial maintenance covenants. The amended and restated facility (the “Credit Facility”), with a scheduled maturity of March 3, 2020, has a maximum borrowing capacity of \$200.0 million, the same maximum borrowing capacity as under the Prior Credit Facility. Certain of the Company’s subsidiaries serve as guarantors (the “Guarantors”) of the Company’s obligations under the Credit Facility. The Credit Facility is collateralized by a first priority security interest in substantially all of the present and future assets of the Company and the Guarantors.

The terms of the Credit Facility are set forth in the Fourth Amended and Restated Credit Agreement (the “Credit Agreement”), dated March 3, 2015, among the Company, the Guarantors, the lenders named therein, Wells Fargo Bank, National Association (“Wells Fargo”), as agent and issuing lender (Wells Fargo, together with the lenders named therein, the “Lenders”) and Wells Fargo Securities, LLC, as Sole Lead Arranger and Sole Bookrunner and in various collateral and security documents entered into by the Company and the Guarantors. Each of the Guarantors has also entered into a guarantee in respect of the Company’s obligations under the Credit Facility.

The Company was in compliance with all of its requirements at March 31, 2015.

Total amounts drawn and available under the Credit Facility at March 31, 2015 were \$nil and \$200.0 million, respectively (December 31, 2014 — \$nil and \$200.0 million, respectively).

As at March 31, 2015, the Company did not have any letters of credit and advance payment guarantees outstanding (December 31, 2014 — \$nil), under the Credit Facility.

Playa Vista Construction Financing

On October 6, 2014, IMAX PV Development Inc., a Delaware corporation (“PV Borrower”) and direct wholly-owned subsidiary of IMAX U.S.A. Inc., a Delaware corporation and direct wholly-owned subsidiary of the Company, entered into a construction loan agreement with Wells Fargo. The construction loan is being used to fund up to \$25.7 million (the “Playa Vista Loan”) of the costs of development and construction of the new West Coast headquarters of the Company, located in a new office facility in the Playa Vista neighborhood of Los Angeles, California (the “Playa Vista Project”).

The total cost of development of the Playa Vista Project is approximately \$52.0 million, with all costs in excess of the Playa Vista Loan being provided through funding by the Company.

The Playa Vista Loan is secured by a deed of trust from PV Borrower in favor of Wells Fargo, granting a first lien on and security interest in the Playa Vista property and the Playa Vista Project, including all improvements to be constructed thereon, and other documents evidencing and securing the loan (the “Loan Documents”). The Loan Documents include absolute and unconditional payment and completion guarantees provided by the Company to Wells Fargo for the performance by PV Borrower of all the terms and provisions of the Playa Vista Loan and the construction and completion of the Playa Vista Project, and an environmental indemnity also provided by the Company.

Unless converted from a construction to permanent loan as described below, the Playa Vista Loan will be fully due and payable on April 6, 2016 (the “Maturity Date”).

Absent a default, the Playa Vista Loan bears interest at a variable interest rate per annum equal to 2.25% above the 30-day LIBOR rate. The interest rate is subject to adjustment monthly based on the latest 30-day LIBOR rate. Prior to the Maturity Date, PV Borrower is required to make monthly payments of interest only. The Playa Vista Loan may be prepaid at any time without premium, but with all accrued interest and other applicable payments.

The Loan Documents require the completion of construction no later than 90 days prior to the Maturity Date, subject to delays for certain unforeseeable events. The Loan Documents contain affirmative, negative and financial covenants (including compliance with the financial covenants of the Company’s outstanding revolving and term senior secured facility with Wells Fargo), agreements,

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representations, warranties, borrowing conditions, and events of default customary for development projects such as the Playa Vista Project.

PV Borrower has the right to convert the Playa Vista Loan from a construction to a permanent loan with a term of 120 months (from the date of conversion), subject to the satisfaction of certain conditions including completion of the Playa Vista Project. If PV Borrower converts the Playa Vista Loan to a permanent loan, PV Borrower will have the right, subject to certain conditions, to increase the principal balance of the loan up to but not in excess of \$30.0 million. Upon conversion, the interest rate under the permanent loan will decrease from 2.25% to 2.0% above the 30-day LIBOR rate and PV Borrower will be required to make monthly payments of combined principal and interest sufficient to fully amortize the loan based on a 15-year straight line amortization.

Bank indebtedness includes the following:

	March 31, 2015	December 31, 2014
Playa Vista Loan	<u>\$ 16,080</u>	<u>\$ 4,710</u>

Total amounts drawn and available under the construction loan at March 31, 2015 were \$16.1 million and \$9.6 million, respectively (December 31, 2014 — \$4.7 million and \$21.0 million, respectively). Under the Playa Vista Loan, the effective interest rate for the first quarter of 2015 was 2.42% (2014 — not applicable).

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

2015 (nine months remaining)	\$ —
2016	16,080
2017	—
2018	—
2019	—
Thereafter	—
	<u>\$16,080</u>

Wells Fargo Foreign Exchange Facility

Within the Credit Facility, the Company is able to purchase foreign currency forward contracts and/or other swap arrangements. The settlement risk on its foreign currency forward contracts was \$4.2 million as at March 31, 2015 as the notional value exceeded the fair value of the forward contracts. As at March 31, 2015, the Company has \$37.0 million of such arrangements outstanding.

Bank of Montreal Facility

As at March 31, 2015, the Company has available a \$10.0 million facility (December 31, 2014 — \$10.0 million) with the Bank of Montreal for use solely in conjunction with the issuance of performance guarantees and letters of credit fully insured by EDC (the “Bank of Montreal Facility”). As at March 31, 2015, the Company has letters of credit and advance payment guarantees outstanding of \$0.3 million (December 31, 2014 — \$0.3 million) under the Bank of Montreal Facility.

8. Contingencies and Guarantees

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

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

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

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

(b) In January 2004, the Company and IMAX Theatre Services Ltd., a subsidiary of the Company, commenced an arbitration seeking damages before the International Court of Arbitration of the International Chamber of Commerce (the "ICC") with respect to the breach by Electronic Media Limited ("EML") of its December 2000 agreement with the Company. In June 2004, the Company commenced a related arbitration before the ICC against EML's affiliate, E-City Entertainment (I) PVT Limited ("E-City"). On March 27, 2008, the arbitration panel issued a final award in favor of the Company in the amount of \$11.3 million, consisting of past and future rents owed to the Company, plus interest and costs, as well as an additional \$2,512 each day in interest from October 1, 2007 until the date the award is paid. In July 2008, E-City commenced a proceeding in Mumbai, India seeking an order that the ICC award may not be recognized in India. The Company has opposed that application on a number of grounds and seeks to have the ICC award recognized in India. On June 13, 2013, the Bombay High Court ruled that it has jurisdiction over the proceeding but on November 19, 2013, the Supreme Court of India stayed proceedings in the High Court pending Supreme Court review of the High Court's ruling. On June 24, 2011, the Company commenced a proceeding in the Ontario Superior Court of Justice for recognition of the ICC final award. On December 2, 2011, the Ontario Court issued an order recognizing the final award and requiring E-City to pay the Company \$30,000 to cover the costs of the application. On December 22, 2014, E-City filed a notice of motion in Ontario to set aside or stay the 2011 order recognizing the arbitral award in Ontario, but on February 11, 2015, E-City withdrew this motion. In January 2013, the Company filed an action in the New York Supreme Court seeking to collect the amount owed to the Company by certain entities and individuals affiliated with E-City, and on July 11, 2014, the Company moved to amend its petition in the New York matter to have the Canadian judgment recognized as part of this proceeding. The Respondents in the New York action have answered and objected to the Company's petition, and they have moved to dismiss for improper service of process. On July 29, 2014, the Company commenced a separate proceeding to have the Canadian judgment recognized in New York. On November 26, 2014, E-City filed a motion in the Bombay High Court seeking to enjoin IMAX from continuing the New York legal proceedings. On February 2, 2015, the Bombay High Court denied E-City's request for an ad interim injunction. On March 16, 2015, E-City filed an appeal of this Bombay High Court decision.

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(c) The Company and certain of its officers and directors were named as defendants in eight purported class action lawsuits filed between August 11, 2006 and September 18, 2006, alleging violations of U.S. federal securities laws. These eight actions were filed in the U.S. District Court for the Southern District of New York (the “Court”) and were subsequently consolidated by the Court. The plaintiffs filed a consolidated amended class action complaint on October 2, 2007, which added PricewaterhouseCoopers LLP, the Company’s auditors, as a defendant. The amended complaint, brought on behalf of shareholders who purchased the Company’s common stock on the NASDAQ between February 27, 2003 and July 20, 2007 (the “U.S. Class”), alleged primarily that the defendants engaged in securities fraud by disseminating materially false and misleading statements during the class period regarding the Company’s revenue recognition of theater system installations, and failing to disclose material information concerning the Company’s revenue recognition practices. On March 26, 2012, the parties executed and filed with the Court an amended formal stipulation of settlement and proposed form of notice to the class. On June 20, 2012, the Court issued an order granting final approval of the settlement. Under the terms of the settlement, members of the U.S. Class who did not opt out of the settlement released defendants from liability for all claims that were alleged in this action or could have been alleged in this action or any other proceeding (including the action in Canada as described in (d) of this note relating to the purchase of the Company’s securities on the NASDAQ between February 27, 2003 and July 20, 2007 or the subject matter and facts relating to this action. As part of the settlement and in exchange for the release, defendants agreed to pay \$12.0 million to a settlement fund which amount was funded by the carriers of the Company’s directors and officers insurance policy and by PricewaterhouseCoopers LLP. The settlement was distributed to the U.S. Class on May 5, 2014.

(d) A class action lawsuit was filed on September 20, 2006 in the Canadian Court against the Company and certain of its officers and directors, alleging violations of Canadian securities laws. This lawsuit was brought on behalf of shareholders who acquired the Company’s securities between February 17, 2006 and August 9, 2006. The lawsuit seeks \$210.0 million in compensatory and punitive damages, as well as costs. For reasons released December 14, 2009, the Canadian Court granted leave to the plaintiffs to amend their statement of claim to plead certain claims pursuant to the Securities Act (Ontario) against the Company and certain individuals (“the Defendants”) and granted certification of the action as a class proceeding. These are procedural decisions, and do not contain any conclusions binding on a judge at trial as to the factual or legal merits of the claim. Leave to appeal those decisions was denied. In March 2013, the Defendants obtained an Order enforcing the settlement Order in the parallel class action in the United States in this Canadian class action lawsuit, with the result that the class in this case was reduced in size by approximately 85%. A motion by the Plaintiffs for leave to appeal that Order was dismissed. The Company believes the allegations made against it in the statement of claim are meritless and will vigorously defend the matter, although no assurance can be given with respect to the ultimate outcome of such proceedings. The Company’s directors’ and officers’ insurance policy provides for reimbursement of costs and expenses incurred in connection with this lawsuit as well as potential damages awarded, if any, subject to certain policy limits, exclusions and deductibles.

(e) In November 2013, a purported class action complaint was filed in the United States District Court for the Northern District of Illinois (the “Court”) against IMAX Chicago Theatre LLC (“IMAX Chicago Theatre”), a subsidiary of the Company. The plaintiff, Scott Redman, alleges that IMAX Chicago Theatre provided certain credit card and debit card receipts to customers that were purportedly not in compliance with the applicable truncation requirements of the Fair and Accurate Credit Transactions Act. The plaintiff seeks statutory damages individually and on behalf of a putative class. On February 20, 2014, IMAX Chicago Theatre filed a motion to dismiss the complaint, which the Court denied on January 23, 2015. Discovery is ongoing in this matter. IMAX Chicago Theatre believes that it has meritorious defenses and intends to defend the lawsuit vigorously. However, given the early stage of the proceedings, IMAX Chicago Theatre is unable to predict the outcome of this matter and is unable to assess the potential impact, if any, of the lawsuit at this time.

(f) In March 2013, IMAX (Shanghai) Multimedia Technology Co., Ltd., the Company’s wholly-owned subsidiary in China, received notice from the Shanghai office of the General Administration of Customs that it had been selected for a customs audit. The Company is unable to assess the potential impact, if any, of the audit at this time.

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

(h) In the normal course of business, the Company enters into agreements that may contain features that meet the definition of a guarantee. The Guarantees Topic of the FASB ASC defines a guarantee to be a contract (including an indemnity) that contingently requires the Company to make payments (either in cash, financial instruments, other assets, shares of its stock or provision of services) to a third party based on (a) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or

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other variable, that is related to an asset, a liability or an equity security of the counterparty, (b) failure of another party to perform under an obligating agreement or (c) failure of another third party to pay its indebtedness when due.

Financial Guarantees

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

Product Warranties

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

	March 31, 2015	December 31, 2014
Balance at the beginning of period	\$ 6	\$ 7
Warranty redemptions	—	(5)
Warranties issued	—	11
Revisions	—	(7)
Balance at the end of period	<u>\$ 6</u>	<u>\$ 6</u>

Director/Officer Indemnifications

The Company's General By-law contains an indemnification of its directors/officers, former directors/officers and persons who have acted at its request to be a director/officer of an entity in which the Company is a shareholder or creditor, to indemnify them, to the extent permitted by the *Canada Business Corporations Act*, against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by them in connection with any action, suit or proceeding in which the directors and/or officers are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Company. The nature of the indemnification prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The Company has purchased directors' and officers' liability insurance. No amount has been accrued in the condensed consolidated balance sheet as at March 31, 2015 and December 31, 2014 with respect to this indemnity.

Other Indemnification Agreements

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

9. Condensed Consolidated Statements of Operations Supplemental Information

(a) Selling Expenses

The Company defers direct selling costs such as sales commissions and other amounts related to its sale and sales-type lease arrangements until the related revenue is recognized. These costs and direct advertising and marketing, included in costs and expenses applicable to revenues-equipment and product sales, totaled \$0.5 million for the three months ended March 31, 2015 (2014 — \$0.2 million).

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Film exploitation costs, including advertising and marketing, totaled \$1.2 million for the three months ended March 31, 2015 (2014 — \$1.3 million) and are recorded in costs and expenses applicable to revenues-services as incurred.

Commissions are recognized as costs and expenses applicable to revenues-rentals in the month they are earned. These costs totaled a recovery of \$0.1 million for the three months ended March 31, 2015 (2014 — expense of less than \$0.1 million). Direct advertising and marketing costs for each theater are charged to costs and expenses applicable to revenues-rentals as incurred. These costs totaled a recovery of less than \$0.1 million for the three months ended March 31, 2015 (2014 — expense of \$0.2 million).

(b) Foreign Exchange

Included in selling, general and administrative expenses for the three months ended March 31, 2015 is a loss of \$1.6 million (2014 — loss of \$0.7 million), for net foreign exchange gains/losses related to the translation of foreign currency denominated monetary assets and liabilities. See note 15(d) for additional information.

(c) Collaborative Arrangements

Joint Revenue Sharing Arrangements

In a joint revenue sharing arrangement, the Company receives a portion of a theater's box-office and concession revenues, and in some cases a small upfront or initial payment, in exchange for placing a theater system at the theater operator's venue. Under joint revenue sharing arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company's joint revenue sharing arrangements are typically non-cancellable for 10 years or longer with renewal provisions. Title to equipment under joint revenue sharing arrangements generally does not transfer to the customer. The Company's joint revenue sharing arrangements do not contain a guarantee of residual value at the end of the term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and extended warranty throughout the term. The customer is responsible for obtaining insurance coverage for the theater systems commencing on the date specified in the arrangement's shipping terms and ending on the date the theater systems are delivered back to the Company.

The Company has signed joint revenue sharing agreements with 42 exhibitors for a total of 680 theater systems, of which 457 theaters were operating as at March 31, 2015, the terms of which are similar in nature, rights and obligations. The accounting policy for the Company's joint revenue sharing arrangements is disclosed in note 2(m) of the Company's 2014 Form 10-K.

Amounts attributable to transactions arising between the Company and its customers under joint revenue sharing arrangements are included in Equipment and Product Sales and Rentals revenue and for the three months ended March 31, 2015 amounted to \$15.9 million (2014 — \$10.9 million).

IMAX DMR

In an IMAX DMR arrangement, the Company transforms conventional motion pictures into the Company's large screen format, allowing the release of Hollywood content to the global IMAX theater network. In a typical IMAX DMR film arrangement, the Company will absorb its costs for the digital re-mastering and then recoup this cost from a percentage of the gross box-office receipts of the film, which generally range from 10-15%. The Company does not typically hold distribution rights or the copyright to these films.

For the three months ended March 31, 2015, the majority of IMAX DMR revenue was earned from the exhibition of 22 IMAX DMR films (2014 — 18) throughout the IMAX theater network. The accounting policy for the Company's IMAX DMR arrangements is disclosed in note 2(m) of the Company's 2014 Form 10-K.

Amounts attributable to transactions arising between the Company and its customers under IMAX DMR arrangements are included in Services revenue and for the three months ended March 31, 2015 amounted to \$17.7 million (2014 — \$15.2 million).

Co-Produced Film Arrangements

In certain film arrangements, the Company co-produces a film with a third party whereby the third party retains the copyright and rights to the film, except that the Company obtains exclusive theatrical distribution rights to the film. Under these arrangements, both parties contribute funding to the Company's wholly-owned production company for the production of the film and for associated exploitation costs. Clauses in the film arrangements generally provide for the third party to take over the production of the film if the cost of the production exceeds its approved budget or if it appears as though the film will not be delivered on a timely basis.

The accounting policies relating to co-produced film arrangements are disclosed in notes 2(a) and 2(m) of the Company's 2014 Form 10-K.

As at March 31, 2015, the Company has one significant co-produced film arrangement which represents the VIE total assets and liabilities balance of \$0.4 million and 5 other co-produced film arrangements, the terms of which are similar.

For the three months ended March 31, 2015, amounts totaling \$0.6 million (2014 — \$0.5 million) attributable to transactions between the Company and other parties involved in the production of the films have been included in cost and expenses applicable to revenues-services.

10. Condensed Consolidated Statements of Cash Flows Supplemental Information

(a) Changes in other non-cash operating assets and liabilities are comprised of the following:

	Three Months Ended March 31,	
	2015	2014
Decrease (increase) in:		
Accounts receivable	\$ 9,456	\$ 13,011
Financing receivables	(674)	3,191
Inventories	(8,601)	(4,032)
Prepaid expenses	(2,080)	(1,829)
Commissions and other deferred selling expenses	(357)	(802)
Insurance recoveries	(22)	(50)
Other assets	(873)	(180)
Increase (decrease) in:		
Accounts payable	8,628	(5,077)
Accrued and other liabilities	(22,407)	(7,954)
Deferred revenue	7,125	6,477
	<u>\$ (9,805)</u>	<u>\$ 2,755</u>

(b) Cash payments made on account of:

	Three Months Ended March 31,	
	2015	2014
Income taxes	<u>\$ 14,039</u>	<u>\$ 2,526</u>
Interest	<u>\$ 61</u>	<u>\$ —</u>

(c) Depreciation and amortization are comprised of the following:

	Three Months Ended March 31,	
	2015	2014
Film assets	<u>\$ 3,542</u>	<u>\$ 2,373</u>
Property, plant and equipment		
Joint revenue sharing arrangements	3,251	2,881
Other property, plant and equipment	1,721	1,283
Other intangible assets	765	727
Other assets	188	160
Deferred financing costs	166	131
	<u>\$ 9,633</u>	<u>\$ 7,555</u>

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(d) Write-downs, net of recoveries, are comprised of the following:

	Three Months Ended March 31,	
	2015	2014
Accounts receivable	\$ 5	\$ 224
Financing receivables	—	167
Property, plant and equipment	90	120
Inventories	33	7
	<u>\$ 128</u>	<u>\$ 518</u>

11. Income Taxes

(a) Income Taxes

The Company's effective tax rate differs from the statutory tax rate and varies from year to year primarily as a result of permanent differences, investment and other tax credits, the provision for income taxes at different rates in foreign and other provincial jurisdictions, enacted statutory tax rate increases or reductions in the year, changes due to foreign exchange, changes in the Company's valuation allowance based on the Company's recoverability assessments of deferred tax assets, and favorable or unfavorable resolution of various tax examinations. The effective tax rate on income from continuing operations differs between the quarters as income taxes were allocated at higher rates to income from discontinued operations during the quarter ended March 31, 2014. During the quarter ended March 31, 2015, there was no change in the Company's estimates of the recoverability of its deferred tax assets based on an analysis of both positive and negative evidence including projected future earnings.

As at March 31, 2015, the Company had net deferred income tax assets after valuation allowance of \$23.8 million (December 31, 2014 — \$23.1 million), which consists of a gross deferred income tax asset of \$24.1 million (December 31, 2014 — \$23.4 million), against which the Company is carrying a \$0.3 million valuation allowance (December 31, 2014 — \$0.3 million).

(b) Income Tax Effect on Other Comprehensive (Loss) Income

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

	Three Months Ended March 31,	
	2015	2014
Unrealized change in cash flow hedging instruments	\$ (167)	\$ 83
Realized change in cash flow hedging instruments upon settlement	795	65
Foreign currency translation adjustments	16	33
	<u>\$ 644</u>	<u>\$ 181</u>

12. Capital Stock**(a) Stock-Based Compensation**

The compensation costs recorded in the condensed consolidated statement of operations for the Company's stock-based compensation plans were \$5.6 million for the three months ended March 31, 2015 (2014 — \$3.2 million).

As at March 31, 2015, the Company has reserved a total of 8,463,755 (December 31, 2014 — 9,173,106) common shares for future issuance under the Company's Stock Option Plan ("SOP") and the IMAX 2013 Long-Term Incentive Plan ("IMAX LTIP"). Of the common shares reserved for issuance, there are options in respect of 6,205,533 common shares and restricted stock units ("RSUs") in respect of 785,254 common shares outstanding at March 31, 2015. At March 31, 2015, options in respect of 3,496,050 common shares were vested and exercisable.

Stock Option Plan

The Company recorded an expense of \$3.9 million for the three months ended March 31, 2015 (2014 — \$2.2 million) related to stock option grants issued to employees and directors in the IMAX LTIP and SOP plans. An income tax benefit is recorded in the condensed consolidated statements of operations of \$0.8 million for these costs.

The weighted average fair value of all stock options granted to employees and directors for the three months ended March 31, 2015 at the grant date was \$8.07 per share (2014 — \$8.33 per share). The following assumptions were used to estimate the average fair value of the stock options:

	Three Months Ended March 31,	
	2015	2014
Average risk-free interest rate	1.97%	2.50%
Expected option life (in years)	3.55 - 5.76	4.48 - 5.82
Expected volatility	30.0%	37.5%
Annual termination probability	0% - 9.50%	0% - 8.40%
Dividend yield	0%	0%

Stock options to Non-Employees

There were no common share options issued to non-employees during the three months ended March 31, 2015 and 2014.

As at March 31, 2015, non-employee stock options outstanding amounted to 22,500 stock options (2014 — 76,751) with a weighted average exercise price of \$24.61 (2014 — \$15.67). 7,100 stock options (2014 — 40,276) were exercisable with an average weighted exercise price of \$22.62 (2014 — \$11.33) and the vested stock options have an aggregate intrinsic value of \$0.1 million (2014 — \$0.7 million).

For the three months ended March 31, 2015, the Company recorded a charge of less than \$0.1 million (2014 — less than \$0.1 million) to cost and expenses related to revenues – services and selling, general and administrative expenses related to the non-employee stock options. Included in accrued liabilities is an accrual of \$0.1 million for non-employee stock options (December 31, 2014 – less than \$0.1 million).

China Long Term Incentive Plan ("China LTIP")

Each stock option issued under the China LTIP represents an opportunity to participate economically in the future growth and value creation of the IMAX China Holding, Inc. ("IMAX China"), a subsidiary of the Company. The China LTIP options issued by IMAX China ("China Options") operate in tandem with options granted to certain employees of IMAX China under the Company's SOP and IMAX LTIP ("Tandem Options").

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In 2012, an aggregate of 146,623 Tandem Options were granted to certain employees in conjunction with China Options with an average price of \$22.39 per share in accordance with the China LTIP. During the three months ended March 31, 2015, no additional Tandem Options were granted in conjunction with China Options. The Tandem Options have a maximum contractual life of 7 years. As at March 31, 2015, there were 186,446 (December 31, 2014 — 186,446) outstanding and unvested Tandem Options issued under the China LTIP with a weighted average exercise price of \$23.70 per share (December 31, 2014 — \$23.70 per share). The total fair value of the Tandem Options granted with respect to the China LTIP was \$1.9 million. The Company is recognizing this expense over a 5 year period. If a performance event occurs, including upon the occurrence of a qualified initial public offering or upon a change in control on or prior to the fifth anniversary of the grant date, the 186,446 Tandem Options issued forfeit immediately and the related charge would be reversed. There were no option awards issued under the China LTIP during the three months ended March 31, 2014.

The Company has recorded an expense of \$0.1 million for the three months ended March 31, 2015 (March 31, 2014 — \$0.1 million) related to Tandem Options issued under the China LTIP.

Stock Option Summary

The following table summarizes certain information in respect of option activity under the SOP and IMAX LTIP for the three month periods ended March 31:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2015	2014	2015	2014
Options outstanding, beginning of period	5,925,660	6,263,121	\$ 24.24	\$ 21.11
Granted	871,431	828,353	31.56	27.44
Exercised	(591,558)	(100,612)	19.28	7.37
Cancelled	—	(6,000)	—	31.73
Options outstanding, end of period	<u>6,205,533</u>	<u>6,984,862</u>	25.74	22.05
Options exercisable, end of period	<u>3,496,050</u>	<u>4,006,707</u>	23.88	19.65

The Company did not cancel any stock options from its SOP or IMAX LTIP (2014 — 6,000) surrendered by Company employees during the three months ended March 31, 2015.

As at March 31, 2015, 5,836,522 options were fully vested or are expected to vest with a weighted average exercise price of \$25.63, aggregate intrinsic value of \$47.5 million and weighted average remaining contractual life of 4.7 years. As at March 31, 2015, options that are exercisable have an intrinsic value of \$34.6 million and a weighted average remaining contractual life of 4.1 years. The intrinsic value of options exercised in the three months ended March 31, 2015 was \$9.1 million (2014 — \$2.1 million).

Restricted Share Units

RSUs have been granted to employees, consultants and directors under the IMAX LTIP. Each RSU represents a contingent right to receive one common share and is the economic equivalent of one common share. The grant date fair value of each RSU is equal to the share price of the Company's stock at the grant date. The Company recorded an expense of \$1.5 million for the three month period ended March 31, 2015 (2014 — \$0.9 million), related to RSU grants issued to employees and directors in the plan. The annual termination probability assumed for the three months ended March 31, 2015, ranged from 0% to 9.50%. In addition, the Company recorded an expense of less than \$0.1 million for the three months ended March 31, 2015 (2014 — less than \$0.1 million), related to RSU grants issued to certain advisors and strategic partners of the Company.

During the three months ended March 31, 2015, in connection with the vesting of RSUs, the Company delivered 117,793 common shares to IMAX LTIP participants, of which 6,433 Common Shares were issued from treasury and 111,360 common shares were purchased in the open market by the IMAX LTIP trustee.

Total stock-based compensation expense related to non-vested RSUs not yet recognized at March 31, 2015 and the weighted average period over which the awards are expected to be recognized is \$19.3 million and 3.3 years, respectively. The Company's

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actual tax benefits realized for the tax deductions related to the vesting of RSUs was \$1.2 million for the three months ended March 31, 2015.

RSUs granted under the IMAX LTIP vest between immediately and four years from the grant date. Vesting of the RSUs is subject to continued employment or service with the Company.

The following table summarizes certain information in respect of RSU activity under the IMAX LTIP for the three months ended March 31, 2015:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2015	2014	2015	2014
RSUs outstanding, beginning of period	595,834	264,140	\$ 27.13	\$ 26.14
Granted	307,213	436,958	33.86	27.59
Vested and settled	(117,793)	(43,138)	27.03	26.28
RSUs outstanding, end of period	<u>785,254</u>	<u>657,960</u>	29.77	27.10

Issuer Purchases of Equity Securities

On June 16, 2014, the Company's board of directors approved a new \$150.0 million share repurchase program for shares of the Company's common stock. Purchases under the program commenced during the third quarter of 2014. The share repurchase program expires on June 30, 2017. The repurchases may be made either in the open market or through private transactions, subject to market conditions, applicable legal requirements and other relevant factors. The Company has no obligation to repurchase shares and the share repurchase program may be suspended or discontinued by the Company at any time. No shares were repurchased in the three months ended March 31, 2015.

(b) Income Per Share

Reconciliations of the numerator and denominator of the basic and diluted per-share computations are comprised of the following:

	Three Months Ended March 31,	
	2015	2014
Net income attributable to common shareholders	\$ 391	\$ 579
Less: Accretion charges associated with redeemable common stock	(222)	—
Net income applicable to common shareholders	<u>\$ 169</u>	<u>\$ 579</u>
Weighted average number of common shares (000's):		
Issued and outstanding, beginning of period	68,988	67,841
Weighted average number of shares issued during the period	<u>222</u>	<u>67</u>
Weighted average number of shares used in computing basic income per share	69,210	67,908
Assumed exercise of stock options and RSUs, net of shares assumed repurchased	1,466	1,413
Weighted average number of shares used in computing diluted income per share	<u>70,676</u>	<u>69,321</u>

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The calculation of diluted earnings per share excludes 2,317,669 shares, that are issuable upon exercise of 296,218 RSUs and 2,021,451 stock options for the three months ended March 31, 2015, as the impact of these exercises would be antidilutive. The calculation of diluted earnings per share excludes 4,499,145 shares, that are issuable upon exercise of 276,275 RSUs and 4,222,870 stock options for the three months ended March 31, 2014, as the impact of these exercises would be antidilutive.

(c) Shareholders' Equity

The following summarizes the movement of Shareholders' Equity for the three months ended March 31, 2015:

Balance as at December 31, 2014	\$382,775
Net income attributable to Common Shareholders	391
Adjustments to capital stock:	
Cash received from the issuance of common shares	11,407
Issuance of common shares for vested RSUs	175
Fair value of stock options exercised at the grant date	5,007
Adjustments to other equity:	
Employee stock options granted	4,022
Fair value of stock options exercised at the grant date	(5,007)
RSUs granted	1,503
RSUs vested	(4,080)
Utilization of windfall tax benefits from vested RSUs	233
Adjustments to accumulated deficit:	
Accretion charges associated with redeemable common stock	(222)
Adjustments to accumulated other comprehensive loss:	
Unrealized net loss from cash flow hedging instruments	(3,026)
Realization of cash flow hedging net loss upon settlement	635
Foreign currency translation adjustments	(63)
Tax effect of movement in other comprehensive loss	642
Balance as at March 31, 2015	<u>\$394,392</u>

13. Segmented Information

The Company has seven reportable segments identified by category of product sold or service provided: IMAX systems; theater system maintenance; joint revenue sharing arrangements; film production and IMAX DMR; film distribution; film post-production; and other. The IMAX systems segment includes the design, manufacture, sale or lease of IMAX theater projection system equipment. The theater system maintenance segment includes the maintenance of IMAX theater projection system equipment in the IMAX theater network. The joint revenue sharing arrangements segment includes the provision of IMAX theater projection system equipment to an exhibitor in exchange for a share of the box-office and concession revenues. The film production and IMAX DMR segment includes the production of films and the performance of film re-mastering services. The film distribution segment includes the distribution of films for which the Company has distribution rights. The film post-production segment provides film post-production and film print services. The Company refers to all theaters using the IMAX theater system as "IMAX theaters". The other segment includes certain IMAX theaters that the Company owns and operates, camera rentals and other miscellaneous items. The accounting policies of the segments are the same as those described in note 2 to the audited consolidated financial statements included in the Company's 2014 Form 10-K.

Management, including the Company's Chief Executive Officer ("CEO") who is the Company's Chief Operating Decision Maker (as defined in the Segment Reporting Topic of the FASB ASC), assesses segment performance based on segment revenues, gross margins and film performance. Selling, general and administrative expenses, research and development costs, amortization of intangibles, receivables provisions (recoveries), write-downs net of recoveries, interest income, interest expense and tax (provision) recovery are not allocated to the segments.

Transactions between the film production and IMAX DMR segment and the film post-production segment are valued at exchange value. Inter-segment profits are eliminated upon consolidation, as well as for the disclosures below.

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Transactions among the other segments are not significant.

	Three Months Ended March 31,	
	2015	2014
Revenue⁽¹⁾		
IMAX theater systems		
IMAX systems	\$ 12,114	\$ 7,760
Theater system maintenance	8,850	8,195
Joint revenue sharing arrangements	15,868	10,856
	<u>36,832</u>	<u>26,811</u>
Films		
Production and IMAX DMR	17,676	15,185
Distribution	1,388	1,463
Post-production	2,890	3,226
	<u>21,954</u>	<u>19,874</u>
Other	3,425	1,512
Total	<u>\$62,211</u>	<u>\$48,197</u>
Gross margins		
IMAX theater systems		
IMAX systems ⁽²⁾	\$ 8,185	\$ 4,773
Theater system maintenance	3,281	3,001
Joint revenue sharing arrangements ⁽²⁾	10,617	7,283
	<u>22,083</u>	<u>15,057</u>
Films		
Production and IMAX DMR ⁽²⁾	13,225	11,074
Distribution ⁽²⁾	135	190
Post-production	578	525
	<u>13,938</u>	<u>11,789</u>
Other	(40)	(438)
Total	<u>\$35,981</u>	<u>\$26,408</u>

(1) The Company's largest customer represents 17.1% of total revenues for the three months ended March 31, 2015 (2014 — 16.2%).

(2) IMAX systems include marketing and commission costs of \$0.3 million for the three months ended March 31, 2015 (2014 — \$0.2 million). Joint revenue sharing arrangements segment margins include advertising, marketing and commission costs of \$0.1 million for the three months ended March 31, 2015 (2014 — \$0.2 million). Production and DMR segment margins include marketing costs of \$1.3 million for the three months ended March 31, 2015 (2014 — \$1.1 million). Distribution segment margins include marketing cost recovery of \$0.1 million for the three months ended March 31, 2015 (2014 — expense of \$0.2 million).

Geographic Information

Revenue by geographic area is based on the location of the customer. Revenue related to IMAX DMR is presented based upon the geographic location of the theaters that exhibit the re-mastered films. IMAX DMR revenue is generated through contractual relationships with studios and other third parties and these may not be in the same geographical location as the theater.

Revenue	Three Months Ended March 31,	
	2015	2014
United States	\$25,521	\$19,467
Canada	1,883	2,125
Greater China	17,766	10,726
Asia (excluding Greater China)	5,776	4,286
Western Europe	5,166	4,996
Latin America	2,435	2,256
Russia and the CIS	1,941	2,346
Rest of the World	1,723	1,995
Total	<u>\$62,211</u>	<u>\$48,197</u>

No single country in the Rest of the World, Western Europe, Latin America and Asia (excluding Greater China) classifications comprise more than 10% of the total revenue.

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The Company has an unfunded U.S. defined benefit pension plan (the "SERP") covering Richard L. Gelfond, CEO of the Company and Bradley J. Wechsler, Chairman of the Company's Board of Directors.

The following table provides disclosure of the pension obligation for the SERP:

	As at March 31, 2015	As at December 31, 2014
Obligation, beginning of period	\$ 19,405	\$ 18,284
Interest cost	63	264
Actuarial loss	—	857
Obligation, end of period and unfunded status	<u>\$ 19,468</u>	<u>\$ 19,405</u>

The following table provides disclosure of pension expense for the SERP:

	Three Months Ended March 31,	
	2015	2014
Interest cost	\$ 63	\$ 66
Pension expense	<u>\$ 63</u>	<u>\$ 66</u>

No contributions are expected to be made for the SERP during the remainder of 2015. The Company expects interest costs of \$0.2 million to be recognized as a component of net periodic benefit cost during the remainder of 2015.

The accumulated benefit obligation for the SERP was \$19.5 million at March 31, 2015 (December 31, 2014 - \$19.4 million).

The following benefit payments are expected to be made as per the current SERP assumptions and the terms of the SERP in each of the next 5 years, and in the aggregate:

2015 (nine months remaining)	\$ —
2016	—
2017	20,042
2018	—
2019	—
Thereafter	—
	<u>\$20,042</u>

(b) Defined Contribution Plan

The Company also maintains defined contribution plans for its employees, including its executive officers. The Company makes contributions to these plans on behalf of employees in an amount up to 5% of their base salary subject to certain prescribed maximums. During the three months ended March 31, 2015, the Company contributed and expensed an aggregate of \$0.3 million (2014 — \$0.3 million) to its Canadian plan and an aggregate of \$0.1 million (2014 — \$0.1 million) to its defined contribution employee plan under Section 401(k) of the U.S. Internal Revenue Code.

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(c) Postretirement Benefits - Executives

The Company has an unfunded postretirement plan for Messrs. Gelfond and Wechsler. The plan provides that the Company will maintain health benefits for Messrs. Gelfond and Wechsler until they become eligible for Medicare and, thereafter, the Company will provide Medicare supplement coverage as selected by Messrs. Gelfond and Wechsler. The postretirement benefits obligation as at March 31, 2015 is \$0.8 million (December 31, 2014 — \$0.8 million). The Company has expensed less than \$0.1 million for the three months ended March 31, 2015 (2014 — less than \$0.1 million).

The following benefit payments are expected to be made as per the current plan assumptions in each of the next 5 years:

2015 (nine months remaining)	\$ 32
2016	43
2017	70
2018	77
2019	84
Thereafter	533
	<u>\$839</u>

(d) Postretirement Benefits – Canadian Employees

The Company has an unfunded postretirement plan for its Canadian employees upon meeting specific eligibility requirements. The Company will provide eligible participants, upon retirement, with health and welfare benefits. The postretirement benefits obligation as at March 31, 2015 is \$2.4 million (December 31, 2014 — \$2.1 million). The Company has expensed less than \$0.1 million for the three months ended March 31, 2015 (2014 — less than \$0.1 million).

The following benefit payments are expected to be made as per the current plan assumptions in each of the next 5 years:

2015 (nine months remaining)	\$ 87
2016	98
2017	108
2018	118
2019	118
Thereafter	1,870
	<u>\$2,399</u>

15. Financial Instruments

(a) Financial Instruments

The Company maintains cash with various major financial institutions. The Company's cash is invested with highly rated financial institutions.

The Company's accounts receivables and financing receivables are subject to credit risk. The Company's accounts receivable and financing receivables are concentrated with the theater exhibition industry and film entertainment industry. To minimize the Company's credit risk, the Company retains title to underlying theater systems under lease arrangements, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimate of potentially uncollectible amounts. The Company believes it has adequately provided for related exposures surrounding receivables and contractual commitments.

(b) Fair Value Measurements

The carrying values of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities due within one year approximate fair values due to the short-term maturity of these instruments. The Company's other financial instruments are comprised of the following:

	As at March 31, 2015		As at December 31, 2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Cash and cash equivalents	\$ 140,342	\$ 140,342	\$ 106,503	\$ 106,503
Net financed sales receivable	\$ 95,456	\$ 98,813	\$ 95,101	\$ 98,675
Net investment in sales-type leases	\$ 9,772	\$ 9,778	\$ 10,599	\$ 10,503
Foreign exchange contracts — designated forwards	\$ (4,151)	\$ (4,151)	\$ (1,760)	\$ (1,760)
Borrowings under the Playa Vista construction loan	\$ (16,080)	\$ (16,080)	\$ (4,710)	\$ (4,710)

Cash and cash equivalents are comprised of cash and interest-bearing investments with original maturity dates of 90 days or less. Cash and cash equivalents are recorded at cost, which approximates fair value (Level 1 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at March 31, 2015 and December 31, 2014, respectively.

The estimated fair values of the net financed sales receivable and net investment in sales-type leases are estimated based on discounting future cash flows at currently available interest rates with comparable terms (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at March 31, 2015 and December 31, 2014, respectively.

The fair value of foreign currency derivatives is determined using quoted prices in active markets (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at March 31, 2015 and December 31, 2014, respectively. These identical instruments are traded on a closed exchange.

The carrying value of borrowings under the Playa Vista Loan approximates fair value as the interest rates offered under the construction loan are close to March 31, 2015 market rates for the Company for debt of the same remaining maturities (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at March 31, 2015.

There were no significant transfers between Level 1 and Level 2 during the three months ended March 31, 2015 or 2014. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. The table below sets forth a summary of changes in the fair value of the Company's available-for-sale investment measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period:

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	Available For Sale Investments	
	2015	2014
Beginning balance, January 1,	\$ —	\$ 1,000
Transfers into/out of Level 3	—	—
Total gains or losses (realized/unrealized)		
Included in earnings	—	—
Change in other comprehensive income	—	—
Purchases, issuances, sales and settlements	—	—
Ending balance, March 31,	<u>\$ —</u>	<u>\$ 1,000</u>
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.	<u>\$ —</u>	<u>\$ —</u>

There were no transfers in or out of the Company's level 3 assets during the three months ended March 31, 2015.

(c) Financing Receivables

The Company's net investment in leases and its net financed sale receivables are subject to the disclosure requirements of ASC 310 "Receivables". Due to differing risk profiles of its net investment in leases and its net financed sales receivables, the Company views its net investment in leases and its net financed sale receivables as separate classes of financing receivables. The Company does not aggregate financing receivables to assess impairment.

The Company monitors the credit quality of each customer on a frequent basis through collections and aging analyses. The Company also holds meetings monthly in order to identify credit concerns and whether a change in credit quality classification is required for the customer. A customer may improve in their credit quality classification once a substantial payment is made on overdue balances or the customer has agreed to a payment plan with the Company and payments have commenced in accordance to the payment plan. The change in credit quality indicator is dependent upon management approval.

The Company classifies its customers into four categories to indicate the credit quality worthiness of its financing receivables for internal purposes only:

Good standing — Theater continues to be in good standing with the Company as the client's payments and reporting are up-to-date.

Credit Watch — Theater operator has begun to demonstrate a delay in payments, has been placed on the Company's credit watch list for continued monitoring, but active communication continues with the Company. Depending on the size of outstanding balance, length of time in arrears and other factors, transactions may need to be approved by management. These financing receivables are considered to be in better condition than those receivables related to theaters in the "Pre-approved transactions" category, but not in as good of condition as those receivables in "Good standing".

Pre-approved transactions only — Theater operator is demonstrating a delay in payments with little or no communication with the Company. All service or shipments to the theater must be reviewed and approved by management. These financing receivables are considered to be in better condition than those receivables related to theaters in the "All transactions suspended" category, but not in as good of condition as those receivables in "Credit Watch." Depending on the individual facts and circumstances of each customer, finance income recognition may be suspended if management believes the receivable to be impaired.

All transactions suspended — Theater is severely delinquent, non-responsive or not negotiating in good faith with the Company. Once a theater is classified as "All transactions suspended", the theater is placed on nonaccrual status and all revenue recognitions related to the theater are stopped.

The following table discloses the recorded investment in financing receivables by credit quality indicator:

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	As at March 31, 2015			As at December 31, 2014		
	Minimum Lease Payments	Financed Sales Receivables	Total	Minimum Lease Payments	Financed Sales Receivables	Total
In good standing	\$ 9,025	\$ 94,490	\$103,515	\$ 10,457	\$ 94,212	\$104,669
Pre-approved transactions	—	899	899	—	855	855
Transactions suspended	1,719	561	2,280	1,114	528	1,642
	<u>\$ 10,744</u>	<u>\$ 95,950</u>	<u>\$106,694</u>	<u>\$ 11,571</u>	<u>\$ 95,595</u>	<u>\$107,166</u>

While recognition of finance income is suspended, payments received by a customer are applied against the outstanding balance owed. If payments are sufficient to cover any unreserved receivables, a recovery of provision taken on the billed amount, if applicable, is recorded to the extent of the residual cash received. Once the collectibility issues are resolved and the customer has returned to being in good standing, the Company will resume recognition of finance income.

The Company's investment in financing receivables on nonaccrual status is as follows:

	As at March 31, 2015		As at December 31, 2014	
	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance
Net investment in leases	\$ 1,719	\$ (972)	\$ 1,114	\$ (972)
Net financed sales receivables	561	(494)	528	(494)
	<u>\$ 2,280</u>	<u>\$ (1,466)</u>	<u>\$ 1,642</u>	<u>\$ (1,466)</u>

The Company considers financing receivables with aging between 60-89 days as indications of theaters with potential collection concerns. The Company will begin to focus its review on these financing receivables and increase its discussions internally and with the theater regarding payment status. Once a theater's aging exceeds 90 days, the Company's policy is to review and assess collectibility on the theater's past due accounts. Over 90 days past due is used by the Company as an indicator of potential impairment as invoices up to 90 days outstanding could be considered reasonable due to the time required for dispute resolution or for the provision of further information or supporting documentation to the customer.

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The Company's aged financing receivables are as follows:

As at March 31, 2015								
	Accrued And Current	30-89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Total Recorded Investment	Related Allowances	Recorded Investment Net of Allowances
Net investment in leases	\$ 182	\$ 327	\$ 230	\$ 739	\$ 10,005	\$ 10,744	\$ (972)	\$ 9,772
Net financed sales receivables	2,257	1,802	1,710	5,769	90,181	95,950	(494)	95,456
Total	<u>\$ 2,439</u>	<u>\$ 2,129</u>	<u>\$ 1,940</u>	<u>\$ 6,508</u>	<u>\$ 100,186</u>	<u>\$ 106,694</u>	<u>\$ (1,466)</u>	<u>\$ 105,228</u>

As at December 31, 2014								
	Accrued And Current	30-89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Total Recorded Investment	Related Allowances	Recorded Investment Net of Allowances
Net investment in leases	\$ 420	\$ 175	\$ 253	\$ 848	\$ 10,723	\$ 11,571	\$ (972)	\$ 10,599
Net financed sales receivables	1,558	1,260	2,659	5,477	90,118	95,595	(494)	95,101
Total	<u>\$ 1,978</u>	<u>\$ 1,435</u>	<u>\$ 2,912</u>	<u>\$ 6,325</u>	<u>\$ 100,841</u>	<u>\$ 107,166</u>	<u>\$ (1,466)</u>	<u>\$ 105,700</u>

The Company's recorded investment in past due financing receivables for which the Company continues to accrue finance income is as follows:

As at March 31, 2015							
	Accrued And Current	30-89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Related Allowance	Recorded Investment Past Due and Accruing
Net investment in leases	\$ 53	\$ 81	\$ 93	\$ 227	\$ 852	\$ —	\$ 1,079
Net financed sales receivables	313	336	1,218	1,867	9,026	—	10,893
Total	<u>\$ 366</u>	<u>\$ 417</u>	<u>\$ 1,311</u>	<u>\$ 2,094</u>	<u>\$ 9,878</u>	<u>\$ —</u>	<u>\$ 11,972</u>

As at December 31, 2014							
	Accrued And Current	30-89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Related Allowance	Recorded Investment Past Due and Accruing
Net investment in leases	\$ 90	\$ 102	\$ 130	\$ 322	\$ 2,024	\$ —	\$ 2,346
Net financed sales receivables	258	425	1,671	2,354	12,512	—	14,866
Total	<u>\$ 348</u>	<u>\$ 527</u>	<u>\$ 1,801</u>	<u>\$ 2,676</u>	<u>\$ 14,536</u>	<u>\$ —</u>	<u>\$ 17,212</u>

The Company considers financing receivables to be impaired when it believes it to be probable that it will not recover the full amount of principal and interest owing under the arrangement. The Company uses its knowledge of the industry and economic trends,

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as well as its prior experiences to determine the amount recoverable for impaired financing receivables. The following table discloses information regarding the Company's impaired financing receivables:

	Impaired Financing Receivables For the Three Months Ended March 31, 2015				
	Recorded Investment	Unpaid Principal	Related Allowance	Average Recorded Investment	Interest Income Recognized
<u>Recorded investment for which there is a related allowance:</u>					
Net financed sales receivables	\$ 525	36	(494)	525	—
<u>Recorded investment for which there is no related allowance:</u>					
Net financed sales receivables	—	—	—	—	—
<u>Total recorded investment in impaired loans:</u>					
Net financed sales receivables	<u>\$ 525</u>	<u>\$ 36</u>	<u>\$ (494)</u>	<u>\$ 525</u>	<u>\$ —</u>

	Impaired Financing Receivables For the Three Months Ended March 31, 2014				
	Recorded Investment	Unpaid Principal	Related Allowance	Average Recorded Investment	Interest Income Recognized
<u>Recorded investment for which there is a related allowance:</u>					
Net financed sales receivables	\$ 525	335	(488)	528	—
<u>Recorded investment for which there is no related allowance:</u>					
Net financed sales receivables	—	—	—	—	—
<u>Total recorded investment in impaired loans:</u>					
Net financed sales receivables	<u>\$ 525</u>	<u>\$ 335</u>	<u>\$ (488)</u>	<u>\$ 528</u>	<u>\$ —</u>

The Company's activity in the allowance for credit losses for the period and the Company's recorded investment in financing receivables is as follows:

	Three Months Ended March 31, 2015		Three Months Ended March 31, 2014	
	Net Investment in Leases	Net Financed Sales Receivables	Net Investment in Leases	Net Financed Sales Receivables
<u>Allowance for credit losses:</u>				
Beginning balance	\$ 972	\$ 494	\$ 806	\$ 236
Charge-offs	—	—	—	—
Provision	—	—	—	252
Ending balance	<u>\$ 972</u>	<u>\$ 494</u>	<u>\$ 806</u>	<u>\$ 488</u>
Ending balance: individually evaluated for impairment	<u>\$ 972</u>	<u>\$ 494</u>	<u>\$ 806</u>	<u>\$ 488</u>
<u>Financing receivables:</u>				
Ending balance: individually evaluated for impairment	<u>\$ 10,744</u>	<u>\$ 95,950</u>	<u>\$ 13,946</u>	<u>\$ 91,100</u>

(d) Foreign Exchange Risk Management

The Company is exposed to market risk from changes in foreign currency rates. A majority portion of the Company's revenues is denominated in U.S. dollars while a substantial portion of its costs and expenses is denominated in Canadian dollars. A portion of the net U.S. dollar cash flows of the Company is periodically converted to Canadian dollars to fund Canadian dollar expenses through the spot market. In China and Japan the Company has ongoing operating expenses related to its operations in Chinese Renminbi and Japanese yen, respectively. Net cash flows are converted to and from U.S. dollars through the spot market. The Company also has cash receipts under leases denominated in Chinese Renminbi, Japanese yen, Canadian dollars and Euros which are converted to U.S. dollars through the spot market. The Company's policy is to not use any financial instruments for trading or other speculative purposes.

The Company entered into a series of foreign currency forward contracts to manage the Company's risks associated with the volatility of foreign currencies. Certain of these foreign currency forward contracts met the criteria required for hedge accounting under the Derivatives and Hedging Topic of the FASB ASC at inception, and continue to meet hedge effectiveness tests at March 31, 2015 (the "Foreign Currency Hedges"), with settlement dates throughout 2016. Foreign currency derivatives are recognized and measured in the balance sheet at fair value. Changes in the fair value (gains or losses) are recognized in the condensed consolidated statement of operations except for derivatives designated and qualifying as foreign currency hedging instruments. For foreign currency hedging instruments, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in other comprehensive income and reclassified to the condensed consolidated statement of operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the consolidated statement of operations. The Company currently does not hold any derivatives which are not designated as hedging instruments and therefore no gain or loss pertaining to an ineffective portion has been recognized.

The following tabular disclosures reflect the impact that derivative instruments and hedging activities have on the Company's condensed consolidated financial statements:

Notional value foreign exchange contracts as at:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Derivatives designated as hedging instruments:		
Foreign exchange contracts – Forwards	<u>\$ 36,952</u>	<u>\$ 36,754</u>

Fair value of derivatives in foreign exchange contracts as at:

	<u>Balance Sheet Location</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Derivatives designated as hedging instruments:			
Foreign exchange contracts — Forwards	Accrued and other liabilities	<u>\$ (4,151)</u>	<u>\$ (1,760)</u>

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Derivatives in Foreign Currency Hedging relationships for the three months ended March 31:

		<u>2015</u>	<u>2014</u>
Foreign exchange contracts – Forwards	Derivative Loss Recognized in OCI (Effective Portion)	<u>\$ (3,026)</u>	<u>\$ (810)</u>
	Location of Derivative Loss Reclassified from AOCI into Income (Effective Portion)		
Foreign exchange contracts – Forwards	Selling, general and administrative expenses	<u>\$ (635)</u>	<u>\$ (248)</u>

(e) Investments in New Business Ventures

The Company accounts for investments in new business ventures using the guidance of the FASB ASC 323 or FASB ASC 320, as appropriate. As at March 31, 2015, the equity method of accounting is being utilized for an investment with a total carrying value of \$2.3 million (December 31, 2014 — \$2.8 million). For the three months ended March 31, 2015, gross revenues, cost of revenue and net loss for the Company's investments were \$nil, \$1.7 million and \$1.7 million, respectively (2014 — \$0.9 million, \$0.9 million and \$0.8 million, respectively). The Company has determined it is not the primary beneficiary of these VIEs, and therefore these entities have not been consolidated. In addition, the Company has an investment in preferred stock of another business venture of \$1.5 million which meets the criteria for classification as a debt security under the FASB ASC 320 and is recorded at a fair value of \$nil at March 31, 2015 (December 31, 2014 – \$nil). This investment was classified as an available-for-sale investment. The Company has invested \$2.5 million in the preferred shares of an enterprise which meet the criteria for classification as an equity security under ASC 325 "Investments – Others" ("ASC 325"). As at March 31, 2015, the carrying value of the Company's investment in preferred shares is \$0.6 million (December 31, 2014 – \$0.6 million). The total carrying value of investments in new business ventures at March 31, 2015 is \$2.9 million (December 31, 2014 — \$3.4 million) and is recorded in Other Assets.

16. Non-Controlling Interests

(a) IMAX China Non-Controlling Interest

On April 8, 2014, the Company announced the sale and issuance of 20% of the shares of IMAX China Holding, Inc. ("IMAX China") to entities owned and controlled by CMC Capital Partners ("CMC"), an investment fund that is focused on media and entertainment, and FountainVest Partners ("FountainVest"), a China-focused private equity firm (collectively, the "IMAX China Investment").

Pursuant to the transaction, IMAX China issued the investors 337,500 Common C Shares of par value \$0.01 each in the authorized capital of IMAX China (the "Class C Shares") for an aggregate subscription price of \$40.0 million (the "First Closing") on April 8, 2014 (the "First Completion Date"), and issued the investors another 337,500 Class C Shares for an aggregate subscription price of \$40.0 million (the "Second Closing") on February 10, 2015 (the "Second Completion Date"). IMAX China remains a consolidated subsidiary of the Company. Since second quarter of 2014, the Company's condensed consolidated financial statements have included the non-controlling interest in the net income of IMAX China resulting from this transaction and the net proceeds have been classified as redeemable non-controlling interest in temporary equity.

Under the shareholders' agreement, holders of Class C Shares may not transfer any Class C Shares except (i) to certain permitted transferees, (ii) pursuant to any sale of Class C Shares on the public market in connection with or following an IPO, and (iii) subject to the right of first offer of the holder of common A shares of par value \$0.01 each in the authorized capital of IMAX China (the "Class A Shares"). With respect to transfers of Class A Shares prior to an IPO, the shareholders' agreement also provides certain drag-along rights to the holder of Class A Shares and certain tag-along rights and put rights to holders of Class C Shares.

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The board of directors of IMAX China currently consists of nine members. The shareholders' agreement provides that each of FountainVest and CMC has the right to nominate one member of IMAX China's board of directors so long as each owns at least 90.0% of the Class C Shares issued to such Person at both the First Completion Date and Second Completion Date. The holder of Class A Shares has the right to nominate seven members, including an independent director reasonably satisfactory to the holders of Class C Shares.

The shareholders' agreement entered into in connection with the transaction contains restrictions on the transfer of IMAX China's common shares, certain provisions related to the composition of IMAX China's board of directors and certain provisions relating to the redemption and share issuance in lieu of an initial public offering of IMAX China's shares and put and call rights relating to a change of control of the Company.

The shareholders' agreement entered into in connection with the transaction provides that IMAX China intends to conduct an IPO of its shares by the fifth anniversary of the First Completion Date. If a qualified IPO (as defined in the shareholders' agreement) has not occurred by such date, each holder of Class C Shares may request that all of such holders' Class C Shares, at their election, either be: (i) redeemed by IMAX China at par value together with the issuance of 2,846,000 of the Company's common shares, (ii) redeemed by IMAX China at par value together with the payment by the Company in cash of the consideration paid by the holders of the Class C Shares, or (iii) exchanged and/or redeemed by IMAX China in a combination of cash and the shares of the Company equal to the pro rata fair market value of IMAX China.

In the event that the Company reasonably believes that a transaction involving a change of control of the Company will occur, the Company will serve a notice on each holder of Class C Shares. Upon receipt of such notice, each holder of Class C Shares will have the right to cause the Company to purchase all of its Class C Shares, and the holder of Class A Shares will also have the right to purchase from each holder of Class C Shares all of its Class C Shares, each for consideration based upon the pro rata equity value of IMAX China.

The shareholders' agreement will terminate on the earliest to occur of (i) an IPO, (ii) a redemption or share exchange in lieu of an IPO after the fifth anniversary on the First Completion Date, (iii) completion of a put or call transaction pursuant to a change of control of the Company, and (iv) any date agreed upon in writing by all of the parties to the shareholders' agreement. The shareholders' agreement will also terminate with respect to any shareholder at such time as such shareholder no longer beneficially and legally holds any shares.

The following summarizes the movement of the non-controlling interest in the Company's subsidiary for the three months ended March 31, 2015:

Balance as at December 31, 2014	\$40,272
Issuance of subsidiary shares to a non-controlling interest	40,000
Share issuance costs from the issuance of subsidiary shares to a non-controlling interest	(2,000)
Net income attributable to non-controlling interest	1,119
Other comprehensive income, net of tax	(5)
Accretion charges associated with redeemable common stock	222
Balance as at March 31, 2015	<u>\$79,608</u>

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(b) Other Non-Controlling Interest

In 2014, the Company announced the creation of the Film Fund to co-finance a portfolio of 10 original large-format films. The Film Fund, which is intended to be capitalized with up to \$50.0 million, will finance an ongoing supply of original films that the Company believes will be more exciting and compelling than traditional documentaries. The initial investment in the Film Fund was committed to by a third party in the amount of \$25.0 million, with the possibility of contributing additional funds. The Company, which will contribute \$9.0 million to the Film Fund over five years, anticipates the Film Fund will be self-perpetuating, with a portion of box office proceeds reinvested into the Film Fund to generate a continuous, steady flow of high-quality documentary content. The related production, financing and distribution agreement includes put and call rights relating to change of control of the rights, title and interest in the co-financed pictures.

Balance as at December 31, 2014	\$3,640
Issuance of subsidiary shares to a non-controlling interest	—
Share issuance costs from the issuance of subsidiary shares to a non-controlling interest	—
Net loss attributable to non-controlling interest	(25)
Balance as at March 31, 2015	<u>\$3,615</u>

IMAX CORPORATION

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

OVERVIEW

IMAX Corporation, together with its subsidiaries (the "Company"), is one of the world's leading entertainment technology companies, specializing in motion picture technologies and presentations. The Company refers to all theaters using the IMAX theater system as "IMAX theaters." IMAX offers a unique end-to-end cinematic solution combining proprietary software, theater architecture and equipment to create the highest-quality, most immersive motion picture experience for which the IMAX® brand has become known globally. Top filmmakers and studios utilize IMAX theaters to connect with audiences in innovative ways, and, as such, IMAX's network is among the most important and successful theatrical distribution platforms for major event films around the world. There were 943 IMAX theater systems (820 commercial multiplexes, 18 commercial destinations, 105 institutional) operating in 63 countries as of March 31, 2015. This compares to 840 theater systems (707 commercial multiplexes, 18 commercial destinations, 115 institutional) operating in 57 countries as of March 31, 2014.

IMAX theater systems combine:

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

Together these components cause audiences in IMAX theaters to feel as if they are a part of the on-screen action, creating a more intense, immersive and exciting experience than in a traditional theater.

As a result of the immersiveness and superior image and sound quality of *The IMAX Experience*, the Company's exhibitor customers typically charge a premium for IMAX DMR films over films exhibited in their other auditoriums. The premium pricing, combined with the higher attendance levels associated with IMAX DMR films, generates incremental box-office for the Company's exhibitor customers and for the movie studios releasing their films to the IMAX network. The incremental box-office generated by IMAX DMR films has helped establish IMAX as a key premium distribution and marketing platform for Hollywood blockbuster films. Driven by the advent of digital technology that reduced the IMAX DMR conversion time and with the strengthening of the Company's relationships with the major studios, the number of IMAX DMR films released to the theater network per year has increased to 40 films in 2014, up from 6 films in 2007. The Company expects to release a similar number of IMAX DMR films in 2015 as compared to 2014.

As one of the world's leaders in entertainment technology, the Company strives to remain at the forefront of advancements in cinema technology. Accordingly, one of the Company's key initiatives has been the development of its next-generation laser-based digital projection system, which it began rolling out at the end of 2014. In order to develop the laser-based digital projection system, the Company obtained exclusive rights to certain laser projection technology and other technology with applicability in the digital cinema field from Eastman Kodak Company ("Kodak") in 2011 and entered a co-development arrangement with Barco N.V. ("Barco") to co-develop a laser-based digital projection system that incorporates Kodak technology in 2012. Furthermore, in 2014, the Company announced an agreement with Necsel IP, Inc. ("Necsel") to be the exclusive worldwide provider of specified lasers for IMAX's laser projection systems in exchange for preferred pricing and supply terms. The Company believes that these arrangements with Kodak, Barco and Necsel have enabled IMAX laser projectors to present greater brightness and clarity, higher contrast, a wider color gamut and deeper blacks, and consume less power and last longer than existing digital technology. The laser projection solution is the first IMAX digital projection system capable of illuminating the largest screens in its network. As at March 31, 2015, two laser-based digital theater systems were operational.

The Company is also undertaking new lines of business, particularly in the area of home entertainment. In 2013, the Company announced new home theater initiatives, including a joint venture with TCL Multimedia Technology Holding Limited ("TCL") to

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design, develop, manufacture and sell a premium home theater. The Company and TCL expect to launch the new home theater system in China, the Middle East and other select global markets by the end of 2015. In 2014, the Company, TCL and Wasu Digital TV media group (“WASU”) announced a joint-venture partnership whereby WASU will license and distribute IMAX-enhanced Hollywood and Chinese current theatrical and other content to the new home theater system. The Company is also developing other, related facets of a premium home entertainment platform designed to allow consumers to experience elements of *The IMAX Experience*® in their homes. The Company also recently began marketing and selling the IMAX Private Theatre, a cinema-grade, ultra-premium home theater system, and has signed agreements for 7 of such theaters to date.

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

- the signing, installation and financial performance of theater system arrangements (particularly its joint revenue sharing arrangements and new laser-based projection system);
- film performance and the securing of new film projects (particularly IMAX DMR films);
- revenue and gross margins from the Company’s operating segments;
- operating leverage;
- earnings from operations as adjusted for unusual items that the Company views as non-recurring;
- short- and long-term cash flow projections;
- the continuing ability to invest in and improve the Company’s technology to enhance its differentiation of presentation versus other cinematic experiences;
- the overall execution, reliability and consumer acceptance of *The IMAX Experience*; and
- the success of new business initiatives.

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

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

One of the Company’s principal businesses is the design, manufacture and delivery of premium theater systems (“IMAX theater systems”). The theater system equipment components (including the projection system, sound system, screen system and, if applicable, 3D glasses cleaning machine), theater design support, supervision of installation, projectionist training and the use of the IMAX brand are all elements of what the Company considers the system deliverable. The IMAX theater systems are based on proprietary and patented technology developed over the course of the Company’s 48-year history. The Company provides IMAX theater systems to customers through sales, long-term leases or under joint revenue sharing arrangements. The Company’s customers who purchase, lease or otherwise acquire the IMAX theater systems through joint revenue sharing arrangements are theater exhibitors that operate commercial theaters (particularly multiplexes), museums, science centers, or destination entertainment sites. The Company generally does not own IMAX theaters, but licenses the use of its trademarks along with the sale, lease or contribution of the IMAX theater system.

IMAX Systems

Sales and Sales-Type Lease Arrangements

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

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

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

Joint Revenue Sharing Arrangements

The Company also provides IMAX theater systems to customers under joint revenue sharing arrangements. The Company has two basic types of joint revenue sharing arrangements: traditional and hybrid.

Under a traditional joint revenue sharing arrangement, the Company provides the IMAX theater system in return for a portion of the customer's IMAX box-office receipts and, in some cases, concession revenues, rather than requiring the customer to pay a fixed upfront payment or annual minimum payments. Payments, which are based on box-office receipts, are required throughout the term of the arrangement and are due either monthly or quarterly. Certain maintenance and extended warranty services are provided to the customer for a separate fixed annual fee. The Company retains title to the theater system equipment components, and the equipment is returned to the Company at the conclusion of the arrangement.

Under a hybrid joint revenue sharing arrangement, by contrast, the customer is responsible for making upfront payments prior to the delivery and installation of the IMAX theater system in an amount that is typically half of what the Company would receive from a straight sale transaction. As with a traditional joint revenue sharing arrangement, the customer also pays the Company a portion of the customer's IMAX box-office receipts over the term of the arrangement, although the percentage of box-office receipts owing to the Company is typically half that of a traditional joint revenue sharing arrangement. The Company generally retains title to the theater system equipment components, and the equipment is returned to the Company at the conclusion of the arrangement. In limited instances, however, title to the theater system equipment components passes to the customer.

Under the significant majority of joint revenue sharing arrangements (both traditional and hybrid), the initial non-cancellable term of IMAX theater systems is 10 years or longer, and is renewable by the customer for one to two additional terms of between three to five years. The Company has the right to remove the equipment for non-payment or other defaults by the customer. The contracts are non-cancellable by the customer unless the Company fails to perform its obligations.

The introduction of joint revenue sharing arrangements has been an important factor in the expansion of the Company's commercial theater network, which has grown by approximately 368% since the beginning of 2008. Joint revenue sharing arrangements allow commercial theater exhibitors to install IMAX theater systems without the significant initial capital investment required in a sale or sales-type lease arrangement. Joint revenue sharing arrangements drive recurring cash flows and earnings for the Company, as customers under joint revenue sharing arrangements pay the Company a portion of their ongoing box-office. The Company funds its joint revenue sharing arrangements through cash flows from operations. As at March 31, 2015, the Company had

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457 theaters in operation under joint revenue sharing arrangements, a 17.8% increase as compared to the 388 joint revenue sharing arrangements open as at March 31, 2014. The Company also had contracts in backlog for an additional 223 theaters under joint revenue sharing arrangements as at March 31, 2015.

The revenue earned from customers under the Company's joint revenue sharing arrangements can vary from quarter to quarter and year to year based on a number of factors including film performance, the mix of theater system configurations, the timing of installation of these theater systems, the nature of the arrangement, the location, size and management of the theater and other factors specific to individual arrangements.

Theater System Maintenance

For all IMAX theaters, theater owners or operators are also responsible for paying the Company an annual maintenance and extended warranty fee. Under these arrangements, the Company provides proactive and emergency maintenance services to every theater in its network to ensure that each presentation is up to the highest IMAX quality standard. Annual maintenance fees are paid throughout the duration of the term of the theater agreements and are typically indexed to a local consumer price index.

Other Theater Revenues

The Company derives a small portion of its revenues from other sources. As at March 31, 2015, the Company had three owned and operated IMAX theaters (December 31, 2014 – three owned and operated theaters). In addition, the Company has a commercial arrangement with one theater resulting in the sharing of profits and losses and provides management services to two other theaters. The Company also rents its proprietary 2D and 3D large-format film and digital cameras to third party production companies. The Company maintains cameras and other film equipment and also offers production advice and technical assistance to both documentary and Hollywood filmmakers. Additionally, the Company generates revenues from the sale of after-market parts and 3D glasses.

Revenue from theater system arrangements is recognized at a different time from when cash is collected. See "Critical Accounting Policies" in Item 7 of the Company's Form 10-K for the year ended December 31, 2014 (the "2014 Form 10-K") for further discussion on the Company's revenue recognition policies.

IMAX Theater Network

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

	2015 Theater Network Base				2014 Theater Network Base			
	Commercial Multiplex	Commercial Destination	Institutional	Total	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	330	5	49	384	320	5	53	378
Canada	36	2	8	46	35	2	8	45
Greater China ⁽¹⁾	220	—	19	239	151	—	23	174
Asia (excluding Greater China)	69	3	6	78	62	3	7	72
Western Europe	58	7	10	75	49	7	11	67
Russia & the CIS	45	—	—	45	40	—	—	40
Latin America ⁽²⁾	33	—	11	44	26	—	11	37
Rest of the World	29	1	2	32	24	1	2	27
Total	820	18	105	943	707	18	115	840

(1) Greater China includes China, Hong Kong, Taiwan and Macau.

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

As of March 31, 2015, 45.6% of IMAX systems in operation were located in the United States and Canada compared to 50.4% as at March 31, 2014.

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To minimize the Company's credit risk, the Company retains title to the underlying theater systems under lease arrangements, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimates of potentially uncollectible amounts.

The Company currently believes that over time its commercial multiplex theater network could grow to approximately 1,700 IMAX theaters worldwide from 820 commercial multiplex IMAX theaters operating as of March 31, 2015. While the Company continues to grow in the United States and Canada, it believes that the majority of its future growth will come from international markets. As at March 31, 2015, 54.4% of IMAX theater systems in operation were located within international markets (defined as all countries other than the United States and Canada), up from 49.6% as at March 31, 2014. Revenues and gross box-office derived from outside the United States and Canada continues to exceed revenues and gross box-office from the United States and Canada. Risks associated with the Company's international business are outlined in Risk Factors – "The Company conducts business internationally, which exposes it to uncertainties and risks that could negatively affect its operations, sales and future growth prospects" in Item 1A of the Company's 2014 Form 10-K.

Greater China continues to be the Company's second-largest and fastest-growing market. As at March 31, 2015, the Company had 239 theaters operating in Greater China with an additional 219 theaters (including two upgrades) in backlog that are scheduled to be installed in Greater China by 2021. The Company's backlog in Greater China represents 54.3% of the Company's current backlog. The Company continues to invest in joint revenue sharing arrangements with select partners to ensure ongoing revenue in this key market. The Company's largest single international partnership is in China with Wanda Cinema Line Corporation ("Wanda"). Wanda's total commitment to the Company is for 210 theater systems, of which 195 theater systems are under the parties' joint revenue sharing arrangement. Furthermore, the Company has a partnership with CJ CGV Holdings, Ltd., for a commitment of 97 theater systems, of which 75 theater systems will be located in China. The Company believes that the China market presents opportunities for additional growth with favorable market trends, including government initiatives to foster cinema screen growth, to support the film industry and to increase the number of Hollywood films distributed in China, including a 2012 agreement between the U.S. and the Chinese government to permit 14 additional IMAX or 3D format films to be distributed in China each year and to permit distributors to receive higher distribution fees. The Company cautions, however, that its expansion in China faces a number of challenges. See Risk Factors – "The Company faces risks in connection with the continued expansion of its business in China" in Item 1A of the Company's 2014 Form 10-K.

On April 8, 2014, the Company announced the sale and issuance of 20% of the shares of IMAX China Holding, Inc. ("IMAX China") to entities owned and controlled by CMC Capital Partners ("CMC"), an investment fund that is focused on media and entertainment, and FountainVest Partners ("FountainVest"), a China-focused private equity firm (collectively, the "IMAX China Investment"). The sale price for the interest was \$80.0 million, and was paid by the investors in two equal installments. The first installment was received on April 8, 2014, and the second installment was received on February 10, 2015. IMAX China remains a consolidated subsidiary of the Company.

The Company believes there have been a number of financial, strategic and operating benefits resulting from the IMAX China Investment. In particular, the Company believes that the investors' knowledge of, and influence in, the Chinese media and entertainment industry has contributed to the continued expansion of IMAX's theater network in China and the further strengthening of the Company's government and industry relationships within China.

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

	2015			2014		
	IMAX Commercial Multiplex Theater Network			IMAX Commercial Multiplex Theater Network		
	JRSA	Sale / Sales-type lease	Total	JRSA	Sale / Sales-type lease	Total
Domestic Total (United States & Canada)	253	113	366	241	114	355
International:						
Greater China	130	90	220	85	66	151
Asia (excluding Greater China)	36	33	69	31	31	62
Western Europe	33	25	58	29	20	49
Russia & the CIS	—	45	45	—	40	40
Latin America	—	33	33	—	26	26
Rest of the World	5	24	29	2	22	24
International Total	204	250	454	147	205	352
Worldwide Total	457	363	820	388	319	707

As at March 31, 2015, 253 (2014 — 241) of the 457 (2014 — 388) theaters under joint revenue sharing arrangements in operation, or 55.4% (2014 — 62.1%) were located in the United States and Canada, with the remaining 204 (2014 — 147) or 44.6% of arrangements being located in international markets. The Company continues to seek to expand its network of theaters under joint revenue sharing arrangements, particularly in select international markets.

Sales Backlog

The Company's current sales backlog is as follows:

	March 31, 2015		March 31, 2014	
	Number of Systems	Dollar Value (in thousands)	Number of Systems	Dollar Value (in thousands)
Sales and sales-type lease arrangements	180	\$ 233,631	170	\$ 207,975
Joint revenue sharing arrangements	223	46,165	261	53,854
	403(1)(2)	\$ 279,796	431(1)(3)	\$ 261,829

- (1) Includes 69 laser theater system configurations (2014 – 64), including upgrades. The Company continues to develop and roll out its laser projection system. See “Research and Development” in Item 2 of this Part I for additional information.
- (2) Includes 25 upgrades to a digital theater system, in existing IMAX theater locations (2 xenon and 23 laser, of which 5 are under joint revenue sharing arrangements).
- (3) Includes 23 upgrades to a digital theater system, in existing IMAX theater locations (3 xenon and 20 laser, of which 4 are under joint revenue sharing arrangements).

The number of theater systems in the backlog reflects the minimum number of commitments under signed contracts. The dollar value fluctuates depending on the number of new theater system arrangements signed from quarter to quarter, which adds to backlog, and the installation and acceptance of theater systems and the settlement of contracts, both of which reduce backlog. Sales backlog typically represents the fixed contracted revenue under signed theater system sale and lease agreements that the Company believes will be recognized as revenue upon installation and acceptance of the associated theater. Sales backlog includes initial fees along with the estimated present value of contractual ongoing fees due over the lease term; however, it excludes amounts allocated to maintenance and extended warranty revenues as well as fees in excess of contractual ongoing fees that may be received in the future.

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

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

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

	2015			2014		
	JRSA	Sale / Lease	Total	JRSA	Sale / Lease	Total
Domestic Total (United States & Canada)	29	26	55	30	23	53
International:						
Greater China	161	58	219	201	39	240
Asia (excluding Greater China)	16	22	38	17	25	42
Western Europe	11	10	21	10	13	23
Russia & the CIS	—	26	26	—	28	28
Latin America	—	25	25	—	31	31
Rest of the World	6	13	19	3	11	14
International Total	194	154	348	231	147	378
Worldwide Total	223	180	403(1)(2)	261	170	431(1)(3)

- (1) Includes 69 laser theater system configurations (2014 – 64), including upgrades. The Company continues to develop and roll out its laser projection system. See “Research and Development” in Item 2 of this Part I for additional information.
- (2) Includes 25 upgrades to a digital theater system in existing IMAX theater locations (2 xenon and 23 laser, of which 5 are under joint revenue sharing arrangements).
- (3) Includes 23 upgrades to a digital theater system in existing IMAX theater locations (3 xenon and 20 laser, of which 4 are under joint revenue sharing arrangements).

Approximately 86% of IMAX theater system arrangements in backlog as at March 31, 2015 are scheduled to be installed in international markets (2014 – 88%).

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The following reflects the Company's signings and installations for the periods ended March 31:

	For the Three Months Ended March 31,	
	2015	2014
Theater System Signings:		
Full new sales and sale-type lease arrangements	12	32 ⁽¹⁾
New joint revenue sharing arrangements	8	3
Total new theaters	20	35
Upgrades of IMAX theater systems	1	1
Total theater signings	21	36
	For the Three Months Ended March 31,	
	2015	2014
Theater System Installations:		
Full new sales and sale-type lease arrangements	5	3
New joint revenue sharing arrangements	6	5
Total new theaters	11	8
Upgrades of IMAX theater systems	2 ⁽²⁾	2
Total theater installations	13	10

(1) Includes three signings which replaced theaters under an existing arrangement in backlog.

(2) Includes one upgrade to a laser-based digital system in an existing IMAX theater location.

The Company estimates that it will install a similar number of new theater systems (excluding digital upgrades) in 2015 as the Company installed in 2014. The Company's installation estimates includes scheduled systems from backlog, as well as the Company's estimate of installations from arrangements that will sign and install in the same calendar year. The Company cautions, however, that theater system installations may slip from period to period over the course of the Company's business, usually for reasons beyond its control.

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

Digital Re-Mastering (IMAX DMR)

In 2002, the Company developed a proprietary technology to digitally re-master Hollywood films into IMAX digital cinema package format or 15/70-format film for exhibition in IMAX theaters at a modest cost that is incurred by the Company. This system, known as IMAX DMR, digitally enhances the image resolution of motion picture films for projection on IMAX screens while maintaining or enhancing the visual clarity and sound quality to levels for which *The IMAX Experience*[®] is known. This technology has enabled the IMAX theater network to release Hollywood films simultaneously with their broader domestic release. The development of this technology was critical in helping the Company execute its strategy of expanding its commercial theater network by establishing IMAX theaters as a key, premium distribution platform for Hollywood films. In a typical IMAX DMR film arrangement, the Company receives a percentage, which ranges between 10-15%, of net box-office receipts of any commercial films released in the IMAX network from the applicable film studio for the conversion of the film to the IMAX DMR format and for access to the Company's premium distribution platform.

IMAX films benefit from enhancements made by individual filmmakers exclusively for the IMAX release, and filmmakers and studios have sought IMAX-specific enhancements in recent years to generate interest in and excitement for their films. Such enhancements include shooting selected scenes with IMAX cameras to increase the audience's immersion in the film and taking advantage of the unique dimensions of the IMAX screen by shooting the film in a larger aspect ratio. Certain films also enjoy early release windows exclusively in IMAX. Several recent films have featured select sequences shot with IMAX cameras including

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Interstellar: The IMAX Experience, released in November 2014; *Transformers: Age of Extinction: An IMAX 3D Experience*, released in June 2014; *Star Trek Into Darkness: An IMAX 3D Experience*, released in May 2013; *The Hunger Games: Catching Fire: The IMAX Experience*, released in November 2013 and *The Dark Knight Rises: The IMAX Experience*, released in July 2012, which featured over an hour of footage shot with IMAX cameras. In addition, several recent movies, including *Guardians of the Galaxy: An IMAX 3D Experience*, released in August 2014; *Transformers: Age of Extinction: An IMAX 3D Experience*, released in June 2014; *I, Frankenstein: An IMAX 3D Experience*, released in January 2014; *Oblivion: The IMAX Experience*, released in 2013 and *Skyfall: The IMAX Experience*, released in 2012 have featured footage taking advantage of the larger projected IMAX aspect ratio.

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

The Company believes that the growth in international box-office will continue to be an important driver of future growth for the Company. During the three months ended March 31, 2015, 64.3% of the Company's gross box-office from IMAX DMR films was generated in international markets, as compared to 65.8% in the three months ended March 31, 2014. To support growth in international markets, the Company has sought to bolster its international film strategy, supplementing the Company's film slate of Hollywood DMR titles with appealing local IMAX DMR releases in select markets. During 2014, the Company released seven local language IMAX DMR films, including six in China and one in India. The Company expects to announce additional local language IMAX DMR films to be released to the IMAX network in 2015 and beyond.

In addition to the 13 IMAX DMR films released to the IMAX theater network during the first three months of 2015, 18 additional IMAX DMR films have been announced so far to be released in the remaining nine months of 2015:

- *Furious 7: The IMAX Experience* (Universal Studios, April 2015);
- *The Water Diviner: The IMAX Experience* (Warner Bros. Pictures, April 2015);
- *Dragon Ball Z: Revival of 'F': An IMAX 3D Experience* (Toei Animation, April 2015, Japan only);
- *The Avengers: Age of Ultron: An IMAX 3D Experience* (Walt Disney Studios, May 2015);
- *Tomorrowland: The IMAX Experience* (Walt Disney Studios, May 2015);
- *Jurassic World: An IMAX 3D Experience* (Universal Studios, June 2015);
- *Ant-Man: An IMAX 3D Experience* (Walt Disney Studios, July 2015);
- *Terminator Genisys: The IMAX Experience* (Paramount Pictures, July 2015);
- *Mission: Impossible 5: The IMAX Experience* (Paramount Pictures, July 2015);
- *The Man from U.N.C.L.E.: The IMAX Experience* (Warner Bros. Pictures, August 2015);
- *Crouching Tiger, Hidden Dragon: The Green Legend: The IMAX Experience* (China Film Group, August 2015);
- *Everest: An IMAX 3D Experience* (Universal Studios, September 2015);
- *The Walk: The IMAX Experience* (Sony Pictures Entertainment, October 2015);
- *Crimson Peak: The IMAX Experience* (Universal Studios, October 2015);
- *Spectre : The IMAX Experience* (Sony Pictures Entertainment, November 2015);
- *The Hunger Games: Mockingjay Part 2: An IMAX 3D Experience* (Lionsgate, November 2015);
- *In the Heart of the Sea: The IMAX Experience* (Warner Bros. Pictures, December 2015); and
- *Star Wars: The Force Awakens: An IMAX 3D Experience* (Walt Disney Studios, December 2015).

To date, the Company has announced the following 14 titles to be released to the IMAX theater network in 2016:

- *The Finest Hours: The IMAX Experience* (Walt Disney Studios, January 2016);
- *Warcraft: An IMAX 3D Experience* (Universal Studios, March 2016);
- *Batman v Superman: Dawn of Justice: The IMAX Experience* (Warner Bros. Pictures, March 2016);
- *The Jungle Book: The IMAX Experience* (Walt Disney Studios, April 2016);
- *Captain America: Civil War: The IMAX Experience* (Walt Disney Studios, May 2016);
- *Alice in Wonderland: Through the Looking Glass: The IMAX Experience* (Walt Disney Studios, May 2016);
- *Finding Dory: The IMAX Experience* (Walt Disney Studios, June 2016);
- *Tarzan: The IMAX Experience* (Warner Bros. Pictures, July 2016);
- *Knights of the Roundtable: King Arthur: The IMAX Experience* (Warner Bros. Pictures, July 2016);

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- *Suicide Squad: The IMAX Experience* (Warner Bros. Pictures, August 2016);
- *Geostorm: The IMAX Experience* (Warner Bros. Pictures, October 2016);
- *Doctor Strange: An IMAX 3D Experience* (Walt Disney Studios, November 2016);
- *Fantastic Beasts and Where to Find Them: The IMAX Experience* (Warner Bros. Pictures, November 2016); and
- *Rogue One: An IMAX 3D Experience* (Walt Disney Studios, December 2016).

The Company remains in active negotiations with all of the major Hollywood studios for additional films to fill out its short and long-term film slate, and anticipates that a similar number of IMAX DMR films will be released to the IMAX network in 2015 to the 40 films that were released to the IMAX network in 2014.

Other Film Revenues: Film Distribution and Post-Production

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

In 2014, the Company announced the creation of the IMAX Original Film Fund (the “Film Fund”) to co-finance a portfolio of 10 original large format films. The Film Fund, which is intended to be capitalized with up to \$50.0 million, will finance an ongoing supply of original films that the Company believes will be more exciting and compelling than traditional documentaries. The initial investment in the Film Fund was committed to by a third party in the amount of \$25.0 million, with the possibility of contributing additional funds. The Company, which will contribute \$9.0 million to the Film Fund over five years, anticipates the Film Fund will be self-perpetuating, with a portion of box office proceeds reinvested into the Film Fund to generate a continuous, steady flow of high-quality documentary content. In 2014, the Film Fund invested \$7.5 million toward the development of original films.

The Company anticipates that the Film Fund will finance a number of Company-produced films going forward. Previously, films produced by the Company were typically financed through third parties, whereby the Company generally received a film production fee and a distribution fee in exchange for producing and distributing the film. The ownership rights to such films were held by the film sponsors, the film investors and/or the Company. The Company utilizes third-party funding for the majority of original films it produces and distributes. In 2014, the Company, in conjunction with WB, released an IMAX original production, *Island of Lemurs: Madagascar*. In 2012, the Company, along with WB and MacGillivray Freeman Films, Inc. (“MFF”), released an original title, *To the Arctic 3D*. In 2011, the Company, along with WB, released *Born to be Wild 3D*. In January 2013, the Company announced an agreement with MFF to jointly finance, market and distribute up to four films (with an option for four additional films) produced by MFF to be released exclusively to IMAX theaters. The agreement will ensure IMAX’s institutional theater partners access to a steady flow of the highest-quality, large-format documentaries over the years to come. One of the four films produced under the MFF agreement, *Journey to the South Pacific* had a limited release in November 2013 and a wide release in early 2014.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, management evaluates its estimates, including those related to selling prices associated with the individual elements in multiple element arrangements; residual values of leased IMAX theater systems; economic lives of leased assets; allowances for potential uncollectibility of accounts receivable, financing receivables and net investment in leases; write-downs for inventory obsolescence; ultimate revenues for film assets; impairment provisions for film assets, long-lived assets and goodwill; depreciable lives of property, plant and equipment; useful lives of intangible assets; pension plan and post retirement assumptions; accruals for contingencies including tax contingencies; valuation allowances for deferred income tax assets; and, estimates of the fair value and expected exercise dates of stock-based payment awards. Management bases its estimates on historical experience, future expectations and other assumptions that are believed to be reasonable at the date of the consolidated financial statements. Actual results may differ from these estimates due to uncertainty involved in measuring, at a specific point in time, events which are continuous in nature, and differences may be material. The Company’s significant accounting policies are discussed in Item 7 of the Company’s 2014 Form 10-K.

Impact of Recently Issued Accounting Pronouncements

The adoption of new accounting policies and recently issued FASB accounting standard codification updates were not material to the Company’s condensed consolidated financial statements for the period ended March 31, 2015.

Non-GAAP Financial Measures

In this report, the Company presents adjusted net income, adjusted net income per diluted share, adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share as supplemental measures of performance of the Company, which are not recognized under U.S. GAAP. The Company presents adjusted net income and adjusted net income per diluted share because it believes that they are important supplemental measures of its comparable controllable operating performance and it wants to ensure that its investors fully understand the impact of its stock-based compensation (net of any related tax impact) on net income. In addition, the Company presents adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share because it believes that they are important supplemental measures of its comparable financial results and could potentially distort the analysis of trends in business performance and it wants to ensure that its investors fully understand the impact of net income attributable to non-controlling interests and its stock-based compensation (net of any related tax impact) in determining net income attributable to common shareholders. The Company presents adjusted gross margin from its joint revenue sharing arrangements segment excluding initial launch costs because it believes that it is an important supplemental measure used by management to evaluate ongoing joint revenue sharing arrangement theater performance. Management uses these measures to review operating performance on a comparable basis from period to period. However, these non-GAAP measures may not be comparable to similarly titled amounts reported by other companies. Adjusted net income, adjusted net income per diluted share, adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share should be considered in addition to, and not as a substitute for, net income and net income attributable to common shareholders and other measures of financial performance reported in accordance with U.S. GAAP.

RESULTS OF OPERATIONS

Management, including the Company's CEO, who is the Company's Chief Operating Decision Maker (as defined in the Segment Reporting Topic of the FASB ASC), assesses segment performance based on segment revenues, gross margins and film performance. Selling, general and administrative expenses, research and development costs, amortization of intangibles, receivables provisions (recoveries), write-downs net of recoveries, interest income, interest expense and tax (provision) recovery are not allocated to the segments. As identified in note 13 to the accompanying condensed consolidated financial statements in Item 1, the Company has the following seven reportable segments identified by category of product sold or service provided:

- **IMAX Theater Systems**

- The IMAX systems segment, which is comprised of the design, manufacture, sale or lease of IMAX theater projection system equipment.
- The theater system maintenance segment, which is comprised of the maintenance of IMAX theater projection system equipment in the IMAX theater network.
- The joint revenue sharing arrangements segment, which is comprised of the provision of IMAX theater projection system equipment to exhibitors in exchange for a certain percentage of box-office receipts, and in some cases, concession revenue and/or a small upfront or initial payment.
- The other segment, which includes certain IMAX theaters that the Company owns and operates, camera rentals and other miscellaneous items.

- **Film**

- The film production and IMAX DMR segment, which is comprised of the production of films and performance of film re-mastering services.
- The film distribution segment, which includes the distribution of films for which the Company has distribution rights.
- The film post-production segment, which includes the provision of film post-production and film print services.

The Company's Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations has been organized by the Company into two primary reporting groups – IMAX Theater Systems and Film. Each of the Company's reportable segments, as identified above, has been classified into one of these broader reporting groups for purposes of MD&A discussion. The Company believes that this approach is consistent with management's view of the business and is not expected to have an impact on the readers' ability to understand the Company's business. Management feels that a discussion and analysis based on its reporting groups is significantly more relevant as the Company's consolidated statements of operations captions combine results from several segments.

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Three Months Ended March 31, 2015 Versus Three Months Ended March 31, 2014

The Company reported net income of \$1.5 million or \$0.02 per basic and diluted share for the first quarter of 2015, as compared to \$0.6 million or \$0.01 per basic and diluted share for the first quarter of 2014. Adjusted net income, which consists of net income excluding the impact of stock-based compensation and the related tax impact, was \$6.1 million or \$0.09 per diluted share for the first quarter of 2015 as compared to adjusted net income of \$3.3 million or \$0.05 per diluted share for the first quarter of 2014. Adjusted net income attributable to common shareholders, which consists of net income attributable to common shareholders excluding the impact of stock-based compensation and the related tax impact, was \$5.0 million or \$0.07 per diluted share for the first quarter of 2015 as compared to adjusted net income attributable to common shareholders of \$3.3 million or \$0.05 per diluted share for the first quarter of 2014. A reconciliation of net income and net income attributable to common shareholders, the most directly comparable U.S. GAAP measures, to adjusted net income, adjusted net income per diluted share, adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share is presented in the table below:

	Three Months Ended March 31, 2015		Three Months Ended March 31, 2014	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Report net income	\$ 1,485	\$ 0.02 ⁽¹⁾	\$ 579	\$ 0.01
Adjustments:				
Stock-based compensation	5,575	0.08	3,188	0.05
Tax impact of items listed above	(962)	(0.01)	(515)	(0.01)
Adjusted net income	6,098	0.09 ⁽¹⁾	3,252	0.05
Net income attributable to non-controlling interests	(1,094)	(0.02)	—	—
Adjusted net income attributable to common shareholders	\$ 5,004	\$ 0.07 ⁽¹⁾	\$ 3,252	\$ 0.05
Weighted average diluted shares outstanding		70,676		69,321

(1) Includes impact of \$0.2 million of accretion charges associated with redeemable common stock.

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

(In thousands of US dollars)	Revenue		Gross Margin	
	Three Months Ended March 31, 2015	2014	Three Months Ended March 31, 2015	2014
IMAX Theater Systems				
IMAX Systems				
Sales and sales-type leases ⁽¹⁾	\$ 8,616	\$ 4,507	\$ 4,907	\$ 1,659
Ongoing rent, fees, and finance income ⁽²⁾	3,498	3,253	3,278	3,114
Other	3,425	1,512	(40)	(438)
	15,539	9,272	8,145	4,335
Theater System Maintenance	8,850	8,195	3,281	3,001
Joint Revenue Sharing Arrangements	15,868	10,856	10,617	7,283
Film				
Production and IMAX DMR	17,676	15,185	13,225	11,074
Film distribution and post-production	4,278	4,689	713	715
	21,954	19,874	13,938	11,789
	\$ 62,211	\$ 48,197	\$ 35,981	\$ 26,408

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

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

Revenues and Gross Margin

The Company's revenues for the first quarter of 2015 increased by 29.1% to \$62.2 million from \$48.2 million in the same period last year, primarily due to an increase in revenues from the IMAX systems, joint revenue sharing arrangements and film segments. The gross margin across all segments in the first quarter of 2015 was \$36.0 million, or 57.8% of total revenue, compared to \$26.4 million, or 54.8% of total revenue in the first quarter of 2014.

IMAX Systems

IMAX systems revenue increased 67.6% to \$15.5 million in the first quarter of 2015, as compared to \$9.3 million in the first quarter of 2014.

Revenue from sales and sales-type leases increased 91.2% to \$8.6 million in the first quarter of 2015 from \$4.5 million in the first quarter of 2014. The Company recognized revenue on 5 full, new theater systems which qualified as either sales or sales-type leases in the first quarter of 2015, with a total value of \$6.3 million, as compared to 3 full, new theater systems in the first quarter of 2014, with a total value of \$3.4 million. The Company also recognized revenue on the installation of one laser-based digital upgrade, with a total value of \$1.9 million, as compared to one xenon-based digital upgrade, with a total value of \$0.7 million in the first quarter of 2014. There were no used systems recognized in the three months ended March 31, 2015 and 2014, respectively.

Average revenue per full, new sales and sales-type lease systems was \$1.3 million for the three months ended March 31, 2015, as compared to \$1.1 million for the three months ended March 31, 2014. The average revenue per full, new sales and sales-type lease systems varies depending upon the number of theater system commitments with a single respective exhibitor, an exhibitor's location and other various factors.

The installation of theater systems in newly built theaters or multiplexes depends primarily on the timing of the construction of those projects, which is not under the Company's control. The breakdown in mix of sales and sales-type lease and joint revenue sharing arrangements (see discussion below) installations by theater system configuration for the first quarter of 2015 and 2014 is outlined in the table below:

	Three Months Ended March 31,	
	2015	2014
New IMAX digital theater systems - installed and recognized		
Sales and sales-types lease arrangements	5	3
Joint revenue sharing arrangements	6	5
Total new theater systems	11	8
IMAX digital theater system upgrades - installed and recognized		
Sales and sales-types lease arrangements	1(1)	1
Short-term operating lease arrangement	1	—
Joint revenue sharing arrangement	—	1
Total upgraded theater systems	2	2
Total theater systems installed	13	10

(1) Includes one laser-based digital system configuration, which was upgraded from a xenon-based digital system configuration.

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IMAX theater systems gross margin from full, new sales and sales-type leases was 65.5% in the first quarter of 2015 versus 60.3% in the first quarter of 2014. Gross margin from digital upgrades was \$0.6 million in the first quarter of 2015, as compared to \$0.3 million in the first quarter of 2014. Gross margin varies depending upon the number of theater system commitments with a single respective exhibitor, an exhibitor's location and other various factors.

Ongoing rent revenue and finance income was \$3.5 million in the first quarter of 2015 and \$3.3 million in the first quarter of 2014. Gross margin for ongoing rent and finance income was \$3.3 million in the first quarter of 2015 as compared to \$3.1 million in the first quarter of 2014. Contingent fees included in this caption amounted to \$0.4 million and \$0.6 million in the three months ended March 31, 2015 and 2014, respectively.

Other revenue increased to \$3.4 million in the first quarter of 2015, as compared to \$1.5 million in the same period in 2014. Other revenue primarily includes revenue generated from the Company's theater operations, camera rental business and after-market sales of projection system parts and 3D glasses. The growth in revenue is primarily the result of an increase in revenue from 3D glasses as compared to the prior year period.

The gross margin on other revenue was a loss of less than \$0.1 million in the first quarter of 2015 as compared to a loss of \$0.4 million in the first quarter of 2014.

Theater System Maintenance

Theater system maintenance revenue increased 8.0% to \$8.9 million during the first quarter of 2015 as compared to \$8.2 million in the first quarter of 2014. Theater system maintenance gross margin was \$3.3 million in the first quarter of 2015 as compared to \$3.0 million in the first quarter of 2014. Maintenance revenue continues to grow as the number of theaters in the IMAX theater network grows. Maintenance margins vary depending on the mix of theater system configurations in the theater network and the timing and the date(s) of installation and/or service.

Joint Revenue Sharing Arrangements

Revenues from joint revenue sharing arrangements increased 46.2% to \$15.9 million in the first quarter of 2015 compared to \$10.9 million in the first quarter of 2014. The increase in revenues from joint revenue sharing arrangements was primarily due to an increase in the number of theaters in operation and stronger film performance as compared to the prior year comparative period. The Company ended the first quarter of 2015 with 457 theaters operating under joint revenue sharing arrangements, as compared to 388 theaters at the end of the first quarter of 2014. During the quarter, the Company installed 6 full, new theaters under joint revenue sharing arrangements, as compared to 5 theaters in the prior year comparative period.

The gross margin from joint revenue sharing arrangements in the first quarter of 2015 increased 45.8% to \$10.6 million, as compared to \$7.3 million in the first quarter of 2014. Included in the calculation of the first quarter gross margin were certain advertising, marketing and commission costs primarily associated with new theater launches of \$0.1 million and \$0.2 million incurred in the first quarter of 2015 and 2014, respectively. Adjusted gross margin from joint revenue sharing arrangements, which excludes these expenses, was \$10.7 million in the first quarter of 2015, as compared to \$7.5 million in the first quarter of 2014, respectively. A reconciliation of gross margin from the joint revenue sharing arrangement segment, the most directly comparable U.S. GAAP measure, to adjusted gross margin is presented in the table below:

<i>(In thousands of U.S. Dollars)</i>	Three Months Ended March 31,	
	2015	2014
Gross margin from joint revenue sharing arrangements	\$ 10,617	\$ 7,283
Add:		
Advertising, marketing and commission costs	130	195
Adjusted gross margin from joint revenue sharing arrangements	<u>\$ 10,747</u>	<u>\$ 7,478</u>

Film

Revenue from the Company's film segments increased 10.5% to \$22.0 million in the first quarter of 2015 from \$19.9 million in the first quarter of 2014, primarily due to stronger film performance and continued network growth. Gross box-office generated by IMAX DMR films increased 19.6% to \$165.6 million for the first quarter of 2015 from \$138.5 million for the first quarter of 2014. Film

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production and IMAX DMR revenues increased 16.4% to \$17.7 million in the first quarter of 2015 from \$15.2 million in the first quarter of 2014. The increase in film production and IMAX DMR revenues was primarily due to an increase in the IMAX theater network and a stronger film slate in the first quarter of 2015 versus the prior year comparative period. Gross box-office per screen for the three months ended March 31, 2015 averaged \$202,900 in comparison to \$197,000 in the comparable period last year. In the first quarter of 2015, gross box-office was generated primarily by the exhibition of 22 films (listed below), as compared to 18 films primarily exhibited during the first quarter of 2014:

Three Months Ended March 31, 2015 – Films Exhibited

Teenage Mutant Ninja Turtles: An IMAX 3D Experience
Fury: The IMAX Experience
Interstellar: The IMAX Experience
Big Hero 6: An IMAX 3D Experience
Penguins of Madagascar: An IMAX 3D Experience
Exodus: Gods and Kings: An IMAX 3D Experience
The Hobbit: The Battle of the Five Armies: An IMAX 3D Experience
Seventh Son: An IMAX 3D Experience
Gone with the Bullets: An IMAX 3D Experience
Night at the Museum: Secret of the Tomb: An IMAX 3D Experience
Taken 3: The IMAX Experience
American Sniper: The IMAX Experience
Game of Thrones: The IMAX Experience (Season 4, Episodes 9 and 10)
Kingsman: The Secret Service: The IMAX Experience Experience
Jupiter Ascending: An IMAX 3D Experience
Fifty Shades of Grey: The IMAX Experience
Wolf Totem: The IMAX Experience
Dragon Blade: An IMAX 3D Experience
Focus: The IMAX Experience
Chappie: The IMAX Experience
Cinderella: The IMAX Experience
The Divergent Series: Insurgent: An IMAX 3D Experience

Three Months Ended March 31, 2014 – Films Exhibited

Despicable Me 2: An IMAX 3D Experience
Gravity: An IMAX 3D Experience
Thor: The Dark World: An IMAX 3D Experience
Ender's Game: The IMAX Experience
The Hunger Games: Catching Fire: The IMAX Experience
The Hobbit: The Desolation of Smaug: An IMAX 3D Experience
Dhoom 3: The IMAX Experience
Police Story: An IMAX 3D Experience
Jack Ryan: Shadow Recruit: The IMAX Experience
I, Frankenstein: An IMAX 3D Experience
The Monkey King: The IMAX Experience
Robocop: The IMAX Experience
Stalingrad: An IMAX 3D Experience
300: Rise of an Empire: An IMAX 3D Experience
Need for Speed: An IMAX 3D Experience
Divergent: The IMAX Experience
Noah: The IMAX Experience
Captain America: The Winter Soldier: An IMAX 3D Experience
(international only release)

Other revenues attributable to the film segment decreased to \$4.3 million in the first quarter of 2015 from \$4.7 million in the first quarter of 2014.

The Company's gross margin from its film segments in the first quarter of 2015 increased to \$13.9 million from \$11.8 million in the first quarter of 2014. Film production and IMAX DMR gross margin increased to \$13.2 million in the first quarter of 2015 from \$11.1 million in the first quarter of 2014, primarily due to stronger film performance and continued network growth. Other gross margin attributable to the film segment was \$0.7 million in the first quarter of 2015 and 2014, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$28.4 million in the first quarter of 2015 as compared to the \$21.3 million experienced in the first quarter of 2014. Selling, general and administrative expenses excluding the impact of stock-based compensation was \$22.8 million in the first quarter of 2015, as compared to \$18.1 million in the first quarter of 2014. The following reflects the significant items impacting selling, general and administrative expenses in the first quarter of 2015 as compared to the prior year period:

- a \$2.4 million increase in staff costs, including salaries and benefits;
- a \$2.4 million increase in the Company's stock-based compensation;

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- a \$0.9 million increase due to a change in foreign exchange rates. During the first quarter ended March 31, 2015, the Company recorded a foreign exchange loss of \$1.6 million for net foreign exchange gains/losses related to the translation of foreign currency denominated monetary assets and liabilities as compared to a loss of \$0.7 million recorded in the prior year comparative period;
- a \$0.9 million net increase in advertising and promotion related activities;
- a \$0.6 million increase related to incidental costs associated with the move to the Company's new West Coast headquarters; and
- a \$0.1 million net decrease in other general corporate expenditures.

Research and Development

Research and development expenses were \$4.5 million in the first quarter of 2015, as compared to \$3.6 million in the first quarter of 2014. These expenses are primarily attributable to the continued development of the Company's new laser-based digital projection system. The Company developed its next-generation laser projector, which provides greater brightness and clarity, higher contrast, a wider color gamut and deeper blacks, while consuming less power and lasting longer than existing digital technology, to ensure that the Company continues to provide the highest quality, premier movie going experience available to consumers. As of March 31, 2015, the Company had 69 laser-based digital theater systems in its backlog.

The Company intends for additional research and development to continue throughout 2015 as the Company supports further development of the laser-based projection system. In addition, the Company plans to continue research and development activity in the future in other areas considered important to the Company's continued commercial success, including further improving the reliability of its projectors, developing and manufacturing more IMAX cameras, enhancing the Company's 2D and 3D image quality, expanding the applicability of the Company's digital technology and using such technology to help expand the Company's home entertainment platform, developing IMAX theater systems' capabilities in both home and live entertainment, and further enhancing the IMAX theater and sound system design through the addition of more channels, improvements to the Company's proprietary tuning system and mastering process.

Receivable Provisions, Net of Recoveries

The Company recorded receivable provisions, net of recoveries, of less than \$0.1 million for accounts receivable and financing receivables in the first quarter of 2015, compared to \$0.3 million in the prior year comparative period.

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

Interest Income and Expense

Interest income was \$0.2 million in the first quarter of 2015, as compared to less than \$0.1 million in the first quarter of 2014.

Interest expense was consistent at \$0.3 million in the first quarter of 2015 and 2014, respectively. Included in interest expense is the amortization of deferred finance costs of \$0.2 million in the first quarter of 2015, as compared to \$0.1 million in the first quarter of 2014. The Company's policy is to defer and amortize all the costs relating to debt financing which are paid directly to the debt provider, over the life of the debt instrument.

Income Taxes

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

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As at March 31, 2015, the Company had a gross deferred income tax asset of \$24.1 million, against which the Company is carrying a \$0.3 million valuation allowance. For the three months ended March 31, 2015, the Company recorded an income tax provision of \$0.7 million, of which a provision of \$0.1 million was related to an increase in its provisions for uncertain tax positions.

Equity-Accounted Investments

The Company accounts for investments in new business ventures using the guidance of the FASB ASC 323 “Investments –Equity Method and Joint Ventures” (“ASC 323”). At March 31, 2015, the equity method of accounting is being utilized for investments with a total carrying value of \$2.3 million (December 31, 2014 – \$2.8 million). For the three months ended March 31, 2015, gross revenues, cost of revenue and net loss for these investments were \$nil, \$1.7 million and \$1.7 million, respectively (2014 – \$0.9 million, \$0.9 million and \$0.8 million, respectively). The Company recorded its proportionate share of the net loss which amounted to \$0.4 million for the first quarter of 2015, compared to \$0.3 million in the prior year comparative period.

Discontinued Operations

On January 30, 2014, the Company’s lease with respect to its owned and operated Nyack IMAX theater ended and the Company decided not to renew the lease. In the first quarter of 2014, revenues for the Nyack IMAX theater were less than \$0.1 million and the Company recognized income of \$0.4 million from the operation of the theater. Upon the expiration of the lease, lease inducements contingent upon the completion of the full term of the lease were recognized as a reduction in rent expense of \$0.8 million. The transactions of the Company’s owned and operated Nyack theater are reflected as discontinued operations.

Non-Controlling Interests

The Company’s condensed consolidated financial statements include the non-controlling interest in the net income of IMAX China resulting from the IMAX China Investment and the net proceeds are classified as redeemable non-controlling interest in temporary equity as well as the impact of a non-controlling interest in its subsidiary created for the Film Fund activity. For the three months ended March 31, 2015, the net income attributable to non-controlling interests of the Company’s subsidiaries was \$1.1 million.

LIQUIDITY AND CAPITAL RESOURCES

On March 3, 2015, the Company amended and restated the terms of its existing senior secured credit facility (the “Prior Credit Facility”) in order to, among other things, eliminate the fixed charge coverage ratio under the Prior Credit Facility and reset certain financial maintenance covenants. The amended and restated facility (the “Credit Facility”), with a scheduled maturity of March 3, 2020, has a maximum borrowing capacity of \$200.0 million, the same maximum borrowing capacity as under the Prior Credit Facility. Certain of the Company’s subsidiaries serve as guarantors (the “Guarantors”) of the Company’s obligations under the Credit Facility. The Credit Facility is collateralized by a first priority security interest in substantially all of the present and future assets of the Company and the Guarantors.

The terms of the Credit Facility are set forth in the Fourth Amended and Restated Credit Agreement (the “Credit Agreement”), dated March 3, 2015, among the Company, the Guarantors, the lenders named therein, Wells Fargo Bank, National Association (“Wells Fargo”), as agent and issuing lender (Wells Fargo, together with the lenders named therein, the “Lenders”) and Wells Fargo Securities, LLC, as Sole Lead Arranger and Sole Bookrunner and in various collateral and security documents entered into by the Company and the Guarantors. Each of the Guarantors has also entered into a guarantee in respect of the Company’s obligations under the Credit Facility.

Total amounts drawn and available under the Credit Facility at March 31, 2015 were \$nil and \$200.0 million, respectively (December 31, 2014 — \$nil and \$200.0 million, respectively).

Under the Credit Facility, the effective interest rate for the three months ended March 31, 2015 for the revolving loan portion was nil, as no amounts were outstanding during the period (2014 — nil).

The Credit Facility provides that the Company will be required at all times to satisfy a Minimum Liquidity Test (as defined in the Credit Agreement) of at least \$50 million. The Company will also be required to maintain minimum EBITDA (as defined in the Credit Agreement) of \$90.0 million until December 30, 2015, which requirement increases to \$100.0 million on December 31, 2015. The Company must also maintain a Maximum Total Leverage Ratio (as defined in the Credit Agreement) of 2.5:1.0 until December 30, 2015, which requirement decreases to (i) 2.25:1.0 on December 31, 2015; (ii) 2.0:1.0 on December 31, 2016; and (iii) 1.75:1.0 on December 31, 2017. The ratio of total debt to EBITDA was 0.14:1 as at March 31, 2015, where Total Debt (as defined in the Credit Agreement) is the sum of all obligations evidenced by notes, bonds, debentures or similar instruments and was \$16.1 million. EBITDA is calculated as follows:

EBITDA per Credit Facility: <i>(In thousands of U.S. Dollars)</i>	For the 3 months ended March 31, 2015	For the 12 months ended March 31, 2015⁽¹⁾
Net income	\$ 1,485	\$ 43,075
Add (subtract):		
Loss from equity accounted investments	434	1,243
Provision for income taxes	675	15,069
Interest expense, net of interest income	58	327
Depreciation and amortization, including film asset amortization	9,467	35,273
Write-downs net of recoveries including asset impairments and receivable provisions	128	4,904
Stock and other non-cash compensation	5,666	17,852
EBITDA attributable to non-controlling interests ⁽²⁾	(1,933)	(5,870)
	<u>\$ 15,980</u>	<u>\$ 111,873</u>

(1) Ratio of total debt calculated using twelve months ended EBITDA

(2) The EBITDA calculation specified for purposes of the minimum EBITDA covenant excludes the reduction in EBITDA from the Company’s non-controlling interests

Playa Vista Construction Financing

On October 6, 2014, IMAX PV Development Inc., a Delaware corporation (“PV Borrower”) and direct wholly-owned subsidiary of IMAX U.S.A. Inc., a Delaware corporation and direct wholly-owned subsidiary of the Company, entered into a construction loan agreement with Wells Fargo. The construction loan is being used to fund up to \$25.7 million (the “Playa Vista Loan”) of the costs of development and construction of the new West Coast headquarters of the Company, located in a new office facility in the Playa Vista neighborhood of Los Angeles, California (the “Playa Vista Project”).

The total cost of development of the Playa Vista Project is approximately \$52.0 million, with all costs in excess of the Playa Vista Loan being provided through funding by the Company.

The Playa Vista Loan is secured by a deed of trust from PV Borrower in favor of Wells Fargo, granting a first lien on and security interest in the Playa Vista property and the Playa Vista Project, including all improvements to be constructed thereon, and other documents evidencing and securing the loan (the “Loan Documents”). The Loan Documents include absolute and unconditional payment and completion guarantees provided by the Company to Wells Fargo for the performance by PV Borrower of all the terms and provisions of the Playa Vista Loan and the construction and completion of the Playa Vista Project, and an environmental indemnity also provided by the Company.

Unless converted from a construction to permanent loan as described below, the Playa Vista Loan will be fully due and payable on April 6, 2016 (the “Maturity Date”).

Absent a default, the Playa Vista Loan bears interest at a variable interest rate per annum equal to 2.25% above the 30-day LIBOR rate. The interest rate is subject to adjustment monthly based on the latest 30-day LIBOR rate. Prior to the Maturity Date, PV Borrower is required to make monthly payments of interest only. The Playa Vista Loan may be prepaid at any time without premium, but with all accrued interest and other applicable payments.

The Loan Documents require the completion of construction no later than 90 days prior to the Maturity Date, subject to delays for certain unforeseeable events. The Loan Documents contain affirmative, negative and financial covenants (including compliance with the financial covenants of the Company’s outstanding Credit Facility with Wells Fargo), agreements, representations, warranties, borrowing conditions, and events of default customary for development projects such as the Playa Vista Project.

PV Borrower has the right to convert the Playa Vista Loan from a construction to a permanent loan with a term of 120 months (from the date of conversion), subject to the satisfaction of certain conditions including completion of the Playa Vista Project. If PV Borrower converts the Playa Vista Loan to a permanent loan, PV Borrower will have the right, subject to certain conditions, to increase the principal balance of the loan up to but not in excess of \$30.0 million. Upon conversion, the interest rate under the permanent loan will decrease from 2.25% to 2.0% above the 30-day LIBOR rate and PV Borrower will be required to make monthly payments of combined principal and interest sufficient to fully amortize the loan based on a 15-year straight line amortization. It is PV Borrower’s current intention to convert the Playa Vista Loan to a permanent loan once all applicable conditions are satisfied under the Loan Documents.

Total amount drawn under the construction loan as at March 31, 2015 was \$16.1 million (December 31, 2014 — \$4.7 million). Under the Playa Vista Loan, the effective interest rate for the first quarter of 2015 was 2.42% (2014 — not applicable).

Letters of Credit and Other Commitments

As at March 31, 2015, the Company did not have any letters of credit and advance payment guarantees outstanding (December 31, 2014 — \$nil) under the Credit Facility.

The Company also has a \$10.0 million facility for advance payment guarantees and letters of credit through the Bank of Montreal for use solely in conjunction with guarantees fully insured by EDC (the “Bank of Montreal Facility”). The Bank of Montreal Facility is unsecured and includes typical affirmative and negative covenants, including delivery of annual consolidated financial statements within 120 days of the end of the fiscal year. The Bank of Montreal Facility is subject to periodic annual reviews. As at March 31, 2015, the Company had letters of credit and advance payment guarantees outstanding of \$0.3 million under the Bank of Montreal Facility (December 31, 2014 — \$0.3 million).

Cash and Cash Equivalents

As at March 31, 2015, the Company's principal sources of liquidity included cash and cash equivalents of \$140.3 million, the Credit Facility, the Playa Vista Loan, anticipated collection from trade accounts receivable of \$66.2 million including receivables from theaters under joint revenue sharing arrangements and DMR agreements with studios, anticipated collection from financing receivables due in the next 12 months of \$19.3 million and payments expected in the next 12 months on existing backlog deals. As at March 31, 2015, the Company had \$16.1 million drawn on the Playa Vista Loan (remaining availability of \$9.6 million). There were \$nil letters of credit and advance payment guarantees outstanding under the Credit Facility and \$0.3 million under the Bank of Montreal Facility. Cash held outside of Canada as at March 31, 2015 was \$100.7 million (December 31, 2014 — \$61.0 million).

During the three months ended March 31, 2015, the Company's operations provided cash of \$6.1 million which reflects an \$8.6 million increase in inventory partly related to the roll-out of its laser-based projection system. The Company used cash of \$28.1 million to fund capital expenditures, principally to build equipment for use in joint revenue sharing arrangements, to purchase other intangible assets, and to purchase property, plant, and equipment. Based on management's current operating plan for 2015, the Company expects to continue to use cash to deploy additional theater systems under joint revenue sharing arrangements, to fund DMR agreements with studios and to invest in the continued construction of the Playa Vista Project. Cash flows from joint revenue sharing arrangements are derived from the theater box-office and concession revenues and the Company invested directly in the roll out of 6 theater systems under joint revenue sharing arrangements during the three months ended March 31, 2015.

In 2014, the Company announced the sale and issuance of 20.0% of the shares in IMAX China to entities owned and controlled by investors CMC and FountainVest. The sale price for the interest was \$80.0 million was paid by the investors in two equal installments, the first of which was received on April 8, 2014 and the second of which was received on February 10, 2015. Approximately half of the net proceeds of the transaction will remain in IMAX China, to be used toward the continued build-out of the Company's business in China, including additional joint revenue sharing locations and other growth initiatives. The remaining funds will be available for general corporate purposes.

In 2014, the Company's Board of Directors approved a new \$150.0 million share repurchase program for shares of the Company's common stock. Purchases under the program commenced in 2014. The share repurchase program expires June 30, 2017. The repurchases may be made either in the open market or through private transactions, subject to market conditions, applicable legal requirements and other relevant factors. The Company has no obligation to repurchase shares, and the share repurchase program may be suspended or discontinued by the Company at any time.

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

The Company's operating cash flow will be adversely affected if management's projections of future signings for theater systems and film performance, theater installations and film productions are not realized. The Company forecasts its short-term liquidity requirements on a quarterly and annual basis. Since the Company's future cash flows are based on estimates and there may be factors that are outside of the Company's control (see "Risk Factors" in Item 1A in the Company's 2014 Form 10-K), there is no guarantee that the Company will continue to be able to fund its operations through cash flows from operations. Under the terms of the Company's typical sale and sales-type lease agreement, the Company receives substantial cash payments before the Company completes the performance of its obligations. Similarly, the Company receives cash payments for some of its film productions in advance of related cash expenditures.

Operating Activities

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

Cash provided by operating activities amounted to \$6.1 million for the three months ended March 31, 2015. Changes in other non-cash operating assets as compared to December 31, 2014 include: an increase of \$0.7 million in financing receivables; a decrease of \$9.5 million in accounts receivable; an increase of \$8.6 million in inventories; an increase of \$2.1 million in prepaid expenses; and an

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increase of \$1.3 million in other assets which includes a \$0.4 million increase in commission and other deferred selling expenses and a \$0.9 million increase in other assets. Changes in other operating liabilities as compared to December 31, 2014 include: an increase in deferred revenue of \$7.1 million related to backlog payments received in the current period, offset slightly by amounts relieved from deferred revenue related to theater system installations; an increase in accounts payable of \$8.6 million; and a decrease of \$22.4 million in accrued liabilities.

Investing Activities

Net cash used in investing activities amounted to \$28.1 million in the three months ended March 31, 2015, which includes purchases of \$22.6 million in property, plant and equipment, an investment in joint revenue sharing equipment of \$4.8 million and an increase in other intangible assets of \$0.7 million. Included in the Company's purchase of property, plant and equipment for the three months ended March 31, 2015 is \$16.6 million for the construction of the Playa Vista Project.

Financing Activities

Net cash provided by financing activities in the three months ended March 31, 2015 amounted to \$55.9 million as compared to cash used in financing activities of less than \$0.1 million for three months ended March 31, 2014. In the first quarter of 2015, the Company issued common shares net of related issuance costs of \$38.0 million related to the IMAX China Investment by CMC and FountainVest, which represents a non-controlling interest in IMAX China. During the three months ended March 31, 2015, the Company also received \$11.4 million from the issuance of common shares resulting from stock option. The Company also borrowed an additional \$11.4 million under the Playa Vista Loan.

Capital Expenditures

Capital expenditures, including the Company's investment in joint revenue sharing equipment, purchase of property, plant and equipment, net of sales proceeds, other intangible assets and investments in film assets, were \$31.1 million for the three months ended March 31, 2015 as compared to \$15.6 million for the three months ended March 31, 2014. As discussed above, a portion of the Playa Vista Project is financed through a construction loan and related office facility, which has offset the cash outlay associated with the project.

CONTRACTUAL OBLIGATIONS

Payments to be made by the Company under contractual obligations, as at March 31, 2015, are as follows:

<i>(In thousands of U.S. Dollars)</i>	Payments Due by Period						
	<u>Total Obligations</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Thereafter</u>
Pension obligations (1)	\$ 20,042	\$ —	\$ —	\$20,042	\$ —	\$ —	\$ —
Purchase obligations	26,831	26,704	127	—	—	—	—
Playa Vista Loan(2)	16,080	—	16,080	—	—	—	—
Operating lease obligations	11,915	4,145	2,607	2,034	1,824	1,261	44
Postretirement benefits obligations	3,238	119	141	178	195	202	2,403
	<u>\$ 78,106</u>	<u>\$30,968</u>	<u>\$18,955</u>	<u>\$22,254</u>	<u>\$2,019</u>	<u>\$1,463</u>	<u>\$ 2,447</u>

- (1) The SERP assumptions are that Mr. Gelfond will receive a lump sum payment six months after retirement at the end of the current term of his employment agreement (December 31, 2016), although Mr. Gelfond has not informed the Company that he intends to retire at that time.
- (2) Unless converted from a construction to permanent loan as described below, the Playa Vista Loan will be fully due and payable on April 6, 2016.

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Pension and Postretirement Obligations

The Company has an unfunded defined benefit pension plan (the “SERP”) covering Messrs. Gelfond and Wechsler. As at March 31, 2015, the Company had an unfunded and accrued projected benefit obligation of approximately \$19.5 million (December 31, 2014 — \$19.4 million) in respect of the SERP.

Pursuant to an employment agreement dated January 1, 2014, the term of Mr. Gelfond’s current employment agreement was extended through December 31, 2016, although Mr. Gelfond has not informed the Company that he intends to retire at that time. Under the terms of the arrangement, no compensation earned since 2011 will not be included in calculating his entitlement under the SERP.

The Company has a postretirement plan to provide health and welfare benefits to Canadian employees meeting certain eligibility requirements. As at March 31, 2015, the Company had an unfunded benefit obligation of \$2.4 million (December 31, 2014 — \$2.1 million).

In July 2000, the Company agreed to maintain health benefits for Messrs. Gelfond and Wechsler upon retirement. As at March 31, 2015, the Company had an unfunded benefit obligation of \$0.8 million (December 31, 2014 — \$0.8 million).

OFF-BALANCE SHEET ARRANGEMENTS

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

Item 3. *Quantitative and Qualitative Factors about Market Risk*

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

Foreign Exchange Rate Risk

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

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

For the three months ended March 31, 2015, the Company recorded a foreign exchange loss of \$1.6 million, as compared to a foreign exchange loss of \$0.7 million for the three months ended March 31, 2014, associated with the translation of foreign currency denominated monetary assets and liabilities.

The Company entered into a series of foreign currency forward contracts to manage the Company’s risks associated with the volatility of foreign currencies. The forward contracts have settlement dates throughout 2016. Foreign currency derivatives are recognized and measured in the balance sheet at fair value. Changes in the fair value (gains or losses) are recognized in the condensed consolidated statement of operations except for derivatives designated and qualifying as foreign currency hedging instruments. All foreign currency forward contracts held by the Company as at March 31, 2015, are designated and qualify as foreign currency hedging instruments. For foreign currency hedging instruments, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in other comprehensive income and reclassified to the condensed consolidated statement of operations when the forecasted

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transaction occurs. Any ineffective portion is recognized immediately in the condensed consolidated statement of operations. The notional value of foreign currency hedging instruments was \$37.0 million as at March 31, 2015 (December 31, 2014 — \$36.8 million). A loss of \$3.0 million was recorded to Other Comprehensive Income with respect to the depreciation/appreciation in the value of these contracts in the three months ended March 31, 2015 (2014 — loss of \$0.8 million). A loss of \$0.6 million for the three months ended March 31, 2015 (2014 — loss of \$0.2 million) was reclassified from Accumulated Other Comprehensive Income to selling, general and administrative expenses. Appreciation or depreciation on forward contracts not meeting the requirements for hedge accounting in the Derivatives and Hedging Topic of the FASB Accounting Standards Codification are recorded to selling, general and administrative expenses.

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

At March 31, 2015, the Company's financing receivables and working capital items denominated in Canadian dollars, Renminbi, Yen and Euros was \$30.4 million. Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates at March 31, 2015, the potential change in the fair value of foreign currency-denominated financing receivables and working capital items would have been \$3.0 million. A significant portion of the Company's selling, general, and administrative expenses is denominated in Canadian dollars. Assuming a 1% change appreciation or depreciation in foreign currency exchange rates at March 31, 2015, the potential change in the amount of selling, general, and administrative expenses would be \$0.1 million for every \$10.0 million in Canadian denominated expenditures.

Interest Rate Risk Management

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

As at March 31, 2015, the Company had not drawn down on its Credit Facility (December 31, 2014 — \$nil).

As at March 31, 2015, the Company had drawn down \$16.1 million on its Playa Vista Loan (December 31, 2014 — \$4.7 million).

The Company's largest exposure with respect to variable rate debt comes from changes in the LIBOR. The Company had variable rate debt instruments representing 8.1% and 2.4% of its total liabilities at March 31, 2015 and December 31, 2014, respectively. If the interest rates available to the Company increased by 10%, the Company's interest expense would increase by less than \$0.1 million and interest income from cash would increase by approximately \$0.1 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's variable rate debt and cash balances at March 31, 2015.

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods and that such information is accumulated and communicated to management, including the CEO and the Chief Financial Officer (“CFO”), to allow timely discussions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

The Company’s management, with the participation of its CEO and its CFO, has evaluated the effectiveness of the Company’s “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) as at March 31, 2015 and has concluded that, as at the end of the period covered by this report, the Company’s disclosure controls and procedures were adequate and effective. The Company will continue to periodically evaluate its disclosure controls and procedures and will make modifications from time to time as deemed necessary to ensure that information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s (the “SEC’s”) rules and forms.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company’s internal control over financial reporting which occurred during the three months ended March 31, 2015, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See note 8 to the accompanying condensed consolidated financial statements in Item 1 for information regarding legal proceedings involving the Company.

Item 1A. Risk Factors

In addition to the other information set forth in this Form 10-Q, you should carefully consider the factors disclosed in Part I, Item 1A “Risk Factors” in the Company’s 2014 Form 10-K. The risks described in the Company’s 2014 Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.37	Employment Agreement, dated January 1, 2014, between IMAX Corporation and Robert D. Lister.
10.38	Employment Agreement, dated March 6, 2014, between IMAX Corporation and Andrew Cripps.
10.39	Fourth Amended and Restated Credit Agreement, dated March 3, 2015, by and between IMAX Corporation, the Guarantors referred to therein, the Lenders referred to therein, Wells Fargo Bank National Association and Wells Fargo Securities, LLC.
31.1	Certification Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002, dated April 30, 2015, by Richard L. Gelfond.
31.2	Certification Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002, dated April 30, 2015, by Joseph Sparacio.
32.1	Certification Pursuant to Section 906 of the Sarbanes — Oxley Act of 2002, dated April 30, 2015, by Richard L. Gelfond.
32.2	Certification Pursuant to Section 906 of the Sarbanes — Oxley Act of 2002, dated April 30, 2015, by Joseph Sparacio.

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the “*Agreement*”), dated as of January 1, 2014, between IMAX CORPORATION, a corporation organized under the laws of Canada (the “*Company*”), and ROBERT D. LISTER (the “*Executive*”).

WHEREAS, the Executive currently serves as the Chief Legal and Business Development Officer of the Company; and

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

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Employment and Duties.

(a) General. Subject to the terms and conditions hereof, the Executive shall serve as Chief Legal and Business Development Officer of the Company reporting directly to the Company’s Chief Executive Officer (the “*CEO*”). The Executive shall perform the duties and services for the Company commensurate with the Executive’s position as directed by the CEO from time to time. The Executive’s principal place of employment shall be offices of the Company in New York, New York, subject to such travel as the performance of his duties and the business of the Company may require.

(b) Exclusive Services. For so long as the Executive is employed by the Company, the Executive shall devote his full business working time to his duties hereunder, shall faithfully serve the Company, shall in all respects conform to and comply with the lawful and good faith directions and instructions given to him by the CEO, and shall use his best efforts to promote and serve the interests of the Company. Further, the Executive shall not, directly or indirectly, render material services to any other person or organization without the consent of the CEO or otherwise engage in activities that would impede his ability to fully perform his obligations hereunder.

2. Term. The Executive’s employment pursuant to this Agreement shall be effective as of January 1, 2014, and shall terminate upon the earlier to occur of (i) the Executive’s termination of employment pursuant to Section 4 hereunder and (ii) December 31, 2017. The period commencing as of January 1, 2014 and ending on December 31, 2017 is hereinafter referred to as the “*Term*”.

3. Compensation and Other Benefits. Subject to the provisions of this Agreement, the Company shall pay and provide the following compensation and other benefits to the Executive during the Term as compensation for services rendered hereunder:

(a) **Base Salary.** The Company shall pay to the Executive an annual salary (the “**Base Salary**”) at the rates as follows: \$625,000 in 2014; \$650,000 in 2015; \$675,000 in 2016; and \$700,000 in 2017. The Base Salary will be payable in substantially equal installments in accordance with the Company’s ordinary payroll practices as established from time to time.

(b) **Bonus.** The Executive shall be eligible to receive a discretionary incentive bonus as determined in the sole discretion of the Company (the “**Bonus**”). The target amount of the Bonus shall be 60% of the Base Salary (the “**Target Bonus**”). The actual amount of the Bonus shall be based upon the attainment of individual and Company performance goals and objectives consistent with the Company’s practices with respect to similarly-situated executives and approved by the Compensation Committee of the Board of Directors of the Company (the “**Board**”) in its sole discretion. The Bonus (if any) shall be paid on the date on which the Company pays out bonuses to senior executives generally; provided, however, that the Executive remains employed by the Company as of such date (except as otherwise provided herein); and provided, further, that in no event shall the Bonus be paid later than March 15th of the subsequent year.

(c) **Equity Awards.**

(i) Each year during the Term the Executive shall receive an equity award with an aggregate grant date fair market value of \$1,400,000. The annual grants will be comprised of a mix of nonqualified stock options (the “**Options**”) to purchase common shares of the Company, no par value (the “**Common Shares**”) and Restricted Stock Units (“**RSUs**”) as follows:

2014: 50% Options, 50% RSUs

2015: 40% Options, 60% RSUs

2016: 33% Options, 67% RSUs

2017: 25% Options, 75% RSUs

(ii) The Options and RSUs shall be granted on the terms and conditions set forth in the IMAX Corporation Long-Term Incentive Plan (the “**LTIP**”), the grant agreements to be entered into between the Company and the Executive pursuant to the LTIP, and this Agreement. Options and RSUs shall be granted on or about the time that awards are generally granted to the Company’s senior executives. Except as otherwise provided herein, the Executive must be employed by the Company on the date of grant in order to receive the Options and RSUs.

(iii) For purposes of determining the number of Options and RSUs to be granted pursuant to this Section 3(c), the Company shall value (i) the Options in a manner consistent with the Company’s financial statement reporting and (ii) the RSUs based on the Fair Market Value of the Common Shares on the date of grant (as defined in the LTIP). The Options and RSUs shall vest in four (4) equal annual installments beginning on the first anniversary of the applicable grant date. The exercise price of the Options shall be the Fair Market Value of the Common Shares on the date of grant. The Options shall have a seven (7) year term.

(d) Benefit Plans. During the Term, the Executive shall be entitled to participate, on the same basis and at the same level as generally available to other senior executives of the Company, in any group insurance, hospitalization, medical, health and accident, disability, fringe benefit and deferred compensation plans or programs of the Company now existing or hereafter established, as in effect from time to time.

(e) Automobile. The Company shall provide the Executive with a leased automobile at a monthly cost of up to \$1,200 per month (the "**Automobile Payment**"). In addition, the Company shall pay (i) all expenses relating to the maintenance and upkeep of the leased automobile and (ii) the Executive's cost of parking near the Company's New York, New York offices, each in accordance with Company policies in effect for senior executives from time to time.

(f) Vacation. The Executive shall be entitled to vacation time consistent with the applicable policies of the Company for other senior executives of the Company as in effect from time to time, but in no event less than twenty-five (25) days per year.

(g) Offices. The Company shall provide the Executive with (i) an office at each of the Company's offices in New York, New York and Mississauga, Ontario and (ii) a full-time administrative assistant at the Company's New York offices.

(h) Expenses. The Company shall reimburse the Executive for reasonable travel and other business-related expenses incurred by him in the fulfillment of his duties hereunder upon presentation of written documentation thereof, in accordance with the business expense reimbursement policies and procedures of the Company as in effect from time to time. Payments with respect to reimbursements of expenses shall be made consistent with the Company's reimbursement policies and procedures and in no event later than the last day of the calendar year following the calendar year in which the relevant expense is incurred.

4. Termination of Employment. Subject to this Section 4, the Company shall have the right to terminate the Executive's employment at any time, with or without Cause (as defined in Section 5), and the Executive shall have the right to terminate his employment at any time and for any reason.

(a) Termination Due to Death or Disability. The Executive's employment under this Agreement will terminate upon the Executive's death and may be terminated by the Company upon not less than thirty (30) days' written notice to the Executive upon the Executive's Disability (as defined in Section 5). In the event the Executive's employment terminates as a result of the Executive's death or Disability, the Company shall pay to the Executive (or his estate, as applicable) (i) the Base Salary and Automobile Payment through and including the date of termination, (ii) any bonus earned, but unpaid, for the year prior to the year in which the Executive's Separation from Service (as defined in Section 4(b)) or death occurs, and the prorated Target Bonus for the year in which the Executive's Separation from Service or death occurs, (iii) an amount equal to the Executive's accrued and unused vacation pay as of the date of termination and (iv) any other amounts or benefits required to be paid or provided by law or under any plan, program, policy or practice of the Company (including unreimbursed expenses) ((i) through (iv) collectively the "**Other Accrued Compensation and Benefits**"),

payable within thirty (30) days of the Executive's Separation from Service by reason of death or Disability (or as otherwise expressly set forth in the applicable plan, program or agreement). Furthermore, upon a termination of employment as the result of the Executive's death or Disability, a portion of the Executive's Options and RSUs that have already been granted pursuant to this Agreement shall vest such that, when combined with previously vested Options and RSUs, an aggregate of 50% of all of the Options and RSUs that have been granted pursuant to this Agreement shall have vested. Any vested Options shall continue to be exercisable for a period of 180 days following the date of the Executive's death or Disability (but in no event later than the expiration of the term of such Options). All Options not exercised within such 180-day period shall be cancelled and shall revert back to the Company for no consideration and the Executive or his estate, as applicable, shall have no further right or interest therein. Except as provided in this Section 4(a), the Executive shall have no further right to receive any other compensation or benefits after a termination of employment due to the Executive's death or Disability.

(b) Termination for Cause; Resignation. If, prior to the expiration of the Term, the Executive incurs a "Separation from Service" within the meaning of Section 409A(a)(2)(A)(i) of the Internal Revenue Code of 1986, as amended (the "Code") by reason of the Company's termination of the Executive's employment for Cause (as defined in Section 5) or if the Executive resigns from his employment during the Term for any reason other than for Good Reason (as defined in Section 5), (A) the Executive shall be entitled to payment of his Other Accrued Compensation and Benefits, payable within thirty (30) days after the Executive's Separation from Service (or as otherwise expressly set forth in the applicable plan, program or agreement) and (B) all unvested Options and outstanding RSUs will be cancelled without consideration and the Executive shall have no further rights with respect to such Options and RSUs. The Executive shall have no further right to receive any other compensation or benefits after his termination for Cause or resignation of employment. The Executive shall provide thirty (30) days' written notice to the Company prior to resigning his employment during the Term.

(c) Termination Without Cause; Resignation for Good Reason.

(i) If, prior to the expiration of the Term, the Executive incurs a Separation from Service by reason of the Company's termination of the Executive's employment without Cause, or as a result of his resignation for Good Reason (as defined in Section 5), then the Executive shall receive the Other Accrued Compensation and Benefits and, subject to Section 4(e) and, in the case of termination without Cause, subject also to Section 4(f):

(A) the Company shall continue to pay the Executive the Base Salary and Automobile Payment (at the rate in effect on the date of termination) in accordance with the Company's ordinary payroll practices in effect from time to time for the a period equal to the greater of (A) eighteen (18) months and (B) the remainder of the Term, with payments commencing on the 60th day following the Executive's Separation from Service (the "***Severance Period***");

(B) the Company shall provide the Executive with a cash amount equal to the Target Bonus for the year in which the Executive's employment is terminated without Cause or the Executive resigns for Good Reason and each full year remaining during the Term, with payment to be made on January 15th of the year following the year to which the Target Bonus relates; provided, however, that in no event will payment commence prior to the 60th day following the Executive's Separation from Service;

(C) the Company shall provide the Executive and his eligible dependents with continued participation in the Company's group medical plans applicable to other senior executives (as in effect from time to time) during the Severance Period or, in the event such participation is not permitted, a cash payment equal to the value of the benefit continuation, payable in three semi-annual installments beginning sixty (60) days following the Executive's Separation from Service. The Executive shall continue to be obligated to pay his share of premiums, deductibles and co-payments which may be deducted from the payment made pursuant to this Section 4(c)(i)(C) in the same manner as if the Executive was actively employed. In the event that the Executive obtains subsequent employment and is eligible to participate in the group medical plans of his new employer, the Executive agrees to notify the Company promptly, and any coverage provided under the Company's group medical plans shall terminate when coverage under the new employer's medical plans become effective.

(D) Options and RSUs that have not yet been granted or have not yet vested shall be treated as follows:

1. If the termination without Cause or resignation for Good Reason occurs prior to the 2017 grant, the entire 2017 grant (Options and RSUs) is forfeited;
2. If the termination without Cause or resignation for Good Reason occurs prior to the 2016 grant, the 2016 Option grant is forfeited and the 2016 RSU grant is granted with immediate vesting;
3. All granted but unvested Options and RSUs following a termination without Cause or resignation for Good Reason survive and shall vest immediately; and
4. The Executive will have 12 months after a termination without Cause or resignation for Good Reason to exercise vested Options.

(ii) The Executive shall have no further right to receive any other compensation or benefits after such termination of employment without Cause or resignation for Good Reason.

(d) Change of Control. If, within twenty-four (24) months following a Change of Control and prior to the expiration of the Term, the Executive incurs a Separation from Service by reason of the Company's termination of the Executive's employment without Cause, or as a result of his resignation for Good Reason, then:

(i) In addition to the payments under Section 4(c) and subject to Section 4(e), the Executive shall receive a cash payment equal to \$1,400,000 for each annual equity grant under Section 3(c) of this Agreement that has not been made as of the date of the Separation from Service.

(ii) The Executive shall receive a payment of \$107,500.

(iii) Payments pursuant to this Section 4(d) shall be made in equal installments during the Severance Period in accordance with the Company's ordinary payroll practices in effect from time to time commencing sixty (60) days following the Executive's Separation from Service.

(e) Execution and Delivery of Release; Restrictive Covenants. The Company shall not be required to make the payments and provide the benefits under Sections 4(c) and 4(d) (other than the Other Accrued Compensation and Benefits) unless (i) the Executive executes and delivers to the Company, within sixty (60) days following the Executive's Separation from Service, a general waiver and release of claims in the Company's standard form and the release has become effective and irrevocable in its entirety, and (ii) the Executive remains in material compliance with the Confidentiality, Non-Competition and Intellectual Property Agreement attached hereto as Exhibit A through the Severance Period (the "**Non-Competition Agreement**"). The Executive's failure or refusal to sign the release (or the revocation of such release in accordance with applicable laws) or the Executive's failure to materially comply with the Non-Competition Agreement shall result in the forfeiture of the payments and benefits payable under Sections 4(c) and 4(d).

(f) Mitigation. Subject to the Non-Competition Agreement, the Executive shall be required to mitigate the amount of any payment provided for under Section 4(c) (other than the Other Accrued Compensation and Benefits) by seeking other employment or remunerative activity reasonably comparable to his duties hereunder. Upon the Executive's obtaining such other employment or remunerative activity, future payments under Sections 4(c)(i)(A) and 4(c)(i)(B) shall be reduced by twenty-five percent (25%). The Executive shall not be required to mitigate, and there shall be no reduction of future payments under Sections 4(c)(i)(A) and 4(c)(i)(B), following a resignation for Good Reason or a termination without Cause within 24 months following a Change of Control.

(g) Notice of Termination. Any termination of employment by the Company or the Executive shall be communicated by a written "**Notice of Termination**" to the other party hereto given in accordance with Section 21 of this Agreement, except that the Company may waive the requirement for such Notice of Termination by the Executive. The date of the Executive's termination of employment shall be the date specified in the Notice of Termination.

(h) Resignation from Directorships and Officerships. The termination of the Executive's employment for any reason shall constitute the Executive's resignation from (i) any director, officer or employee position the Executive has with the Company and its subsidiaries and affiliates, and (ii) all fiduciary positions (including as a trustee) the Executive may hold with respect to any employee benefit plans or trusts established by the Company and its subsidiaries and affiliates. The Executive agrees that this Agreement shall serve as written notice of his resignation in this circumstance.

5. Definitions.

(a) Cause. For purposes of this Agreement, "**Cause**" shall mean the termination of the Executive's employment because of:

(i) the cessation of the Executive's ability to work legally in the United States or Canada other than for reasons not within the Executive's reasonable control;

(ii) any act or omission that constitutes a material breach by the Executive of any of his obligations under this Agreement;

(iii) the continued failure or refusal of the Executive to perform his material duties;

(iv) the Executive's conviction of, or plea of *nolo contendere* to, (A) any felony or (B) another crime involving dishonesty or moral turpitude or which reflects negatively upon the Company or otherwise impairs or impedes its operations;

(v) the Executive's engaging in any misconduct, negligence, act of dishonesty, violence or threat of violence (including any violation of federal securities laws) that is materially injurious to the Company or any of its subsidiaries or affiliates;

(vi) the Executive's material breach of the Non-Competition Agreement or any material written policy of the Company or any of its subsidiaries or affiliates;

(vii) any other willful misconduct by the Executive which is materially injurious to the financial condition or business reputation of the Company or any of its subsidiaries or affiliates;

provided, however, that no event or condition described in clauses (i), (ii) and (v) through (vii) shall constitute Cause unless (A) the Company first gives the Executive written notice of its intention to terminate his employment for Cause and the grounds for such termination, (B) such grounds for termination (if susceptible to correction) are not corrected by the Executive within thirty (30) days of his receipt of such notice (or, in the event that such grounds cannot be corrected within such thirty (30)-day period, the Executive has not taken all reasonable steps within such thirty (30)-day period to correct such grounds as promptly as practicable thereafter) and (C) the Company actually

terminates the Executive's employment with the Company within thirty (30) days following the expiration of the thirty (30) day cure period; provided, further, that no act or omission on the Executive's part shall be considered "willful" if it is done by the Executive in good faith and with a reasonable belief that his conduct was lawful and in the best interest of the Company.

(b) Change of Control. For purposes of this Agreement, a "**Change of Control**" of the Company will occur if any person or persons acting as a group (other than Bradley J. Wechsler and Richard L. Gelfond) acquires beneficial ownership of greater than fifty percent (50%) of the total voting power or fair market value of the stock of the Company, whether by direct or indirect acquisition or as a result of a merger or reorganization or a sale of all or substantially all of the Company's assets.

(c) Disability. For purposes of this Agreement, "**Disability**" means a physical or mental disability or infirmity of the Executive that prevents the normal performance of substantially all of his duties under this Agreement as an Executive of the Company, which disability or infirmity shall exist for any continuous period of 180 days.

(d) Good Reason. For purposes of this agreement, "**Good Reason**" shall mean the Executive's resignation as a result of (i) a material reduction in the Executive's responsibilities, positions, titles or reporting responsibilities from those set forth in this Agreement or (ii) the Company requiring the Executive to be based at any office or location more than thirty (30) miles from New York City; provided, however, that no such event shall constitute Good Reason unless (A) the Executive first gives the Company written notice of his intention to resign his employment for Good Reason and the grounds for such resignation, (B) such grounds for resignation (if susceptible to correction) are not corrected by the Company within thirty (30) days of its receipt of such notice and (C) the Executive actually resigns his employment with the Company within thirty (30) days following the expiration of the thirty (30) day cure period.

6. Nondisparagement. The Executive agrees that at no time during the Executive's employment by the Company or thereafter shall the Executive make, or cause or assist any other person to make, any statement or other communication to any third party that impugns or attacks, or is otherwise critical of, the reputation, business or character of the Company, its subsidiaries and affiliates, and their respective directors, officers or employees.

7. Recovery of Compensation. All payments and benefits provided under this Agreement shall be subject to any compensation recovery or clawback as required under law.

8. Section 409A of the Code.

(a) The payments and benefits provided under this Agreement are intended to comply with, or be exempt from, Section 409A of the Code ("Section 409A") and shall be interpreted or construed consistent with that intent. The Company shall not accelerate any payment or the provision of any benefits under this Agreement or make or provide any such payment or benefits if such payment or provision of such benefits would, as a result, be subject

to tax under Section 409A. If, in the good faith judgment of the Company, any provision of this Agreement could cause the Executive to be subject to adverse or unintended tax consequences under Section 409A, such provision shall be modified by the Company in its sole discretion to maintain, to the maximum extent practicable, the original intent of the applicable provision without contravening the requirements of Section 409A of the Code, provided, however, that such modification is not financially disadvantageous to the Executive. This Section 8(a) does not create an obligation on the part of the Company to modify this Agreement and does not guarantee that the amounts or benefits owed under this Agreement will not be subject to tax, interest and penalties under Section 409A.

(b) Anything in this Agreement to the contrary notwithstanding, each payment of compensation made to the Executive shall be treated as a separate and distinct installment payment from all other such payments for purposes of Section 409A. The actual date of payment pursuant to this Agreement shall be within the sole discretion of the Company. In no event may the Executive be permitted to control the year in which payment occurs. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A: (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; and (iii) such payments shall be made on or before the last day of the Participant's taxable year following the taxable year in which the expense occurred, or such earlier date as required hereunder.

(c) Notwithstanding any other provision of this Agreement, to the extent that the right to any payment (including the provision of benefits) hereunder provides for the "deferral of compensation" within the meaning of Section 409A(d)(1), if the Executive is a "Specified Executive" within the meaning of Section 409A(a)(2)(B)(i) on the date of the Executive's Separation from Service, then no such payment shall be made or commence during the period beginning on the date of the Executive's Separation from Service and ending on the date that is six (6) months following the Executive's Separation from Service or, if earlier, on the date of the Executive's death. The amount of any payment that would otherwise be paid to the Executive during this period shall instead be paid to the Executive on the fifteenth (15th) day of the first calendar month following the end of the six (6)-month period.

9. Source of Payments. All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets shall be made, to assure payment. The Employee shall have no right, title or interest whatsoever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

10. Assignment. This Agreement may be assigned by the Company. The Executive may not assign or delegate his duties under this Agreement without the Company's prior written approval.

11. Binding Agreement. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns.

12. Withholding. Any payments made or benefits provided to the Executive under this Agreement shall be reduced by any applicable withholding taxes or other amounts required or permitted to be withheld by law or contract.

13. Amendment; Waiver. Subject to Section 8, this Agreement may not be modified, amended or waived in any manner, except by an instrument in writing signed by both parties hereto. The waiver by either party of compliance with any provision of this Agreement by the other party (including the failure to insist upon strict compliance with any term, covenant or condition) shall not operate or be construed as a waiver of (i) any other provision of this Agreement, or (ii) any subsequent breach by such party of a provision of this Agreement.

14. Governing Law. All matters affecting this Agreement, including the validity thereof, are to be subject to, and interpreted and construed in accordance with, the laws of the State of New York applicable to contracts executed in and to be performed in that State.

15. Arbitration. Any dispute or controversy arising under or in connection with this Agreement or otherwise in connection with the Executive's employment by the Company that cannot be mutually resolved by the parties to this Agreement and their respective advisors and representatives shall be settled exclusively by arbitration in New York County, New York in accordance with the rules of the American Arbitration Association before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by an individual to be designated by the Company and an individual to be selected by the Executive, or if such two individuals cannot agree on the selection of the arbitrator, who shall be selected by the American Arbitration Association.

16. Survival of Certain Provisions. The rights and obligations set forth in this Agreement that, by their terms, extend beyond the Term shall survive the Term.

17. Entire Agreement. This Agreement and the Non-Competition Agreement contains the entire agreement and understanding of the parties hereto with respect to the matters covered herein, and supersedes all prior or contemporaneous negotiations, commitments, agreements and writings with respect to the subject matter hereof. All such other negotiations, commitments, agreements and writings shall have no further force or effect, and the parties to any such other negotiation, commitment, agreement or writing shall have no further rights or obligations thereunder.

18. Severability. In the event any provision or part of this Agreement is found to be invalid or unenforceable, only that particular provision or part so found, and not the entire Agreement, will be inoperative.

19. Counterparts. This Agreement may be executed by either of the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

20. Headings. The headings of sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

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

if to the Company:

IMAX Corporation
110 E. 59th Street
Suite 2100
New York, NY 10022
Attention: Executive Vice President—Human Resources
Facsimile: (212) 371-5510

if to the Executive:

[REDACTED]

All such notices shall be conclusively deemed to be received and shall be effective (i) if sent by hand delivery or overnight courier, upon receipt or (ii) if sent by electronic mail or facsimile, upon receipt by the sender of confirmation of such transmission; provided, however, that any electronic mail or facsimile will be deemed received and effective only if followed, within 48 hours, by a hard copy sent by certified United States mail.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Agreement to be signed pursuant to the authority of its Board, and the Executive has executed this Agreement, as of the date set forth above.

IMAX CORPORATION

/s/ Richard L. Gelfond

Richard L. Gelfond

CEO

ROBERT D. LISTER

/s/ Robert D. Lister

IMAX Corporation

Exhibit 10.38

Dated March 6, 2014

IMAX INTERNATIONAL SALES CORPORATION

and

ANDREW CRIPPS

SERVICE AGREEMENT

THIS AGREEMENT is made on March 6, 2014

BETWEEN:

IMAX INTERNATIONAL SALES CORPORATION of Building 5 Chiswick Park 566 Chiswick Park Road, London W4 5YE (the “**Company**”) and Andrew Cripps of [REDACTED] London SW13 9RQ (the “**Executive**”).

It is the intention of the parties that this document be executed as a Deed.

1. INTERPRETATION

“**Employment**” means the Employment of the Executive pursuant to this Agreement or, as the context requires, its duration;

“**Group Company**” means the Company, any subsidiary of the Company, any holding company of the Company, any subsidiary of such holding company and any company designated by the Board as an associated company from time to time or any combination or single one of these as the context requires. The expressions “holding company” and “subsidiary” shall have the meanings given to them by Section 1159 and Schedule 6, Companies Act 2006.

1.1 In this Agreement, unless the context otherwise requires:

- a) references to this Agreement include its Appendices and all defined terms shall apply in both equally;
- b) references to any legislation are references to that legislation as amended, replaced or re-enacted from time to time and any subordinate legislation made under it;
- c) words implying the singular include the plural and vice versa;
- d) words implying a gender include every gender; and
- e) references to a person include an individual, firm, company, corporation, unincorporated body of people, or any agency of the above.

2. APPOINTMENT

2.1 The Executive will be employed by the Company as Executive Vice President, IMAX Corporation and President, Europe, Middle East and Africa of IMAX International Sales Corporation.

2.2 Subject to Clause 15.1, the Employment will commence on 28 February 2014 and will continue until terminated by either party giving to the other not less than six months’ written notice. The Executive’s fixed-term employment with the Company, which commenced on 27 February 2012 shall count towards the Executive’s period of continuous employment with the Company.

2.3 The Company reserves the right to terminate the Employment by written notice at any time and to make a payment in lieu of notice, with such payment in the event of a termination without cause in the amount set forth in Clause 2.4. For the avoidance of doubt, in such cases termination will take effect immediately upon the giving of the written notice but the Executive’s entitlement to pay in lieu of notice or any unexpired period of notice will not be affected. The Company will

deduct tax and employee national insurance from any such payment, provided always that if the Company decides not to make a payment to the Executive pursuant to this Clause, the Executive cannot enforce that payment as a contractual debt nor as liquidated damages and his sole remedy will be a claim in damages. The Executive shall cease to have any entitlement to payment pursuant to this Clause if the Company discovers after notice has been served that it would otherwise have been entitled to terminate the Employment without notice in accordance with Clause 15.1.

- 2.4 In the event the Employment is terminated by the Company without cause, the Executive shall be entitled to a sum equivalent to six months of basic salary and benefits (as defined in Clauses 9 and 10 below) plus one additional month's basic salary and benefits for each complete year of service with the Company, up to a maximum of 12 months' salary and benefits in total.
- 2.5 During all or part of any period of notice, the Executive may be required by the Company in its absolute discretion not to attend the Company's premises and not to perform any duties for the Company, or to perform only such duties, specific projects or tasks as are assigned to him expressly by the Company, for such period and at such place or places as the Company deems necessary, provided always that the Executive will be entitled to receive his basic salary and any contractual benefits other than bonus during such period. For the avoidance of doubt the Executive will remain an employee of the Company and subject to his implied and express duties during any such period and may not carry out any work for any third party without the written consent of the Company. Any period during which the Company has exercised its rights under this Clause shall be termed "**Garden Leave**".
- 2.6 The Company retains the right at any time to suspend the Executive from the Employment for a period of up to 4 weeks on full salary in order to investigate any matter. For the avoidance of doubt, suspension is not a disciplinary sanction.

3. DUTIES

3.1 The Executive will:

- 3.1.1 at all times use his reasonable endeavours to promote the interests of the Company and any other Group Company giving the Company the full benefit of his knowledge, expertise and technical skills and, whenever required to do so, will promptly give a full account to the Company of all matters entrusted to him;
- 3.1.2 faithfully and diligently perform his duties and exercise all the powers of his office and such other functions within any Group Company as may be vested in him or reasonably required of him by or under the authority of Greg Foster on film-related matters, Richard Gelfond on all other matters, or such other individual(s) to whom the Company may direct that the Executive should report from time to time ("**Management**");
- 3.1.3 comply with all reasonable directions from time to time given to him by Management and with rules and policies from time to time laid down by the Company;
- 3.1.4 devote his full time and attention to his duties, working the normal hours of work of the Company and such additional hours (without additional remuneration) as are necessary;
- 3.1.5 attend and work at any premises of the Company and any Group Company wherever situated, and travel and work both in the UK and abroad as may be required for the proper fulfilment of his duties; and

3.1.6 at the request of Management, accept any other appointment with any Group Company from time to time incorporated (whether such appointment is in addition to or in substitution for the appointment specified in Clause 2.1) provided that such appointment does not render the terms of the Employment, taken as a whole, materially less favourable to the Executive than those prevailing before such appointment. The Executive agrees that under such circumstances, his employment may be novated to any other Group Company. No such change will be deemed to be a termination of the Employment.

3.2 The Executive agrees that for the purposes of the Working Time Regulations 1998 (and any amendment or re-enactment thereof) any legislative provisions imposing a maximum number of average weekly working hours shall not apply to the Employment. The Executive may withdraw consent by giving the Company not less than three months' notice in writing.

4. OTHER INTERESTS

4.1 Subject to Clause 4.2, the Executive will not, without the prior consent of Management, be engaged or be concerned in or undertake or be interested in (whether directly or indirectly) any other business or occupation or become a director or employee or agent or consultant or partner of any other person, firm or company other than a Group Company.

4.2 Notwithstanding Clause 4.1 the Executive may own beneficially any shares or securities listed on a Recognised Investment Exchange or the Alternative Investment Market which when aggregated with shares or securities beneficially owned by his spouse or partner and/or children, total not more five per cent of any single class of shares or securities in any company.

5. REMUNERATION

5.1 The Company will pay to the Executive during the Employment a salary at the rate of £500,000 per annum which will accrue from day to day and be payable by equal monthly instalments in arrears. The Executive's salary will be reviewed annually by Management, although such a review does not guarantee any increase. The first such review will take place in Q1 2015.

5.2 The Executive shall, during the Employment, be entitled to participate in a discretionary bonus scheme pursuant to which he may be eligible to receive up to 70% of his basic salary (of which figure 50% will be based on Company performance and 50% will be based on personal performance) conditional on the Executive meeting such targets as may be set by the Company from time to time. The payment of bonus in one year does not confer any entitlement to future bonus. The award of any bonus is conditional upon the Executive's continued employment and no bonus payment shall be made if the Employment has terminated for any reason or if he is under notice of termination (whether given by the Employer or the Executive) as at the date on which a bonus might otherwise have been payable.

5.3 The Executive authorises the Company to make deductions from the Executive's salary or any other sums due to him in respect of sums from time to time owing from the Executive to the Company or any other Group Company.

6. EXPENSES

6.1 The Company will reimburse to the Executive against appropriate evidence all travel and other business expenses properly and reasonably incurred by him in the course of his duties, in accordance with the Company's Global Travel and Expense Policy and any other applicable policies in effect from time to time.

- 6.2 If the Executive is provided with a credit or charge card by the Company, this must only be used for expenses reasonably incurred by him in the course of performing his duties under the Employment.

7. INCAPACITY

- 7.1 Subject to the Executive's compliance with this Clause 7 and any applicable Company policy dealing with sickness-related absence in effect from time to time, the Company will pay the Executive his full salary and benefits for the first 30 days of absence due to incapacity or sickness in any twelve month period. The Executive has no further contractual right to pay in respect of absence due to incapacity save for the Executive's entitlement to statutory sick pay ("SSP"). Any payment made under this Agreement in respect of a day of incapacity will count towards the Executive's SSP for that day and any benefits obtained by the Executive under any social security, national insurance or other legislation from time to time in force or any benefit received by him as a result of contributions paid by the Company to any health insurance scheme in respect of a day of incapacity will count towards payment to be made under this Agreement in respect of that day.
- 7.2 On the first day of absence due to incapacity the Executive must contact the Company as early as possible to provide details of his absence and its expected duration. For absences of up to seven days the Executive must send the Company a self-certificate in such form as the Company may reasonably require. For absences exceeding seven days he must send the Company a Statement of Fitness for Work signed by a medical practitioner covering all absence after the seventh day.
- 7.3 Where a period of incapacity overlaps with a period of holiday leave the Executive will only be entitled to take an additional compensatory period of holiday leave if this is required by law. Further this will be conditional upon him informing the Company of his incapacity on the first day (even if he is abroad) and (notwithstanding Clause 7.2) providing a doctor's certificate covering each day of his incapacity.
- 7.4 If the Executive is absent from work due to incapacity which results in the Executive recovering any sum representing compensation for loss of salary or other benefits under this Agreement, the Executive will repay to the Company any money it has already paid to him in respect of the same.
- 7.5 The Executive agrees to be examined at any time at the Company's request by a doctor nominated by the Company, and agrees to the release of his medical records to such doctor. The Executive authorises such doctor to disclose and to discuss with the Company and its advisers the results of such examinations.

8. HOLIDAYS

- 8.1 The Executive will be entitled to the usual public holidays and a further 25 working days' holiday in each full holiday year.
- 8.2 The Executive's holiday entitlement will be deemed to accrue from day to day and may not be carried over from one holiday year to the next. No payment will be made to the Executive in lieu of holiday accrued but not taken by him save on the termination of the Employment. If on termination of the Employment, the Executive has exceeded his accrued holiday entitlement, the appropriate deduction will be made from the Executive's final salary payment.
- 8.3 During the first and last year of the Employment, the Executive shall be entitled to a pro-rata proportion of his annual entitlement. The Company may require the Executive to take

outstanding holiday entitlement during any notice period, including in circumstances when the Executive is on Garden Leave.

8.4 The Company's holiday year runs from 1 January to 31 December.

9. BENEFITS

9.1 The Executive is entitled to remain part of the Company's pension scheme (the "Scheme"), subject to satisfying certain eligibility criteria and subject to the rules of the Scheme as amended from time to time. The Company will not make any contributions to the Scheme on the Executive's behalf unless required to do so by law. Full details of the Scheme are available from HR. A contracting-out certificate is not in force in respect of the employment.

9.2 At the Executive's request, the Company will pay the Executive a sum equivalent to 5% of his basic salary (as set out in Clause 5.1) in lieu of contributions towards the Executive's pension, such sums to be reduced by an amount equal to any sums which the Company is legally required to contribute to the Scheme. Such payment in lieu of pension contributions will not count towards the Executive's earnings for the purposes of calculating the discretionary bonus described in Clause 5.2 or any payment due to Executive upon the termination of Executive's employment. The Company will make all legally required deductions from any payments made under this Clause 9.2.

9.3 The Executive shall be entitled to participate in the Company's private medical insurance scheme (with cover for the Executive and his eligible dependents), disability insurance and life insurance scheme, subject to the terms of the schemes and the terms of the relevant insurance providers as amended from time to time. The Company's current life insurance benefit provides coverage of four times the Executive's salary upon insurance company approval after a medical review, with a guaranteed minimum of £400,000. Further details of the benefits provided herein will be provided to the Executive under separate cover. The Company reserves the right to change provider, amend or terminate the schemes at its sole discretion.

9.4 The Company will provide the services of a Company-designated tax consultant to assist in the preparation of the Executive's US and UK tax returns. The Executive is responsible for filing the required tax returns with the appropriate tax authorities and for paying all required taxes, as well as any interest and penalties.

9.5 For the avoidance of doubt the Company reserves the right to terminate the Employment even when such termination would or might cause the Executive to forfeit any entitlement to permanent health insurance, pension, sick pay or any other benefit.

10. CAR ALLOWANCE

10.1 Provided that the Executive holds a current driving licence, the Company shall pay to the Executive a car allowance for the use of the Executive's own car of £850 per month which shall be payable together with and in the same manner as the salary in accordance with Clause 5 above. The car allowance shall not be treated as part of the basic salary for any purpose and shall not be pensionable.

10.2 The Company shall reimburse the Executive in respect of reasonable car operating, maintenance and insurance costs subject to the Executive providing appropriate evidence of such expenses to the Company.

- 10.3 The Executive shall immediately inform the Company if he is disqualified from driving and shall cease to be entitled to receive the allowance under Clause 10.1 or reimbursement of expenses under Clause 10.2.

11. SHARE OPTIONS

- 11.1 The Executive will be granted Restricted Share Units (“RSUs”) of IMAX Corporation stock and/or an option to purchase shares of common stock of IMAX Corporation (the “Options”) on terms to be notified to the Executive from time to time, subject always to the rules of the IMAX Corporation Long Term Incentive Plan in force from time to time (the “Plan”).
- 11.2 The RSUs and Options shall not form part of the Executive’s entitlement to remuneration, benefits or entitlements pursuant to his contract of employment with any Group Company. Moreover, the existence of a contract of employment between the Executive and any present or past Group Company shall not give the Executive any right to have an RSUs or Options granted to him in respect of any number of shares either subject to any condition or at all.
- 11.3 The Executive’s rights and obligations under the terms of his contract of employment shall not be affected by his participation in the Plan. In particular, no benefits under the Plan shall be pensionable.
- 11.4 The Executive shall have no rights to seek equitable relief or to receive compensation or damages for any loss or potential loss which he may suffer in connection with any RSUs or Options or any rights or entitlements granted pursuant to the Plan or any other employee share plan established by the Company or any other Group Company which loss or potential loss arises in consequence of the loss or termination of his employment with any Group Company for any reason whatsoever and however that termination may be occasioned (including, without limitation, wrongful, unfair or otherwise unlawful termination).

12. CONFIDENTIALITY

“**Confidential Information**” means:

- a) any trade secret, customer information, trading detail or other information relating to the business, goodwill, secrets or personnel, Intellectual Property Rights of the Company or any Group Company, which is not publicly available;
- b) any version of any code, algorithm, program or similar item capable of being recorded, copied or transmitted, which has been originated, developed or modified by the Company or any Group Company;
- c) any information specifically designated by the Company, any other Group Company or any customer as confidential;
- d) any information supplied to the Company or any other Group Company by any third party in relation to which a duty of confidentiality is owed or arises;
- e) any information required to be treated as confidential by any legislation or professional or regulatory rule or requirement;
- f) any information or item, which should otherwise be reasonably regarded as possessing a quality of confidence;

- g) any information having commercial value or use in relation to the business activities of the Company or any Group Company, including any such information introduced by the Executive into any computer or other electronic system or storage method owned or operated by the Company or any other Group Company; and
- h) any information or item obtained, derived or compiled from any of the above.

- 12.1 The Executive must not during the Employment (other than in the proper performance of his duties) or at any time thereafter use for his own purposes or disclose to any third party any Confidential Information and must use his best endeavours to prevent such disclosure.
- 12.2 All Confidential Information and all other documents, papers and property which may have been made or prepared by or at the request of the Executive or have come into his possession or under his control in the course of the Employment or which relate in any way to the Company and/or other Group Company or its or their business, prospective business or affairs or those of any customer, supplier, agent, distributor or sub-contractor of the Company and/or any other Group Company are as between the Company or the relevant Group Company and the Executive deemed to be the property of the Company or relevant Group Company as the case may be. The Executive must deliver up all such documents and other property, including all copies, to the Company immediately upon the termination of the Employment or at any earlier time on demand.
- 12.3 The Executive must inform the Company as soon as practicable if he becomes aware of the possession, use or knowledge of any of the Confidential Information by any person not authorised to possess, use or have knowledge of the Confidential Information, whether during the Employment or thereafter and must at the Company's request provide such reasonable assistance as is required to deal with such event, provided that the Company will pay reasonable expenses incurred by the Executive in providing such assistance.
- 12.4 The provisions of this Clause do not apply to any Confidential Information which:
 - 12.4.1 is in or enters the public domain other than by breach of this Agreement; or
 - 12.4.2 is obtained from a third party who is lawfully authorised to disclose such information; or
 - 12.4.3 is authorised for release by the prior written consent of the CEO of IMAX Corporation; or
 - 12.4.4 is a protected disclosure as defined by Part IVA Employment Rights Act 1996.
- 12.5 Nothing in this Clause will prevent the Executive from disclosing Confidential Information where it is required to be disclosed by judicial, administrative, governmental or regulatory process in connection with any action, suit, proceeding or claim or otherwise by applicable law.
- 12.6 Failure by the Executive to comply with this clause shall constitute a breach of this Agreement entitling the Company to terminate it immediately.

13. INTELLECTUAL PROPERTY

“Intellectual Property Rights” means copyrights, patents, utility models, trade marks, service marks, design rights (whether registered or unregistered), database rights, semiconductor topography rights, proprietary information rights and all other similar proprietary rights and

applications for such rights as may exist anywhere in the world and any applications, extensions and renewals in relation to any of these rights; and

“Inventions” means all inventions, improvements, modifications, processes, formulae, models, prototypes and sketches, drawings, plans or specifications for them or other matters which the Executive alone or with one or more others may make, devise or discover during the Employment and which pertain or are actually or potentially useful to the commercial or industrial activities from time to time of the Company or any Group Company or the processes or machinery of the Company or any Group Company for providing the services or making the products of the Company or Group Company or which pertain to, result from or are suggested by any work which the Executive or any employee has done or may do during the Employment.

- 13.1 The Executive will promptly disclose and deliver to the Company for the exclusive use and benefit of the Company or any other Group Company full details of any Inventions upon the making, devising or discovering of the same during the Employment, irrespective of whether they were so made, devised or discovered during normal working hours or using the facilities of the Company or other Group Company. The Executive will, irrespective of the termination of the Employment, give all information and data in his possession as to the exact mode of working, producing and using the same and will also at the expense of the Company give all such explanations, demonstrations and instructions to the Company as it may deem appropriate to enable the full and effectual working, production or use of the same.
- 13.2 The Executive will, without additional payment to him (except to the extent provided in Section 40, Patents Act 1977 or any similar provision of applicable law), whether or not during the continuance of the Employment, at the expense of the Company, promptly execute and do all acts, matters, documents and things necessary to enable the Company, any other Group Company or any nominee to apply for and obtain any or all applicable Intellectual Property Rights in any or all countries relating to any Inventions or other materials produced by the Executive during the Employment.
- 13.3 The Executive:
- 13.3.1 will do anything necessary to confirm vesting of title to any or all applicable Intellectual Property Rights (except only to the extent that such Intellectual Property Rights fail to vest in the Company or any Group Company) in any or all countries relating to any Inventions or other materials produced by the Executive during the Employment in the Company, any other Group Company or any nominee absolutely;
- 13.3.2 with full title guarantee hereby assigns (insofar as title to them does not automatically vest in the Company as a consequence of the employment) to the Company by way of future assignment all copyrights arising in any original material (including without limitation source code and object code for software) produced by the Executive during the Employment, whether during the normal hours of work of the Company or otherwise or at the premises or using the facilities of the Company or otherwise, being the exclusive right to do and to authorise others to do any and all acts restricted by the Copyright Designs and Patents Act 1988 in relation to such material in the United Kingdom together with copyright in all other countries of the world (and/or any similar rights in countries where such rights exist) for the whole term of such copyright including any extensions or renewals thereof and including the right to sue for damages and other remedies in respect of any infringements of the copyrights in such material or conversion of infringing copies

of the material prior to the date of this Agreement to hold unto the Company absolutely; and

- 13.3.3 waives all moral rights arising from any such original material so far as the Executive may lawfully do so in favour of the Company and for the avoidance of doubt this waiver shall extend to the licensees and successors in title to the copyright in the said material.
- 13.4 Without prejudice to the generality of Clauses 13.2 and 13.3, the Executive hereby irrevocably and by way of security appoints the Company as his attorney in his stead to do all such things and execute all such documents as may be necessary for or incidental to grant to the Company the full benefit of this Clause.
- 13.5 The Executive will do nothing (whether by omission or commission) during the Employment or at any times thereafter to affect or imperil the validity of any Intellectual Property Rights obtained, applied for or to be applied for by the Company or its nominee. In particular without limitation the Executive shall not disclose the subject matter of any Inventions which may be patentable before the Company has had the opportunity to apply for any patent or patents. The Executive will at the direction and expense of the Company promptly render all assistance within his power to obtain and maintain such Intellectual Property Rights or any application for any extension of them.
- 13.6 Nothing in this Agreement obliges the Company or any other Group Company to seek patent or other protection for any Invention or to exploit any Invention.

14. POST TERMINATION RESTRICTIONS

- 14.1 The Executive must not in a Relevant Capacity save as the beneficial owner of shares or other securities of a body corporate whose shares are quoted on a Recognised Investment Exchange and which when aggregated with shares or securities beneficially owned by the Executive's spouse and/or children, total no more than five per cent of any single class of shares or securities in such body corporate, for the periods set out below after the Termination Date:
- (a) for twelve months undertake, carry on or be employed, engaged or interested in either any business activity which is competitive with a Relevant Business within the Restricted Area or any business, an objective or anticipated result of which is to compete with a Relevant Business within the Restricted Area;
 - (b) for twelve months solicit, entice, induce or encourage a Customer to transfer, remove or divert custom away from the Company or any other Relevant Company;
 - (c) for twelve months transact or accept business from a Customer for the supply of Relevant Services;
 - (d) for twelve months be employed or engaged by a Customer in connection with the supply of Relevant Services;
 - (e) for twelve months, for a business competing with any Relevant Business solicit, offer employment to, interfere with or endeavour to entice away from employment or engagement with the Company (or procure or assist any such activity regarding) any Restricted Employee, or do any act whereby a Restricted Employee is encouraged to terminate their employment or engagement with the Company, whether or not such person would by reason

of terminating their service with the Company commit a breach of their contract or employment or engagement;

- (f) for twelve months contract with or engage a Partner in such a way as could adversely affect the business of the Company or any Group Company.

- 14.2 The duration of the restrictions referred to above shall be reduced by any period spent by the Executive on Garden Leave.
- 14.3 The Executive must not at any time during the Employment or after the Termination Date use any name used by the Company or other Group Company at the Termination Date or any name likely to cause confusion with it in the minds of members of the public, for the purposes of a business which competes with any business carried on by the Company or any Group Company whether by using such name as part of a corporate name or otherwise.
- 14.4 The Executive must not at any time after the Termination Date represent himself as being connected with or employed by the Company or any other Group Company.
- 14.5 If the Executive receives an offer to be involved in a business concern in any capacity either during the Employment or prior to the expiry of the last of the restrictions referred to above he shall give the person making that offer a copy of this Clause 14 and shall disclose to the Company the identity of the future employer/client (as applicable) immediately after accepting the offer.
- 14.6 The Executive hereby agrees and undertakes that he will at the request and expense of the Company enter into a direct agreement or undertaking with another Group Company by which he accepts restrictions as contained in this Clause 14 (or such of them as are, in the opinion of the Company, appropriate).
- 14.7 Each of the restrictions contained in this clause 14 constitutes an entirely separate and independent restriction and is considered by the parties to be reasonable and necessary for the protection of the legitimate interests of the Company and the Group Companies but, if any such restriction or part of it shall be found void, invalid, illegal or unenforceable by any court of competent jurisdiction, but would be valid if some words were deleted from it, or the period of it reduced, or area covered or range of activities reduced, such restriction shall apply with such modification as may be necessary to make it valid and effective.
- 14.8 In the event of any clause or part of a clause contained in this agreement being declared invalid or unenforceable by any court of competent jurisdiction, all other clauses or parts of clauses contained in this agreement shall remain in full force and effect and shall not be affected thereby.

For the purpose of this Clause 14

“Customer” means any person:

- (a) who at any time during the Relevant Period was a customer or client of a Relevant Company (whether or not goods or services were actually provided during such period) or with whom a Relevant Company was negotiating with a view to supplying goods or services, or to whom a Relevant Company was actively and directly seeking to supply goods or services; and
- (b) with whom the Executive had dealings at any time during the Relevant Period, or in respect of whom the Executive had possession of, or access to, confidential information as a result of the Employment.

“Partner” means any contract generated by the Company or any Group Company for the purpose of furthering its business interests including (but not limited to) any person contracted to supply goods or services to the Company or Group Company and with whom the Executive had dealings during the Relevant Period;

“Relevant Business” means any business activity carried on by the Company or any Group Company during the Relevant Period that the Executive was involved in or for which the Executive developed products or programs or about which the Executive received confidential information;

“Relevant Capacity” means directly or indirectly, either alone or jointly with or providing assistance or support to another or others, whether as principal, agent, consultant, director, partner, shareholder, independent contractor, employee or in any other capacity, through any other person, firm or company, and whether for the Executive’s own benefit or that of others;

“Relevant Company” means the Company and/or any Group Company with which the Executive was involved during the Relevant Period;

“Relevant Period” means the period of twelve months ending on the Termination Date;

“Relevant Services” means goods or services identical to, substantially similar to, or competitive with, those which any Relevant Company was supplying, or negotiating or actively and directly seeking to supply to a Customer during the Relevant Period and in the course of a Relevant Business;

“Restricted Area” means Europe, the Middle East, and Africa;

“Restricted Employee” means any person with whom in the performance of the Executive’s duties during the Relevant Period the Executive had material dealings or had managerial responsibility over and who:

- (i) at the Termination Date is an employee, officer, consultant, independent contractor or worker of the Company or any other Relevant Company; or
 - (ii) who was engaged in such a capacity during the Relevant Period;
- and
- (iii) who worked or provided services in a senior, executive, managerial, sales, creative, research, development, testing or senior financial capacity; or
 - (iv) had possession of, control over, or access to confidential information relating to the business of the Company or any other Group Company or any Customer; or
 - (v) had material contact with any Customer.

“Termination Date” means the date on which the Employment terminates.

15. TERMINATION FOR BREACH

15.1 Notwithstanding the provisions of Clause 2.2, the Company may terminate the Employment by written notice having immediate effect if the Executive:

- 15.1.1 is guilty of serious dishonesty or of gross misconduct or incompetence or wilful neglect of duty; or
 - 15.1.2 commits any serious or repeated breach of any of the provisions of this Agreement or refuses or neglects to comply with any reasonable directions of Management; or
 - 15.1.3 is convicted of a criminal offence, other than a road traffic offence for which a term of imprisonment whether immediate or suspended is not imposed; or
 - 15.1.4 becomes bankrupt, applies for a bankruptcy petition or has a bankruptcy order made against him, applies for or has made against him a receiving order or makes any composition or enters into any deed of arrangement with his creditors; or
 - 15.1.5 being a director, is disqualified or prohibited from being a director by reason of any order made by any competent court; or
 - 15.1.6 being a director, ceases by his own act or default to be a director of the Company or a Group Company; or
 - 15.1.7 ceases to be eligible to work in the UK; or
 - 15.1.8 regardless of the terms of any PHI or other sickness benefit scheme, is unable through sickness or injury for twelve consecutive weeks or an aggregate of fifteen weeks in any fifty-two consecutive weeks to perform the duties of the Employment; or
 - 15.1.9 after receiving written warning from the Company in respect of the poor performance of his duties, continues to perform his duties to an unsatisfactory standard; or
 - 15.1.10 is guilty of conduct which brings him or may bring him or the Company or any Group Company into disrepute.
- 15.2 Upon the termination of the Employment or the Company exercising its rights under Clause 2.4 or if the Executive, being a director, ceases for any reason to be a director of the Company the Executive must immediately if so required by the Company:
- 15.2.1 resign without compensation from his office as director of any Group Company and all other companies of which he shall have been appointed a director by any Group Company by virtue of any right of nomination vested in such member; and
 - 15.2.2 transfer any shares held by the Executive required to be transferred either in accordance with the Company's articles of association or any agreement by which the Executive is bound.
- 15.3 The Executive hereby irrevocably and by way of security appoints the Company to be his attorney and in his name and on his behalf to do all such things and execute all such documents which he is obliged to execute and do under this Agreement (including without limitation those documents which may be necessary for or incidental to his resignation from office and transfer of shares in accordance with Clause 15.2).

16. RETURN OF PROPERTY AND DATA

“Electronic Device” means any electronic device provided to the Executive or paid for by the Company and, to avoid doubt, shall include desktop computers, laptops and tablet computers,

mobile phones, smart phones, USB drives, flash drives, CD-ROM's, DVD media, portable hard drives and any other device which incorporates electronic storage media or which facilitates the electronic storage of data.

- 16.1 Upon the termination of the Employment or at any time upon demand the Executive will return to the Company in good condition and without modification all physical property, including all documents, correspondence, computers and computer discs, papers, materials, credit or charge cards, keys and security access cards, including all copies thereof, and which for the avoidance of doubt shall remain the property of the Company at all times and all other property of or relating to the business or affairs of the Company or other Group Company or any officer, employee, customer, supplier or agent of the Company or other Group Company, or its or their customers, clients or suppliers.
- 16.2 In relation to all Electronic Devices, the Executive will by no later than the last day of the Employment, or within one working day of any earlier request provide to Management or its nominee each device together with all peripheral equipment, power leads and software related to each of them and, for each device, a list of all passwords, PINs, user names, combinations, access codes and any other information which may be necessary to access that device.
- 16.3 The Executive shall not delete, copy (including copying through forwarding or other transmission), deliberately alter or manipulate, or make unauthorised use of any data (including metadata) stored on any Electronic Device before he returns it, except for personal correspondence.
- 16.4 In relation to any other electronic device in the Executive's possession or control, the Executive agrees that he:
- 16.4.1 will provide a schedule to the Company of all electronic copies and/or versions of any Company data and Confidential Information on each device, by no later than the last day of the Employment or within one working day of any earlier request, and comply with any instructions from, or requirements of, the Company in relation to the same. This may include arrangements for the irretrievable deletion of such Company data and Confidential Information under the Company's supervision; and
- 16.4.2 will not delete, copy, forward, transmit, deliberately alter or manipulate, or make unauthorised use of any Company data or Confidential Information stored on any such device without Management's prior written permission.
- 16.5 The Executive agrees that he will execute a Deed undertaking that he has complied with the obligations above if requested to do so by the Company.

17. DATA PROTECTION AND COMPUTER MONITORING

- 17.1 The Company will hold computer records and personnel files relating to the Executive. These may include, but are not limited to, the Executive's employment application, references, bank details, performance appraisals, holiday and sickness records, salary reviews and remuneration details and other records, (which may, where necessary, include sensitive data relating to the Executive's health, and data held for ethnic monitoring purposes). The Company requires such personal data for personnel administration and management purposes and to comply with its obligations regarding the keeping of employee/worker records. The Executive's right of access to this data is as prescribed by law.

- 17.2 The Executive hereby agrees that the Company may process personal data relating to him for personnel administration and management purposes, and may, when necessary for those purposes, make such data available to its advisors, to parties providing products and/or services to the Company (such as IT systems suppliers, pension, benefits and payroll administrators), to regulatory authorities (including HM Revenue & Customs) and as required by law. Further, the Executive hereby agrees that the Company may transfer such data to and from any Group Company including any member of any Group Company located outside the European Economic Area.
- 17.3 The Executive acknowledges that the Company reserves the right to monitor all e-mail / internet activity and he acknowledges that such activity falls within the exception set out in Article 8(2) of the European Convention on Human Rights.

18. AMENDMENTS AND WAIVERS

- 18.1 No amendment to the provisions of this Agreement will be effective unless in writing and signed by the parties hereto or their duly authorised representatives.
- 18.2 All rights, remedies and powers conferred upon the parties to this Agreement are cumulative and will not be deemed or construed to be exclusive of any other rights, remedies or powers now or after the date of this Agreement, conferred upon the parties to this Agreement or either of them by law or otherwise.
- 18.3 Any failure at any time to insist upon or enforce any such right, remedy or power will not be construed as a waiver thereof.

19. NOTIFICATION OF CHANGE IN CIRCUMSTANCES

The Executive must notify the Company in writing of a) any change in his name, address, dependants or next-of-kin within one month of such change; and b) immediately upon the occurrence of any event entitling the Company to dismiss the Executive without notice under Clause 15.1.

20. DISCIPLINARY RULES AND GRIEVANCE PROCEDURES

Any matter of discipline will be considered by the Company in accordance with its legal obligations. A copy of the Company's dismissal, disciplinary and grievance procedure (which is for guidance only and does not form part of the Executive's contract) including the person to whom the Executive should apply if dissatisfied with any disciplinary decision or to whom he can apply to seek redress of a grievance relating to the employment, can be obtained upon request from the Human Resource department.

21. WARRANTY AND UNDERTAKING AND INDEMNITY

- 21.1 The Executive represents and warrants that he is not a party to any agreement, contract (whether of employment or otherwise) or understanding, which would in any way restrict or prohibit him from undertaking or performing any of the duties of the Employment in accordance with the terms and conditions of this Agreement.
- 21.2 The Executive will, if applicable, (and will procure that his spouse or partner and dependent children (if any)) comply with Part V of the Criminal Justice Act 1993 and with the London Stock Exchange PLC's Model Code for Securities Transactions by Directors of Listed Companies and

any applicable AIM rules and rules or policies issued by the Company from time to time in relation to the holding or trading of other securities.

- 21.3 The Executive shall pay and fully indemnify the Company against all income tax payable by the Company on his behalf by reason of the provision of any of the benefits received by the Executive in connection with the employment. The Company shall be entitled to make deductions from his salary or other payments due to the Executive to satisfy any such income tax liability.
- 21.4 The Executive warrants and undertakes that he is entitled to work in the UK and if immigration permission is required for him to work in the UK he warrants and undertakes to (i) provide documentary evidence annually and as the Company may require from time to time to prove that such immigration permission remains valid and in order for the Company to check his immigration status, and (ii) notify the Company immediately of any change to his immigration status or of any change in circumstances which may affect his right to work for the Company or to live in the UK.

22. MISCELLANEOUS

- 22.1 This Agreement constitutes the whole agreement between the parties. All other representations, arrangements, understandings and agreements, whether written or oral, (if any) for service between the Company and the Executive are hereby abrogated and superseded.
- 22.2 There is no collective agreement which directly affects the terms and conditions of employment contained in this Agreement. Further, there are no particulars governing any period of more than one month during which the Executive is required to work outside the United Kingdom.
- 22.3 This Agreement incorporates a written statement of terms of employment pursuant to Section 1 of the Employment Rights Act 1996.
- 22.4 It is not intended that the Contracts (Rights of Third Parties) Act 1999 should apply to this Agreement or that any third party should be able to enforce any term of this Agreement against the Company or any Group Company. Further, this Agreement may be varied or rescinded by agreement between the Company and the Executive without the consent of any third party.

23. GOVERNING LAW

- 23.1 This Agreement shall be governed by and construed in all respects in accordance with the laws of England.
- 23.2 Each of the parties hereto hereby irrevocably submits to the non-exclusive jurisdiction of the English Courts.

IN WITNESS of which the parties have duly executed this Agreement as a Deed on the day and year first before written.

EXECUTED as a Deed by _____)

IMAX INTERNATIONAL SALES CORPORATION _____)

/s/ Robert D. Lister, Vice President

/s/ Joseph Sparacio, Vice President

SIGNED as a DEED and DELIVERED)

by **ANDREW CRIPPS**

/s/ Andrew Cripps

IMAX CORPORATION

Exhibit 10.39

Published CUSIP Number: C4548VAA7
Revolving Loan CUSIP Number: C4548VAB5

FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

by and between

IMAX CORPORATION

as Borrower

- and -

THE GUARANTORS REFERRED TO HEREIN

as Guarantors

- and -

THE LENDERS REFERRED TO HEREIN

as Lenders

- and -

WELLS FARGO BANK, NATIONAL ASSOCIATION

as Agent and Issuing Lender

- and -

WELLS FARGO SECURITIES, LLC,

as Sole Lead Arranger and Sole Bookrunner

Dated: March 3, 2015

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FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

This Fourth Amended and Restated Credit Agreement dated March 3, 2015 is entered into by and between IMAX Corporation, a corporation incorporated pursuant to the laws of Canada, as Borrower, the guarantors who are a party to this Agreement and who may become a party hereto pursuant to the terms hereof, as Guarantors, the lenders who are a party to this Agreement and who may become a party hereto pursuant to the terms hereof, as Lenders, and Wells Fargo Bank, National Association, a national banking association, as Agent for the Secured Parties.

WITNESSETH:

WHEREAS Borrower and Congress Financial Corporation (Canada) (“**Original Lender**”) entered into a loan agreement dated February 6, 2004 which was amended pursuant to:

- (a) a first amendment to the Loan Agreement dated June 30, 2005;
- (b) a second amendment to the Loan Agreement dated May 16, 2006;
- (c) a second amendment to the Loan Agreement dated May 16, 2006 (which amended, restated and replaced in its entirety the second amendment to the Loan Agreement referred to in clause (b) above);
- (d) a third amendment to the Loan Agreement dated September 30, 2007;
- (e) a fourth amendment to the Loan Agreement dated December 5, 2007; and
- (f) a fifth amendment to the Loan Agreement dated May 5, 2008,

(collectively, the “**Original Loan Agreement**”);

WHEREAS Wachovia Capital Finance Corporation (Canada) (formerly known as Congress Financial Corporation (Canada)) as agent (the “**Original Agent**”) and lender, Borrower and Export Development Canada (“**EDC**”), as lender, amended and restated the Original Loan Agreement pursuant to an amended and restated credit agreement dated November 16, 2009 as amended by a first amendment to the amended and restated credit agreement dated January 21, 2011 (as amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the “**First Amended and Restated Credit Agreement**”);

WHEREAS Wells Fargo Capital Finance Corporation Canada (formerly known as Wachovia Capital Finance Corporation (Canada)), as Original Agent and lender, Borrower and EDC, as lender, amended and restated the First Amended and Restated Credit Agreement pursuant to a second amended and restated credit agreement dated June 2, 2011 (as amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the “**Second Amended and Restated Credit Agreement**”);

WHEREAS Agent (as successor agent to the Original Agent), Borrower and Lenders amended and restated the Second Amended and Restated Credit Agreement pursuant to a third amended and restated credit agreement dated February 7, 2013 (as amended, modified, supplemented,

extended, renewed, restated or replaced from time to time, the “**Third Amended and Restated Credit Agreement**”);

WHEREAS Agent, Borrower and Lenders desire to amend and restate the Third Amended and Restated Credit Agreement as set forth herein; and

WHEREAS each Lender is willing to (severally and not jointly) make loans and provide such financial accommodations to Borrower on a *pro rata* basis according to their Revolving Loan Commitment to Borrower on the terms and conditions set forth herein and Agent is willing to act as agent for Secured Parties on the terms and conditions set forth herein and the other Financing Agreements;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 **DEFINITIONS**

All terms used herein which are defined in the PPSA (as defined below) shall have the meanings given therein unless otherwise defined in this Agreement. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural unless the context otherwise requires. All references to Borrower, Credit Parties, Guarantors, Lenders, Issuing Lender and Agent pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. The words “**hereof**”, “**herein**”, “**hereunder**”, “**this Agreement**” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. The word “**including**” when used in this Agreement shall mean “**including, without limitation**”. References herein to any statute or any provision thereof include such statute or provision as amended, revised, re-enacted, and/or consolidated from time to time and any successor statute thereto. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 12.3 or, without derogating from the cure rights, if any, provided to Credit Parties in Article 10 hereof, is cured in a manner satisfactory to Agent, if such Event of Default is capable of being cured as determined by Agent. Any accounting term used herein unless otherwise defined in this Agreement shall have the meanings customarily given to such term in accordance with GAAP. If, after the Closing Date, there shall be any change in the application of the accounting principles used in preparation of Borrower’s financial statements as a result of any changes in GAAP including International Financial Reporting Standards becoming applicable to Borrower, which changes (a) result in a change in the method of calculation of, or (b) impact on, financial covenants or other covenants applicable to Borrower found in this Agreement or the other Financing Agreements, Borrower and Agent shall promptly enter into negotiations in good faith in order to amend such financial covenants or other covenants so as to reflect equitably such changes with the desired result that the evaluations of Borrower’s financial condition shall be the same after such changes as if such changes had not been made. Canadian Dollars and the sign “**CDN\$**” mean lawful money of Canada. “**US Dollars**” and the sign “**\$**” mean lawful money of

the United States of America. All monetary amounts referred to in this Agreement are in US Dollars unless otherwise stated. For purposes of this Agreement, the following terms shall have the respective meanings given to them below:

“**Accounts**” means all present and future rights of any Credit Party to payment for goods sold or leased or for services rendered, which are not evidenced by instruments or chattel paper, and whether or not earned by performance.

“**Adjusted Euro Dollar Rate**” means, with respect to each Interest Period for any Euro Dollar Rate Loan, the rate *per annum* (rounded upwards, if necessary, to the next 1/16th of 1%) determined by dividing:

- (a) the Euro Dollar Rate for such Interest Period by:
- (b) a percentage equal to:
 - (i) one (1) minus
 - (ii) the Reserve Percentage.

For purposes hereof, “**Reserve Percentage**” shall mean the reserve percentage, expressed as a decimal, prescribed by any United States or foreign banking authority for determining the reserve requirement which is or would be applicable to deposits of US Dollars in a non-United States or an international banking office of the US Reference Bank used to fund a Euro Dollar Rate Loan or any Euro Dollar Rate Loan made with the proceeds of such deposit, whether or not US Reference Bank actually holds or has made any such deposits or loans. The Adjusted Euro Dollar Rate shall be adjusted on and as of the effective day of any change in the Reserve Percentage.

“**Affiliate**” or “**affiliate**” shall have the meaning ascribed thereto in the *Business Corporations Act* (Canada).

“**Agent**” means Wells Fargo, in its capacity as administrative and collateral agent hereunder, and any successor thereto appointed pursuant to Section 11.11.

“**Agreed Currency**” shall have the meaning set forth in Section 13.7 hereof.

“**Applicable Margin**” means the corresponding percentages *per annum* as set forth below based on the Total Leverage Ratio:

Pricing Level	Total Leverage Ratio	Applicable Margin for Eurodollar Rate Loans and Letter of Credit Accommodations	Applicable Margin for Commitment Fees
I	Less than 1.00:1.00	1.50%	0.25%
II	Greater than or equal to 1.00:1.00 but less than 2.00:1.00	1.75%	0.375%
III	Greater than or equal to 2.00:1.00	2.00%	0.50%

The Applicable Margin shall be determined and adjusted quarterly on the date (each an “**AM Calculation Date**”) 10 Business Days after the day by which Borrower is required to provide a Compliance Certificate pursuant to Section 7.6(a) for the most recently ended Fiscal Quarter; provided that (a) the Applicable Margin shall be based on Pricing Level I until the first AM Calculation Date occurring after the Closing Date and, thereafter the Pricing Level shall be determined by reference to the Total Leverage Ratio as of the last day of the most recently ended Fiscal Quarter preceding the applicable AM Calculation Date, and (b) if Borrower fails to provide the Compliance Certificate as required by Section 7.6(a) for the most recently ended Fiscal Quarter preceding the applicable AM Calculation Date, the Applicable Margin from such AM Calculation Date shall be based on Pricing Level III until such time as an appropriate Compliance Certificate is provided, at which time the Pricing Level shall be determined by reference to the Total Leverage Ratio as of the last day of the most recently ended Fiscal Quarter preceding such AM Calculation Date. The Applicable Margin shall be effective from one AM Calculation Date until the next AM Calculation Date. Any adjustment in the Applicable Margin shall be applicable to all Revolving Loans or Letter of Credit Accommodations then existing or subsequently made or issued.

Notwithstanding the foregoing, in the event that any financial statement or Compliance Certificate delivered pursuant to Section 7.6(a) is shown to be inaccurate (regardless of whether (i) this Agreement is in effect, (ii) the Revolving Loan Commitment is in effect, or (iii) any Loan or Letter of Credit Accommodation is outstanding when such inaccuracy is discovered or such financial statement or Compliance Certificate was delivered), and such inaccuracy, if corrected, would have led to the application of a higher Applicable Margin for any period (an “**Applicable Period**”) than the Applicable Margin applied for such Applicable Period, then (A) Borrower shall immediately deliver to Agent a corrected Compliance Certificate for such Applicable Period, (B) the Applicable Margin for such Applicable Period shall be determined as if the Total Leverage Ratio in the corrected Compliance Certificate were applicable for such Applicable Period, and (C) Borrower shall immediately and retroactively be obligated to pay to Agent the accrued additional interest and fees owing as a result of such increased Applicable Margin for such Applicable Period, which payment shall be promptly applied by Agent in accordance with Section 5.3. Borrower’s obligations under this paragraph shall survive the termination of the Revolving Loan Commitments and the repayment of all other Obligations hereunder.

“**Arranger**” means Wells Fargo Securities, LLC, in its role hereunder as sole lead arranger and sole bookrunner.

“**Asset Disposition**” means (a) the disposition of any or all of the assets of any Credit Party thereof whether by sale, lease, transfer or otherwise and (b) any issuance of Capital Stock by any Subsidiary of Borrower to any Person that is not a Credit Party or any Subsidiary thereof.

“**Assignment and Assumption Agreement**” means an assignment and assumption agreement entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 11.1), and accepted by Agent, in substantially the form attached hereto as Exhibit A or any other form approved by Agent.

“**BIA**” means the *Bankruptcy and Insolvency Act* (Canada).

“**BMO**” means Bank of Montreal.

“**BMO Term Sheet**” means the term sheet dated July 10, 2014 between Borrower and BMO with respect to the issuance of:

- (a) a \$10,000,000 Demand, Revolving Letter of Credit Facility by BMO in favour of Borrower (the “**BMO LC Facility**”);
- (b) a CDN\$175,000 Mastercard Businesscard Facility by BMO in favour of Borrower (the “**Mastercard Facility**”); and
- (c) a \$3,000,000 Directline for Business – Foreign Exchange Settlement Facility by BMO in favour of Borrower (the “**F/X Facility**”).

“**Borrower**” means IMAX Corporation, a corporation incorporated pursuant to the laws of Canada.

“**Business Day**” means a day (other than a Saturday, Sunday or statutory holiday in Ontario or New York) on which Agent’s Toronto office and banks in New York City are open for business in the normal course.

“**Capital Lease Obligations**” means all monetary obligations of Borrower and its Subsidiaries under a capital lease and, for the purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

“**Capital Stock**” means (a) in the case of a corporation or company, capital stock or shares (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (c) in the case of a partnership, partnership interests (whether general or limited), (d) in the case of a limited liability company, membership interests, (e) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person and (f) any and all warrants, rights or options to purchase any of the foregoing.

“**Cash Compensation**” means cash compensation to senior management and directors of Credit Parties and any Subsidiary thereof (including payments made pursuant to the USERP) not captured under GAAP in their respective income statements but captured under GAAP in their respective cash flow statements.

“**Cash Equivalents**” means (a) marketable direct obligations issued or unconditionally guaranteed by the Canadian or U.S. federal government and backed by the full faith and credit of such government, as applicable; (b) domestic and euro dollar certificates of deposit and time deposits, bankers’ acceptances and floating rate certificates of deposit issued by any commercial bank organized under the laws of Canada or the United States, any province or state thereof, any foreign bank, or its branches or agencies, the long-term indebtedness of which institution at the time of acquisition is rated A- (or better) by Standard & Poor’s Rating Services (“**S&P**”) or A3 (or better) by Moody’s Investors Service, Inc. (“**Moody’s**”), and which deposits are fully protected against currency fluctuations for any such deposits with a term of more than 90 days; (c) shares of money market, mutual or similar funds having assets in excess of \$100,000,000 and the investments of which are limited to (i) investment grade securities (i.e., securities rated at least BBB by S&P or rated at least Baa by Moody’s) and (ii) commercial paper of Canadian, U.S. and foreign banks and bank holding companies and their subsidiaries and Canadian, U.S. and foreign finance, commercial industrial or utility companies which, at the time of acquisition, are rated A-1 (or better) by S&P or P-1 (or better) by Moody’s (all such institutions being, “**Qualified Institutions**”); (d) commercial paper of Qualified Institutions; and (e) auction rate securities (long-term, variable rate bonds tied to short-term interest rates) that are rated AAA by S&P and Aaa by Moody’s; provided that the maturities of such Cash Equivalents shall not exceed 365 days from the date of acquisition.

“**Cash Management Agreement**” means any agreement to provide cash management services, including treasury, depository, overdraft, credit or debit card, electronic funds transfer and other cash management arrangements.

“**Cash Management Bank**” means any Person that, at the time it enters into a Cash Management Agreement, is a Lender, an Affiliate of a Lender, Agent or an Affiliate of Agent, in its capacity as a party to such Cash Management Agreement.

“**CCAA**” means the *Companies’ Creditors Arrangement Act* (Canada).

“**CCAA Plan**” shall have the meaning set forth in Section 8.7 hereof.

“**Closing Date**” means March 3, 2015.

“**Code**” means the *United States Internal Revenue Code* of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

“**Collateral**” means, collectively, all of the undertaking, property and assets, real or personal, tangible or intangible, now existing or hereafter acquired by any Credit Party that may at any time be or become subject to a Lien in favour of Agent to secure any or all of the Obligations; provided that, for greater certainty, any and all assets of IMAX China Multimedia and IMAC China Theatre shall be excluded from, and not form part of, the Collateral.

“**Compliance Certificate**” means the compliance certificate substantially in the form attached hereto as Exhibit B.

“**Credit Parties**” means, collectively, Borrower and Guarantors.

“**Default**” means an event, circumstance or omission which, with any of the giving of notice or a lapse of time or both would constitute an Event of Default.

“**EBITDA**” means, for any period with respect to Borrower, an amount equal to the consolidated net income or net loss before interest, taxes, depreciation, amortization, cash payments pursuant to Section 8.5(h) (only to the extent that such cash payments impact net income or net loss) and any other non-cash and non-operating charges or other impairments as approved by Agent.

For purposes of calculating compliance with the financial covenant in Sections 9.3 hereof, EBITDA shall be calculated (a) without taking into account any contribution to consolidated net income or net loss with respect to (i) any Future Permitted Transaction and (ii) non-cash equity income or loss from joint ventures and (b) to reflect the reduction in EBITDA allocable to (1) the minority interest of the IMAX Cayman Subscribers in IMAX Cayman and (2) other minority interests owned in any Subsidiary by arm’s length third Persons.

For purposes of calculating compliance with the financial covenant in Section 9.2 hereof, EBITDA shall be calculated (a) without taking into account any contribution to consolidated net income or net loss with respect to (i) any Future Permitted Transaction and (ii) non-cash equity income or loss from joint ventures and (b) to not reflect the reduction in EBITDA allocable to (1) the minority interest of the IMAX Cayman Subscribers in IMAX Cayman and (2) other minority interests owned in any Subsidiary by arm’s length third Persons.

“**EDC Indemnity Agreement**” means the indemnity agreement dated May 3, 2010 given by Borrower in favour of EDC.

“**Eligible Transferee**” means

- (a) any Lender;
- (b) the parent company of any Lender and/or any Affiliate of such Lender;
- (c) any Person that is engaged in the business of making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or with respect to any Lender that is a fund which invests in commercial loans and similar extensions of credit, any other fund that invests in commercial loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor; and
- (d) any other commercial bank, financial institution or “**accredited investor**” (as defined under Ontario Securities Commission Rule 45-106) approved by Agent and, unless an Event of Default has occurred and is continuing, Borrower (each such approval not to be unreasonably withheld or delayed),

provided, however, that,

- (i) neither Borrower nor any Affiliate of Borrower;

- (ii) nor any Person to whom any indebtedness (other than the Obligations) is owed by any Credit Party;
- (iii) nor any natural person;
- (iv) nor any Person that is a competitor of Borrower,

in each case of the foregoing clauses (i), (ii) and (iii), and (iv), shall qualify as an Eligible Transferee (each, a “**Prohibited Transferee**”).

“**Environmental Laws**” means with respect to any Person all federal (United States of America and Canada), state, provincial, district, local, municipal and foreign laws, statutes, rules, regulations, ordinances, orders, directives, permits, licenses and consent decrees relating to health, safety, hazardous, dangerous or toxic substances, waste or material, pollution and environmental matters, as now or at any time hereafter in effect, applicable to such Person and/or its business and facilities (whether or not owned by it), including laws relating to emissions, discharges, releases or threatened releases of pollutants, contamination, chemicals, or hazardous, toxic or dangerous substances, materials or wastes into the environment (including, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the generation, manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals, or hazardous, toxic or dangerous substances, materials or wastes.

“**ERISA**” means the *Employee Retirement Income Security Act of 1974*, together with all rules, regulations and interpretations thereunder or related thereto.

“**ERISA Affiliate**” means any person required to be aggregated with any Credit Party or any of its Subsidiaries under Sections 414(b), 414(c), 414(m) or 414(o) of the Code.

“**ERISA Event**” means

- (a) any “**reportable event**” as defined in Section 4043(c) of ERISA or the regulations issued thereunder, with respect to a US Pension Plan, other than events as to which the requirement of notice has been waived in regulations by the Pension Benefit Guaranty Corporation;
- (b) the adoption of any amendment to a US Pension Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA;
- (c) a complete or partial withdrawal by any Credit Party or any ERISA Affiliate from a Multiemployer Plan or a cessation of operations which is treated as such a withdrawal or notification that a Multiemployer Plan is in reorganization;
- (d) the filing of a notice of intent to terminate a US Pension Plan under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the Pension Benefit Guaranty Corporation to terminate a US Pension Plan;

- (e) an event or condition which would reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan;
- (f) the imposition of any liability under Title IV of ERISA, other than the Pension Benefit Guaranty Corporation premiums due but not delinquent under Section 4007 of ERISA, upon any Credit Party or any ERISA Affiliate in excess of \$500,000; and
- (g) any other event or condition with respect to any US Pension Plan subject to Title IV of ERISA maintained, or contributed to, by any ERISA Affiliate that could reasonably be expected to result in liability of any Credit Party in excess of \$500,000.

“**Euro Dollar Rate**” means the rate of interest, based on a 360 day year, appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such service or any successor to or substitute for such service as determined by Agent) as the London interbank offered rate for deposits in US Dollars for a term comparable to the applicable Interest Period as selected by Borrower (but if more than one rate is specified on such page, the rate will be an arithmetic average of all such rates rounded upwards, in Agent’s discretion, to the nearest 1/100th of one 1%) on or about 9:00 a.m. New York time 3 Business Days prior to the commencement of such Interest Period.

“**Euro Dollar Rate Loans**” means any Revolving Loans or portion thereof denominated in US Dollars and on which interest is payable based on the Adjusted Euro Dollar Rate in accordance with the terms hereof.

“**Event of Default**” shall have the meaning set forth in Section 10.1 hereof.

“**Fee Letter**” means the separate fee letter agreement dated March 3, 2015 among Borrower, Agent and Arranger.

“**Financing Agreements**” means, collectively, this Agreement, the Original Loan Agreement, the First Amended and Restated Credit Agreement, the Second Amended and Restated Credit Agreement, the Third Amended and Restated Credit Agreement, the Fee Letter and all notes, guarantees, security agreements and other agreements, documents and instruments previously, now or at any time hereafter executed and/or delivered by any Credit Party in connection with this Agreement, the Original Loan Agreement, the First Amended and Restated Credit Agreement, the Second Amended and Restated Credit Agreement and the Third Amended and Restated Credit Agreement, in each case, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, but excluding any Secured Hedge Agreement and Secured Cash Management Agreement.

“**Fiscal Quarter**” means each of the following 3 month periods in any Fiscal Year of Borrower: January 1 to March 31, April 1 to June 30, July 1 to September 30 and October 1 to December 31.

“**Fiscal Year**” means the fiscal year of Borrower being the 12 month period of January 1 to December 31.

“**Funding Bank**” shall have the meaning set forth in Section 3.2(a)(i) hereof.

“**Future Permitted Transaction**” means any infrequent or unusual transaction requested by Borrower to be designated as such to the extent any such transaction has been pre-approved in writing by Agent and Required Lenders.

“**GAAP**” means generally accepted accounting principles in the United States of America as in effect from time to time as set forth in the opinions and pronouncements of the relevant U.S. public and private accounting boards and institutes which are applicable to the circumstances as of the date of determination consistently applied.

“**General Restricted Payment Basket**” shall have the meaning set forth in Section 8.5(e)(ii) hereof.

“**General Security Agreement**” shall mean the amended and restated general security agreement dated November 16, 2009 given by Borrower in favour of Agent as security for payment and performance of the Obligations, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

“**Governmental Authority**” means any government, parliament, legislature, municipal or local government, or any regulatory authority, agency, commission or board of any government, parliament or legislature, or any court or (without limitation to the foregoing) any other law, regulation or rule-making entity (including any central bank, fiscal or monetary authority regulating banks), having or purporting to have jurisdiction in the relevant circumstances, or any Person acting or purporting to act under the authority of any of the foregoing (including any arbitrator).

“**Guarantors**” means, other than Borrower, any guarantor, endorser, acceptor, surety or other person liable on or with respect to the Obligations or who is the owner of any property which is security for the Obligations, including:

- (a) IMAX U.S.A. Inc., a Delaware corporation;
- (b) 1329507 Ontario Inc., an Ontario corporation;
- (c) IMAX II U.S.A. Inc., a Delaware corporation;
- (d) IMAX Post/DKP Inc., a Delaware corporation;
- (e) IMAX Barbados; and
- (f) IMAX Belgium.

“**Hazardous Materials**” means any hazardous, toxic or dangerous substances, materials and wastes, including hydrocarbons (including naturally occurring or man-made petroleum and

hydrocarbons), flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, biological substances, polychlorinated biphenyls, pesticides, herbicides and any other kind and/or type of pollutants or contaminants (including materials which include hazardous constituents), sewage, sludge, industrial slag, solvents and/or any other similar substances, materials, or wastes and including any other substances, materials or wastes that are or become regulated under any Environmental Law (including any that are or become classified as hazardous or toxic under any Environmental Law).

“**Hedge Agreement**” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement, all as amended, modified, supplemented, extended, renewed, restated or replaced from time to time.

“**Hedge Bank**” means any Person that at the time it enters into a Hedge Agreement is a Lender, an Affiliate of a Lender, Agent or an Affiliate of Agent, in its capacity as a party to such Hedge Agreement.

“**Hong Kong JV**” means TCL-IMAX Entertainment Co., Limited, a Hong Kong corporation, and a joint venture which is owned 50% by Sino Leader (Hong Kong) Limited and IMAX HK.

“**Hong Kong JV Cash Contribution**” shall have the meaning set forth in the definition of Hong Kong JV Investment.

“**Hong Kong JV Guarantee**” means the unsecured guarantee dated January 6, 2014 issued by Borrower to Sino Leader (Hong Kong) Limited that IMAX HK will make the Hong Kong JV Cash Contribution, such guarantee not to exceed \$12,500,000.

“**Hong Kong JV In-Kind Contribution**” shall have the meaning set forth in the definition of Hong Kong JV Investment.

“**Hong Kong JV Investment**” means the \$12,500,000 investment by IMAX HK in Hong Kong JV for 50% of the issued and outstanding share capital of Hong Kong JV, such investment consisting of (i) the contribution of the appraised monetary value of certain assets in-kind (the “**Hong Kong JV In-Kind Contribution**”) and (ii) cash up to an amount of \$12,500,000 minus the Hong Kong JV In-Kind Contribution (the “**Hong Kong JV Cash Contribution**”).

“**IMAX Barbados**” means IMAX (Barbados) Holding, Inc., a Barbados corporation.

“**IMAX Belgium**” means IMAX Europe SA, a Belgian *société anonyme*.

“**IMAX Cayman**” means IMAX China Holding, Inc., a Cayman Islands exempted company.

“**IMAX Cayman Employee Incentive Issuance**” shall have the meaning set forth in Section 8.1(b)(xiii).

“**IMAX Cayman Shareholders’ Agreement**” means the shareholders’ agreement dated April 7, 2014 among IMAX Cayman, IMAX Barbados, Borrower and IMAX Cayman Subscribers as amended July 29, 2014.

“**IMAX Cayman Subscribers**” means collectively China Movie Entertainment FV Limited, CMCCP Dome Holdings Limited and China Movie Entertainment CMC Limited.

“**IMAX China Capital Raise**” means the issuance of 20% of IMAX Cayman’s issued and outstanding share capital in the form of newly created and issued class C shares to the IMAX Cayman Subscribers in 2 subscriptions as follows: (a) the first subscription dated April 8, 2014 for 50% of the class C shares for a subscription price of \$40,000,000 and (b) the second subscription dated February 10, 2015 for 50% of the class C shares for a subscription price of \$40,000,000.

“**IMAX China Credit Facility**” means a secured credit facility provided by third party lenders to IMAX Cayman, IMAX China HK and/or IMAX China Multimedia.

“**IMAX China Guarantee**” means an unsecured guarantee issued by Borrower of the obligations, liabilities and indebtedness of IMAX China HK and/or IMAX China Multimedia under the IMAX China Credit Facility in an amount not to exceed \$5,000,000.

“**IMAX China HK**” means IMAX China (Hong Kong), Limited.

“**IMAX China Offering**” shall have the meaning set forth in Section 8.3(1).

“**IMAX China Multimedia**” means IMAX (Shanghai) Multimedia Technology Co., Ltd., a People’s Republic of China corporation.

“**IMAX China Theatre**” means IMAX (Shanghai) Theatre Technology Services Co., Ltd., a People’s Republic of China corporation.

“**IMAX Film Fund**” means IMAX Documentary Films Capital, LLC.

“**IMAX Film Fund Credit Facility**” means a secured credit facility to be established by IMAX Film Fund Lender in favour of IMAX Film Fund pursuant to a credit agreement to be entered into between IMAX Film Fund Lender and IMAX Film Fund in an amount not to exceed \$15,000,000.

“**IMAX Film Fund Intercreditor Agreement**” means an intercreditor agreement to be entered into between the IMAX Film Fund Lender, Borrower, IMAX Film Fund and Agent whereby, among other things, Agent will release its existing Lien over Borrower’s equity interests in

IMAX Film Fund granted pursuant to the Financing Agreements and will agree that monies held in trust by Borrower (and constituting property in which Borrower does not own an interest) for IMAX Film Fund in the Borrower's role as master distributor for IMAX Film Fund will not be subject to Agent's existing Lien granted pursuant to the Financing Agreements.

"**IMAX Film Fund Investment**" means Borrower's purchase of up to \$9,000,000 of equity interests in IMAX Film Fund, which represents 26% of the equity interests of IMAX Film Fund once fully funded.

"**IMAX Film Fund Lender**" means a lender to be identified.

"**IMAX Film Fund Limited Recourse Pledge and Guarantee**" means a limited recourse pledge and guarantee to be issued by Borrower in favour of IMAX Film Fund Lender whereby Borrower shall grant IMAX Film Fund Lender a Lien over Borrower's 26% equity interests (once fully funded) in IMAX Film Fund as limited recourse security for Borrower's limited recourse guarantee of the obligations, liabilities and indebtedness of IMAX Film Fund under the IMAX Film Fund Credit Facility.

"**IMAX Film Fund Put**" means the Production, Financing and Distribution Agreement dated as of May 12, 2014, by and between IMAX Film Holding Co. and IMAX Film Fund whereby Borrower agrees to purchase from IMAX Film Fund any theatrical motion pictures which were acquired or produced by IMAX Film Fund for a purchase price equal to the fair market value of such pictures.

"**IMAX HK**" means IMAX (Hong Kong) Holding, Limited, a Subsidiary of Borrower and a Hong Kong corporation.

"**IMAX Japan**" means IMAX Japan Inc., a Japanese corporation.

"**Information Certificates**" means, collectively, the Information Certificates of each Credit Party constituting Exhibit C hereto containing material information with respect to each Credit Party and its business and assets provided by or on behalf of each Credit Party to Agent in connection with the preparation of the Financing Agreements and the financing arrangements provided for herein.

"**Insurance and Condemnation Event**" means the receipt by any Credit Party of any cash insurance proceeds or condemnation award payable by reason of theft, loss, physical destruction or damage, taking or similar event with respect to any of its properties or assets.

"**Interest Period**" means, with respect to each Euro Dollar Rate Loan, a period of 1, 2, 3 or 6 months duration as Borrower may elect, the exact duration to be determined in accordance with customary practice in the applicable Euro Dollar Rate market or customary practice of Agent; provided that Borrower may not elect an Interest Period which will end after the Maturity Date.

"**Interest Rate**" means:

- (a) as to Euro Dollar Rate Loans, the Adjusted Euro Dollar Rate plus the Applicable Margin *per annum*; or

- (b) as to US Prime Rate Loans, the US Prime Rate plus 0.50% *per annum*; or
- (c) notwithstanding the rates described in clause (a) and (b) above, the rate of 3% *per annum* in excess of the applicable Interest Rate described above and all fees payable in connection herewith shall apply (and shall be payable on demand by Agent):
 - (i) automatically upon the occurrence and continuation of an Event of Default under Section 10.1(a)(i)(A), 10.1(e)(i), 10.1(i) or 10.1(j); and
 - (ii) at the election of Required Lenders (or Agent at the direction of Required Lenders) upon the occurrence and continuation of any other Event of Default.

“**Inventory**” means all of a Credit Party’s now owned and hereafter existing or acquired raw materials, work in process, finished goods and all other inventory of whatsoever kind or nature, wherever located.

“**IP Collateral**” means all of the Intellectual Property as such term is defined in the General Security Agreement.

“**IP Collateral License Agreement**” means the amended and restated intellectual property license agreement dated November 16, 2009 granting Agent and its successors, transferees and assignees, a non-exclusive, royalty free perpetual license to the IP Collateral, but effective only upon the occurrence and continuance of an IP Grace Period, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

“**IP Grace Period**” means the period commencing the date upon which Agent exercises its remedies pursuant to Sections 10.2(a) and/or Section 10.2(b) hereof and ending 120 days thereafter.

“**Issuing Lender**” means with respect to Letter of Credit Accommodations issued hereunder on or after the Closing Date, Wells Fargo, in its capacity as issuer thereof, or any successor thereto.

“**Lenders**” means each Person executing this Agreement as a Lender on the Closing Date and any other Person that shall have become a party to this Agreement as a Lender pursuant to an Assignment and Assumption, other than any Person that ceases to be a party hereto as a Lender pursuant to an Assignment and Assumption.

“**Letter of Credit Accommodations**” means the letters of credit, merchandise purchase or other guarantees denominated in US Dollars which are from time to time either (a) issued or opened by Issuing Lender for the account of any Credit Party or (b) with respect to which Issuing Lender has agreed to indemnify the issuer or guaranteed to the issuer the performance by any Credit Party of its obligations to such issuer, and shall include the existing letters of credit, merchandise purchase and other guarantees issued and currently outstanding under the Third Amended and Restated Credit Agreement.

“**License Agreements**” shall have the meaning set forth in the General Security Agreement.

“**Lien**” means any security interest, mortgage, pledge, hypothec, lien, charge or other lien of any nature whatsoever (including those created by statute).

“**Material Adverse Effect**” means, with respect to Borrower and its Subsidiaries, (a) a material adverse effect on the properties, business, operations or condition (financial or otherwise) of any such Persons, taken as a whole, (b) a material impairment of the ability of any such Person to perform its obligations under the Financing Agreements to which it is a party, (c) a material impairment of the rights and remedies of Agent or any Lender under any Financing Agreement or (d) a material impairment of the legality, validity, binding effect or enforceability against any Credit Party of any Financing Agreement to which it is a party.

“**Material Subsidiary**” means any Subsidiary of any Credit Party that accounts for greater than 10% of the revenues of Borrower on a consolidated basis other than IMAX China Multimedia, IMAX China Theatre, IMAX Japan, IMAX China HK and Playa Vista Borrower.

“**Maturity Date**” means the earlier of:

- (a) demand for payment under Section 10.2; and
- (b) the 5th anniversary of the Closing Date.

“**Maximum Revolving Credit**” means the amount of \$200,000,000.

“**Multiemployer Plan**” means a “**multi-employer plan**” as defined in Section 4001(a)(3) of ERISA which is or was at any time during the current year or the immediately preceding 6 years contributed to by Borrower or any ERISA Affiliate or with respect to which Borrower or any ERISA Affiliate may incur any liability.

“**Net Cash Proceeds**” means, as applicable, (a) with respect to any Asset Disposition or Insurance and Condemnation Event, the gross proceeds received by any Credit Party or Subsidiary thereof therefrom (including any cash, cash equivalents, deferred payment pursuant to, or by monetization of, a note receivable or otherwise, as and when received) less the sum of (i) all income taxes and other taxes imposed by a Governmental Authority as a result of such transaction or event, (ii) all reasonable and customary out-of-pocket fees and expenses incurred in connection with such transaction or event and (iii) the principal amount of, premium, if any, and interest on any indebtedness secured by a Lien on the asset (or a portion thereof) disposed of, which indebtedness is required to be repaid in connection with such transaction or event, and (b) with respect to any incurrence of indebtedness, the gross cash proceeds received by any Credit Party or any Subsidiary thereof therefrom less all reasonable and customary out-of-pocket legal, underwriting and other fees and expenses incurred in connection therewith.

“**Non-Funding Lender**” shall have the meaning set forth in Section 11.13(a)(iii) hereof.

“**Non-Recourse Debt**” means indebtedness of a Subsidiary of Borrower (other than a Credit Party) that (a) has not been guaranteed by any Credit Party or other Subsidiary thereof, (b) no Credit Party or other Subsidiary thereof has provided security or other financial assistance or accommodations with respect thereto and (c) the applicable creditor has no other recourse to any

Credit Party or other Subsidiary thereof for payment including by means of demand, action or proceeding.

“**Notice of Borrowing**” means a notice of borrowing substantially in the form attached as Exhibit D hereto.

“**Notice of Conversion/Continuation**” means a notice of conversion/continuation substantially in the form attached as Exhibit E hereto.

“**Notice of Prepayment**” means a notice of prepayment substantially in the form attached as Exhibit F hereto.

“**Obligations**” means any and all Revolving Loans, Letter of Credit Accommodations and all other obligations, liabilities and indebtedness of every kind, nature and description owing by any Credit Party to Agent, Lenders and their respective Affiliates including principal, interest, charges, indemnifications for Letter of Credit Accommodations or otherwise, fees, costs and expenses, however evidenced, whether as principal or otherwise, arising under or in connection with the Financing Agreements, Secured Hedge Agreements and Secured Cash Management Agreements, as amended, supplemented, restated or superseded, in whole or in part, from time to time and/or applicable laws, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of this Agreement or after the commencement of any proceeding with respect to any Credit Party under the BIA, the CCAA, or any similar statute in any jurisdiction (including the payment of interest and other amounts which would accrue and become due but for the commencement of such proceeding, whether or not such amounts are allowed or allowable in whole or in part in such proceeding), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured. For greater certainty, the obligations, liabilities and indebtedness owing under or in connection with the BMO Term Sheet are not included in “**Obligations**”.

“**OFAC**” means the U.S. Department of the Treasury’s Office of Foreign Assets Control.

“**Other Currency**” shall have the meaning set forth in Section 13.7 hereof.

“**Other Lender**” shall have the meaning set forth in Section 11.13(d) hereof.

“**Patriot Act**” means the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*, Pub. L. 107-56, signed into law October 26, 2001.

“**Pension Plans**” means each of the pension plans, if any, that are registered in accordance with the *Income Tax Act* (Canada) which any Credit Party sponsors or administers or into which any Credit Party makes contributions.

“**Permitted Liens**” means, collectively, the Liens permitted pursuant to Section 8.2(a) through (m) (inclusive).

“**Person**” or “**person**” means any individual, sole proprietorship, partnership, limited partnership, corporation, limited liability company, business trust, unincorporated association, joint stock

corporation, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

“**Plan**” means an employee benefit plan (as defined in Section 3(3) of ERISA) which Borrower sponsors, maintains, or to which it makes, is making, or is obligated to make contributions or, in the case of a Multiemployer Plan, has made contributions at any time during the immediately preceding 6 plan years or with respect to which Borrower may incur liability. For greater certainty, “**Plan**” does not include a Pension Plan that is not a US Pension Plan.

“**Playa Vista Agent**” means Wells Fargo Bank, National Association, as administrative agent for itself and the lenders under the Playa Vista Credit Facility.

“**Playa Vista Borrower**” means IMAX PV Development Inc., a wholly-owned subsidiary of Borrower.

“**Playa Vista Credit Facility**” means the credit facilities established in favour of Playa Vista Borrower pursuant to the construction loan agreement dated October 6, 2014 between Playa Vista Borrower, Playa Vista Agent and the other Persons party thereto.

“**Playa Vista Guarantee**” means the payment and performance guaranty dated October 6, 2014 issued by Borrower in favour of Playa Vista Agent with respect to the Playa Vista Credit Facility.

“**Playa Vista Property**” means the property located at 12582 West Millennium, Playa Vista, California 90094 owned by Playa Vista Borrower.

“**Playa Vista Property Contribution**” means the equity contributed or to be contributed by Borrower to Playa Vista Borrower in the amount not to exceed \$30,000,000 to be used toward the acquisition of the Playa Vista Property and project costs.

“**PPSA**” means the *Personal Property Security Act* (Ontario); provided that, if the attachment, perfection or priority of Agent’s security in respect of any Collateral is governed by the laws of any jurisdiction other than Ontario, PPSA shall mean those other laws for the purposes hereof relating to attachment, perfection or priority.

“**Pro Rata Share**” means with respect to a Lender (a) with respect to all Revolving Loans, the percentage obtained by dividing (i) the aggregate Revolving Loan Commitments of such Lender by (ii) the aggregate Revolving Loan Commitments of all Lenders; and (b) with respect to all Revolving Loans on and after the Maturity Date, the percentage obtained by dividing (i) the aggregate outstanding principal balance of the Revolving Loans held by such Lender by (ii) the outstanding principal balance of the Revolving Loans held by all Lenders.

“**Prohibited Transferee**” shall have the meaning set forth in the definition of Eligible Transferee.

“**Public Market Purchase Requirement**” means Borrower’s ability under applicable tax law to purchase its publicly-listed shares in the public markets to satisfy the vesting and delivery of shares under Borrower’s 2013 Long-Term Incentive Plan.

“**Real Property**” means the property known as 2525 Speakman Drive, Mississauga, Ontario L5K 1B1 legally owned by 1329507 Ontario Inc. and beneficially owned by Borrower.

“**Receiver**” shall have the meaning set forth in Section 10.2(g) hereof.

“**Records**” means all of each Credit Party’s present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of a Credit Party with respect to the foregoing maintained with or by any other person).

“**Report**” shall have the meaning set forth in Section 11.9(a) hereof.

“**Required Lenders**” means, on any date of determination, (a) Lenders holding more than 50% of the Revolving Loan Commitments or (b) on and after the Maturity Date, Lenders holding more than 50% of the outstanding Revolving Loans. The Revolving Loan Commitments and outstanding Revolving Loans of Non-Funding Lenders shall be excluded from the calculation of Required Lenders.

“**Revolving Loan Commitment**” means (a) as to any Lender with respect to Revolving Loans, the aggregate of such Lender’s Revolving Loan Commitment as set forth beside such Lender’s name on Exhibit G hereto or, if such Lender’s name does not appear on Exhibit G hereto, in the most recent Assignment and Assumption Agreement executed by such Lender, and (b) as to all Lenders, the aggregate of all Lenders’ Revolving Loan Commitments to Borrower, which aggregate commitment is \$200,000,000 as of the Closing Date.

“**Revolving Loans**” means US Prime Rate Loans and/or Euro Dollar Rate Loans, as the case may be, now or hereafter made by Lenders to or for the benefit of Borrower on a revolving basis (involving advances, repayments and re-advances) as set forth in Section 2.1 hereof.

“**Revolving Loan Exposure**” means, as to any Lender at any time, the aggregate principal amount at such time of its outstanding Revolving Loans and such Lender’s participation in the Letter of Credit Accommodations at such time.

“**Revolving Loan Outstandings**” means the sum of on any date (a) the aggregate outstanding principal amount of Revolving Loans after giving effect to any borrowings and prepayments or repayments of Revolving Loans occurring on such date; plus (b) the aggregate outstanding amount of all Letter of Credit Accommodations after giving effect to any changes in the aggregate amount of the Letter of Credit Accommodations as of such date.

“**Sanctioned Entity**” means (a) an agency of the government of, (b) an organization directly or indirectly controlled by, or (c) a person resident in, in each case, a country that is subject to a sanctions program identified on the list maintained and published by OFAC and available at <http://www.treas.gov/offices/enforcement/ofac/programs>, or as otherwise published from time to time as such program may be applicable to such agency, organization or person.

“**Sanctioned Person**” means a person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at <http://www.treas.gov/offices/enforcement/fac/sdn/index.html>, or as otherwise published from time to time.

“**Secured Cash Management Agreement**” means any Cash Management Agreement that is entered into by and between any Credit Party and any Cash Management Bank.

“**Secured Hedge Agreement**” means any Hedge Agreement that is entered into by and between any Credit Party and any Hedge Bank.

“**Secured Parties**” shall collectively mean Agent, Lenders, and their respective Affiliates, (including Hedge Banks under any Secured Hedge Agreements and Cash Management Banks under Secured Cash Management Agreements) and any other person to which Obligations are owed or who is the beneficiary of or under a guarantee of the Obligations (and, for greater certainty, if such person ceases to be an Agent or a Lender then for any transaction entered into under a Secured Hedge Agreement or Secured Cash Management Agreement with that Agent or Lender or any of its Affiliates prior to the date that person ceases to be an Agent or Lender, that person or any of its Affiliates shall continue to be a Secured Party hereunder with respect to Borrower’s obligations relating to any such transaction).

“**Settlement Date**” shall have the meaning set forth in Section 11.13(a)(iii) hereof.

“**Significant Contract**” means any material contract of any Credit Party for purposes of reporting to the United States Securities and Exchange Commission pursuant to the *Securities Exchange Act* of 1934 and the regulations promulgated thereunder.

“**Solvent**” means, with respect to any Person on any date of determination, that on such date (a) the fair value of the assets (including contingent assets) of such Person is greater than the total amount of liabilities (including contingent liabilities) of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person’s ability to pay such debts and liabilities as they mature, (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person’s property would constitute an unreasonably small capital, and (e) such Person is able to pay its debts and liabilities, contingent obligations and other commitments as they mature in the ordinary course of business. The amount of contingent assets or liabilities at any time shall be computed as the amount that, in the light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured assets or liability, as the case may be.

“**Subsidiary**” means, with respect to any Person, any corporation, partnership or other entity of which at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall have or might have voting power by reason of

the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person.

“**Total Debt**” means, at any time, with respect to Borrower and its Subsidiaries on a consolidated basis (without duplication):

- (a) all obligations for the deferred purchase price of property or services (other than current trade payables incurred in the ordinary course of business);
- (b) all obligations evidenced by notes, bonds, debentures or similar instruments;
- (c) Capital Lease Obligations (as defined in accordance with GAAP as of the Closing Date);
- (d) the aggregate outstanding amount of all Obligations;
- (e) the drawn and unreimbursed amount of all issued letters of credit (including Letter of Credit Accommodations and letters of credit issued under the BMO LC Facility);
- (f) the principal amount of all indebtedness with respect to purchase money security interests;
- (g) the principal amount of any other indebtedness for borrowed money; and
- (h) guarantees of items referenced in subsections (a) through to (g) of this definition,

but excluding indebtedness incurred pursuant to Section 8.3(g)(i), (h), (i) and (k).

“**Total Leverage Ratio**” means, as of any date of determination, the ratio of (a) Total Debt on such date to (b) EBITDA for the period of 4 consecutive Fiscal Quarters ending on or immediately prior to such date.

“**UCC**” means the Uniform Commercial Code.

“**USERP**” means the unregistered supplemental executive retirement plan dated July 12, 2000, as amended and restated as of January 1, 2006, made by Borrower in favour of its former Co-Chief Executive Officer and current Chairman of the Board, Bradley J. Wechsler, and its current Chief Executive Officer, Richard L. Gelfond.

“**US First Rate**” shall have the meaning set forth in Section 3.1(c) hereof.

“**US Pension Plan**” means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which any Credit Party sponsors, maintains, or to which any Credit Party or any ERISA Affiliate makes, is making, or is obligated to make contributions, other than a Multiemployer Plan.

“**US Prime Rate**” means the rate announced publicly by US Reference Bank from time to time as its prime rate in effect for US Dollar denominated commercial loans, whether or not such announced rate is the best rate available at such bank.

“**US Prime Rate Loans**” means any Revolving Loans or portions thereof denominated in US Dollars and on which interest is payable based on the US Prime Rate in accordance with the terms hereof.

“**US Reference Bank**” means Wells Fargo or any successor thereto, or such other major bank in the United States as Agent may from time to time designate, in its discretion, after consultation with Borrower.

“**Wells Fargo**” means Wells Fargo Bank, National Association, a national banking association, and its successors.

ARTICLE 2

CREDIT FACILITIES

2.1 Revolving Loans

- (a) Availability and Repayment. Subject to, and upon the terms and conditions contained herein, each Lender severally (and not jointly) agrees to make its Pro Rata Share of Revolving Loans by way of Euro Dollar Rate Loans and US Prime Rate Loans to Borrower from time to time from the Closing Date through, but not including, the Maturity Date in amounts requested by Borrower in accordance with Section 3.1(h); provided, that (a) after the Closing Date, the Revolving Loan Outstandings shall not exceed the Revolving Loan Commitment and (b) the Revolving Loan Exposure of any Lender shall not at any time exceed such Lender’s Revolving Loan Commitment. Subject to the terms and conditions hereof, Borrower at any time may borrow, repay and reborrow Revolving Loans hereunder until the Maturity Date. On the Maturity Date, the outstanding balance of the Revolving Loans (including principal, accrued and unpaid interest and other amounts due and payable with respect thereto) shall be due and be payable and the Revolving Loan Commitment shall terminate.
- (b) Maximum Amounts. In the event that (i) the Revolving Loan Outstandings exceed the Revolving Loan Commitment, (ii) the Revolving Loan Exposure of any Lender exceeds such Lender’s Revolving Loan Commitment, (iii) the aggregate outstanding amount of the Letter of Credit Accommodations exceeds the sub-limit for Letter of Credit Accommodations set forth in Section 2.2(c) or (iv) the aggregate amount of the Revolving Loan Outstandings exceeds the Maximum Revolving Credit, such event shall not limit, waive or otherwise affect any rights of Agent or Lenders in that circumstance or on any future occasions and Borrower shall, upon demand by Agent, which may be made at any time or from time to time, immediately repay to Agent the entire amount of any such excess(es) for which payment is demanded.

2.2 Letter of Credit Accommodations

- (a) Letter of Credit Accommodations. Subject to, and upon the terms and conditions contained herein, at the irrevocable request of Borrower pursuant to a Notice of Borrowing given by Borrower to Agent no later than 12:00 noon (Eastern Time) at least 3 Business Days prior to the requested issuance date, Issuing Lender agrees to provide or arrange for Letter of Credit Accommodations for the account of Borrower in US Dollars containing terms and conditions reasonably acceptable to Issuing Lender. Any payments made by Issuing Lender in connection with the Letter of Credit Accommodations shall constitute additional Revolving Loans to Borrower pursuant to this Article 2. Each Lender agrees to purchase an irrevocable and unconditional participation in each Letter of Credit Accommodation issued hereunder based on its Pro Rata Share. Each Letter of Credit Accommodation shall expire on a date no more than 12 months after the date of issuance or last renewal of such Letter of Credit Accommodations (subject to (a) such longer periods agreed to by Issuing Lender and (b) automatic renewal for additional 1 year periods pursuant to the terms of the letter of credit application or other documentation acceptable to Issuing Lender), which date shall be no later than the 5th Business Day prior to the Maturity Date unless Issuing Lender is satisfied that Borrower will cash collateralize the Letter of Credit Accommodations that extend beyond the 5th Business Day prior to the Maturity Date on terms acceptable to Issuing Lender.
- (b) Fees and Expenses. In addition to any charges, fees or expenses charged by Issuing Bank in connection with the Letter of Credit Accommodations, Borrower shall pay to Agent a letter of credit fee at a rate equal to the Applicable Margin *per annum* on the daily outstanding balance of the Letter of Credit Accommodations for the immediately preceding Fiscal Quarter (or part thereof), payable in arrears as of the last Business Day of each Fiscal Quarter. Such letter of credit fee shall be calculated on the basis of a 360 day year and actual days elapsed and the obligation of Borrower to pay such fee shall survive the maturity or termination of this Agreement. This letter of credit fee shall not be payable to a Lender during the period it is a Non-Funding Lender.
- (c) Maximum Amount. The amount of all outstanding Letter of Credit Accommodations and all other commitments and obligations made or incurred by Issuing Lender in connection therewith (including charges, fees and expenses with respect thereto) shall not at any time exceed \$25,000,000 (less the face amount of all letters of credit issued pursuant to the BMO LC Facility). At any time an Event of Default exists or has occurred and is continuing, upon Agent's request, Borrower will furnish Agent with cash collateral to secure the reimbursement obligations of the Issuing Lender in connection with any Letter of Credit Accommodations.
- (d) Indemnification. Borrower shall indemnify and hold Agent, Issuing Lender and each Lender harmless from and against any and all losses, claims, damages, liabilities, costs and expenses which Agent, Issuing Lender and each Lender may

suffer or incur in connection with any Letter of Credit Accommodations and any documents, drafts or acceptances relating thereto, including, but not limited to, any losses, claims, damages, liabilities, costs and expenses due to any action taken by any issuer or correspondent with respect to any Letter of Credit Accommodation. Borrower assumes all risks with respect to the acts or omissions of the drawer under or beneficiary of any Letter of Credit Accommodation and for such purposes the drawer or beneficiary shall be deemed Borrower's agent. Borrower assumes all risks for, and agrees to pay, all foreign, federal, provincial and local taxes, duties and levies relating to any goods subject to any Letter of Credit Accommodations or any documents, drafts or acceptances thereunder. Borrower hereby releases and holds Agent, Issuing Lender and each Lender harmless from and against any acts, waivers, errors, delays or omissions, whether caused by Borrower or otherwise (other than acts, waivers, errors, delays or omissions caused by the gross negligence or wilful misconduct of Agent, Issuing Lender or a Lender as determined by a final and non-appealable judgment or court order binding on such Person) with respect to or relating to any Letter of Credit Accommodation. The provisions of this Section 2.2(d) shall survive the payment of the Obligations and the termination of this Agreement.

- (e) Rights of Issuing Lender. Nothing contained herein shall be deemed or construed to grant Borrower any right or authority to pledge the credit of Agent, Issuing Lender or a Lender in any manner. Except as a result of Issuing Lender's own gross negligence or wilful misconduct as determined by a final and non-appealable judgment or court order binding on Issuing Lender, Borrower shall be bound by any interpretation made by Issuing Lender under or in connection with any Letter of Credit Accommodation or any documents, drafts or acceptances thereunder, notwithstanding that such interpretation may be inconsistent with any instructions of Borrower. At any time an Event of Default exists or has occurred and is continuing, Issuing Lender, in its own name or in Borrower's name, shall have the sole and exclusive right and authority to, and Borrower shall not: (i) approve or resolve any questions of non-compliance of documents, (ii) give any instructions as to acceptance or rejection of any documents or goods, or (iii) execute any and all applications for steamship or airway guaranties, indemnities or delivery orders. At all times other than when an Event of Default exists or has occurred and is continuing, Borrower shall be permitted, with the prior written consent of Issuing Lender to: (i) grant any extensions of the maturity of, time of payment for, or time of presentation of, any drafts, acceptances, or documents, and (ii) to agree to any amendments, renewals, extensions, modifications, changes or cancellations of any of the terms or conditions of any of the applications, Letter of Credit Accommodations, or documents, drafts or acceptances thereunder or any letters of credit included in the Collateral.

2.3 Intentionally Deleted

2.4 Prepayments of Revolving Loans/Cancellation of Unused Revolving Loan Commitments

- (a) Optional Cancellation of Unused Revolving Loan Commitments. Borrower shall have the right at any time and from time to time, without premium or penalty, to cancel the unused Revolving Loan Commitments, in whole or in part, with irrevocable prior written notice to Agent pursuant to a Notice of Prepayment given not later than 12:00 noon (Eastern Time) on a Business Day specifying the date and amount of cancellation. Each optional partial cancellation hereunder shall be in an aggregate principal amount of at least \$5,000,000 or any whole multiple of \$1,000,000 in excess thereof. A Notice of Prepayment received after 12:00 noon (Eastern Time) shall be deemed received on the next Business Day. Agent shall promptly notify Lenders of each Notice of Prepayment.
- (b) Mandatory Prepayments.
- (i) Debt Issuances. Borrower shall make mandatory principal prepayments of the Revolving Loans and/or cash collateralize the Letter of Credit Accommodations in the manner set forth in clause (iv) below in an amount equal to 100% of the aggregate Net Cash Proceeds from any issuance of indebtedness for borrowed money by any Credit Party or Subsidiary thereof not permitted pursuant to Section 8.3 and 50% of the aggregate Net Cash Proceeds from any issuance of indebtedness pursuant to Section 8.3(k). Such prepayment shall be made within 10 Business Days after the date of receipt of the Net Cash Proceeds of any such indebtedness.
- (ii) Asset Dispositions. Borrower shall make mandatory principal prepayments of the Revolving Loans and/or cash collateralize the Letter of Credit Accommodations in the manner set forth in clause (iv) below in amounts equal to (A) 100% of the aggregate Net Cash Proceeds from any (1) Asset Disposition permitted pursuant to Section 8.1(b)(iii), (iv) and (v), (2) Asset Disposition not permitted pursuant to this Agreement or (3) Asset Disposition described in clause (b) of the definition of Asset Disposition (other than that described in this next clause (B) and the proviso hereto) and (B) 50% of the aggregate Net Cash Proceeds from any Asset Disposition or sale of Capital Stock permitted pursuant to Section 8.3(k); provided that no such prepayment and/or cash collateralization shall be required with respect to any of the proceeds of the IMAX China Offering or the IMAX Cayman Employee Incentive Issuance. Such prepayments shall be made within 10 Business Days after the date of receipt of the Net Cash Proceeds of any such Asset Disposition; provided that, so long as no Default or Event of Default has occurred and is continuing, no prepayment shall be required under this Section 2.4(b)(ii)(A) to the extent that:

- (A) the Net Cash Proceeds of such Asset Disposition is equal to or less than \$50,000 provided that the aggregate amount hereunder shall not exceed \$1,000,000 per Fiscal Year;
 - (B) the Net Cash Proceeds of such Asset Disposition is greater than \$50,000 but equal to or less than \$250,000 until such time as the aggregate of such Net Cash Proceeds exceeds \$1,000,000 and then such aggregate amount shall be used to prepay the Revolving Loans and/or cash collateralize the Letter of Credit Accommodations in the manner set forth in clause (iv) below; and
 - (C) (1) within 10 Business Days after the date of receipt of such Net Cash Proceeds, Borrower notifies Agent that Borrower shall reinvest such Net Cash Proceeds in assets used or useful in the business of a Credit Party and (2) such Net Cash Proceeds are reinvested in such assets within 180 days after receipt of such Net Cash Proceeds by such Credit Party and such Credit Party shall provide written evidence to Agent of such reinvestment; provided further that any portion of such Net Cash Proceeds not actually so reinvested within such 180 day period shall be prepaid in accordance with this Section 2.4(b)(ii) on or before the last day of such 180 day period.
- (iii) Insurance and Condemnation Events. Subject to Section 7.5(d), Borrower shall make mandatory principal prepayments of the Revolving Loans and/or cash collateralize the Letter of Credit Accommodations in the manner set forth in clause (iv) below in an amount equal to 100% of the aggregate Net Cash Proceeds from any Insurance and Condemnation Event. Subject to Section 7.5(d), such prepayments shall be made within 10 Business Days after the date of receipt of Net Cash Proceeds of any such Insurance and Condemnation Event by such Credit Party; provided further that any portion of the Net Cash Proceeds not used to repair or replace the Collateral in accordance with the time periods set forth in Section 7.5(d) shall be prepaid in accordance with this Section 2.4(b)(iii) on or before the last day of such time period.
- (iv) Notice; Manner of Payment. Upon the occurrence of any event triggering the prepayment requirement under clauses (i) through and including (iii) above, Borrower shall promptly deliver a Notice of Prepayment to Agent and upon receipt of such notice, Agent shall promptly so notify Lenders. Each prepayment of the Revolving Loans under this Section shall be applied to repay the Revolving Loans or cash collateralize the Letter of Credit Accommodations without a corresponding reduction in the Revolving Loan Commitment.

2.5 Hedge Transactions

- (a) Agent or a Lender (or their respective Affiliates) may offer to make available Hedge Agreements to Borrower from time to time (it being understood that nothing contained herein shall be construed to commit any person to enter into any Hedge Agreement) upon terms mutually acceptable to Agent or such Lender or such Affiliate and Borrower.

ARTICLE 3

INTEREST, INCREASED COSTS AND FEES

3.1 Interest

- (a) Interest Rate. Borrower shall pay to Agent interest on the outstanding principal amount of the Revolving Loans at the applicable Interest Rate.
- (b) Payment and Calculation. Interest shall be payable by Borrower to Agent (i) in the case of US Prime Rate Loans, quarterly in arrears on the last Business Day of each Fiscal Quarter and (ii) in the case of Euro Dollar Rate Loans, on the last day of each Interest Period (and in the case of an Interest Period of greater than 3 months, on the last day of the 3 month period from the first day of such Interest Period and on the last day of the Interest Period) and, in each case, shall be calculated on the basis of a 360 day year and actual days elapsed. The interest rate applicable to US Prime Rate Loans shall increase or decrease by an amount equal to each increase or decrease in the US Prime Rate after any change in such rate is announced. All interest accruing hereunder on and after an Event of Default or maturity or termination hereof shall be payable on demand. In no event shall charges constituting interest payable by Borrower to Agent or Lenders exceed the maximum amount or the rate permitted under any applicable law or regulation, and if any part or provision of this Agreement is in contravention of any such law or regulation, such part or provision shall be deemed amended to conform thereto.
- (c) Interest Act (Canada). For purposes of disclosure under the *Interest Act* (Canada), where interest is calculated pursuant hereto at a rate based upon a 360 day year (the “**US First Rate**”), it is hereby agreed that the rate or percentage of interest on a yearly basis is equivalent to such US First Rate multiplied by the actual number of days in the year divided by 360.
- (d) Criminal Code (Canada). Notwithstanding the provisions of this Article 3 or any other provision of this Agreement, in no event shall the aggregate “**interest**” (as that term is defined in Section 347 of the *Criminal Code* (Canada)) exceed the effective annual rate of interest on the “**credit advanced**” (as defined therein) lawfully permitted under Section 347 of the *Criminal Code* (Canada). The effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term of the Revolving Loans, and in the event of a dispute, a certificate of a Fellow of the Canadian Institute of

Actuaries appointed by Agent will be conclusive for the purposes of such determination.

- (e) Agent Certificate. A certificate of an authorized signing officer of Agent as to each amount and/or each rate of interest payable hereunder from time to time shall be conclusive evidence of such amount and of such rate, absent manifest error.
- (f) No deemed reinvestment principle/effective yield method. For greater certainty, whenever any amount is payable under any Financing Agreement by Borrower as interest or as a fee which requires the calculation of an amount using a percentage *per annum*, each party to this Agreement acknowledges and agrees that such amount shall be calculated as of the date payment is due without application of the “**deemed reinvestment principle**” or the “**effective yield method**”. As an example, when interest is calculated and payable monthly, the rate of interest payable per month is 1/12 of the stated rate of interest *per annum*.
- (g) Conversion/Continuation of Euro Dollar Rate Loans. Any Euro Dollar Rate Loan shall automatically, at Agent’s option, either (i) convert to US Prime Rate Loans upon the last day of the applicable Interest Period or (ii) be rolled over for a further 1 month Interest Period, unless Agent has received and approved a Notice of Conversion/Continuation to continue such Euro Dollar Rate Loan for an Interest Period chosen by Borrower at least 3 Business Days prior to such last day in accordance with the terms hereof. Any Euro Dollar Rate Loan shall, at Agent’s option, upon notice by Agent to Borrower, be subsequently converted to US Prime Rate Loans upon the occurrence of any Default or Event of Default which is continuing and otherwise upon the Maturity Date. Borrower shall pay to Agent, upon demand by Agent, any amounts required to compensate Agent and Lenders for any loss, costs or expense incurred by Agent and Lenders as a result of the conversion of Euro Dollar Rate Loans to US Prime Rate Loans pursuant to any of the foregoing. Upon the occurrence of a Default or an Event of Default that is continuing, or if Borrower repays or prepays a Euro Dollar Rate Loan on a day other than the last day of the applicable Interest Period, Borrower shall indemnify Agent and Lenders for any loss or expense suffered or incurred by Agent or Lenders including any loss of profit or expenses Agent or Lenders incur by reason of the liquidation or redeployment of deposits or other funds acquired by it to effect or maintain any and all Euro Dollar Rate Loans or any interest or other charges payable to lenders of funds borrowed by Agent and Lenders in order to maintain such Euro Dollar Rate Loans together with any other charges, costs or expenses incurred by Agent and Lenders relative thereto.
- (h) Requests for Revolving Loans. So long as no Default or Event of Default shall have occurred and be continuing and the circumstances in Section 3.2(b) and 3.2(c) do not exist, Borrower may from time to time request in writing Euro Dollar Rate Loans pursuant to a Notice of Borrowing or may request in writing that US Prime Rate Loans be converted to Euro Dollar Rate Loans pursuant to a Notice of Conversion/Continuation or that any existing Euro Dollar Rate Loans

continue for an additional Interest Period pursuant to a Notice of Conversion/Continuation. Each Notice of Borrowing or Notice of Continuation/Conversion, as applicable, from Borrower shall specify the amount of the Euro Dollar Rate Loans or the amount of the US Prime Rate Loans to be converted to Euro Dollar Rate Loans or the amount of the Euro Dollar Rate Loans to be continued (subject to the limits set forth below) and the Interest Period to be applicable to such Euro Dollar Rate Loans. Subject to the terms and conditions contained herein, 3 Business Days after receipt by Agent of such a Notice of Borrowing or Notice of Continuation/Conversion, as the case may be, from Borrower, such Euro Dollar Rate Loans shall be made or US Prime Rate Loans shall be converted to Euro Dollar Rate Loans or such Euro Dollar Rate Loans shall continue, as applicable; provided, that:

- (i) no Default or Event of Default shall exist or have occurred and be continuing;
- (ii) no party hereto shall have sent any notice of termination of this Agreement;
- (iii) Borrower shall have complied with such customary procedures as are generally established by Agent and Lenders for all customers and specified by Agent and Lenders to Borrower from time to time for requests by Borrower for Euro Dollar Rate Loans;
- (iv) no more than 6 Interest Periods (for all outstanding Euro Dollar Rate Loans) may be in effect at any one time;
- (v) the aggregate amount of the Euro Dollar Rate Loans must be in an amount not less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof; and
- (vi) Agent and Lenders shall have determined that the Interest Period or Adjusted Euro Dollar Rate is available to Agent and Lenders and can be readily determined as of the date of the request for such Euro Dollar Rate Loan by Borrower.

Subject to the terms and conditions contained herein, any request by Borrower to Agent pursuant to a Notice of Borrowing or Notice of Continuation/Conversion shall be irrevocable. Notwithstanding anything to the contrary contained herein, Agent and Lenders shall not be required to purchase US Dollar deposits in the London interbank market to fund any Euro Dollar Rate Loans, but the provisions hereof shall be deemed to apply as if Agent or Lenders had purchased such deposits to fund the Euro Dollar Rate Loans. Subject to the terms and conditions contained herein, any request by Borrower to Agent for a US Prime Rate Loan shall be in writing pursuant to a Notice of Borrowing, shall be irrevocable, shall be in an amount not less than \$1,000,000 or an integral multiple of \$500,000 in excess thereof and shall be given to Agent no later than 12:00 noon (Eastern

Time) on the Business Day upon which Borrower requires such US Prime Rate Loan to be advanced to Borrower and if such request is provided after 12:00 noon (Eastern Time) on a Business Day then such US Prime Rate Loan shall be advanced on the next following Business Day.

3.2 Increased Costs and Changes in Law

- (a) If after the Closing Date, either:
- (i) any change in (other than any change by way of imposition or increase of reserve requirements included in the Reserve Percentage), or in the interpretation of, any law or regulation is introduced, including with respect to reserve requirements, applicable to a Lender or any banking or financial institution from whom a Lender borrows funds or obtains credit (a “**Funding Bank**”); or
 - (ii) a Funding Bank or a Lender complies with any future guideline or request from any central bank or other Governmental Authority; or
 - (iii) a Funding Bank or a Lender determines that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof has or would have the effect described below, or a Funding Bank or a Lender complies with any request or directive regarding capital adequacy (whether or not having the force of law where customarily complied with by responsible financial institutions) of any such authority, central bank or comparable agency, and in the case of any event set forth in this clause (iii), such adoption, change or compliance has or would have the direct or indirect effect of reducing the rate of return on a Lender’s capital as a consequence of its obligations hereunder to a level below that which Lender could have achieved but for such adoption, change or compliance (taking into consideration the Funding Bank’s or Lender’s policies with respect to capital adequacy) by an amount deemed by such Lender to be material,

and the result of any of the foregoing events described in clauses (i), (ii) or (iii) is or results in an increase in the cost to a Lender of funding or maintaining the Revolving Loans, or its Revolving Loan Commitment, then Borrower shall from time to time upon demand by Agent pay to Agent additional amounts sufficient to indemnify Lenders against such increased cost on an after-tax basis (subject to Section 7.4 and after taking into account applicable deductions and credits in respect of the amount indemnified); provided that a Lender claiming additional amounts under this Section 3.2(a) agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different applicable lending office if the making of such a designation would avoid the need for, or reduce the amount of, such increased cost that may thereafter accrue

and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate as to the amount of such increased cost shall be submitted to Borrower by Agent and shall be conclusive, absent manifest error. The obligations imposed pursuant to this Section 3.2(a) are without duplication of the obligations imposed pursuant to Section 7.4.

- (b) If prior to the first day of any Interest Period:
- (i) Agent shall have determined (which determination shall be conclusive and binding upon Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Adjusted Euro Dollar Rate for such Interest Period;
 - (ii) Agent has received notice from a Lender that that Adjusted Euro Dollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lender of making or maintaining Euro Dollar Rate Loans during such Interest Period; or
 - (iii) US Dollar deposits in the principal amounts of the Euro Dollar Rate Loans to which such Interest Period is to be applicable are not generally available in the London interbank market,

Agent shall give notice thereof to Borrower as soon as practicable thereafter (which notice shall be withdrawn whenever such circumstances no longer exist). If such notice is given (A) any Euro Dollar Rate Loans requested to be made on the first day of such Interest Period shall be made as a US Prime Rate Loan, (B) any Revolving Loans that were to have been converted on the first day of such Interest Period to or continue as Euro Dollar Rate Loans shall be converted to or continued as US Prime Rate Loans and (C) each outstanding Euro Dollar Rate Loan shall be converted, on the last day of the then-current Interest Period thereof, to US Prime Rate Loans. Until such notice has been withdrawn by Agent, no further Euro Dollar Rate Loans shall be made or continued as such, nor shall Borrower have the right to convert U.S. Prime Rate Loans to Euro Dollar Rate Loans.

- (c) Notwithstanding any other provision herein, if the adoption of or any change in any law, treaty, rule or regulation or final, non-appealable determination of an arbitrator or a court or other Governmental Authority or in the interpretation or application thereof occurring after the Closing Date shall make it unlawful for Agent or any Lender to make or maintain Euro Dollar Rate Loans as contemplated by this Agreement:
- (i) Agent shall promptly give written notice of such circumstances to Borrower (which notice shall be withdrawn whenever such circumstances no longer exist); provided, however, that, before making any such demand, such Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a

different Euro Dollar lending office if the making of such a designation would allow such Lender or its Euro dollar lending office to continue to perform its obligations to make Euro Dollar Rate Loans or to continue to fund or maintain Euro Dollar Rate Loans and would not, in the judgment of such Lender, be otherwise disadvantageous to such Lender;

- (ii) the commitment of each Lender hereunder to make Euro Dollar Rate Loans, continue Euro Dollar Rate Loans as such and convert US Prime Rate Loans to Euro Dollar Rate Loans shall forthwith be cancelled and, until such time as it shall no longer be unlawful for such Lender to make or maintain Euro Dollar Rate Loans, such Lender shall then have a commitment only to make a US Prime Rate Loan when a Euro Dollar Rate Loan is requested; and
 - (iii) such Lender's Revolving Loans then outstanding as Euro Dollar Rate Loans, if any, shall be converted automatically to US Prime Rate Loans on the respective last days of the then current Interest Periods with respect to such Revolving Loans or within such earlier period as required by law. If any such conversion of a Euro Dollar Rate Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 3.2(d) below.
- (d) Borrower shall indemnify Agent and each Lender and shall hold Agent and each Lender harmless from any loss or expense which Agent or such Lender may sustain or incur as a consequence of:
- (i) default by Borrower in making a borrowing of, conversion into or extension of an Euro Dollar Rate Loan after Borrower has given a Notice of Borrowing or Notice of Conversion/Continuation, as the case may be, requesting the same in accordance with the provisions of this Agreement; and
 - (ii) the making of a prepayment of Euro Dollar Rate Loans on a day which is not the last day of an Interest Period with respect thereto.

With respect to Euro Dollar Rate Loans, such indemnification may include an amount equal to the greater of (i) the excess, if any, of (1) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, converted or extended, for the period from the date of such prepayment or of such failure to borrow, convert or extend to the last day of the applicable Interest Period (or, in the case of a failure to borrow, convert or extend, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Euro Dollar Rate Loans provided for herein over (2) the amount of interest (as determined by such Agent or such Lender) which would have accrued to Agent or such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the

interbank Euro Dollar market; and (ii) an amount equal to the interest that would have been payable if the Euro Dollar Rate Loan had been a US Prime Rate Loan. This covenant shall survive the termination or non-renewal of this Agreement and the payment of the Obligations.

- (e) In the event that Borrower has hedged a Euro Dollar Rate Loan with an interest rate swap with Agent, a Lender or any of its Affiliates under which Borrower is to make its payments based on a fixed rate and Agent, such Lender or any of its Affiliates is to make its payments based on a rate equal to the Adjusted Euro Dollar Rate, then the fallback rate (being the US Prime Rate in the circumstances described in this Section 3.2) on any given day while the swap with Agent, such Lender or any of its Affiliates is in effect will be the sum of (i) the fallback floating rate payable by Agent, such Lender or any of its Affiliates that is in effect under the interest rate swap for that day (without regard to any interest rate spread added thereto under the terms of the interest rate swap) plus (ii) the Applicable Margin applicable to Euro Dollar Rate Loans.
- (f) In the event any Lender demands payment of costs or additional amounts pursuant to this Section 3.2 or Section 7.4 or asserts, pursuant to Section 3.2(c), that it is unlawful for such Lender to make Euro Dollar Rate Loans or becomes a Non-Funding Lender then (subject to such Lender's right to rescind such demand or assertion within 10 Business Days after the notice from Borrower referred to below) Borrower may, upon 20 Business Days' prior written notice to such Lender and Agent, elect to cause such Lender to assign its Revolving Loans and Revolving Loan Commitments in full to one or more Persons selected by Borrower so long as (i) each such Person satisfies the criteria of an Eligible Transferee and is satisfactory to Agent, (ii) such Lender receives payment in full in cash of the outstanding principal amount of all Revolving Loans made by it and all accrued and unpaid interest thereon and all other amounts due and payable to such Lender as of the date of such assignment and (iii) each such assignee agrees to accept such assignment and to assume all obligations of such Lender hereunder in accordance with Section 11.1.

3.3 Commitment Fee

- (a) Borrower shall pay to Agent a commitment fee (i) initially after the Closing Date at a rate equal to 0.25% *per annum* and (ii) after the first AM Calculation Date at the Applicable Margin, in each case calculated on the basis of a 360 day year and actual days elapsed and upon the amount by which the then applicable Revolving Loan Commitment exceeds the sum of (i) the average daily principal balance of the outstanding Revolving Loans and (ii) the average daily face amount of the Letter of Credit Accommodations during the immediately preceding Fiscal Quarter (or part thereof) while this Agreement is in effect and for so long thereafter as any of the Obligations are outstanding, which commitment fee shall be payable on the last Business Day of each Fiscal Quarter in arrears. For further clarity, no Obligations will be outstanding once this Agreement has been terminated and all non-contingent Obligations have been fully and indefeasibly

satisfied and cash collateral has been posted in the full amount then outstanding of any Letter of Credit Accommodations and Secured Hedge Agreement, if any. This commitment fee shall not be payable to a Lender during the period it is a Non-Funding Lender.

ARTICLE 4
CONDITIONS PRECEDENT

4.1 Conditions Precedent to the Availability of Revolving Loans and Letter of Credit Accommodations

Each of the following is a condition precedent to Lenders making available the Revolving Loans and making available the Letter of Credit Accommodations hereunder on the Closing Date:

- (a) Agent and Lenders shall have received the Financing Agreements, agreements, instruments and documents listed on the Closing Agenda attached hereto as Exhibit H, all in form and substance satisfactory to Agent and Lenders;
- (b) no event or circumstance shall have occurred which has had or could be reasonably expected to have a material adverse change in the assets or business of Credit Parties, taken as a whole, since the date of the most recent audited financial statements of Credit Parties received by Agent and no change or event shall have occurred which would materially impair the ability of Credit Parties, taken as a whole, to perform their obligations under any of the Financing Agreements to which they are a party or of Agent to enforce the Obligations or realize upon the Collateral;
- (c) other than what is disclosed in Borrower's Form 10-K for 2014, there shall exist no material pending or threatened litigation, proceeding, bankruptcy or insolvency, injunction, order or claims with respect to any Credit Party or this Agreement;
- (d) Agent and Lenders and their respective counsel shall have completed their business and legal due diligence with results satisfactory to Agent and Lenders; and
- (e) Agent shall have received evidence, in form and substance reasonably satisfactory to Agent, or be satisfied that there exists no material misstatements in or material omissions from the financial and other materials, taken as a whole, furnished to Agent by any Credit Party.

4.2 Conditions Precedent to the Availability of All Revolving Loans and Letter of Credit Accommodations

Each of the following is an additional condition precedent to Lenders making available the Revolving Loans and/or making available Letter of Credit Accommodations to Borrower,

including the initial Revolving Loans and Letter of Credit Accommodations and any future Revolving Loans and Letter of Credit Accommodations:

- (a) all steps required with respect to notice and request for the making available of the Revolving Loans and/or making available Letter of Credit Accommodations to Borrower set out or contemplated herein have been completed;
- (b) all representations and warranties contained in the Financing Agreements shall be true and correct (i) in all material respects if not subject to materiality or Material Adverse Effect qualifications or (ii) in all respects if subject to materiality or Material Adverse Effect qualifications with the same effect as though such representations and warranties had been made on and as of the date of the making of each such Loan or providing each such Letter of Credit Accommodation and after giving effect thereto;
- (c) no Event of Default or Default shall exist or have occurred and be continuing on and as of the date of the making of such Loan or providing, amending or extending each such Letter of Credit Accommodation and after giving effect thereto; and
- (d) after giving effect to each Loan and Letter of Credit Accommodation, (i) the Revolving Loan Outstandings shall not exceed the Revolving Loan Commitment, (ii) the Revolving Loan Exposure of any Lender shall not exceed such Lender's Revolving Loan Commitment, (iii) the aggregate outstanding amount of the Letter of Credit Accommodations shall not exceed the sub-limit for Letter of Credit Accommodations set forth in Section 2.2(c) and (iv) the aggregate amount of the Revolving Outstandings shall not exceed the Maximum Revolving Credit.

ARTICLE 5
COLLECTION AND ADMINISTRATION

5.1 Borrower's Loan Account

Agent shall maintain one or more loan account(s) on its books in which shall be recorded: (a) all Revolving Loans, Letter of Credit Accommodations and other Obligations and the Collateral; (b) all payments made by or on behalf of Borrower; and (c) all other appropriate debits and credits as provided in this Agreement, including fees, charges, costs, expenses and interest. All entries in the loan account(s) shall be made in accordance with Agent's customary practices as in effect from time to time.

5.2 Statements

Agent shall render to Borrower within a reasonable time following the end of each Fiscal Quarter statements setting forth the balance in Borrower's loan account(s) maintained by Agent for Borrower pursuant to the provisions of this Agreement, including principal, interest, fees, costs and expenses. Each such statement shall be subject to subsequent adjustment by Agent but shall, absent manifest errors or omissions, be considered correct and deemed accepted by Borrower and conclusively binding upon Borrower as an account stated except to the extent that Agent

receives a written notice from Borrower of any specific exceptions of Borrower thereto within 30 days after the date such statement has been mailed by Agent. Until such time as Agent shall have rendered to Borrower a written statement as provided above, the balance in Borrower's loan account(s) shall be presumptive evidence of the amounts due and owing to Agent and Lenders by Borrower.

5.3 Payments

- (a) All Obligations (other than obligations, liabilities and indebtedness in connection with any Secured Hedge Agreement (which shall be paid in accordance with the terms thereof)) shall be payable to Agent as it may designate from time to time.
- (b) Agent shall apply payments received or collected from Credit Parties or for the account of Credit Parties (including the monetary proceeds of collections or of realization upon any Collateral) as follows:
 - (i) first, to pay any fees, indemnities or expense reimbursements then due to Agent or Lenders from Credit Parties;
 - (ii) second, to pay interest then due in respect of any Revolving Loans;
 - (iii) third, to pay principal then due in respect of the Revolving Loans and outstanding obligations due under Secured Hedge Agreements and Secured Cash Management Agreements; and
 - (iv) fourth, to pay the outstanding Revolving Loans and cash collateralize outstanding Letter of Credit Accommodations and Secured Hedge Agreements, and after the occurrence of and during the continuance of an Event of Default, to pay or pre-pay such of the Obligations, whether or not then due, in such order and manner as Agent determines.
- (c) Notwithstanding clause (b) above, Obligations arising under Secured Hedge Agreements and Secured Cash Management Agreements shall be excluded from the application described above if Agent has not received written notice thereof, together with such supporting documentation as Agent may request, from the applicable Hedge Bank or Cash Management Bank, as the case may be. Each Hedge Bank or Cash Management Bank not a party to this Agreement that has given the notice contemplated by the preceding sentence shall, by such notice, be deemed to have acknowledged and accepted the appointment of Agent pursuant to the terms of Article 11 for itself and its Affiliates as if a "Lender" party hereto.
- (d) Payments and collections received in any currency other than US Dollars will be accepted and/or applied at the sole discretion of Agent. At Agent's option, all principal, interest, fees, costs, expenses and other charges provided for in the Financing Agreements, the Secured Hedge Agreements or the Secured Cash Management Agreements may be charged directly to the loan account(s) of Borrower. Borrower shall make all payments to Agent on the Obligations free and clear of, and without deduction or withholding for or on account of, any set-

off, counterclaim, defence, duties, taxes, levies, imposts, fees, deductions, withholding, restrictions or conditions of any kind except as required by applicable law. Subject to Section 7.4 and the exclusions in Section 7.4(b), if applicable law requires that Borrower deduct or withhold any amount on account of taxes, then Borrower shall pay such additional amount as may be required so that the payment received by Agent is equal to the amount that would have been received if the deduction or withholding had not been made. If after receipt of any payment of, or proceeds of Collateral applied to the payment of, any of the Obligations, Agent is required to surrender or return such payment or proceeds to any Person for any reason, then the Obligations intended to be satisfied by such payment or proceeds shall be reinstated and continue and this Agreement shall continue in full force and effect as if such payment or proceeds had not been received by Agent. Borrower shall be liable to pay to Agent, and does hereby indemnify and hold Agent harmless for the amount of any payments or proceeds surrendered or returned. This Section 5.3 shall remain effective notwithstanding any contrary action which may be taken by Agent in reliance upon such payment or proceeds. The indemnification in the second preceding sentence shall survive the payment of the Obligations and the termination of this Agreement.

5.4 Authorization to Make Revolving Loans and Letter of Credit Accommodations

Each Lender is authorized to make the Revolving Loans and provide the Letter of Credit Accommodations based upon written instructions received by Agent from the persons authorized by Borrower as notified in writing by Borrower to Agent from time to time or, at the discretion of Lenders, if such Revolving Loans are necessary to satisfy any Obligations. All requests for Revolving Loans or Letter of Credit Accommodations hereunder shall specify the date on which the requested advance is to be made or Letter of Credit Accommodations established (which day shall be a Business Day) and the amount of the requested Loan. Requests received after 12:00 noon (Eastern Time) on any day shall be deemed to have been made as of the opening of business on the immediately following Business Day. All Revolving Loans and Letter of Credit Accommodations under this Agreement shall be conclusively presumed to have been made to, and at the request of and for the benefit of, Borrower when deposited to the credit of Borrower or otherwise disbursed or established in accordance with the instructions of Borrower or in accordance with the terms and conditions of this Agreement.

5.5 Use of Proceeds

Borrower shall use the proceeds of the Revolving Loans provided by Lenders to Borrower hereunder for (a) costs, expenses and fees in connection with the preparation, negotiation, execution and delivery of the Financing Agreements and (b) any remaining proceeds and all other Revolving Loans made or Letter of Credit Accommodations provided by Lenders to Borrower pursuant to the provisions hereof shall be used by Borrower only for general operating, working capital and other proper corporate purposes of Borrower and its Subsidiaries not otherwise prohibited by the terms hereof

5.6 Pro Rata Treatment

Except to the extent otherwise provided in this Agreement, (a) the making and conversion of Revolving Loans shall be made by Lenders based on their respective Pro Rata Shares as to the Revolving Loans and (b) each payment on account of any Obligations to or for the account of one or more of Lenders or their respective Affiliates in respect of any Obligations due on a particular day shall be allocated among the Lenders and their respective Affiliates, as applicable, entitled to such payments based on their respective Pro Rata Shares or Obligations, as the case may be, and shall be distributed accordingly by Agent.

5.7 Obligations Several; Independent Nature of Lenders' Rights

The obligations of each Lender hereunder are several, and no Lender shall be responsible for the obligations or commitment of any other Lender hereunder. Nothing contained in this Agreement or any of the other Financing Agreements and no action taken by the Lenders pursuant hereto or thereto shall be deemed to constitute the Lenders to be a partnership, as association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and subject to Section 11.13(f), hereof, each Lender shall be entitled to protect and enforce its rights arising out of this Agreement and it shall not be necessary for any other Lender to be joined as an additional party in any proceeding for such purpose.

ARTICLE 6 REPRESENTATIONS AND WARRANTIES

Each Credit Party hereby represents and warrants to Agent and each Lender the following (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the making of Revolving Loans and providing Letter of Credit Accommodations by Lenders to Borrower:

6.1 Corporate Existence, Power and Authority; Subsidiaries; Solvency

Each Credit Party and each Subsidiary thereof is a corporation duly incorporated, validly existing and duly organized under the laws of its jurisdiction of incorporation and is duly qualified or registered as a foreign or extra-provincial corporation in all provinces, states or other jurisdictions where the nature and extent of the business transacted by it or the ownership of assets makes such qualification necessary, except for those jurisdictions in which the failure to so qualify would not have a Material Adverse Effect. The execution, delivery and performance of the Financing Agreements and the transactions contemplated thereunder are all within each Credit Party's and each of its Subsidiaries' corporate powers, have been duly authorized and are not in contravention of law or the terms of its certificate of incorporation, by-laws, or other organizational documentation, or any indenture, agreement or undertaking to which it is a party or by which it or its property are bound. The Financing Agreements constitute legal, valid and binding obligations of each Credit Party and each Subsidiary thereof which is a party thereto enforceable in accordance with their respective terms. As of the Closing Date, each Credit Party and each Subsidiary thereof does not have any Subsidiaries except as set forth on the corporate

structure chart attached as Schedule 6.1. Credit Parties and their Subsidiaries, taken as a whole, are Solvent.

6.2 Financial Statements; No Material Adverse Change

All financial statements relating to Borrower which have been delivered by Borrower to Agent or may hereafter be delivered by Borrower to Agent pursuant to Section 7.6(a)(i) and (ii) have been prepared in accordance with GAAP and fairly present its financial condition and the results of its operation as at the dates and for the periods set forth therein. Except as disclosed in any interim financial statements furnished by each Credit Party and each Subsidiary thereof to Agent prior to the date of this Agreement, there has been no material adverse change in its assets, liabilities, properties and condition, financial or otherwise, since the date of the most recent audited financial statements furnished by it to Agent prior to the date of this Agreement.

6.3 Chief Executive Office; Collateral Locations

As of the Closing Date, the chief executive office of each Credit Party is located only at the address set forth on its signature page below and its only other places of business and the only other locations of Collateral, if any, are the addresses set forth in its Information Certificate, subject to its right to establish new locations in accordance with Section 7.2 below.

6.4 Priority of Liens; Title to Properties; Intellectual Property Matters

The Liens granted to Agent under the Financing Agreements constitute valid and perfected first priority Liens in and upon the Collateral subject only to Permitted Liens. Each Credit Party and each Subsidiary thereof has good and marketable title to all of its properties and assets subject to no Liens, except Permitted Liens. Each Credit Party and each Subsidiary thereof owns or possesses rights to use all material franchises, licenses, copyrights, copyright applications, patents, patent rights or licenses, patent applications, trademarks, trademark rights, service mark, service mark rights, trade names, trade name rights, copyrights and other rights with respect to the foregoing which are reasonably necessary to conduct its business. To the knowledge of each Credit Party, no event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any such rights. No Credit Party nor any Subsidiary thereof is liable to any Person for infringement under any applicable law, regulation, rule, license, permit, approval or order with respect to any such rights as a result of its business operations except as could not reasonably be expected to have a Material Adverse Effect.

6.5 Tax Returns

Each Credit Party and each Subsidiary thereof has filed, or caused to be filed, in a timely manner (with extensions) all tax returns, reports and declarations which are required to be filed by it (except those in respect of taxes the calculation or payment of which are being contested in good faith by appropriate proceedings diligently pursued and available to it and except for those returns for those jurisdictions in which failure to do so would not have a Material Adverse Effect). All information in such tax returns, reports and declarations is complete and accurate in all material respects. Each Credit Party and each Subsidiary thereof has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes (a) the validity of which are being contested in good faith by appropriate

proceedings diligently pursued and available to it and with respect to which adequate reserves have been set aside on its books or (b) for which the failure to pay would not have a Material Adverse Effect. Adequate provision has been made by each Credit Party and each Subsidiary thereof for the payment of all accrued and unpaid federal, provincial, municipal, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.

6.6 Litigation

Except as disclosed in Borrower's Form 10-K for 2014, to its knowledge, (a) there is no present investigation by any Governmental Authority pending or threatened against or affecting such Credit Party and each Subsidiary thereof, its assets or business and (b) there is no action, suit, proceeding or claim by any Person pending or threatened against such Credit Party and each Subsidiary thereof or its assets or business, or against or affecting any transactions contemplated by this Agreement, which in each of the foregoing cases, can reasonably be expected to result in any material adverse change in the assets or business of Credit Parties and their Subsidiaries, taken as a whole, or would materially impair the ability of such Credit Party and each Subsidiary thereof to perform its obligations under any of the Financing Agreements to which it is a party or of Agent to enforce any Obligations or realize upon any Collateral.

6.7 Compliance with Other Agreements and Applicable Laws; Approvals

Each Credit Party and each Subsidiary thereof is not in default in any respect under, or in violation in any respect of any of the terms of, any agreement, contract, instrument, lease or other commitment to which it is a party or by which it or any of its assets are bound and each Credit Party and each Subsidiary thereof is in compliance in all respects with all applicable provisions of laws, rules, regulations, licenses, permits, approvals and orders of any foreign, federal, provincial or local governmental authority except for any default or lack of compliance that would not reasonably be expected to have a Material Adverse Effect. The execution, delivery and performance by each Credit Party and each Subsidiary thereof of the Financing Agreements to which it is a party do not and will not (a) require any governmental approval where the failure to obtain such approval could reasonably be expected to have a Material Adverse Effect or (b) require any consent or authorization of, filing with, or other act in respect of, a Governmental Authority and no consent of any other Person is required in connection with such execution, delivery and performance other than consents, authorizations, filings or other acts or consents for which the failure to obtain or make could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and notices and filings made in connection with the security interests granted under the Financing Agreements.

6.8 Bank Accounts

As of the Closing Date, all of the deposit accounts, investment accounts or other accounts in the name of or used by any Credit Party maintained at any bank or other financial institution are set forth in its Information Certificate.

6.9 Accuracy and Completeness of Information, Significant Contracts

- (a) The information, taken as a whole, furnished by or on behalf of each Credit Party and each Subsidiary thereof in writing to Agent or a Lender in connection with

any of the Financing Agreements or any transaction contemplated hereby or thereby, including all information in the Information Certificates, is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading.

- (b) To the knowledge of each Credit Party, the Information Certificates set forth a complete and accurate list of all Significant Contracts of each Credit Party and each Subsidiary thereof in effect as of the Closing Date. Other than as set forth in the Information Certificates, to the knowledge of such Credit Party, such Significant Contract is, and after giving effect to the consummation of the transactions contemplated by the Financing Agreements will be, in full force and effect in accordance with the terms thereof. To the extent requested by Agent, each Credit Party and each Subsidiary thereof has delivered to the Agent a true and complete copy of each Significant Contract required to be listed on the Information Certificates. No Credit Party or Subsidiary thereof (nor, to the knowledge of Borrower, any other party thereto) is in breach of, or in default under, any Significant Contract or judgment, decree or order to which it or its properties are bound in any material respect.
- (c) No event or circumstance has occurred which has had or could reasonably be expected to have a material adverse effect on the business or assets of Credit Parties and their Subsidiaries, taken as a whole, which has not been fully and accurately disclosed to Agent in writing.

6.10 Status of Pension Plans and ERISA

To the best knowledge of each Credit Party:

- (a) The Pension Plans are duly registered under all applicable provincial pension benefits legislation and there are no other Canadian pension plans of any Credit Party or any Subsidiary thereof other than the Pension Plans.
- (b) All obligations of each Credit Party and each Subsidiary thereof (including fiduciary, funding, investment and administration obligations) required to be performed in connection with the Pension Plans or the funding agreements therefor have been performed in a timely fashion. There are no outstanding disputes concerning the assets held pursuant to any such funding agreement.
- (c) All contributions or premiums required to be made by any Credit Party and any Subsidiary thereof to the Pension Plans have been made in a timely fashion in accordance with the terms of the Pension Plans and applicable laws and regulations.
- (d) All employee contributions to the Pension Plans required to be made by way of authorized payroll deduction have been properly withheld by each Credit Party and each Subsidiary thereof and fully paid into the Pension Plans in a timely fashion.

- (e) All reports and disclosures relating to the Pension Plans required by any applicable laws or regulations have been filed or distributed in a timely fashion.
- (f) There have been no improper withdrawals, or applications of, the assets of any of the Pension Plans.
- (g) No amount is owing by any of the Pension Plans under the *Income Tax Act* (Canada) or any provincial taxation statute.
- (h) None of the Pension Plans is a defined benefit registered pension plan or contains any defined benefit provision.
- (i) Each Credit Party, after diligent enquiry, has neither any knowledge, nor any grounds for believing, that any of the Pension Plans is the subject of an investigation or any other proceeding, action or claim. There exists no state of facts which after notice or lapse of time or both could reasonably be expected to give rise to any such proceeding, action or claim.
- (j) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or State law. Each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service and to the best of each Credit Party's knowledge, nothing has occurred which would cause the loss of such qualification where such loss, when combined with other such occurrences or failures to comply, has or could reasonably be expected to have a Material Adverse Effect. Each Credit Party and its ERISA Affiliates have made all required contributions to any Plan subject to Section 412 of the Code, and no application for a funding waiver has been made with respect to any Plan.
- (k) Except as disclosed in Borrower's Form 10-K for 2014, there are no pending, or to the best of each Credit Party's knowledge, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan and there has been no prohibited transaction or violation of the fiduciary responsibility rules that would reasonably be expected to result in a material liability to the Plan.
- (l) Except as disclosed in Borrower's Form 10-K for 2014, (i) no ERISA Event has occurred or is reasonably expected to occur that would reasonably be expected to result in a material liability to the Plan; (ii) each Credit Party and its ERISA Affiliates have not incurred and do not reasonably expect to incur, any liability under Title IV of ERISA with respect to any Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iii) each Credit Party and its ERISA Affiliates have not incurred and do not reasonably expect to incur any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (iv) each Credit Party and its ERISA Affiliates have not engaged in a transaction that would be subject to Section 4069 or 4212(c) of ERISA.

6.11 Environmental Compliance

- (a) Each Credit Party and each Subsidiary thereof has not generated, used, stored, treated, transported, manufactured, handled, produced or disposed of any Hazardous Materials, on or off its premises (whether or not owned by it) in any manner which at any time violates any applicable Environmental Law or any license, permit, certificate, approval or similar authorization thereunder which may be expected to have a Material Adverse Effect and the operations of each Credit Party and each Subsidiary thereof comply in all material respects with all Environmental Laws and all licenses, permits, certificates, approvals and similar authorizations thereunder.
- (b) There is no investigation, proceeding, complaint, order, directive, claim, citation or notice by any Governmental Authority or any other person nor is any pending or to the best of each Credit Party's knowledge threatened, with respect to any non-compliance with or violation of the requirements of any Environmental Law by such Credit Party and each Subsidiary thereof or the release, spill or discharge, threatened or actual, of any Hazardous Material or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials or any other environmental, health or safety matter, which affects such Credit Party and each Subsidiary thereof or its business, operations or assets or any properties at which any Credit Party or any Subsidiary thereof has transported, stored or disposed of any Hazardous Materials.
- (c) Each Credit Party and each Subsidiary thereof has no material liability (contingent or otherwise) in connection with a release, spill or discharge, threatened or actual, of any Hazardous Materials or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials.
- (d) Each Credit Party and each Subsidiary thereof has all licenses, permits, certificates, approvals or similar authorizations required to be obtained or filed in connection with its operations under any Environmental Law and all of such licenses, permits, certificates, approvals or similar authorizations are valid and in full force and effect.
- (e) Each Credit Party and each Subsidiary thereof does not maintain and is not required by applicable law or otherwise to establish and maintain a system to assure and monitor its continued compliance with all Environmental Laws in all of its operations. In the event a Credit Party or a Subsidiary thereof establishes such a system it shall include annual reviews of such compliance by its employees or agents who are familiar with the requirements of the Environmental Laws and copies of all environmental surveys, audits, assessments, feasibility studies and results of remedial investigations shall be promptly furnished, or caused to be furnished, by such Credit Party to Agent all at such Credit Party's expense.

6.12 Survival of Warranties; Cumulative

All representations and warranties contained in any of the Financing Agreements shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to Agent and each Lender on the date of each additional borrowing or other credit accommodation hereunder and shall be conclusively presumed to have been relied on by Agent and each Lender regardless of any investigation made or information possessed by Agent or any Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which any Credit Party or any Subsidiary thereof shall now or hereafter give, or cause to be given, to Agent or any Lender.

6.13 U.S. Legislation

- (a) No Credit Party or any Subsidiary or Affiliate thereof is in violation of any of the country or list-based economic and trade sanctions administered and enforced by OFAC. No Credit Party or any Subsidiary or Affiliate thereof (i) is a Sanctioned Person or a Sanctioned Entity, (ii) has any of its assets in Sanctioned Entities, or (iii) derives any of its operating income from investments in, or transactions with, Sanctioned Persons or Sanctioned Entities. The proceeds of the Revolving Loans and other financial accommodation hereunder will not be used and have not been used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity.
- (b) None of the requesting or borrowing of the Revolving Loans or the requesting or issuance, extension or renewal of any Letter of Credit Accommodations or the use of the proceeds of any thereof will violate the *Trading With the Enemy Act* (50 USC §1 et seq., as amended) (the “**Trading With the Enemy Act**”) or any of the foreign assets control regulations of the United States Treasury Department (31 C.F.R., Subtitle B, Chapter V, as amended) (the “**Foreign Assets Control Regulations**”) or any enabling legislation or executive order relating thereto (including, but not limited to, (i) Executive order 13224 of September 21, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)) (the “**Executive Order**”) and (ii) the Patriot Act. Neither any Credit Party nor any of its Subsidiaries or Affiliates is or will become a “**blocked person**” as described in the Executive Order, the Trading with the Enemy Act or the Foreign Assets Control Regulations or engages or will engage in any dealings or transactions, or be otherwise associated, with any such “**blocked person**”.
- (c) No part of the proceeds of the Revolving Loans will be used for any purpose that violates the provisions of any of Regulation T, U or X of the Board of Governors of the Federal Reserve System of the United States of America or any other regulation of such Board of Governors, no Credit Party or Subsidiary thereof is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System and Borrower does not own any such “**margin stock**”.

- (d) No part of the proceeds of the Revolving Loans or other financial accommodations made or provided hereunder will be used by any Credit Party or any Subsidiary or Affiliate thereof, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the *United States Foreign Corrupt Practices Act of 1977*, as amended.
- (e) No Credit Party or Subsidiary thereof is an “investment company” or a company “controlled” by an “investment company” (as each such term is defined or used in the *Investment Company Act of 1940*, as amended) and no Credit Party and Subsidiary thereof is, or after giving effect to any extension of loans will be, a regulated entity under the Interstate Commerce Act, as amended, or any other applicable law which limits its ability to incur or consummate the transactions contemplated hereby.

6.14 Material Operating Subsidiaries

As of the Closing Date, Guarantors are the only Material Subsidiaries of Borrower other than IMAX China Multimedia, IMAX China Theatre, IMAX Japan, IMAX China HK and Playa Vista Borrower.

6.15 Employee Relations

As of the Closing Date, no Credit Party or Subsidiary thereof is party to any collective bargaining agreement and no labor union has been recognized as the representative of any material portion of its employees. Each Credit Party knows of no pending, threatened or contemplated strikes, work stoppage or other collective labor disputes involving its employees or those of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect.

6.16 Burdensome Provisions

No Credit Party or Subsidiary thereof is party to any agreement or instrument or otherwise subject to any restriction or encumbrance that restricts or limits its ability to make dividend payments or other distributions in respect of its Capital Stock to Borrower or any Subsidiary thereof or to transfer any of its assets or properties to Borrower or any other Subsidiary thereof in each case other than existing under or by reason of the Financing Agreements, applicable law or pursuant to any document or instrument governing indebtedness incurred pursuant to Section 8.3(c), (g), (h), (i) and (k).

6.17 Absence of Defaults

No event, circumstance or omission has occurred or is continuing which constitutes a Default or an Event of Default.

6.18 Senior Indebtedness Status

The Obligations rank and shall continue to rank senior in priority of payment to all subordinated indebtedness of each Credit Party and shall be designated as "Senior Indebtedness" under all instruments and documents, now or in the future, relating to all subordinated indebtedness of such Credit Party.

ARTICLE 7 AFFIRMATIVE COVENANTS

Until all of the non-contingent Obligations have been paid and satisfied in full in cash, all Letters of Credit Accommodations have been terminated or expired (or been cash collateralized on terms satisfactory to Agent) and the Revolving Loan Commitment terminated, each Credit Party will, and will cause each of its Subsidiaries to:

7.1 Maintenance of Existence

Except to the extent otherwise permitted herein, preserve, renew and keep in full, force and effect its corporate existence and rights and franchises with respect thereto and maintain in full force and effect all permits, licenses, trademarks, tradenames, approvals, authorizations, leases and contracts necessary to carry on the business as presently or proposed to be conducted. Each Credit Party shall give Agent 15 days prior written notice of any proposed change in its or any of its Subsidiaries' corporate name, which notice shall set forth the new name and it shall deliver to Agent a certified copy of the articles of amendment providing for the name change immediately following its filing.

7.2 New Collateral Locations

Give Agent 30 days prior written notice if it intends to do business or have assets located in a Province of Canada not set forth in the Information Certificates as of the Closing Date and execute and deliver, or cause to be executed and delivered, to Agent such agreements, documents, and instruments as Agent may deem necessary or desirable to protect its interests in the Collateral in such Province, including PPSA and other financing statements and such other evidence as Agent may require of the perfection of Agent's first priority Liens where required by Agent. If any Lender determines, acting reasonably, that any applicable law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender to hold or benefit from a Lien over real property, such Lender may notify Agent and disclaim any benefit of such Lien to the extent of such illegality; provided, that such determination or disclaimer shall not invalidate or render unenforceable such Lien for the benefit of Agent, any other Lender or Secured Party.

7.3 Compliance with Laws, Regulations, Etc.

- (a) Comply in all respects with all laws, rules, regulations, licenses, permits, approvals and orders applicable to it and duly observe all requirements of any Governmental Authority, including all statutes, rules, regulations, orders, permits and stipulations relating to environmental pollution and employee health and safety, including all of the Environmental Laws except for any matter (i) that it is

contesting in good faith by appropriate proceedings diligently pursued or (ii) which is not reasonably expected to have a Material Adverse Effect.

- (b) Take prompt and appropriate action to respond to any non-compliance with any of the Environmental Laws and shall regularly report to Agent on such response.
- (c) Give both oral and written notice to Agent promptly upon its receipt of any notice of, or it otherwise obtaining knowledge of: (i) the occurrence of any event involving the actual release, spill or discharge of any Hazardous Material that would be in violation of Environmental Laws; or (ii) any investigation, proceeding, complaint, order, directive, claims, citation or notice with respect to: (A) any non-compliance with or violation of any Environmental Law by any Credit Party or Subsidiary thereof, or (B) the release, spill or discharge, threatened or actual, of any Hazardous Material, or (C) the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials, or (D) any other environmental, health or safety matter, which affects any Credit Party or any Subsidiary thereof or its business, operations or assets or any properties at which it transported, stored or disposed of any Hazardous Materials.
- (d) Without limiting the generality of the foregoing, whenever Agent determines that there is non-compliance, or any condition which requires any action by or on behalf of any Credit Party or any Subsidiary thereof in order to avoid any material non-compliance, with any Environmental Law, such Credit Party shall, at Agent's request and such Credit Party's expense: (i) cause an independent environmental engineer acceptable to Agent to conduct such tests of the site where such Credit Party's or Subsidiary's non-compliance or alleged non-compliance with such Environmental Laws has occurred as to such non-compliance and prepare and deliver to Agent a report as to such non-compliance setting forth the results of such tests, a proposed plan for responding to any environmental problems described therein, and an estimate of the costs thereof; and (ii) provide to Agent a supplemental report of such engineer whenever the scope of such non-compliance, or such Credit Party's or Subsidiary's response thereto or the estimated costs thereof, shall change in any material respect.
- (e) Indemnify and hold harmless Agent and each Lender and their respective directors, officers, employees, agents, invitees, representatives, successors and assigns, from and against any and all losses, claims, damages, liabilities, costs, and expenses (including reasonable legal fees and expenses) directly or indirectly arising out of or attributable to the use, generation, manufacture, reproduction, storage, release, threatened release, spill, discharge, disposal or presence of a Hazardous Material, including the costs of any required or necessary repair, cleanup or other remedial work with respect to any property of any Credit Party or any Subsidiary thereof and the preparation and implementation of any closure, remedial or other required plans. All representations, warranties, covenants and indemnifications in this Section 7.3 shall survive the payment of the Obligations and the termination of this Agreement.

7.4 Payment of Taxes and Claims

- (a) Duly pay and discharge all taxes, assessments, contributions and governmental charges upon or against it or its properties or assets, except for (a) taxes, assessments, contributions and governmental charges the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to it and with respect to which adequate reserves have been set aside on its books or (b) taxes, assessments, contributions and governmental charges for which the failure to pay (i) is not reasonably expected to have a Material Adverse Effect and (ii) does not, and could not, have a trust (including a statutory trust) imposed to provide for payment or Lien ranking or capable of ranking senior to or *pari passu* with the Liens securing the Obligations on any of the Collateral under federal, provincial, state, county, municipal or local law.
- (b) Pay or be liable for any tax imposed on Agent or a Lender as a result of the financing arrangements provided for herein and indemnify and hold Agent and each Lender harmless with respect to the foregoing, and to repay to Agent and/or a Lender, as the case may be, on demand the amount thereof, and until paid such amount shall be added and deemed part of the Obligations; provided, that nothing contained herein shall result in any Credit Party or any Subsidiary thereof being obligated to pay, indemnify or be liable for any (i) income, capital, financial institution or franchise taxes (including such taxes imposed by way of withholding) imposed by the jurisdiction in which Agent or a Lender is organized or maintains its principal office or applicable lending office or with which Agent or such Lender has a present or former connection (other than a connection as a result of the financing arrangements contemplated herein or relating thereto) and is attributable to the income of Agent or Lenders from any amounts charged or paid hereunder to Agent or Lenders or (ii) taxes resulting from Agent's or a Lender's failure to comply with Section 7.4(c); provided, further that any Lender claiming any additional amounts hereunder agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change its applicable lending office if the making of such a change would avoid the need for, or reduce the amount of any such additional amount that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender. The foregoing indemnity shall survive the payment of the Obligations and the termination of this Agreement. Reference to taxes in this Section shall include all related interest and/or penalties.
- (c) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments made on the Obligations shall deliver to Borrower and Agent, at the time or times reasonably requested by Borrower or Agent, such properly completed and executed documentation reasonably requested by Borrower or Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by Borrower or Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by Borrower or Agent as

will enable Borrower or Agent to determine whether or not such Lender is subject to withholding, backup withholding or information reporting requirements.

- (d) If any Person determines, in its sole discretion exercised in good faith, that it has received a refund of any taxes as to which it has been indemnified pursuant to Section 5.3 or this Section 7.4 (including by the payment of additional amounts pursuant to Section 5.3 or this Section 7.4), it shall pay to indemnifying Credit Party an amount equal to such refund (but only to the extent of indemnity payments made with respect to the taxes giving rise to such refund) net of all out-of-pocket expenses (including taxes) of such indemnified Person and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying Credit Party, upon the request of such indemnified Person, shall repay to such indemnified Person the amount paid over pursuant to this clause (d) (plus any penalties, interest or charges imposed by the relevant Governmental Authority) in the event that such indemnified Person is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this clause (d), in no event will the indemnified Person be required to pay any amount to an indemnifying Credit Party pursuant to this clause (d) the payment of which would place the indemnified Person in a less favorable net after-tax position than the indemnified Person would have been in if the tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such tax had never been paid. This clause (d) shall not be construed to require any indemnified Person to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the indemnifying Credit Party or any other Person.

7.5 Insurance

- (a) Maintain with financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be satisfactory to Agent, acting in good faith, as to form, amount and insurer.
- (b) Furnish certificates, policies or endorsements to Agent as Agent shall require as proof of such insurance, and, if such Credit Party or Subsidiary fails to do so Agent is authorized, but not required, to obtain such insurance at the expense of such Credit Party. All policies shall provide for at least 30 days prior written notice to Agent of any cancellation or reduction of coverage and that Agent may act as attorney for such Person in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and cancelling such insurance.
- (c) Cause Agent to be named as a loss payee and/or an additional insured, as applicable (but without any liability for any premiums) under such insurance

policies and obtain non-contributory lender's loss payable endorsements to all insurance policies (other than third party liability policies) in form and substance satisfactory to Agent. Such lender's loss payable endorsements shall specify that at any time an Event of Default exists or has occurred and is continuing, the proceeds of such insurance shall all be payable to Agent as its interests may appear and at all other times in accordance with Section 7.5(d) and 2.4(b)(iii).

- (d) Subject to Section 7.5(c) hereof, the proceeds of such insurance:
- (i) which are equal to or less than \$2,000,000 per occurrence shall be payable to applicable Credit Party;
 - (ii) which are greater than \$2,000,000 and less than \$10,000,000 per occurrence, shall be payable to applicable Credit Party and applicable Credit Party shall provide Agent with evidence, satisfactory to Agent in its discretion, that such Collateral can be repaired and/or replaced within 180 days from the date applicable Credit Party receives such proceeds. Such Credit Party shall forthwith apply such proceeds to the costs of repairing and/or replacing the Collateral within such 180 day period otherwise such Credit Party shall remit all such proceeds (including such proceeds not used within such 180 day period) directly to Agent to be dealt with in accordance with Section 2.4(b)(iii) hereof; or
 - (iii) which are greater than \$10,000,000 per occurrence, shall be payable directly to Agent and in the event that such Collateral can be repaired and/or replaced within 180 days from the date Agent receives such proceeds, such Credit Party shall provide evidence, within 10 Business Days from the date Agent receives such proceeds, to Agent that such Collateral can be repaired and/or replaced within such 180 days and if such evidence is satisfactory to Agent, in its discretion, Agent shall release such insurance proceeds to such Credit Party. Such Credit Party shall forthwith apply such proceeds to the costs of repairing and/or replacing the Collateral within such 180 days. In the event such Credit Party does not provide Agent with the evidence required within 10 Business Days from the date Agent receives such proceeds, Agent shall forthwith apply such proceeds in accordance with Section 2.4(b)(iii) and such Credit Party shall remit all such proceeds not used within such 180 day period directly to Agent to be dealt with in accordance with Section 2.4(b)(iii) hereof.
- (e) Notwithstanding anything to the contrary contained in Section 7.5(d) hereof, insurance proceeds received in respect of:
- (i) Collateral comprised of real property shall be payable directly to Agent and dealt with in accordance with Section 2.4(b)(iii) hereof;

- (ii) proceeds of any keyman insurance policies, or cash surrender value thereof, assigned to Agent, shall be payable to Agent and dealt with in accordance with Section 2.4(b)(iii) hereof; and
- (iii) proceeds of business interruption insurance assigned to Agent, shall be payable to Agent and dealt with in accordance with Section 2.4(b)(iii) hereof.

7.6 Financial Statements and Other Information

- (a) Keep proper books and records in which true and complete entries shall be made of all dealings or transactions of or in relation to the Collateral and its business in accordance with GAAP and Borrower shall furnish or cause to be furnished to Agent, all to be in form, scope and substance satisfactory to Agent:
 - (i) within 45 days after the end of each of the first 3 Fiscal Quarters, quarterly unaudited consolidated financial statements (including in each case balance sheets, statements of income and loss, statements of cash flow and statements of shareholders' equity with comparisons to projections and same period in previous Fiscal Year), all in reasonable detail, fairly presenting the financial position and the results of the operations of Borrower and its Subsidiaries as of the end of and through such Fiscal Quarter together with a management discussion of such financial position and results in form acceptable to Agent and a Compliance Certificate duly executed by the chief financial officer of Borrower;
 - (ii) within 90 days after the end of each Fiscal Year, audited consolidated financial statements of Borrower and its Subsidiaries (including in each case balance sheets, statements of income and loss, statements of changes in financial position and statements of shareholders' equity), and the accompanying notes thereto, including any consolidating worksheets prepared on a quarterly basis in connection therewith, all in reasonable detail, fairly presenting the financial position and the results of the operations of Borrower and its Subsidiaries as of the end of and for such Fiscal Year, together with a Compliance Certificate duly executed by the chief financial officer of Borrower and the unqualified opinion of independent chartered accountants, which accountants shall be an independent accounting firm selected by Borrower and acceptable to Agent, that such financial statements have been prepared in accordance with GAAP, and present fairly the results of operations and financial condition of Borrower and its Subsidiaries as of the end of and for the Fiscal Year then ended;
 - (iii) by February 28 of each Fiscal Year or earlier if and when available (including in draft form), projections for such Fiscal Year; and

- (iv) as Agent may from time to time reasonably request, and provided that Borrower prepares such information in the ordinary course of business, budgets, management letters, forecasts, business plans, cash flows and other information respecting the Collateral and the business of each Credit Party.
- (b) Notify Agent in writing of the details of (i) any loss, damage, investigation, action, suit, proceeding or claim relating to the Collateral or any other property which is security for the Obligations and which would result in any Material Adverse Effect; and (ii) the occurrence of any Event of Default or Default or other event that could reasonably be expected to have a Material Adverse Effect.
- (c) Promptly after the sending or filing thereof furnish or cause to be furnished to Agent copies of all reports which it sends to its shareholders generally and copies of all reports and registration statements which it files with any securities commission or securities exchange.
- (d) Authorize and direct, at any time an Event of Default exists or has occurred and is continuing, all accountants or auditors to deliver to Agent, at such Credit Party's expense, copies of the financial statements of such Credit Party and each Subsidiary thereof and any reports or management letters prepared by such accountants or auditors on behalf of such Credit Party or any Subsidiary thereof and to disclose to Agent such information as they may have regarding the business of such Credit Party or Subsidiary. Any documents, schedules, invoices or other papers delivered to Agent may be destroyed or otherwise disposed of by Agent 1 year after the same are delivered to Agent, except as otherwise designated by such Credit Party to Agent in writing.
- (e) Furnish to Agent all material notices or demands in connection with any default under indebtedness permitted to be incurred hereunder either received by it or on its behalf, promptly after the receipt thereof, or sent by it or on its behalf, concurrently with the sending thereof, as the case may be.

7.7 Intellectual Property

- (a) Promptly notify Agent in the event any Credit Party or any Subsidiary thereof obtains or applies for any material intellectual property rights or obtains any material licenses with respect thereto and provide to Agent copies of all written materials including, but not limited to, applications and licenses with respect to such intellectual property rights.
- (b) At Agent's request, promptly execute and deliver to Agent an intellectual property security agreement granting to Agent a perfected security interest in such intellectual property rights of a Credit Party in form and substance satisfactory to Agent.

7.8 Operation of Pension Plans

- (a) Administer the Pension Plans in accordance with the requirements of the applicable pension plan texts, funding agreements, the *Income Tax Act* (Canada) and applicable provincial pension benefits legislation.
- (b) Use commercially reasonable efforts to obtain and to deliver to Agent, upon Agent's request, an undertaking of the funding agent for each of the Pension Plans stating that the funding agent will notify Agent within 30 days of such Credit Party's or a Subsidiary thereof's failure to make any required contribution to the applicable Pension Plan.
- (c) Not accept payment of any amount from any of the Pension Plans without the prior written consent of Agent other than payments for forfeitures in connection with terminated employees to be set-off against future contribution obligations.
- (d) Not terminate, or cause to be terminated, any of the Pension Plans, if such plan would have a solvency deficiency on termination.
- (e) Promptly provide Agent with any documentation relating to any of the Pension Plans as Agent may request.
- (f) Promptly notify Agent within 30 days of: (i) a material increase in the liabilities of any of the Pension Plans; (ii) the establishment of a new registered pension plan; (iii) commencing payment of contributions to a Pension Plan to which a Credit Party or any Subsidiary thereof had not previously been contributing; and (iv) any failure to make any required contribution to a Pension Plan when due.

7.9 ERISA

(a) Maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal and State law, (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification, (c) not terminate any US Pension Plan so as to incur any liability to the Pension Benefit Guaranty Corporation, (d) not allow or suffer to exist any prohibited transaction involving any Plan or any trust created thereunder which would subject such Credit Party or such ERISA Affiliate to a tax or other liability on prohibited transactions imposed under Section 4975 of the Code or ERISA in an aggregate amount in excess of \$500,000, (e) make all required contributions to any Plan which it is obligated to pay under Section 302 of ERISA, Section 412 of the Code or the terms of such Plan, (f) not allow or suffer to exist any accumulated funding deficiency, whether or not waived, with respect to any such US Pension Plan, (g) not engage in a transaction that could be subject to Section 4069 or 4212(c) of ERISA, or (g) not allow or suffer to exist any occurrence of a reportable event or any other event or condition which presents a risk of termination by the Pension Benefit Guaranty Corporation of any Plan that is a single employer plan, which termination could result in any liability to the Pension Benefit Guaranty Corporation.

7.10 IP Collateral

With respect to the IP Collateral:

- (a) notify Agent forthwith in writing:
 - (i) of the failure of any licensee, if any, to pay or perform any material obligations due to Borrower in respect of the License Agreements;
 - (ii) of any reason any patent, patent application, patent registration, trademark, trademark application, trademark registration, copyright, copyright application, copyright registration, industrial design application or industrial design registration forming part of the material IP Collateral or any other application, registration or proceeding relating to any of the material IP Collateral may become barred, abandoned, refused, rejected, forfeited, withdrawn, expired, lapsed, cancelled, expunged, opposed or dedicated or of any adverse determination or development (including the institution of any proceeding in any Intellectual Property Office or any court or tribunal) regarding Borrower's ownership of or rights in any of the material IP Collateral, its right to register or otherwise protect the same, or to keep and maintain the exclusive rights in same, or the validity of same; or
 - (iii) of any action, proceeding, or allegation that the IP Collateral infringes upon, misappropriates, violates, or otherwise interferes with the rights of any Person;
- (b) do everything commercially necessary or desirable to preserve and maintain the material IP Collateral including (unless Borrower receives the prior written consent of Agent):
 - (i) perform all obligations pursuant to the License Agreements;
 - (ii) commence and prosecute such suits, proceedings or other actions for infringement, passing off, unfair competition, dilution or other damage as are, in its reasonable business judgment, necessary to protect the IP Collateral;
 - (iii) enforce its rights under any agreements (including the License Agreements) which materially enhance the value of and/or protect the material IP Collateral;
 - (iv) make all necessary filings and recordings in the Intellectual Property Offices and elsewhere necessary to protect its interest in the material IP Collateral or any new material IP Collateral, including making, maintaining and pursuing (including proceedings before Intellectual Property Offices) each application and registration with respect thereto; and

- (v) promptly notify Agent in writing when it commences any steps referred to in Sections 7.10(b)(ii) hereof and provide Agent with such information with respect thereto as Agent may request;
- (c) not, other than in the ordinary course of its business prior to an Event of Default that is continuing, without the prior written consent of Agent, terminate, amend, enter into or renew any agreement, oral or written, or any indenture, instrument or undertaking relating to the material IP Collateral, including the License Agreements or any other license agreements and/or sub-license agreements; provided however that Borrower may, at any time except during the continuance of an Event of Default, terminate, amend, enter into or renew any agreement, oral or written, or any indenture, instrument, undertaking or license (other than exclusive licenses) relating to the IP Collateral, in the ordinary course of its business; it being understood and agreed hereunder that for the purposes of this Section 7.10(c) the “ordinary course of business” shall be deemed to include the entry into license arrangements in connection with new business opportunities by Borrower which would not reasonably be expected to have a Material Adverse Effect;
- (d) perform, at Borrower’s sole cost and expense, all acts and execute all documents, including grants of security interests or assignments in forms suitable for filing with the Intellectual Property Offices in Canada and the United States, as may be requested by Agent at any time and from time to time to evidence, perfect, maintain, record and enforce Agent’s Liens in the IP Collateral, or otherwise in furtherance of the provisions of this Agreement;
- (e) unless Agent consents in writing otherwise, not do any act or omit to do any act, other than in the ordinary course of its business, whereby any of the IP Collateral, may lapse, become abandoned or dedicated to the public, enter the public domain, lose its quality of confidence, become indistinct, or become unenforceable;
- (f) unless Agent consents in writing otherwise, or unless the failure to so act would not reasonably be expected to have a Material Adverse Effect, with respect to any Trade-mark forming part of the Collateral:
 - (i) continue the use of any such Trade-marks in order to maintain all of the Trade-marks in full force free from any claim of abandonment;
 - (ii) maintain as in the past the character and quality of the wares and services offered in association with such Trade-marks, and use its reasonable best efforts to require its licensees to maintain as in the past the character and quality of the wares and services offered in association with such Trade-marks; and
- (g) require that all use by any Person of any such Trade-marks shall be pursuant to a license that provides it with the requisite control and other provisions to maintain the distinctiveness of such Trade-marks.

7.11 Visits and Inspections

- (a) From time to time as requested by Agent, at the cost and expense of Borrower: (i) provide Agent, any Lender or its designee complete access to all of its premises during normal business hours and after reasonable notice to such Person, or at any time if an Event of Default exists or has occurred and is continuing, for the purposes of inspecting, verifying and auditing the Collateral and all of such Person's books and records, including the Records; and (ii) promptly furnish to Agent and such Lender such copies of such books and records or extracts therefrom as Agent or such Lender may reasonably request, and (iii) permit Agent, any Lender or its designee to use during normal business hours such of such Person's personnel, equipment, supplies and premises as may be reasonably necessary for the foregoing and if an Event of Default exists or has occurred and is continuing for the realization of the Collateral.
- (b) Agent and each Lender shall use all reasonable efforts to keep confidential, in accordance with its customary procedures for handling confidential information and safe and sound lending practices, any non-public information made available to Agent or such Lender pursuant to Section 7.6 or Section 7.11(a), and all copies thereof; provided that nothing in this Section shall limit the disclosure of any such information: (i) to the extent required by statute, rule, regulation, subpoena or court order (and Agent and each Lender shall provide Borrower with prior notice of such required disclosure to the extent permitted by applicable law but with no liability for failure to do so); (ii) to bank examiners and other regulators, auditors and/or accountants; (iii) in connection with any litigation to which Agent or a Lender is a party; (iv) to any assignee or participant (or prospective assignee or participant) so long as such assignee or participant (or prospective assignee or participant), as applicable, shall have first agreed in writing to treat such information as confidential in accordance with this Section; (v) to counsel for Agent or any Lender or any participant or assignee (or prospective participant or assignee); and (vi) to any Person with the prior written consent of Borrower. In no event shall this Section, or any other provision of this Agreement or any applicable law be deemed to: (i) apply to or restrict disclosure of information that has been or is made public by any Credit Party or Subsidiary thereof or any third party without breach by Agent or any Lender of this Section or otherwise becomes generally available to the public other than as a result of a disclosure in violation hereof; (ii) apply to or restrict disclosure of information that was or becomes available to Agent or any Lender on a non-confidential basis from a person other than a Credit Party of a Subsidiary thereof; (iii) require Agent or any Lender to return any materials furnished by any Credit Party or Subsidiary thereof to Agent; or (iv) prevent Agent from responding to routine informational requests in accordance with applicable industry standards relating to the exchange of credit information.

7.12 Material Subsidiaries and Key Man Insurance

- (a) Notify Agent of the existence of a Material Subsidiary and promptly thereafter (and in any event within 30 days after such notice), cause such Material Subsidiary to (i) become a Guarantor hereunder by delivering to Agent such agreements as Agent shall deem appropriate for such purpose, (ii) grant a perfected first priority Lien in favour of Agent in all its assets and properties (subject to Permitted Liens) by delivering to Agent such agreements as Agent shall deem appropriate for such purpose and making such registrations and filings in connection therewith as Agent shall deem necessary or desirable to preserve, protect or perfect such first priority Lien, (iii) subject to Section 7.13, deliver to Agent such original Capital Stock or other certificates and stock or other transfer powers evidencing the Capital Stock of such Person, (iv) deliver to Agent such updated schedules to the Financing Agreements as requested by Agent with respect to such Person, and (v) deliver to Agent such other documents as may be reasonably requested by Agent, all in form and substance reasonably satisfactory to Agent.
- (b) Grant a perfected first priority Lien in favour of Agent in any key man insurance obtained by any Credit Party after the Closing Date by delivering to Agent such agreements as Agent shall deem appropriate for such purpose and making such registrations and filings in connection therewith as Agent shall deem necessary or desirable to preserve, protect or perfect such first priority Lien.

7.13 Grant of Equitable Mortgage by IMAX Barbados

In the case of IMAX Barbados, at all times:

- (a) IMAX Barbados shall own not less than 51% of all of the issued and outstanding Capital Stock of IMAX Cayman;
- (b) IMAX Barbados shall control IMAX Cayman (and, for purposes of this clause (b), “control” means the possession of the power to direct or cause the direction of the management or policies of IMAX Cayman and elect a majority of the board of directors of, or Persons performing similar functions in respect of, IMAX Cayman);
- (c) IMAX Barbados shall mortgage or pledge in favour of Agent (and deliver (but only to the extent such original Capital Stock is in certificated form) to Agent such original Capital Stock or other certificates and stock or other transfer powers evidencing the grant of a mortgage or pledge over) not less than 51% of all of the issued and outstanding Capital Stock of IMAX Cayman; and
- (d) IMAX Barbados shall grant a perfected first priority Lien in favour of Agent in such mortgaged or pledged Capital Stock by delivering to Agent such other agreements as Agent shall deem appropriate for such purpose and making such registrations and filings in connection therewith as Agent shall deem necessary or desirable to preserve, protect or perfect such first priority Lien.

From time to time, Borrower may request that Agent release Agent's mortgage or pledge and Lien in the Capital Stock of IMAX Cayman to give effect to the IMAX China Offering and the IMAX Cayman Employee Incentive Issuance and Agent shall so release (without requiring any consent or approval of any Secured Party) if Agent is satisfied that its remaining mortgage or pledge and Lien in the Capital Stock of IMAX Cayman complies with Section 7.13(a) through (d) above.

ARTICLE 8
NEGATIVE COVENANTS

Until all of the non-contingent Obligations have been paid and satisfied in full in cash, all Letters of Credit Accommodations have been terminated or expired (or been cash collateralized on terms satisfactory to Agent) and the Revolving Loan Commitments terminated, the Credit Parties will not, and will not permit any of their respective Subsidiaries to:

8.1 Sale of Assets, Consolidation, Amalgamation, Dissolution, Etc.

- (a) Directly or indirectly, without the prior written consent of Required Lenders which is not to be unreasonably withheld or unless otherwise permitted herein: (i) amalgamate with any other Person or permit any other Person to amalgamate with it, or (ii) sell, assign, lease, transfer, abandon or otherwise dispose of any Collateral, assets or property to any other Person, or (iii) form or acquire any Subsidiaries, or (iv) wind up, liquidate or dissolve, or (v) in the case of any Subsidiary of Borrower, issue any Capital Stock to any Person that is not a Credit Party or any Subsidiary thereof, or (vi) agree to do any of the foregoing.
- (b) Notwithstanding Section 8.1(a) hereof and provided that an Event of Default does not then exist, each Credit Party or any Subsidiary thereof shall be permitted to:
 - (i) sell Inventory in the ordinary course of business;
 - (ii) sell equipment at fair market value in the ordinary course of business;
 - (iii) dispose of worn-out or obsolete property or property no longer used in its business;
 - (iv) sell assets at fair market value provided that such assets are not the Real Property or IP Collateral;
 - (v) sell assets which include intellectual property as an incidental component of such asset, provided such sale does not materially diminish or impair the IP Collateral to be retained by Borrower hereunder; provided that the aggregate amount of sales or disposals made pursuant to the foregoing clauses (ii), (iii), (iv) and (v) shall not exceed \$20,000,000 over the term of this Agreement;
 - (vi) amalgamate with an Affiliate; provided that prior to the completion of such amalgamation Agent shall be entitled to obtain and perfect a Lien

- from such Affiliate and/or amalgamated entity, in form and substance substantially similar to that obtained from Credit Parties existing as at the Closing Date, and such amalgamated entity shall accede hereto as a “Guarantor”;
- (vii) form or acquire (but subject to Section 8.4) any Subsidiary;
 - (viii) form or acquire any single purpose Subsidiaries for the purpose of entering into the joint ventures and the third party productions permitted pursuant to Section 8.4(e) and (i) hereof and in the case of any such Subsidiary which is a joint venture or third party production, issue Capital Stock in such Subsidiary to the other parties thereto in the ordinary course of business;
 - (ix) transfer all of its property to another Credit Party prior to such first Credit Party’s liquidation, winding-up or dissolution provided that such transferred property is subject to all then existing first priority Liens of Agent (subject to Permitted Liens);
 - (x) sell, assign, lease, transfer, or otherwise dispose of property to another Credit Party provided that such sold, assigned, leased, transferred or disposed property is subject to all then existing first priority Liens of Agent (subject to Permitted Liens);
 - (xi) sell or facilitate the further issue of the Capital Stock of IMAX Cayman pursuant to Section 8.3(k) and (l);
 - (xii) transfer assets or property if such transfer is a permitted investment pursuant to Section 8.4(e), (i) or (k);
 - (xiii) issue up to 10% of the issued and outstanding Capital Stock of IMAX Cayman in the form of Class B non-voting shares issued pursuant to IMAX Cayman’s Long-Term Incentive Plan dated October, 2012 (the “**IMAX Cayman Employee Incentive Issuance**”); provided that, for greater certainty, after each IMAX Cayman Employee Incentive Issuance, Credit Parties will be in compliance with Section 7.13 hereof; and
 - (xiv) in the case of any Subsidiary (other than a Guarantor, IMAX China Multimedia, IMAX China Theatre or IMAX China HK), issue Capital Stock to employees, directors, consultants and other Persons in the ordinary course of business.

8.2 Liens

Create, incur, assume or suffer to exist any Lien on any of its assets or properties, including the Collateral and Real Property, except:

- (a) Liens of Agent;

- (b) liens securing the payment of taxes, either not yet overdue or the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to such Credit Party or Subsidiary and with respect to which adequate reserves have been set aside on its books;
- (c) non-consensual statutory liens (other than liens securing the payment of taxes) arising in the ordinary course of its business to the extent:
 - (i) such liens secure indebtedness which is not overdue or
 - (ii) such liens secure indebtedness relating to claims or liabilities which are fully insured and being defended at the sole cost and expense and at the sole risk of the insurer or being contested in good faith by appropriate proceedings diligently pursued and available to it, in each case prior to the commencement of foreclosure or other similar proceedings and with respect to which adequate reserves have been set aside on its books;
- (d) zoning restrictions, rights-of-way, easements, licenses, covenants and other restrictions affecting the use of real property which do not interfere in any material respect with the use of such real property or ordinary conduct of its business as presently conducted thereon or materially impair the appraised value of the real property which may be subject thereto;
- (e) purchase money security interests in equipment (including capital leases) and purchase money mortgages on real estate not to exceed, in the case of such purchase money security interests and purchase money mortgages, \$500,000 in the aggregate for all Credit Parties and Subsidiaries thereof at any time outstanding so long as such security interests and mortgages do not apply to any property of a Credit Party or Subsidiary thereof other than the equipment or real estate so acquired, and the indebtedness secured thereby does not exceed the cost of the equipment or real estate so acquired, as the case may be;
- (f) Liens set forth on Schedule 8.2 hereto;
- (g) liens securing performance of bids, contracts, statutory obligations, surety, performance and appeal bonds and other like obligations incurred in the ordinary course of business;
- (h) pledges or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security legislation;
- (i) liens securing indebtedness of a person acquired by or amalgamated with a Credit Party or Subsidiary thereof or liens securing indebtedness incurred in connection with an acquisition, provided in all such cases that such acquisition or amalgamation, as the case may be, is not prohibited hereunder and provided further that such liens were in existence prior to the date of such acquisition or amalgamation, as the case may be, and were not incurred in anticipation thereof and do not extend to assets other than those acquired;

- (j) liens granted over the assets and properties of the Playa Vista Borrower to secure the indebtedness in Section 8.3(g);
- (k) liens granted over the assets and properties of the IMAX Film Fund to secure the indebtedness in Section 8.3(h);
- (l) liens granted over the assets and properties of IMAX China Multimedia and/or IMAX China HK to secure the indebtedness in Section 8.3(i);
- (m) liens in favour of EDC over deposits of collateral given by Borrower in favour of EDC pursuant to the terms of the EDC Indemnity Agreement; provided however that (i) the Liens and interest of EDC in such collateral shall at all times be subject to and subordinate to any and all interests and Liens of Agent in such collateral and (ii) Agent shall have provided its prior written consent to Borrower to make such deposit of collateral with EDC; and
- (n) liens over Borrower's equity interests in the IMAX Film Fund pursuant to the IMAX Film Fund Limited Recourse Pledge and Guarantee.

8.3 Indebtedness

Incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any obligations, liabilities or indebtedness (including under or in connection with capital leases), except:

- (a) the Obligations including obligations, liabilities and indebtedness under or in connection with Secured Hedge Agreements and the Secured Cash Management Agreements;
- (b) trade obligations and normal accruals in the ordinary course of business not yet due and payable, or with respect to which such Credit Party is contesting in good faith the amount or validity thereof by appropriate proceedings diligently pursued and available to it, and with respect to which adequate reserves have been set aside on its books;
- (c) purchase money indebtedness (including capital leases) to the extent not incurred or secured by Liens (including capital leases) in violation of any other provision of this Agreement;
- (d) the indebtedness set forth on Schedule 8.3 hereto;
- (e) the indebtedness incurred pursuant to the BMO Term Sheet; provided however that the indebtedness of Borrower under (i) the BMO LC Facility shall not exceed \$10,000,000 and may be replaced by Borrower, (ii) the Mastercard Facility shall not exceed CDN\$175,000 and (iii) the FX Facility shall not exceed \$4,000,000;
- (f) the indebtedness and indemnity obligations incurred pursuant to the EDC Indemnity Agreement; provided that such indebtedness and indemnity obligations

shall relate solely to Indemnity Bonding Products (as defined in the EDC Indemnity Agreement) issued by EDC in support of the BMO LC Facility and not to exceed \$10,000,000 in the aggregate;

- (g) the indebtedness of the Playa Vista Borrower under the Playa Vista Credit Facility; provided that:
 - (i) if such indebtedness is Non-Recourse Debt, such indebtedness shall not be included in the calculation of Total Debt for purposes of the Total Leverage Ratio; and
 - (ii) if such indebtedness is not Non-Recourse Debt, such indebtedness shall be included in the calculation of Total Debt for purposes of the Total Leverage Ratio;
- (h) the indebtedness of the IMAX Film Fund under the IMAX Film Fund Credit Facility not to exceed \$15,000,000 in the aggregate and each Secured Party hereby authorizes Agent to execute and deliver the IMAX Film Fund Intercreditor Agreement in connection therewith which shall be in form and substance satisfactory to Agent;
- (i) the indebtedness of IMAX Cayman, IMAX China Multimedia and/or IMAX China HK with respect to the IMAX China Credit Facility not to exceed \$5,000,000, provided that such indebtedness may be guaranteed by Borrower pursuant to the IMAX China Guarantee (and the \$5,000,000 amount guaranteed by Borrower pursuant to the IMAX China Guarantee shall count against the \$100,000,000 basket amount in Section 8.4(i));
- (j) the indebtedness of a Credit Party to another Credit Party as a result of loans made pursuant to Section 8.4(i)(iii) or 8.4(j);
- (k) the IMAX China Capital Raise; provided that:
 - (i) IMAX Cayman or IMAX Barbados (as the case may be) shall distribute 50% of the Net Cash Proceeds of the IMAX China Capital Raise to Borrower and Borrower shall apply such Net Cash Proceeds in accordance with Section 2.4(c);
 - (ii) IMAX Cayman or IMAX Barbados (as the case may be) shall use the other 50% of the Net Cash Proceeds of the IMAX China Capital Raise to fund (by way of capital contributions or intercompany loans) Borrower's, IMAX China Multimedia's and IMAX China Theatre's operations in China; and
 - (iii) no cash principal, interest, dividends or similar payments shall be permitted with respect to the IMAX China Capital Raise until at least 91 days after the Maturity Date;

- (l) the issuance by IMAX Cayman or sale by IMAX Barbados of Capital Stock of IMAX Cayman to arm's length Persons in an initial public offering of same (the "**IMAX China Offering**"); provided that, for greater certainty, after the IMAX China Offering, Credit Parties will be in compliance with Section 7.13 hereof; and
- (m) the unsecured indebtedness of a Credit Party or a Subsidiary of Borrower not to exceed \$50,000,000 in the aggregate for all such Credit Parties and Subsidiaries at any time outstanding provided that (i) both before and after incurring such indebtedness, no Default or Event of Default has occurred and is continuing or would occur as a result of any such incurrence as demonstrated in writing (including, without limitation, with calculations of pro forma compliance with the financial covenants in Article 9 hereof) by Borrower to Agent prior to any such incurrence being made and confirmed in writing by Agent to Borrower prior to any such incurrence and (ii) the covenants of such indebtedness, taken as a whole, shall not be more materially restrictive than the covenants set out in the Financing Agreements.

8.4 Loans, Investments, Guarantees, Etc.

Directly or indirectly, without the prior written consent of Required Lenders which is not to be unreasonably withheld, make any loans or advance money or property to any person, or invest in (by capital contribution, dividend or otherwise) or purchase or repurchase the shares or indebtedness or all or a substantial part of the assets or property of any person, or guarantee, assume, endorse, or otherwise become responsible for (directly or indirectly) the indebtedness, performance, obligations or dividends of any Person or agree to do any of the foregoing, except for:

- (a) the endorsement of instruments for collection or deposit in the ordinary course of business;
- (b) investments in Cash Equivalents; provided, that, unless waived in writing by Agent, such Credit Party shall take such actions as are deemed necessary by Agent to perfect the first priority Liens of Agent in such Cash Equivalents;
- (c) financial guarantees and letters of credit to support Borrower's operations in China and other financial guarantees in an aggregate amount not to exceed \$25,000,000 (less all amounts incurred pursuant to Section 8.3(i)) and payments made in connection therewith;
- (d) the guarantees by Borrower of the real property lease obligations of the obligors and in the amounts set forth on Schedule 8.4A hereto (and any renewals or replacements thereof not to exceed in the aggregate the amounts set forth on Schedule 8.4A hereto) and the loans, advances and guarantees set forth on Schedule 8.4B hereto; provided, that, as to such loans, advances and guarantees set forth on Schedule 8.4B hereto, (i) Borrower shall not, directly or indirectly, (A) amend, modify, alter or change the terms of such loans, advances or

guarantees or any agreement, document or instrument related thereto, or (B) as to such guarantees, redeem, retire, defease, purchase or otherwise acquire the obligations arising pursuant to such guarantees, or set aside or otherwise deposit or invest any sums for such purpose, and (ii) Borrower shall furnish to Agent all notices or demands in connection with such loans, advances or guarantees or other indebtedness subject to such guarantees either received by Borrower or on its behalf, promptly after the receipt thereof, or sent by Borrower or on its behalf, concurrently with the sending thereof, as the case may be. Borrower shall pay, or shall cause the obligors listed in Schedule 8.4A hereto to pay, all amounts due and owing under the leases that Borrower has guaranteed as set out in Schedule 8.4A hereto;

- (e) investments in joint ventures, acting as a prudent investor, with strategic partners for the purpose of advancing Borrower's business including the Hong Kong JV Investment; provided that such investments in such joint ventures, whether direct or indirect, shall not, at any time and in the aggregate exceed \$100,000,000 (less the amount of the outstanding loans, investments, purchases and guarantees under clause (i) below, the Hong Kong JV Cash Contribution and in Sections 8.4(o) and (q) but not including the Hong Kong JV In-Kind Contribution);
- (f) loans or advances of money to affiliates in the ordinary course of Borrower's business with the proceeds of issuance of Capital Stock of Borrower, provided such proceeds are used in the ordinary course of business and shall not, for further clarity, be subject to any other restrictions on use contained herein;
- (g) payments to employees in connection with the repurchase of phantom stock (including stock appreciation rights) in the ordinary course of business; provided that such payments with respect to the repurchase of phantom stock (including stock appreciation rights) not in existence on the Closing Date shall not exceed, together with amounts paid under Section 8.5(c), \$1,000,000 *per annum*;
- (h) payments to counterparties under or in connection with Hedge Agreements;
- (i) loans, investments, purchases of shares (other than its own shares), indebtedness, assets or properties of an arm's length third party and guarantees; provided that:
 - (i) such loans, investments, purchases and guarantees shall not exceed an aggregate amount of \$100,000,000 (less the amount of the outstanding investments under clause (e) above and in Sections 8.4(o) and (q));
 - (ii) such loans, investments and purchases (and the assets resulting therefrom) shall be subject to the first priority Liens of Agent (subject to Permitted Liens);
 - (iii) such loans shall only be made to Credit Parties whose assets and properties are subject to the first priority Liens of Agent (subject to Permitted Liens) or by Credit Parties to IMAX China Multimedia or IMAX China Theatre;

- (iv) such guarantees shall not be secured by any Liens on the assets or properties of any Credit Party;
- (v) both before and after giving effect thereto, each Credit Party is in compliance with all terms of the Financing Agreements including the financial covenants set forth in Article 9 hereof and no Default or Event of Default exists and is continuing or would occur as a result thereof;
- (j) loans or advances of money from a Credit Party to another Credit Party whose assets and properties are subject to the first priority Liens of Agent (subject to Permitted Liens);
- (k) investments in a Credit Party by another Credit Party provided such investments are subject to the first priority Liens of Agent (subject to Permitted Liens);
- (l) capital contributions and intercompany loans pursuant to Section 8.3(k)(ii);
- (m) the Playa Vista Property Contribution and the Playa Vista Guarantee (which, in each case, shall not count against the \$100,000,000 basket amount in Section 8.4(i) and Borrower shall not be required to cause any proceeds of the Playa Vista Credit Facility to repay the Playa Vista Property Contribution);
- (n) the IMAX Film Fund Limited Recourse Pledge and Guarantee (which shall not count against the \$100,000,000 basket amount in Section 8.4(i));
- (o) the IMAX Film Fund Investment (which shall count against the \$100,000,000 basket amount in Section 8.4(i));
- (p) the IMAX Film Fund Put (which shall not count against the \$100,000,000 basket amount in Section 8.4(i)); provided that:
 - (i) the fair market value to be paid by Borrower for pictures under the IMAX Film Fund Put shall be the fair market value thereof determined in accordance with the terms agreed between Borrower and IMAX Film Fund on or about March 14, 2014 including that any appraiser determining fair market value in connection therewith shall be an investment bank or other entity experienced in determining the value of film assets; and
 - (ii) no payment may be made thereunder by Borrower if a Default or Event of Default has occurred and is continuing or would occur as a result of any such payment as demonstrated in writing (including, without limitation, with calculations of *pro forma* compliance with the financial covenants in Article 9 of the Credit Agreement) by Borrower to Agent prior to any such payment being made and confirmed in writing by Agent to Borrower prior to any such payment;

- (q) the Hong Kong JV Guarantee (which, prior to the Hong Kong JV Cash Contribution, shall count against the \$100,000,000 basket amount in Section 8.4(i));
- (r) the unsecured guarantees by a Credit Party or a Subsidiary of Borrower of any of the indebtedness incurred pursuant to Section 8.3(m) (which shall not count against the \$100,000,000 basket amount in Section 8.4(i)) provided that, both before and after issuing such guarantee, no Default or Event of Default has occurred and is continuing or would occur as a result of any such issuance as demonstrated in writing (including, without limitation, with calculations of *pro forma* compliance with the financial covenants in Article 9 hereof) by Borrower to Agent prior to any such issuance being made and confirmed in writing by Agent to Borrower prior to any such issuance; and
- (s) the \$4,000,000 preferred share investment by IMAX HK in IMAX China HK (which shall not count against the \$100,000,000 basket amount in Section 8.4(i)).

Any Future Permitted Transaction by Borrower and any investment, license, purchase or other transaction reasonably related thereto and in furtherance thereof shall be permitted hereunder and the amount of any such investment, license, purchase or other transaction shall not be included in (or count against) any of the foregoing basket amounts described in this Section 8.4.

8.5 Dividends and Redemptions

Directly or indirectly, declare or pay any dividends on account of any of its Capital Stock now or hereafter outstanding, or set aside or otherwise deposit or invest any sums for such purpose, or redeem, retire, defease, purchase or otherwise acquire any Capital Stock (or set aside or otherwise deposit or invest any sums for such purpose) or apply or set apart any sum, or make any other distribution (by reduction of capital or otherwise) in respect of any such Capital Stock or agree to do any of the foregoing with the exception that:

- (a) wholly-owned Subsidiaries of a Credit Party may pay cash dividends or distributions to such Credit Party;
- (b) non wholly-owned Subsidiaries of a Credit Party may pay cash dividends or distributions to such Credit Party and its other shareholders provided such Credit Party receives its ratable share of such dividends or distributions;
- (c) Credit Parties and their Subsidiaries may redeem or purchase their respective Capital Stock which are held by officers, directors or employees of such Person not to exceed, together with amounts paid under Section 8.4(g), \$1,000,000 *per annum*;
- (d) Credit Parties and their Subsidiaries may pay such dividends or redeem, retire, defease, purchase or otherwise acquire or make a distribution on its Capital Stock if made by way of common shares only; and

- (e) Borrower may pay such dividends or redeem, retire, defease, purchase or otherwise acquire or make a distribution on its Capital Stock if:
 - (i) Borrower provides evidence satisfactory to Agent that Borrower is in *pro forma* compliance with the financial covenants in Article 9 after giving effect to such payment;
 - (ii) the amount of such payments shall not exceed \$150,000,000 in the aggregate (the “**General Restricted Payment Basket**”); and
 - (iii) both before and after giving effect to such payment, no Default or Event of Default exists and is continuing or would occur as a result thereof;
- (f) distributions made to comply with Section 8.3(k)(ii) are permitted;
- (g) Borrower or any Subsidiary may redeem the Class C shares of IMAX Cayman in accordance with the provisions of the IMAX Cayman Shareholders’ Agreement provided that no Default or Event of Default has occurred and is continuing or would occur as a result of any such redemption as demonstrated in writing (including, without limitation, with calculations of *pro forma* compliance with the financial covenants in Article 9 of the Credit Agreement) by the Borrower to the Agent prior to any such redemption being made and confirmed in writing by the Agent to the Borrower prior to any such redemption; and
- (h) Borrower may purchase its publicly-listed shares to satisfy the Public Market Purchase Requirement in aggregate amounts not to exceed the following and without the ability to carry-over any unused amount from one Fiscal Year to the other Fiscal Year:
 - (i) \$5,000,000 for the 2014 Fiscal Year;
 - (ii) \$10,000,000 for the 2015 Fiscal Year;
 - (iii) \$15,000,000 for the 2016 Fiscal Year; and
 - (iv) \$15,000,000 for each Fiscal Year thereafter.

For the avoidance of doubt, any purchases made to satisfy the Public Market Purchase Requirement pursuant to this Section 8.5(h), shall not be counted against the General Restricted Payments Basket.

8.6 Transactions with Affiliates

Directly or indirectly, (a) purchase, acquire or lease any property from, or sell, transfer or lease any property to, any officer, director, agent or other person affiliated with it, except in the ordinary course of and pursuant to the reasonable requirements of its business and upon fair and reasonable terms no less favorable to it than it would obtain in a comparable arm’s length transaction with an unaffiliated person or (b) make any payments of management, consulting or

other fees for management or similar services, or of any indebtedness (including under the USERP) owing to any officer, employee, shareholder, director or other person affiliated with it except (i) reasonable compensation to officers, employees and directors for services rendered to it in the ordinary course of business and (ii) payments to Bradley J. Wechsler and Richard L. Gelfond in accordance with the USERP.

8.7 Applications under the CCAA

File any plan of arrangement under the CCAA or other similar statute or law (“**CCAA Plan**”) which provides for, or would permit directly or indirectly, Agent or any Lender to be classified with any other creditor of such Credit Party or any Subsidiary thereof for purposes of such CCAA Plan or otherwise

8.8 Supplemental Executive Retirement Plan

Directly or indirectly, in respect of the USERP: (i) pay or declare any payments thereunder other than those required to be paid and due pursuant to the terms thereof; (ii) commence payment of contributions which such Credit Party or Subsidiary had not previously been contributing; (iii) amend, modify, alter or otherwise change the terms thereof except for the purpose of reducing the pension benefit to the applicable executive; or (iv) register the USERP or otherwise establish a new similar registered plan.

8.9 No Material Changes

(a) Change its Fiscal Quarters or its Fiscal Year, (b) make any material change to its business or the conduct thereof from that existing or being conducted as of the Closing Date, other than changes that would not be reasonably expected to have a Material Adverse Effect, (c) make any material changes to its accounting policies in effect as of the Closing Date, except as required or permitted by GAAP, (d) make any material amendments to its organizational documents or Significant Contracts other than amendments that would not be reasonably expected to have a Material Adverse Effect or (e) amend any of its Significant Contracts to add contractual provisions restricting the assignability thereof to Agent or to an assignee thereof upon exercise of the Financing Agreements.

8.10 No Further Negative Pledges; Restrictive Agreements

- (a) Enter into, assume or be subject to any agreement prohibiting or otherwise restricting the creation or assumption of any Lien upon its properties or assets (including contractual provisions restricting the assignability thereof to Agent or to an assignee thereof upon exercise by Agent of any rights or remedies set forth in the Financing Agreements or at law) or requiring the grant of any security for such obligation if security is given for some other obligation, except (i) pursuant to this Agreement and the other Financing Agreements, (ii) pursuant to any document or instrument governing indebtedness incurred pursuant to Section 8.3(c); provided, that any such restriction contained therein relates only to the asset, properties or interests acquired in connection therewith, (iii) restrictions in connection with any Permitted Lien or any document or instrument governing any Permitted Lien (provided, that any such restriction contained therein relates only

to the asset or properties subject to such Permitted Lien); or (iv) pursuant to any document or instrument governing indebtedness incurred pursuant to Section 8.3(g), (h), (i) and (k).

- (b) Create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Credit Party or any Subsidiary thereof to (i) pay dividends or make any other distributions to any Credit Party or any Subsidiary on its Capital Stock, (ii) pay any obligations, liabilities and indebtedness owed to any Credit Party, (iii) make loans or advances to any Credit Party, (iv) sell, lease or transfer any of its properties or assets to any Credit Party or (v) act as a Guarantor pursuant to the Financing Agreements, except (in respect of any of the matters referred to in clauses (i) through (v) above) for such encumbrances or restrictions existing under or by reason of (A) this Agreement and the other Financing Agreements, (B) applicable law, (C) any document or instrument governing indebtedness incurred pursuant to Section 8.3(c) (provided, that any such restriction contained therein relates only to the asset or properties acquired in connection therewith), (D) any Permitted Lien or any document or instrument governing any Permitted Lien (provided, that any such restriction contained therein relates only to the asset or properties subject to such Permitted Lien), (E) obligations that are binding on a Subsidiary at the time such Subsidiary first becomes a Subsidiary of a Credit Party, so long as such obligations are not entered into in contemplation of such Person becoming a Subsidiary, and (F) any document or instrument governing indebtedness incurred pursuant to Section 8.3(g), (h), (i) and (k).

ARTICLE 9

FINANCIAL COVENANTS

9.1 Minimum Liquidity Test

Borrower's availability of Revolving Loans hereunder plus all of Borrower's and its Subsidiaries' worldwide cash on deposit (excluding cash held in the People's Republic of China) subject to Agent's valid and perfected first priority Liens under the Financing Agreements shall be at all times equal to or greater than \$50,000,000.

9.2 Minimum EBITDA

Borrower shall not permit EBITDA at any time to be less than the corresponding amount set forth below, which shall be calculated and tested at the end of each Fiscal Quarter on a trailing 4 Fiscal Quarter basis.

<u>Period</u>	<u>EBITDA</u>
Closing Date through December 30, 2015	\$90,000,000

<u>Period</u>	<u>EBITDA</u>
December 31, 2015 and thereafter	\$100,000,000

9.3 Maximum Total Leverage Ratio

Borrower shall not permit the Total Leverage Ratio at any time to be greater than the corresponding ratio set forth below, which shall be calculated and tested at the end of each Fiscal Quarter on a trailing 4 Fiscal Quarter basis. Indebtedness incurred pursuant to Section 8.3(g)(i), (h), and (i) shall be excluded from the Total Leverage Ratio calculation.

<u>Period</u>	<u>Maximum Ratio</u>
Closing Date through December 30, 2015	2.50:1.00
December 31, 2015 through December 30, 2016	2.25:1.00
December 31, 2016 through December 30, 2017	2.00:1.00
December 31, 2017 and thereafter	1.75:1.00

ARTICLE 10 EVENTS OF DEFAULT AND REMEDIES

10.1 Events of Default

The occurrence or existence of any one or more of the following events are referred to herein individually as an “**Event of Default**”, and collectively as “**Events of Default**”:

- (a) Borrower fails to:
 - (i) (A) pay any principal due and payable hereunder or (B) perform any of the covenants contained in Sections 8.7, 9.1, 9.2 and 9.3 of this Agreement;
- (b) any Credit Party or any Subsidiary thereof fails to:
 - (i) perform any of the covenants contained in Sections 5.5, 7.1, 7.5, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, or 8.8 of this Agreement, where such failure to perform is not remedied to the satisfaction of Agent, in its sole discretion, within 3 days of such failure to perform; or

- (ii) perform any other terms, covenants, conditions or provisions contained in this Agreement or any of the other Financing Agreements, where such failure to perform is not remedied to the satisfaction of Agent, in its sole discretion, within 15 days from notice by Agent;
- (c) any representation or warranty made by or on behalf of any Credit Party or any Subsidiary thereof hereunder or under any other Financing Agreement proves to be false or inaccurate (i) in any material respect when made if not subject to materiality or Material Adverse Effect qualifications or (ii) in any respect if subject to materiality or Material Adverse Effect qualifications, and in each case same is not remedied to the satisfaction of Agent, in its sole discretion, within 15 days from notice by Agent;
- (d) any Credit Party or Subsidiary thereof revokes or terminates any of the terms, covenants, conditions or provisions of any Financing Agreement;
- (e) any Credit Party:
 - (i) fails to pay principal required pursuant to the terms, covenants, conditions or provisions of any Financing Agreement; or
 - (ii) fails to pay Obligations (other than principal) required pursuant to the terms, covenants, conditions or provisions of any Financing Agreement where such failure to pay is not remedied to the satisfaction of Agent, in its sole discretion, within 3 days of the original date on which such payment was to be made;
- (f) (i) any final non-appealable judgment for the payment of money is rendered against any Credit Party or any Subsidiary thereof in excess of \$2,500,000 in any one case or in excess of \$10,000,000 in the aggregate and (A) shall remain undischarged or unvacated for a period in excess of 60 days or (B) execution shall at any time not be effectively stayed; provided that no Event of Default shall occur if the applicable judgment is covered by third-party insurance as to which the insurer has been notified of such judgment and has not denied full coverage thereof in writing to such Credit Party or Subsidiary; or (ii) any final non-appealable judgment other than for the payment of money, or injunction, attachment, garnishment or execution is rendered against any Credit Party or any Subsidiary thereof or any of their assets that could reasonably be expected to have a Material Adverse Effect and (A) shall remain undischarged or unvacated for a period in excess of 60 days or (B) execution shall at any time not be effectively stayed;
- (g) any Credit Party or Subsidiary thereof (or its general partner) dissolves, suspends or discontinues doing business (except as permitted hereunder) or any Guarantor or Subsidiary thereof and of Borrower (who is a natural person) dies;

- (h) any Credit Party or Subsidiary thereof becomes insolvent, makes an assignment for the benefit of creditors, proposes to make, makes or sends notice of a bulk sale;
- (i) a petition, case or proceeding under the bankruptcy laws of Canada or similar laws of any foreign jurisdiction now or hereafter in effect or under any insolvency, arrangement, reorganization, moratorium, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed or commenced against any Credit Party or Subsidiary thereof or all or any part of its properties and (i) such petition, case or proceeding is not dismissed within 60 days after the date of its filing, or (ii) any Credit Party or Subsidiary thereof shall file any answer admitting or not contesting such petition, case or proceeding or indicates its consent to, acquiescence in or approval of, any such petition, case or proceeding or (iii) the relief requested is granted sooner;
- (j) a petition, case or proceeding under the bankruptcy laws of Canada or similar laws of any foreign jurisdiction now or hereafter in effect or under any insolvency, arrangement, reorganization, moratorium, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at a law or equity) is filed or commenced by any Credit Party or Subsidiary thereof for all or any part of its property including if any Credit Party or Subsidiary shall:
 - (i) apply for or consent to the appointment of a receiver, trustee or liquidator of it or of all or a substantial part of its property and assets;
 - (ii) be unable, or admit in writing its inability, to pay its debts as they mature, or commit any other act of bankruptcy;
 - (iii) make a general assignment for the benefit of creditors;
 - (iv) file a voluntary petition or assignment in bankruptcy or a proposal seeking a reorganization, compromise, moratorium or arrangement with its creditors;
 - (v) take advantage of any insolvency or other similar law pertaining to arrangements, moratoriums, compromises or reorganizations, or admit the material allegations of a petition or application filed in respect of it in any bankruptcy, reorganization or insolvency proceeding; or
 - (vi) take any corporate action for the purpose of effecting any of the foregoing;
- (k)
 - (i) any default by any Credit Party or any Subsidiary thereof under any agreement, document or instrument relating to any indebtedness for borrowed money (other than with respect to the Obligations hereunder, by

- Borrower under the Playa Vista Guarantee or by Playa Vista Borrower under the Playa Vista Credit Facility), in any case in an amount in excess of \$2,000,000, which default continues for more than the applicable cure period, if any, with respect thereto;
- (ii) any default by any Credit Party or any Subsidiary thereof under any contingent indebtedness in connection with any guarantee, letter of credit, indemnity or similar type of instrument (other than with respect to the Obligations hereunder, by Borrower under the Playa Vista Guarantee or by Playa Vista Borrower under the Playa Vista Credit Facility), in any case in an amount in excess of \$2,000,000, which default continues for more than the applicable cure period, if any, with respect thereto; or
 - (iii) any demand for payment to Borrower under the Playa Vista Guarantee and failure to pay such amount by Borrower after the expiration of the applicable cure period, if any, with respect thereto; provided that, for greater certainty, any default by Playa Vista Borrower under the Playa Vista Credit Facility shall not be an Event of Default under this Agreement;
- (l) (i) any material default by any Credit Party or any Subsidiary thereof under any Significant Contract (other than under any Financing Agreement, by Borrower under the Playa Vista Guarantee or by Playa Vista Borrower under the Playa Vista Credit Facility) or (ii) any default by any Credit Party or any Subsidiary thereof under any lease, license or other obligation (other than under any Financing Agreement, by Borrower under the Playa Vista Guarantee or by Playa Vista Borrower under the Playa Vista Credit Facility), in any case in clause (i) and (ii) in which the damages reasonably likely to be suffered by such Credit Party or Subsidiary would be in excess of \$2,000,000, and in each case which default continues for more than the applicable cure period, if any, with respect thereto;
 - (m) any default by any Credit Party or any Subsidiary thereof under any Secured Hedge Agreement, in any case if the mark-to-market damages reasonably likely to be suffered by such Credit Party or Subsidiary would be in excess of \$2,000,000, which default continues for more than the applicable cure period, if any, with respect thereto;
 - (n) any acquisition of control or change in the controlling ownership of Borrower, if any, which may reasonably be expected to have a Material Adverse Effect;
 - (o) there shall be a change in the business or assets of any Credit Party or any Subsidiary thereof after the Closing Date which is reasonably expected to have a Material Adverse Effect;
 - (p) a requirement from the Minister of National Revenue for payment pursuant to Section 224 or any successor section of the *Income Tax Act* (Canada) or Section

317 or any successor section of the *Excise Tax Act* (Canada) or any comparable provision of similar legislation shall have been received by Agent or any other Person in respect of Borrower or otherwise issued in respect of Borrower;

- (q) any Lien created by a Financing Agreement shall cease to be a valid and perfected first priority Lien (except as permitted herein or therein) in any material amount of the collateral purported to be covered thereby (including the Collateral); or
- (r) an ERISA Event shall occur which results in or could reasonably be expected to result in liability of any Credit Party or any Subsidiary thereof in an aggregated amount in excess of \$500,000.

10.2 Remedies

- (a) At any time an Event of Default exists or has occurred and is continuing, Agent shall have all rights and remedies provided in the Financing Agreements, the PPSA, UCC and other applicable law, all of which rights and remedies may be exercised without notice to or consent by any Credit Party (and shall be exercised if directed by Required Lenders), except as such notice or consent is expressly provided for hereunder or required by applicable law. All rights, remedies and powers granted to Agent and Lenders under any of the Financing Agreements, the PPSA, UCC or other applicable law, are cumulative, not exclusive and enforceable, in Agent's or Lenders' discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by any Credit Party of any of the Financing Agreements. Agent may, (and shall upon the instruction of Required Lenders) at any time or times, proceed directly against any Credit Party to collect the Obligations (except under or in connection with Secured Hedge Agreements (which shall be collected in accordance with the terms thereof)) without prior recourse to the Collateral.
- (b) Without limiting the foregoing and subject to Section 10.2(c) hereof, at any time an Event of Default exists or has occurred and is continuing, Agent may in its discretion (and shall upon the instruction of Required Lenders): (i) accelerate the payment of all outstanding Obligations (other than Obligations in connection with Secured Hedge Agreements which may be terminated in accordance with their own terms) and demand immediate payment thereof to Agent (provided, that, upon the occurrence of any Event of Default described in Sections 10.1(i) and 10.1(j)), all outstanding Obligations (other than Obligations in connection with Secured Hedge Agreements which may be terminated in accordance with their own terms) shall automatically become immediately due and payable); (ii) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral and carry on the business of any Credit Party; (iii) require each Credit Party, at such Credit Party's expense, to assemble and make available to Agent any part or all of the Collateral at any place and time designated by Agent;

(iv) collect, foreclose, receive, appropriate, set-off and realize upon any and all Collateral; (v) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose; (vi) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of Agent or elsewhere) at such prices or terms as Agent may deem reasonable, for cash, upon credit or for future delivery, with Agent having the right to purchase the whole or any part of the Collateral at any such public sale, all of the foregoing being free from any right or equity of redemption of any Credit Party, which right or equity of redemption is hereby expressly waived and released by each Credit Party; (vii) without limiting clause (vi), grant a general, special or other license in respect of any aspect of the Collateral on an exclusive or non-exclusive basis to any person throughout the world or any part of it and on such terms and on such conditions as Agent may consider appropriate; (viii) enforce against any licensee or other person all rights and remedies of each Credit Party with respect to all or any part of the Collateral, and take or refrain from taking any action that any Credit Party might take with respect to any of those rights and remedies, and for this purpose Agent shall have the exclusive right to enforce or refrain from enforcing those rights and remedies, and may in the name of any Credit Party and at its expense retain and instruct counsel and initiate any court or other proceeding that Agent considers necessary or expedient; (ix) take any step necessary to preserve, maintain or insure the whole or any part of the Collateral or to realize upon any of it or to put it in vendable condition, and any amount paid as a result of any taking any such steps shall be a cost the payment of which is secured by the Financing Agreements; (x) borrow money and use the Collateral directly or indirectly in carrying on any Credit Party's business or as security for loans or advances for any such purposes; (xi) require each Credit Party to immediately begin using commercially reasonable efforts to obtain all consents and to provide all notices which may be required to permit Agent to assign any agreement or contract; (xii) grant extensions of time and other indulgences, take and give up security, accept compositions, grant releases and discharges, and otherwise deal with any Credit Party, debtors of any Credit Party, sureties and others as Agent may see fit without prejudice to the liability of any Credit Party or Agent's right to hold and realize the security interest created under any Financing Agreement; and/or (xiii) terminate this Agreement. If any of the Collateral is sold or leased by Agent upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Agent. If notice of disposition of Collateral is required by law, 5 days prior notice by Agent to Borrower designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be reasonable notice thereof and each Credit Party waives any other notice. In the event Agent institutes an action to recover any Collateral or seeks recovery of any Collateral by way of prejudgment remedy, each Credit Party waives the posting of any bond which might otherwise be required.

- (c) Notwithstanding anything to the contrary contained in this Section 10.2:
- (i) for the duration of the IP Grace Period, Agent shall not be permitted to enforce its security interest against the IP Collateral, or to exercise its rights under Section 10.2(b) with respect to the IP Collateral hereof except as permitted pursuant to the IP Collateral License Agreement;
 - (ii) for the duration of the IP Grace Period, Borrower shall be permitted to use the IMAX name to carry on business;
 - (iii) upon the commencement of the IP Grace Period, Agent shall have, pursuant to the IP Collateral License Agreement, a royalty-free, freely assignable perpetual license to use the IP Collateral required to enable Agent to perform the obligations of Borrower under any contract or agreement;
 - (iv) upon the commencement of the IP Grace Period, Agent may sell, transfer, assign and/or otherwise dispose of the Collateral, other than the IP Collateral, to any transferee or assignee, and
 - (v) subsequent to the expiry of the IP Grace Period, provided that an Event of Default is then continuing, Agent may sell, transfer, assign and/or otherwise dispose of any of the IP Collateral up to a maximum amount equal to the outstanding Obligations together with all costs, charges and expenses incurred by Agent as a result of enforcing against the IP Collateral and Borrower hereby irrevocably designates and appoints Agent (and all persons designated by Agent) as Borrower's true and lawful attorney-in-fact and authorizes Agent (and all persons designated by Agent) to effect the foregoing.
- (d) Agent may apply the cash proceeds of Collateral actually received by Agent from any sale, lease, foreclosure or other disposition of the Collateral to payment of the Obligations in the order set forth in Section 5.3(b).
- (e) Each Credit Party shall remain liable to Agent for the payment of any deficiency with interest at the highest rate provided for herein and all costs and expenses of enforcement including legal costs and expenses.
- (f) Without limiting the foregoing, upon the occurrence of an Event of Default that is continuing, Agent or Lenders may, at their option, without notice, (i) cease making Revolving Loans or arranging Letter of Credit Accommodations and/or (ii) terminate any provision of this Agreement providing for any future Revolving Loans or Letter of Credit Accommodations to be made by Lenders to Borrower.
- (g) Agent may appoint, remove and reappoint any person or persons, including an employee or agent of Agent or a Lender to be a receiver (the "**Receiver**") which term shall include a receiver and manager of, or agent for, all or any part of the Collateral. Any such Receiver shall, as far as concerns responsibility for his acts,

be deemed to be the agent of Credit Parties and not of Agent or Lenders, and Agent and Lenders shall not in any way be responsible for any misconduct, negligence or non-feasance of such Receiver, his employees or agents. Except as otherwise directed by Agent, all money received by such Receiver shall be received in trust for and paid to Agent. Such Receiver shall have all of the powers and rights of Agent described in this Section 10.2. Agent may, either directly or through its agents or nominees, exercise any or all powers and rights of a Receiver.

- (h) Where Agent realizes upon any of the Collateral, and in particular upon any of the IP Collateral, each Credit Party shall provide without charge its know-how and expertise relating to the use and application of the Collateral, and in particular shall instruct Agent, and any purchaser of the Collateral designated by Agent, concerning any IP Collateral including any confidential information or trade secrets of such Credit Party. For greater certainty, the parties agree that unless such confidential information or trade secrets form part of the Collateral being realized upon, such confidential information or trade secrets shall be provided for use only subject to any agreement regarding the confidentiality thereof or for the protection thereof as may be reasonably requested by a Credit Party.
- (i) Each Credit Party shall pay all reasonable costs, charges and expenses incurred by Agent or Lenders or any Receiver or any nominee or agent of Agent or Lenders, whether directly or for services rendered (including solicitor's costs on a solicitor and his own client basis, auditor's costs, other legal expenses and Receiver remuneration) in enforcing any Financing Agreement and in enforcing or collecting Obligations and all such expenses together with any money owing as a result of any borrowing permitted hereby shall be a charge on the proceeds of realization and shall be secured by the Financing Agreements.
- (j) Each Credit Party hereby irrevocably designates and appoints Agent (and all persons designated by Agent) as such Credit Party's true and lawful attorney-in-fact, and authorizes Agent, in such Credit Party's or Agent's name, to: (a) at any time an Event of Default exists or has occurred and is continuing: (i) demand payment on Accounts or other proceeds of the Collateral, (ii) enforce payment of Accounts by legal proceedings or otherwise, (iii) exercise all of such Credit Party's rights and remedies to collect any Account or other Collateral, (iv) sell or assign any Account upon such terms, for such amount and at such time or times as Agent deems advisable, (v) settle, adjust, compromise, extend or renew an Account, (vi) discharge and release any Account, (vii) prepare, file and sign such Credit Party's name on any proof of claim in bankruptcy or other similar document against an account debtor, (viii) notify the post office authorities to change the address for delivery of such Credit Party's mail to an address designated by Agent, and open and dispose of all mail addressed to such Credit Party, (ix) do all acts and things which are necessary, in Agent's determination, to fulfill such Credit Party's obligations under the Financing Agreements, (x) have access to any lockbox or postal box into which such Credit Party's mail is deposited, (xi) endorse such Credit Party's name upon any chattel paper,

document, instrument, invoice, or similar document or agreement relating to any Account or any goods pertaining thereto or any other Collateral, (xii) sign such Credit Party's name on any verification of Accounts and notices thereof to account debtors, (xiii) endorse such Credit Party's name upon any items of payment or proceeds thereof and deposit the same in Agent's account for application to the Obligations; and (xiv) take control in any manner of any item of payment or proceeds thereof; and (b) at any time, to execute in such Credit Party's name and file any PPSA, UCC or other financing statements or amendments thereto in respect of the security interests granted to Agent pursuant to any of the Financing Agreements if such Credit Party has not done so within 2 days from Agent's request. Each Credit Party hereby releases Agent and its officers, employees and designees from any liabilities arising from any act or acts under this power of attorney and in furtherance thereof, whether of omission or commission, except as a result of Agent's own gross negligence or wilful misconduct as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

- (k) Agent may, at any time or times that an Event of Default exists or has occurred and is continuing, at its option: (a) cure any default by any Credit Party or any Subsidiary thereof under any agreement with a third party or pay or bond on appeal any judgment entered against any Credit Party or any Subsidiary thereof; (b) discharge taxes and Liens at any time levied on or existing with respect to the Collateral; and (c) pay any amount, incur any expense or perform any act which, in Agent's good faith judgment, is necessary or appropriate to preserve, protect, insure or maintain the Collateral and the rights of Agent with respect thereto. Agent may add any amounts so expended to the Obligations and charge Borrower's account therefor, such amounts to be repayable by each Credit Party on demand. Agent shall be under no obligation to effect such cure, payment or bonding and shall not, by doing so, be deemed to have assumed any obligation or liability of any Credit Party or any Subsidiary thereof. Any payment made or other action taken by Agent under this Section shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

ARTICLE 11
ASSIGNMENT AND PARTICIPATIONS: APPOINTMENT OF AGENT

11.1 Assignment and Participations

- (a) Subject to the terms of this Section 11.1, any Lender may make an assignment or a sale of participations in, at any time or times, the Financing Agreements, Revolving Loans and any Revolving Loan Commitment or any portion thereof or interest therein, including any Lender's rights, title, interests, remedies, powers or duties thereunder. Any assignment by a Lender shall:
- (i) be in a minimum amount of \$5,000,000 with respect to Revolving Loans;
 - (ii) require the consent of Agent, Issuing Lender and Borrower; provided that:

- (A) such consent is not to be unreasonably withheld, conditioned or delayed;
- (B) the consent of Borrower shall not be required if:
 - (1) an Event of Default or Default shall have occurred and be continuing;
 - (2) such assignment is to an Eligible Transferee; or
 - (3) Borrower does not object to such assignment within 10 Business Days of receipt of notice of such assignment;
- (iii) not be to a Prohibited Transferee;
- (iv) be effected by the execution of an Assignment and Assumption Agreement;
- (v) be conditioned on such assignee Lender representing to the assigning Lender and Agent that it is purchasing the Revolving Loans to be assigned to it for its own account, for investment purposes and not with a view to the distribution thereof; and
- (vi) include a payment to Agent of an assignment fee of \$3,500.

In the case of an assignment by a Lender under this Section 11.1, the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as all other Lenders hereunder. The assigning Lender shall be relieved of its obligations hereunder with respect to its Revolving Loan Commitment or assigned portion thereof from and after the date of such assignment. Borrower hereby acknowledges and agrees that any assignment shall give rise to a direct obligation of Borrower to the assignee and that the assignee shall be considered to be a “**Lender**” hereunder. In all instances, each Lender’s liability to make Revolving Loans hereunder shall be several and not joint and shall be limited to such Lender’s Pro Rata Share of the Revolving Loan Commitment. In the event any Lender assigns or otherwise transfers all or any part of the Obligations, such Lender shall so notify Borrower and Borrower shall, upon the request of Agent or such Lender, execute new notes in exchange for the notes, if any, being assigned. Borrower agrees from time to time to execute notes (in form and substance satisfactory to Agent, acting reasonably) evidencing the Revolving Loans if requested by Agent. Notwithstanding the foregoing provisions of this Section 11.1(a), any Lender may at any time pledge the Obligations held by it and such Lender’s rights under this Agreement and the other Financing Agreements to the Bank of Canada or the Canada Deposit Insurance Corporation or foreign equivalent; provided, that no such pledge shall release such Lender from such Lender’s obligations hereunder or under any other Financing Agreement.

- (b) Any sale of a participation by a Lender of all or any part of its Revolving Loan Commitment or Revolving Loans shall be made with the understanding that all amounts payable by Borrower hereunder shall be determined as if that Lender had not sold such participation, and that the holder of any such participation shall not be entitled to require such Lender to take or omit to take any action hereunder except actions directly affecting (i) any reduction in the principal amount of, or interest rate or fees payable with respect to any Loan in which such holder participates, (ii) any extension of the scheduled amortization of the principal amount of any Loan in which such holder participates or the final maturity date thereof, and (iii) any release of all or substantially all of the Collateral (other than in accordance with the terms of this Agreement or the other Financing Agreements). Neither Agent nor any Lender (other than a Lender selling a participation) shall have any duty to any participant and may continue to deal solely with Lenders selling a participation as if no such sale had occurred. No consent of Borrower, Agent or Issuing Lender is required with respect to the sale of a participation by a Lender of all or any part of its Revolving Loan Commitment or Revolving Loans. No sale of a participation by a Lender of all or any part of its Revolving Loan Commitment or Revolving Loans shall be made to a Prohibited Transferee.
- (c) Each Credit Party shall assist any Lender permitted to sell assignments or participations under this Section 11.1 as reasonably required to enable the assigning or selling Lender to effect any such assignment or participation, including the execution and delivery of any and all agreements, notes and other documents and instruments as shall be requested, the preparation of informational materials for, and the participation of management in meetings with, potential assignees or participants. Each Credit Party shall certify the correctness, completeness and accuracy of all descriptions of it and its respective affairs contained in any selling materials provided by it and all other information provided by it and included in such materials.
- (d) A Lender may furnish any information concerning a Credit Party in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants) provided such Persons agree to maintain the confidentiality of such information.
- (e) No Credit Party may assign its rights under the Financing Agreements and any other document referred to herein or therein without the prior written consent of Agent and all Lenders.

11.2 Appointment of Agent

- (a) Agent is hereby appointed to act on behalf of Secured Parties as Agent under this Agreement and the other Financing Agreements. The provisions of this Section 11.2 are solely for the benefit of Agent and Lenders and neither any Credit Party nor any other Person shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this

Agreement and the other Financing Agreements, Agent shall act solely as an agent of Secured Parties and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Credit Party or any Person other than Secured Parties. Agent shall have no duties or responsibilities except for those expressly set forth in this Agreement and the other Financing Agreements. The duties of Agent shall be mechanical and administrative in nature and Agent shall not have, or be deemed to have, by reason of this Agreement, any other Financing Agreement or otherwise a fiduciary relationship in respect of any Secured Party. Except as expressly set forth in this Agreement and the other Financing Agreements, Agent shall not have any duty to disclose, and shall not be liable for failure to disclose, any information relating to any Credit Party or any of their respective Subsidiaries that is communicated to or obtained by Agent or any of its affiliates in any capacity. Neither Agent nor any of its affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable to any Secured Party for any action taken or omitted to be taken by it hereunder or under any other Financing Agreement, or in connection herewith or therewith, except for damages caused by its or their own gross negligence or wilful misconduct as determined by a final and non-appealable judgment or court order binding on them.

- (b) If Agent shall request instructions from all Lenders, all affected Lenders or Required Lenders, as the case may be, with respect to any act or action (including failure to act) in connection with this Agreement or any other Financing Agreement, then Agent shall be entitled to refrain from such act or taking such action unless and until Agent shall have received instructions from all Lenders, all affected Lenders or Required Lenders, as the case may be, and Agent shall not incur liability to any Person by reason of so refraining. Agent shall be fully justified in failing or refusing to take any action hereunder or under any other Financing Agreement (i) if such action would, in the opinion of Agent, be contrary to law or the terms of this Agreement or any other Financing Agreement; (ii) if such action would, in the opinion of Agent, expose Agent to liabilities under Environmental Laws; or (iii) if Agent shall not first be indemnified to its satisfaction against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limiting the foregoing, no Secured Party shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting hereunder or under any other Financing Agreement in accordance with the instructions of all Lenders, all affected Lenders or Required Lenders, as the case may be.

11.3 Agent's Reliance, Etc.

Neither Agent nor any of its affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Financing Agreements, except for damages caused by its or their own gross negligence or wilful misconduct as determined by a final and non-appealable judgment or court order binding on them. Without limiting the

generality of the foregoing, Agent: (i) may treat the payee of any note as the holder thereof until Agent receives written notice of the assignment or transfer thereof signed by such payee and in form reasonably satisfactory to Agent; (ii) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Secured Party and shall not be responsible to any Secured Party for any statements, warranties or representations made in or in connection with this Agreement or the other Financing Agreements; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Financing Agreements on the part of any Credit Party or to inspect the Collateral (including the books and records) of any Credit Party; (v) shall not be responsible to any Secured Party for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Financing Agreements or any other instrument or document furnished pursuant hereto or thereto; and (vi) shall incur no liability under or in respect of this Agreement or the other Financing Agreements by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopy, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

11.4 Agent and Affiliates

With respect to its Revolving Loan Commitment and Revolving Loans hereunder, Agent shall have the same rights and powers under this Agreement and the other Financing Agreements as any other Lender and may exercise the same as though it were not Agent; and the term “**Lender**” or “**Lenders**” hereunder shall, unless otherwise expressly indicated, include Agent in its individual capacity. Agent and its affiliates may lend money to, invest in, and generally engage in any kind of business with any Credit Party, any of its affiliates and any Person who may do business with or own securities of any Credit Party or any such affiliate, all as if Agent were not Agent and without any duty to account therefore to Secured Parties. Agent and its affiliates may accept fees and other consideration from any Credit Party for services in connection with this Agreement or otherwise without having to account for the same to Secured Parties. Each Secured Party acknowledges the potential conflict of interest between Agent as a Lender and Agent as agent hereunder.

11.5 Lender Credit Decision

Each Lender acknowledges that it has, independently and without reliance upon Agent or any other Lender and based on the Information Certificates and such other documents and information as it has deemed appropriate, made its own credit and financial analysis of each Credit Party and its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each Lender acknowledges the potential conflict of interest of each other Lender as a result of Lenders holding disproportionate interests in the Revolving Loan Commitment and the Revolving Loans, and expressly consents to, and waives any claim based upon, such conflict of interest.

11.6 Indemnification

Lenders agree to indemnify Agent (to the extent not reimbursed by Credit Parties and without limiting the obligations of Credit Parties hereunder), rateably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against Agent in any way relating to or arising out of this Agreement or any other Financing Agreement or any action taken or omitted to be taken by Agent in connection therewith; provided, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from Agent's gross negligence or wilful misconduct as determined by a final and non-appealable judgment or court order binding on Agent. Without limiting the foregoing, each Lender agrees to reimburse Agent promptly upon demand for its rateable share according to its Pro Rata Share of any out-of-pocket expenses (including reasonable fees of counsel) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Financing Agreement, to the extent that Agent is not reimbursed for such expenses by Credit Parties.

11.7 Failure to Act

Except for action expressly required of Agent hereunder and under the other Financing Agreements, Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction from Lenders of their indemnification obligations under Section 11.6 hereof against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action.

11.8 Concerning the Collateral and the Related Financing Agreements

- (a) Each Lender authorizes and directs Agent to enter into this Agreement and the other Financing Agreements. Each Lender agrees that any action taken by Agent in accordance with the terms of this Agreement or the other Financing Agreements and the exercise by Agent of its powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon Lenders.
- (b) With respect to the Belgian law security agreement creating security over financial instruments (including shares) and bank accounts, each Secured Party appoints Agent to act as its agent (*vertegenwoordiger/représentant*) for the purposes of article 5 of the Belgian Law of 15 December 2004 on financial collateral, as amended from time to time.
- (c) In this Section 11.8 "**Agent Claim**" means any amount which a Credit Party owes to the Agent pursuant to clause (d) below.
- (d) Each Credit Party must pay Agent, as an independent and separate creditor, an amount equal to each Obligation of which it is the debtor on its due date.

- (e) Agent may enforce performance of any Agent Claim in its own name as an independent and separate right. This includes any suit, execution, enforcement of security, recovery of guarantees and applications for and voting in respect of any kind of insolvency proceeding.
- (f) Each Credit Party irrevocably and unconditionally waives any right it may have to require a Secured Party to join in any proceedings as co-claimant with Agent in respect of any Agent Claim.
- (g) (i) Payment by a Credit Party of an Obligation will discharge the corresponding Agent Claim in the same amount.
(ii) Payment by a Credit Party of an Agent Claim will discharge the corresponding Obligation in the same amount.
- (h) The aggregate amount of the Agent Claims will never exceed the aggregate amount of the Obligations.
- (i) A defect affecting an Agent Claim against a Credit Party will not affect any Obligation.

11.9 Reports and other Information; Disclaimer by Lenders.

By signing this Agreement, each Lender:

- (a) is deemed to have requested that Agent furnish such Lender, within a reasonable time after it becomes available to Agent, a copy of each report, Compliance Certificate and/or other documentation (each such report, certificate or documentation being referred to herein as a “**Report**” and collectively, “**Reports**”) provided to Agent by Credit Parties pursuant to the Financing Agreements;
- (b) expressly agrees and acknowledges that Agent (i) does not make any representation or warranty as to the accuracy of any Report, or (ii) shall not be liable for any information contained in any Report; and
- (c) agrees to keep all Reports confidential in accordance with Section 7.11(b).

11.10 Collateral Matters

- (a) Lenders (including in its or any of its Affiliate’s capacities as a potential Hedge Bank or Cash Management Bank) hereby irrevocably authorize Agent at its option and in its discretion to release any Lien upon any of the Collateral (i) upon termination of the Revolving Loan Commitment and payment and satisfaction of all of the non-contingent Obligations and delivery of cash collateral to the extent required under Section 13.1 below; or (ii) constituting property being sold or disposed of if applicable Credit Party certifies to Agent that the sale or disposition is made in compliance with Section 8.1 hereof (and Agent may rely conclusively

on any such certificate, without further enquiry); or (iii) constituting property in which applicable Credit Party did not own an interest at the time the Lien was granted or at any time thereafter; or (iv) if required under the terms of any of the other Financing Agreements, including any intercreditor agreement; or (v) approved, authorized or ratified in writing in accordance with Section 11.14 hereof. Lenders hereby irrevocably authorize Agent to subordinate its Lien upon the specific Collateral on which another Person has a Lien as permitted under Section 8.2(e) and if such Person will not permit Agent to retain its Lien on such Collateral, Lenders hereby irrevocably authorize Agent to release its Lien upon such Collateral. Except as provided above, Agent will not release any Lien upon any of the Collateral without the prior written authorization required in accordance with Section 11.14 hereof.

- (b) Without in any manner limiting Agent's authority to act without any specific or further authorization or consent by applicable Lenders, each Lender, as applicable, agrees to confirm in writing, upon request by Agent, the authority to release Collateral conferred upon Agent under this Section. Agent shall (and is hereby irrevocably authorized by Lenders to) execute such documents as may be necessary to evidence the release of the Liens granted to Agent upon any Collateral to the extent set forth above; provided, that, (i) Agent shall not be required to execute any such document on terms which, in Agent's opinion, would expose Agent to liability or create any obligations or entail any consequence other than the release of such Lien without recourse or warranty and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any Lien upon (or obligations of any Credit Party in respect of) the Collateral retained by such Credit Party.
- (c) Agent shall have no obligation whatsoever to any Lender or any other Person to investigate, confirm or assure that the Collateral exists or is owned by any Credit Party or is cared for, protected or insured or has been encumbered, or that the Liens granted to Agent pursuant hereto or any of the Financing Agreements or otherwise have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent in this Agreement or in any of the other Financing Agreements, it being understood and agreed that in respect of Collateral, or any act, omission or event related thereto, Agent may act in any manner it may deem appropriate, in its discretion, given Agent's own interest in the Collateral as a Lender and that Agent shall have no duty or liability whatsoever to any other Lender.

11.11 Successor Agent

Agent may resign at any time by giving not less than 30 days' prior written notice thereof to Lenders and Borrower. Upon any such resignation, Required Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by Required Lenders and shall have accepted such appointment within 30 days after the resigning Agent's

giving notice of resignation, then the resigning Agent may, on behalf of Lenders, appoint a successor Agent, which shall be a Lender, if a Lender is willing to accept such appointment, or otherwise shall be a commercial bank or financial institution or a subsidiary of a commercial bank or financial institution if such commercial bank or financial institution or other entity whose business includes making commercial loans, in each case, is organized under the laws of Canada or of any province thereof. If no successor Agent has been appointed pursuant to the foregoing, within 30 days after the date such notice of resignation was given by the resigning Agent, such resignation shall become effective and Required Lenders shall thereafter perform all the duties of Agent hereunder until such time, if any, as Required Lenders appoint a successor Agent as provided above. Any successor Agent appointed by Required Lenders hereunder shall be subject to the approval of Borrower, such approval not to be unreasonably withheld or delayed; provided, that such approval shall not be required if an Event of Default has occurred and is continuing. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the earlier of the acceptance of any appointment as Agent hereunder by a successor Agent or the effective date of the resigning Agent's resignation, the resigning Agent shall be discharged from its duties and obligations under this Agreement and the other Financing Agreements, except that any indemnity rights or other rights in favour of such resigning Agent shall continue. After any resigning Agent's resignation hereunder, the provisions of this Article 11 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was acting as Agent under this Agreement and the other Financing Agreements.

11.12 Setoff and Sharing of Payments

In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default and subject to Section 11.13(f), each Lender is hereby authorized at any time or from time to time, without notice to Borrower or to any other Person other than Agent, any such notice being hereby expressly waived, to setoff and to appropriate and to apply any and all balances held by it at any of its offices for the account of any Credit Party (regardless of whether such balances are then due to any Credit Party) and any other properties or assets at any time held or owing by that Lender to or for the credit or for the account of any Credit Party against and on account of any of the Obligations that are not paid when due; provided, that Lenders exercising such setoff rights shall give notice thereof to such Credit Party promptly after exercising such rights. Any Lender exercising a right of setoff or otherwise receiving any payment on account of the Obligations in excess of its Pro Rata Share thereof shall purchase for cash (and the other Lenders shall sell) such participations in each such other Lender's Pro Rata Share of the Obligations as would be necessary to cause such Lender to share the amount so setoff or otherwise received with the other Lenders in accordance with their respective Pro Rata Shares. Each Credit Party agrees, to the fullest extent permitted by law that (a) any Lender may exercise its right to setoff with respect to amounts in excess of its Pro Rata Share of the Obligations and may sell participations in such amounts so setoff to the other Lenders; and (b) any Lender so purchasing a participation in a Loan made or other Obligations held by the other Lenders may exercise all rights of setoff, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Lender were a direct holder of the Loan and the other Obligations in the amount of such participation. Notwithstanding the foregoing, if all or any portion of the

setoff amount or payment otherwise received is thereafter recovered from a Lender that has exercised the right of setoff, the purchase of participations by that Lender shall be rescinded and the purchase price restored without interest.

11.13 Advances; Payments; Non-Funding Lenders; Information; Actions in Concert

- (a) Advances; Payments.
- (i) In each funding notice provided by Agent to a Lender hereunder, Agent shall provide such Lender with written confirmation (by telephone, teletype or email (if such Lender has provided email notice coordinates to Agent)) that all conditions precedent hereunder to such funding have been satisfied or waived in accordance with the terms hereof.
 - (ii) Each Lender shall make the amount of such Lender's Pro Rata Share of such Loan available to Agent in same day funds by wire transfer to Agent's account not later than 12:00 noon (Eastern Time) (or promptly thereafter) on the requested funding date (which must be a Business Day). After receipt of such wire transfers (or, in Agent's sole discretion, before receipt of such wire transfers), subject to the terms hereof, Agent shall make the requested Loan to Borrower. All payments by each Lender shall be made without setoff, counterclaim or deduction of any kind.
 - (iii) On the 5th Business Day of each Fiscal Quarter or more frequently at Agent's election (each, a "**Settlement Date**"), Agent shall advise each Lender by telephone, teletype or email (if such Lender has provided email notice coordinates to Agent) of the amount of such Lender's Pro Rata Share of principal, interest and fees paid for the benefit of Lenders with respect to each applicable Loan. Provided that each Lender has funded all payments and Revolving Loans required to be made by it and purchased all participations required to be purchased by it under this Agreement and the other Financing Agreements as of such Settlement Date, Agent shall pay to each Lender such Lender's Pro Rata Share of principal, interest and fees paid by Borrower since the previous Settlement Date for the benefit of such Lender on the portion of the Revolving Loans held by it. To the extent that any Lender (a "**Non-Funding Lender**") has failed to fund all such payments and Revolving Loans or failed to fund the purchase of all such participations, Agent shall be entitled to set off the funding short-fall against that Non-Funding Lender's Pro Rata Share of all payments received from Borrower. Such payments shall be made by wire transfer to such Lender's account not later than 2:00 p.m. (Eastern Time) on the next Business Day following each Settlement Date.
- (b) Availability of Lender's Pro Rata Share. Agent may assume that each Lender will make its Pro Rata Share of each Loan available to Agent on each funding date (which must be a Business Day). If such Pro Rata Share is not, in fact, paid to Agent by such Lender when due, Agent will be entitled to recover such amount

on demand from such Lender without setoff, counterclaim or deduction of any kind. If any Lender fails to pay the amount of its Pro Rata Share forthwith upon Agent's demand, Agent shall promptly notify Borrower and Borrower shall immediately repay such amount to Agent. Nothing in this Section 11.13(b) or elsewhere in this Agreement or the other Financing Agreements shall be deemed to require Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its Revolving Loan Commitment hereunder or to prejudice any rights that a Credit Party may have against any Lender as a result of any default by such Lender hereunder. To the extent that Agent advances funds to Borrower on behalf of any Lender and is not reimbursed therefore on the same Business Day as such Loan is made, Agent shall be entitled to retain for its account all interest accrued on such advance until reimbursed by the applicable Lender.

(c) Return of Payments.

- (i) If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Agent from Borrower and such related payment is not received by Agent, then Agent will be entitled to recover such amount from such Lender on demand without setoff, counterclaim or deduction of any kind.
- (ii) If Agent determines at any time that any amount received by Agent under this Agreement must be returned to Borrower or paid to any other Person pursuant to any bankruptcy or insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Financing Agreement, Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that Agent has distributed to such Lender, together with interest at such rate, if any, as Agent is required to pay to Borrower or such other Person, without setoff, counterclaim or deduction of any kind.

- (d) Non-Funding Lenders. The failure of any Non-Funding Lender to make any Loan or any payment required by it hereunder on the date specified thereof, shall not relieve the other Lenders (each such other Lender, an "**Other Lender**") of its obligations to make such Loan or purchase such participation on such date, but neither any Other Lender nor Agent shall be responsible for the failure of any Non-Funding Lender to make a Loan, purchase a participation or make any other payment required hereunder. Notwithstanding anything set forth herein to the contrary, a Non-Funding Lender shall not have any voting or consent rights under or with respect to any Financing Agreement or constitute a "**Lender**" for any voting or consent rights under or with respect to any Financing Agreement. At Borrower's request, Agent or a Person acceptable to Agent shall have the right with Agent's consent and in Agent's sole discretion (but shall have no obligation) to purchase from any Non-Funding Lender, and each Non-Funding Lender agrees that it shall, at Agent's request, sell and assign to Agent or such Person, all of the

Revolving Loan Commitments and Revolving Loans of that Non-Funding Lender for an amount equal to the principal balance of all Revolving Loans held by such Non-Funding Lender and all accrued interest and fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment and Assumption Agreement.

- (e) Dissemination of Information. Agent shall use reasonable efforts to provide Lenders with (i) any notice of any Event of Default received by Agent from, or delivered by Agent to, Borrower, (ii) notice of any Event of Default of which Agent has actually become aware, (iii) notice of any action taken by Agent following any Event of Default and (iv) any notice received from any Credit Party pursuant to Section 7.6(b); provided, that Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to Agent's gross negligence or wilful misconduct as determined by a final and non-appealable judgment or court order binding on Agent.
- (f) Actions in Concert. Anything in this Agreement to the contrary notwithstanding, each Lender hereby agrees with Agent and each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Agreement or the other Financing Agreements (excluding exercising any rights of setoff) without first obtaining the prior written consent of Agent and all other Lenders, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the other Financing Agreements shall be taken in concert and at the direction or with the consent of Agent, all Lenders, affected Lenders or Required Lenders, as the case may be.

11.14 Approval of Lenders and Agent

- (a) Notwithstanding any other provision of this Agreement but subject to Section 11.14(b), (c) and (d), no amendment or waiver of any provision of this Agreement, nor consent to any departure by any Credit Party therefrom, shall in any event be effective unless the same shall be in writing and signed by Credit Parties and the Required Lenders, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given;
 - (i) provided that no amendment, waiver or consent shall, unless in writing and signed by all Lenders directly and adversely affected thereby (other than a Non-Funding Lender) do any of the following at any time:
 - (A) reduce the rate or amount of any principal, interest or fees payable by Borrower or alter the currency or mode of calculation or computation thereof;
 - (B) extend the time for payments required to be made by Borrower or the Maturity Date;
 - (C) increase any Lender's Revolving Loan Commitment;

- (D) change the definition of Required Lenders, any provision of this Section 11.14, amend the *pro rata* sharing provisions hereunder or amend the voting percentages hereunder; or
 - (E) change the payment waterfall in Section 5.3(b) hereof;
- (ii) provided further that no amendment, waiver or consent shall, unless in writing and signed by all Lenders (other than a Non-Funding Lender) do any of the following at any time:
- (A) release all or substantially all of the value of the Collateral under any Financing Agreement or any guarantee of the Obligations; and
 - (B) permit any Credit Party to assign its rights under the Financing Agreements.
- (b) Notwithstanding Section 11.14(a), Agent may, without the consent of Lenders, make amendments to the Financing Agreements that are for the sole purpose of curing any immaterial or administrative ambiguity, defect or inconsistency. Agent shall, within a reasonable time, notify Lenders or any such action.
- (c) Notwithstanding Section 11.14(a), no amendment, waiver or consent shall, unless in writing and signed by Agent in addition to Lenders required above to take such action, affect the rights or duties of Agent under this Agreement or any of the other Financing Agreements.
- (d) Notwithstanding Section 11.14(a), no amendment, waiver or consent shall, unless in writing and signed by Issuing Lender in addition to Lenders required above to take such action, affect the rights or duties of Issuing Lender under this Agreement or any of the other Financing Agreements.
- (e) No Cash Management Bank or Hedge Bank that obtains the benefits of Section 5.3 or any Collateral by virtue of the provisions hereof or of any Financing Agreement shall have any right to notice of any action or to consent to, direct or object to any action hereunder or under any other Financing Agreement or otherwise in respect of the Collateral (including the release or impairment of any Collateral) other than in its capacity as a Lender and, in such case, only to the extent expressly provided in the Financing Agreements. Notwithstanding any other provision of this Article 11 to the contrary, Agent shall not be required to verify the payment of, or that other satisfactory arrangements have been made with respect to, Secured Hedge Agreements and Secured Cash Management Agreements unless Agent has received written notice of such Secured Hedge Agreements and Secured Cash Management Agreements, together with such supporting documentation as Agent may request from the applicable Hedge Bank or Cash Management Bank, as the case may be.

ARTICLE 12
JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW

12.1 Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver

- (a) The validity, interpretation and enforcement of this Agreement and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.
- (b) Credit Parties, Lenders and Agent irrevocably consent and submit to the non-exclusive jurisdiction of the Superior Court of Justice (Ontario) and waive any objection based on venue or *forum non conveniens* with respect to any action instituted therein arising under any of the Financing Agreements or in any way connected with or related or incidental to the dealings of the parties hereto in respect of any of the Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts described above (except that Agent and Lenders shall have the right to bring any action or proceeding against any Credit Party or its property in the courts of any other jurisdiction which Agent or Lenders deem necessary or appropriate in order to realize on the Collateral or to otherwise enforce their respective rights against such Credit Party or its property).
- (c) To the extent permitted by law, each Credit Party hereby waives personal service of any and all process upon it and consents that all such service of process may be made by registered mail (return receipt requested) directed to its address set forth on the signature pages hereof and service so made shall be deemed to be completed 5 days after the same shall have been so deposited in the Canadian mails, or, at Agent's option, by service upon such Credit Party in any other manner provided under the rules of any such courts. Within 30 days after such service, such Credit Party shall appear in answer to such process, failing which such Credit Party shall be deemed in default and judgment may be entered by Agent or Lenders against such Credit Party for the amount of the claim and other relief requested.
- (d) TO THE EXTENT PERMITTED BY APPLICABLE LAW EACH CREDIT PARTY, LENDERS AND AGENT EACH HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER ANY OF THE FINANCING AGREEMENTS OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF ANY OF THE FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. TO THE EXTENT PERMITTED BY APPLICABLE LAW, CREDIT PARTIES, AGENT AND LENDERS EACH HEREBY AGREE AND

CONSENT THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT EACH CREDIT PARTY, AGENT OR LENDERS MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

- (e) Lenders and Agent shall not have any liability to any Credit Party (whether in tort, contract, equity or otherwise) for losses suffered by any Credit Party in connection with, arising out of, or in any way related to the transactions or relationships contemplated by any Financing Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Agent or a Lender, that the losses were the result of acts or omissions constituting gross negligence or wilful misconduct of such Person and each Credit Party hereby waives any claims for special, punitive, exemplary, indirect or consequential damages in respect of any breach or alleged breach by Agent or any Lender of any of the terms of this Agreement or the other Financing Agreements except in the case of gross negligence or wilful misconduct of Agent or any Lender as determined by a final and non-appealable judgment or court order binding on Agent or Lender.
- (f) Each Credit Party hereby expressly waives all rights of notice and hearing of any kind prior to the exercise of rights by Agent from and after the occurrence of an Event of Default that is continuing to repossess the Collateral with judicial process or to replevy, attach or levy upon the Collateral or other security for the Obligations. Each Credit Party waives the posting of any bond otherwise required of Agent in connection with any judicial process or proceeding to obtain possession of, replevy, attach or levy upon the Collateral or other security for the Obligations, to enforce any judgment or other court order entered in favour of Agent, or to enforce by specific performance, temporary restraining order, preliminary or permanent injunction or any other Financing Agreement.

12.2 Waiver of Notices

Each Credit Party hereby expressly waives demand, presentment, protest and notice of protest and notice of dishonour with respect to any and all instruments and commercial paper, included in or evidencing any of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein. No notice to or demand on any Credit Party which Agent may elect to give shall entitle any Credit Party to any other or further notice or demand in the same, similar or other circumstances.

12.3 Amendments and Waivers

Subject to Section 11.14, neither this Agreement nor any provision hereof shall be amended or waived, nor consent to any departure by any Credit Party therefrom permitted, orally or by

course of conduct, but only by a written agreement signed by an authorized officer of each Lender and Agent, and as to amendments, as also signed by an authorized officer of each Credit Party. Agent shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and signed by an authorized officer of Agent. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Agent of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Agent would otherwise have on any future occasion, whether similar in kind or otherwise.

12.4 Waiver of Counterclaim

Each Credit Party waives all rights to interpose any claims, deductions, setoffs or counterclaims of any nature (other than compulsory counterclaims) in any action or proceeding with respect to this Agreement, the Obligations, the Collateral or any matter arising therefrom or relating hereto or thereto.

12.5 Indemnification

Each Credit Party shall indemnify and hold Arranger, Agent and each Lender, and their respective directors, officers, agents, representatives, employees and counsel, harmless from and against any and all losses, claims, damages, liabilities, costs or expenses imposed on, incurred by or asserted against any of them in connection with any litigation, investigation, claim or proceeding commenced or threatened related to the negotiation, preparation, execution, delivery, enforcement, performance or administration of any Financing Agreements, or any undertaking or proceeding related to any of the transactions contemplated hereby or any act, omission, event or transaction related or attendant thereto or the relationship between any Credit Party, on one hand, and Arranger, Agent, each Lender and their respective directors, officers, agents, representatives, employees and counsel, on the other hand, including amounts paid in settlement, court costs, and the fees and expenses of counsel and others incurred in connection with investigating, preparing to defend or defending any such litigation, investigation, claim or proceeding. Such indemnification shall not apply to losses, claims, damages, liabilities, costs or expenses resulting from the bad faith, fraud, gross negligence or wilful misconduct of Arranger, Agent, any Lender and/or their respective directors, officers, agents, representatives, employees and counsel as determined pursuant to a final non-appealable order of a court of competent jurisdiction or to losses, claims, damages, liabilities, costs or expenses to the extent relating to disputes among such indemnified parties or to a breach of their obligations to a Credit Party hereunder as determined pursuant to a final non-appealable order of a court of competent jurisdiction. To the extent that the undertaking to indemnify, pay and hold harmless set forth in this Section 12.5 may be unenforceable because it violates any law or public policy, each Credit Party shall pay the maximum portion which it is permitted to pay under applicable law to Arranger, Agent, each Lender and their respective directors, officers, agents, representatives, employees and counsel in satisfaction of indemnified matters under this Section 12.5. The foregoing indemnity shall survive the payment of the Obligations and the termination of this Agreement.

12.6 Costs and Expenses

Upon demand by Agent, each Credit Party shall pay to Arranger, Agent and Lenders all reasonable costs, expenses, filing fees and taxes paid or payable in connection with the structuring, arrangement, syndication, preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, restructuring, enforcement and defense of the Obligations, Agent and each Lender's rights in the Collateral, the Financing Agreements and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including: (a) all costs and expenses of filing or recording or searching (including PPSA and UCC financing statement and other similar filing and recording fees and taxes, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable); (b) all insurance premiums and search fees; (c) reasonable costs and expenses of remitting loan proceeds and other items of payment, together with Agent's customary charges and fees with respect thereto; (d) costs and expenses of preserving and protecting the Collateral; (e) reasonable costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Agent, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of the Financing Agreements or defending any claims made or threatened against Agent and Lenders arising out of the transactions contemplated hereby and thereby (including preparations for and consultations concerning any such matters); (f) all reasonable out-of-pocket expenses including due diligence, audit and appraisal expenses and legal fees incurred in the structuring, negotiation, arrangement, syndication, restructuring, administration and amending of this Agreement; and (g) the reasonable fees and disbursements of counsel (including legal assistants) to Arranger, Agent and Lenders in connection with any of the foregoing.

12.7 Further Assurances

At the request of Agent at any time and from time to time, each Credit Party shall, at its expense, duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary to evidence, perfect, maintain and enforce the Liens and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of any of the Financing Agreements. Agent may at any time and from time to time request a certificate from an officer of Borrower representing that all conditions precedent to the making of Revolving Loans and providing Letter of Credit Accommodations contained herein are satisfied. In the event of such request by Agent, Agent and each Lender may, at its option, cease to make any further Revolving Loans or provide any further Letter of Credit Accommodations until Agent has received such certificate and, in addition, Agent has determined that such conditions are satisfied. Where permitted by law, each Credit Party hereby authorizes Agent to execute and file one or more PPSA, UCC or other financing statements or notices signed only by Agent or Agent's representative.

ARTICLE 13
TERM OF AGREEMENT; MISCELLANEOUS

13.1 Term

- (a) This Agreement shall continue in full force and effect for a term ending on the Maturity Date unless sooner terminated pursuant to the terms hereof. Upon the Maturity Date or effective date of termination of this Agreement, Borrower shall pay to Agent, in full, all outstanding and unpaid non-contingent Obligations (except under or in connection with any Secured Hedge Agreement) and shall furnish cash collateral to Agent in such amounts as Agent determines are reasonably necessary to secure Agent, Lenders and Secured Parties from loss, cost, damage or expense, including legal fees and expenses, issued and outstanding Letter of Credit Accommodations, outstanding Secured Hedge Agreements and cheques or other payments provisionally credited to the Obligations and/or as to which Agent and Lenders have not yet received final and indefeasible payment. Such payments in respect of the Obligations and cash collateral shall be remitted by wire transfer in US Dollars to such bank account of Agent, as Agent may, in its discretion, designate in writing to Borrower for such purpose. Interest shall be due until and including the next Business Day, if the amounts so paid by Borrower to the bank account designated by Agent are received in such bank account later than 12:00 noon, (Eastern time).
- (b) No termination of this Agreement shall relieve or discharge any Credit Party of its respective duties, obligations and covenants under the Financing Agreements until all Obligations have been fully and finally discharged and paid, and Agent's continuing security interest in the Collateral and the rights and remedies of Agent and Lenders, under the Financing Agreements and applicable law, shall remain in effect until all such Obligations have been fully and finally discharged and paid.

13.2 Notice

All notices, requests and demands hereunder shall be in writing and (a) made to Agent and Lenders at their respective addresses set forth below and to each Credit Party at its chief executive office set forth below, or to such other address as any party may designate by written notice to the other in accordance with this provision, and (b) deemed to have been given or made: if delivered in person, immediately upon delivery; if by facsimile transmission, immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next Business Day, 1 Business Day after sending; and if by registered mail, return receipt requested, 5 days after mailing.

13.3 Partial Invalidity

If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable

and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

13.4 Successors

The Financing Agreements and any other document referred to herein or therein shall be binding upon and inure to the benefit of and be enforceable by Agent, Lenders and each Credit Party and their respective successors and permitted assigns.

13.5 Entire Agreement

The Financing Agreements, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersede all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written. In the event of any inconsistency between the terms of this Agreement and any schedule or exhibit hereto, the terms of this Agreement shall govern.

13.6 Headings

The division of this Agreement into sections and the insertion of headings and a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

13.7 Judgment Currency

To the extent permitted by applicable law, the obligations of Borrower in respect of any amount due under this Agreement shall, notwithstanding any payment in any other currency (the "**Other Currency**") (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the currency in which it is due (the "**Agreed Currency**") that Agent may, in accordance with normal banking procedures, purchase with the sum paid in the Other Currency (after any premium and costs of exchange) on the Business Day immediately after the day on which Agent receives the payment. If the amount in the Agreed Currency that may be so purchased for any reason falls short of the amount originally due, Borrower shall pay all additional amounts, in the Agreed Currency, as may be necessary to compensate for the shortfall. Any obligation of Borrower not discharged by that payment shall, to the extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided in this section, continue in full force and effect.

13.8 Counterparts and Facsimile

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. The delivery of a facsimile or pdf copy of an executed counterpart of this Agreement shall be deemed to be valid execution and delivery of this Agreement, but the

party delivering a facsimile or pdf copy shall deliver to the other party an original copy of this Agreement as soon as possible after delivering the facsimile or pdf copy.

13.9 Patriot Act Notice

Agent and each Lender which is subject to the *Patriot Act* hereby notifies each Credit Party that pursuant to the requirements of the *Patriot Act*, it is required to obtain, verify and record information that identifies each person or corporation who opens an account and/or enters into a business relationship with it, which information includes the name and address of each Credit Party and its Subsidiaries and other information that will allow Agent and such Lender to identify such person in accordance with the *Patriot Act* and any other applicable law. Each Credit Party is hereby advised that any Revolving Loans or Letter of Credit Accommodations hereunder are subject to satisfactory results of such verification.

ARTICLE 14 **ACKNOWLEDGMENT AND RESTATEMENT**

14.1 Existing Obligations

Borrower hereby acknowledges, confirms and agrees that Borrower is indebted for outstanding loans, advances and letter of credit accommodations to Borrower under the Third Amended and Restated Credit Agreement together with all interest accrued and accruing thereon (to the extent applicable), and all fees, costs, expenses and other charges relating thereto, all of which are unconditionally owing by Borrower to the extent set forth in the Third Amended and Restated Credit Agreement, without setoff, defense or counterclaim of any kind, nature or description whatsoever. The Revolving Loans and other financial accommodations provided for in this Agreement are an extension of the loans and other financial accommodations provided for under the Third Amended and Restated Credit Agreement and shall continue without novation.

14.2 Acknowledgment of Security Interests

- (a) Borrower hereby acknowledges, confirms and agrees that Agent, on behalf of itself and Secured Parties, shall continue to have a Lien upon the collateral heretofore granted to Original Lender and Original Agent pursuant to and in connection with the Original Loan Agreement, the First Amended and Restated Credit Agreement, the Second Amended and Restated Credit Agreement and the Third Amended and Restated Credit Agreement, as the case may be, to secure the Obligations, as well as any collateral granted under or in connection with this Agreement or under any of the other Financing Agreements or otherwise granted to or held by Agent, any Lender, Original Lender, Original Agent, any Secured Party or any of their respective Affiliates.
- (b) The Liens of Agent, on behalf of itself and Secured Parties, in the Collateral shall be deemed to be continuously granted and perfected from the earliest date of the granting and perfection of such Liens to Original Lender, Original Agent or Agent under the Financing Agreements or any Secured Hedge Agreements.

- (c) Notwithstanding any term of any Financing Agreement, Borrower acknowledges, confirms and agrees that all security granted by it under, or in connection with, the Original Loan Agreement, the First Amended and Restated Credit Agreement, the Second Amended and Restated Credit Agreement, the Third Amended and Restated Credit Agreement and the other Financing Agreements shall be held by Agent, on behalf of itself and Secured Parties (including those under Secured Hedge Agreements and Secured Cash Management Agreements), to secure the Obligations (including those arising under the Secured Hedge Agreements and Secured Cash Management Agreements).

14.3 Third Amended and Restated Credit Agreement

Borrower hereby acknowledges, confirms and agrees that: (a) the Third Amended and Restated Credit Agreement has been duly executed and delivered by Borrower and is in full force and effect as of the Closing Date; (b) the agreements and obligations of Borrower contained in the Third Amended and Restated Credit Agreement constitutes the legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with its terms and Borrower has no valid defense to the enforcement of such obligations; and (c) Agent and Lenders are entitled to all of the rights, remedies and benefits provided for in or arising pursuant to the Third Amended and Restated Credit Agreement.

14.4 Restatement

- (a) Except as otherwise stated in Section 14.2 hereof and this Section 14.4, as of the Closing Date, the terms, conditions, agreements, covenants, representations and warranties set forth in the Third Amended and Restated Credit Agreement are simultaneously amended and restated in their entirety, and as so amended and restated, replaced and superseded by the terms, conditions, agreements, covenants, representations and warranties set forth in this Agreement and the other Financing Agreements executed and/or delivered on or after the Closing Date, except that nothing herein or in the other Financing Agreements shall impair or adversely affect the continuation of the liability of Borrower for the Obligations heretofore incurred and the Liens and other interests in the collateral heretofore granted, pledged and/or assigned by Borrower to Agent, Original Lender, Original Agent, any Lender, any Secured Party or any of their respective Affiliates (whether directly, indirectly or otherwise).
- (b) The amendment and restatement contained herein shall not, in any manner, be construed to constitute payment of, or impair, limit, cancel or extinguish, or constitute a novation in respect of, the Obligations and other obligations, liabilities and indebtedness of Borrower evidenced by or arising under the Third Amended and Restated Credit Agreement, and the Liens of Agent, on behalf of itself and Secured Parties, securing such Obligations and other obligations, liabilities and indebtedness, which shall not in any manner be impaired, limited, terminated, waived or released, but shall continue in full force and effect in favor of Agent, for the benefit of itself and Secured Parties.

- (c) All loans, advances and other financial accommodations under the Third Amended and Restated Credit Agreement and all other obligations, liabilities and indebtedness of Borrower outstanding and unpaid as of the Closing Date pursuant to the Third Amended and Restated Credit Agreement or otherwise shall be deemed Obligations of Borrower pursuant to the terms hereof. The principal amount of the Revolving Loans and the amount of the Letters of Credit Accommodations outstanding as of the Closing Date under the Third Amended and Restated Credit Agreement shall be allocated to the Revolving Loans and Letter of Credit Accommodations hereunder in such manner and in such amounts as Agent shall determine in accordance with the terms hereof.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, Lenders, Agent and Credit Parties have caused this Agreement to be duly executed as of the day and year first above written.

AGENT, ISSUING LENDER AND LENDER:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Patrick Drum
Name: Patrick Drum
Title: Senior Vice President

By: /s/ Harold Lim
Name: Harold Lim
Title: Assistant Vice President

Address:
333 South Grand Avenue, 6th Floor
Los Angeles, CA 90071
Attention: Harold Lim
Fax: 866-548-7191

LENDER:

EXPORT DEVELOPMENT CANADA

By: /s/ Jim McIntyre
Name: Jim McIntyre
Title: Principal

By: /s/ Richard Leong
Name: Richard Leong
Title: Asset Manager

Address:
150 Slater Street, Ottawa, Ontario, K14 1K3
Attention: Richard Leong / Loans Services
Fax: 613-598-3186

LENDER:

CANADIAN IMPERIAL BANK OF COMMERCE

By: /s/ Matthew Panczyk
Name: Matthew Panczyk
Title: Authorized Signatory

By: /s/ Colin Sharman
Name: Colin Sharman
Title: Authorized Signatory

Address:
Commerce Court West, 199 Bay Street, 4th Floor
Attention: Matthew Panczyk
Fax: 416-980-5352

LENDER:

ROYAL BANK OF CANADA

By: /s/ Hogan Mak

Name: Hogan Mak

Title: Vice President

Address:

4th Floor, North Tower, Royal Bank Plaza,
200 Bay Street, Toronto, ON M5J 2W7

Attention: Michael Wang

Fax: 416-842-4090

LENDER:

NATIONAL BANK OF CANADA

By: /s/ Jeffrey Szeto
Name: Jeffrey Szeto
Title: Director

By: /s/ Russell A. Garrard
Name: Russell A. Garrard
Title: Associate Vice President

Address:

130 King Street West, 8th Floor, Toronto ON M5X1J9
Attention: Corporate Finance Group
Fax: 416-864-7819

LENDER:

HSBC BANK CANADA

By: /s/ Scott R Fraser
Name: Scott R Fraser
Title: Global Relationship Manager, Corporate Banking

By: /s/ Jesse MacMasters
Name: Jesse MacMasters
Title: Head of Large Corporate – Ontario

Address:
70 York St., Toronto, ON, M5J 1S9
Attention: Scott Fraser
Fax: 416-868-3804

BORROWER:

IMAX CORPORATION

By: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Chief Financial Officer

By: /s/ Edward MacNeil
Name: Edward MacNeil
Title: Senior Vice President, Finance

Chief Executive Office:

110 East 59th Street
Suite 2100
New York, New York, 10022
Attention: Senior Executive Vice President and
General Counsel
Fax: (212) 371-7584

GUARANTOR:

1329507 ONTARIO INC.

By: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Vice-President, Finance

By: /s/ Edward MacNeil
Name: Edward MacNeil
Title: Vice President

Chief Executive Office:

2525 Speakman Drive
Mississauga, ON L5K 1B1
Attention: Robert D. Lister
Fax: (212) 371-7584

GUARANTOR:

IMAX U.S.A. INC.

By: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Vice-President, Finance

By: /s/ Edward MacNeil
Name: Edward MacNeil
Title: Vice-President

Chief Executive Office:

110 East 59th Street
New York, NY 10022
Attention: Robert D. Lister
Fax: (212) 371-7584

GUARANTOR:

IMAX POST/DKP INC.

By: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Vice-President, Finance

By: /s/ Edward MacNeil
Name: Edward MacNeil
Title: Vice-President

Chief Executive Office:

3003 Exposition Boulevard
Santa Monica, CA 90404
Attention: Robert D. Lister
Fax: (212) 371-7584

GUARANTOR:

IMAX II U.S.A. INC.

By: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Vice-President, Finance

By: /s/ Edward MacNeil
Name: Edward MacNeil
Title: Vice-President

Chief Executive Office:
110 East 59th Street
New York, NY 10022
Attention: Robert D. Lister
Fax: (212) 371-7584

GUARANTOR:

IMAX (BARBADOS) HOLDING, INC.

By: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Vice-President, Finance

By: /s/ Edward MacNeil
Name: Edward MacNeil
Title: Vice-President

Chief Executive Office:
The Phoenix Centre
George Street, Belleville
St. Michael, Barbados
Attention: Robert D. Lister
Fax: (212) 371-7584

Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002

I, Richard L. Gelfond, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 of the registrant, IMAX Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2015

By: /s/ Richard L. Gelfond
Name: Richard L. Gelfond
Title: Chief Executive Officer & Director

Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002

I, Joseph Sparacio, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 of the registrant, IMAX Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2015

By: /s/ Joseph Sparacio

Name: Joseph Sparacio

Title: Executive Vice President & Chief Financial Officer

IMAX CORPORATION

Exhibit 32.1

CERTIFICATIONS

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (A) and (B) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Richard L. Gelfond, Chief Executive Officer & Director of IMAX Corporation, a Canadian corporation (the "Company"), hereby certify, to my knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2015

/s/ Richard L. Gelfond

Richard L. Gelfond

Chief Executive Officer & Director

CERTIFICATIONS
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (A) and (B) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Joseph Sparacio, Executive Vice President & Chief Financial Officer of IMAX Corporation, a Canadian corporation (the "Company"), hereby certify, to my knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2015

/s/ Joseph Sparacio

Joseph Sparacio

Executive Vice President & Chief Financial Officer