IMAX CORP
Form 424B5
June 04, 2009

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PROSPECTUS SUPPLEMENT
(To Prospectus dated April 8, 2009)

9,800,000 Shares
IMAX Corporation
Common Shares

We are offering 9,800,000 common shares, no par value. We have granted the underwriter an option to purchase up to an 1,470,000 additional common shares to cover over-allotments, if any, within 30 days of the date of this prospectus supplement.

Our common shares trade on the NASDAQ Global Market (NASDAQ) under the symbol IMAX and on the Toronto Stock Exchange (the TSX) under the symbol IMX. On June 1, 2009, the last reported sale price of our common shares on NASDAQ and the TSX was $7.62 and Cdn$8.27, respectively.

INVESTING IN OUR COMMON SHARES INVOLVES RISKS. SEE RISK FACTORS BEGINNING ON PAGE S-3 OF THIS PROSPECTUS SUPPLEMENT.

	Per Share	Total
Public Offering Price	$ 7.1500	$ 70,070,000
Underwriting Discount	$ 0.3575	$ 3,503,500
Proceeds to Us (before expenses)	$ 6.7925	$ 66,566,500

The underwriter expects to deliver the common shares to purchasers on or about June 5, 2009 through the book-entry facilities of The Depository Trust Company.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Roth Capital Partners
The date of this prospectus supplement is June 2, 2009.

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Prospectus Supplement

Prospectus

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone else to provide you with different information. If anyone provides you with different information, you should not rely on it. The securities are not being offered in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate on any date subsequent to the date set forth on the front of the document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus supplement and the accompanying prospectus is delivered or common shares sold on a later date.

CANADA HAS NO SYSTEM OF EXCHANGE CONTROLS. THERE ARE NO CANADIAN RESTRICTIONS ON THE REPATRIATION OF CAPITAL OR EARNINGS OF A CANADIAN PUBLIC COMPANY TO NON-RESIDENT INVESTORS. THERE ARE NO CANADIAN LAWS OR EXCHANGE RESTRICTIONS

AFFECTING THE REMITTANCE OF DIVIDENDS, INTEREST, ROYALTIES OR SIMILAR PAYMENTS TO NON-RESIDENT HOLDERS OF OUR SECURITIES, EXCEPT FOR INCOME TAX PROVISIONS WHICH MAY APPLY TO PARTICULAR SECURITIES TO BE DESCRIBED IN THE APPLICABLE PROSPECTUS SUPPLEMENT.

Unless the context requires otherwise or otherwise as expressly stated, the terms we, our, us, IMAX and the Company refer to IMAX Corporation, a corporation incorporated under the federal laws of Canada, and its consolidated subsidiaries.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this prospectus 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 the Company together with its wholly-owned subsidiaries and expectations regarding the Company s future operating, financial and technological results. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the expectations and predictions of the Company is subject to a number of risks and uncertainties, including, but not limited to: general economic, market or business conditions, including the length and severity of the current economic downturn; the effect of the current economic downturn and credit market disruption on the Company s ability to refinance its existing indebtedness and on the Company s movie exhibitor customers; the opportunities (or lack thereof) that may be presented to and pursued by the Company; competitive actions by other companies; the performance of IMAX DMR films; conditions in the in-home and out-of-home entertainment industries; the signing of theater system agreements; changes in laws or regulations; conditions, changes and developments in the commercial exhibition industry; the failure to convert theater system backlog into revenue; risks associated with the Company s transition to a digitally-based projector; 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; the potential impact of increased competition in the markets the Company operates within; risks related to foreign currency fluctuations; risks related to the Company s prior restatements and the related litigation and ongoing inquiries by the Securities and Exchange Commission (the SEC) and the Ontario Securities Commission (the OSC); and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements included or incorporated by reference in this prospectus 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. We urge you to review carefully the section entitled Risk Factors in this prospectus supplement for additional details about risks that may affect these forward-looking statements. 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.

ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement relates to a prospectus which is a part of a registration statement that we have filed with the SEC utilizing a shelf registration process. Under this shelf registration process, we may sell the securities described in the accompanying prospectus in one or more offerings. The accompanying prospectus provides you with a general description of the securities we may offer. This prospectus supplement contains specific information about the terms of this offering. This prospectus supplement may add, update or change information contained in the accompanying prospectus. Please carefully read both this prospectus supplement and the accompanying prospectus in addition to the information described in the section of this prospectus supplement entitled Where You Can Find More Information.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. In various places in this prospectus supplement and the accompanying prospectus, we refer you to sections of other documents for additional information by indicating the caption heading of the other sections. All cross-references in this prospectus supplement are to captions contained in this prospectus supplement and not in the accompanying prospectus, unless otherwise indicated.

SUMMARY

This summary is not complete and does not contain all of the information that you should consider before buying our common shares. You should read the entire prospectus supplement and accompanying prospectus carefully including, in particular, the section entitled Risk Factors beginning on page S-3 and the more detailed information and financial statements and related notes appearing elsewhere or incorporated by reference in this prospectus supplement before making an investment decision.

IMAX Corporation

We are one of the world s leading entertainment technology companies, specializing in motion picture technologies and large-format film presentations. Our principal business is (i) the design and manufacture of large-format digital and film-based theater systems, (ii) the sale or lease of such systems or the contribution of such systems under revenue-sharing arrangements and (iii) the conversion of two-dimensional and three-dimensional Hollywood feature films for exhibition on such systems around the world. Our theater systems are based on proprietary and patented technology for both large-format 15-perforation film frame, 70mm format projectors. Our customers who purchase, lease or otherwise acquire our theater systems are theater exhibitors that operate commercial theaters (particularly multiplexes), museums, science centers, or destination entertainment sites. We generally do not own IMAX theaters, but we license the use of our trademarks along with the sale or lease of our equipment. We refer to all theaters using the IMAX theater system as IMAX theaters.

We were formed in March 1994 as a result of an amalgamation between WGIM Acquisition Corp. and our predecessor, IMAX Corporation. The predecessor IMAX was incorporated in 1967.

Our principal executive offices are located in: Mississauga, Ontario, Canada; New York, New York; and Santa Monica, California. The address and phone number for our Mississauga office is as follows: 2525 Speakman Drive, Mississauga, Ontario, Canada L5K 1B1, (905) 403-6500. The address and phone number for our New York office is as follows: 115 E. 59th Street, Suite 2100, New York, New York, 10022, (212) 821-0100. The address and telephone number for our Santa Monica office is as follows: 3003 Exposition Blvd., Santa Monica, California, 90405, (310) 255-5500.

THE OFFERING

Issuer	IMAX Corporation
Common shares offered	9,800,000 shares
Over-allotment option	We have granted the underwriter an option to purchase up to 1,470,000 additional common shares to cover over-allotments, if any, within 30 days of the date of this prospectus supplement.
Common shares estimated to be outstanding immediately after this offering	53,535,340 (55,005,340 if the underwriter exercises in full its option to purchase additional common shares)
Use of proceeds	We estimate that the net proceeds to us from this offering after commissions and expenses will be approximately $65.2 million, or approximately $75.2 million if the underwriter exercises its over-allotment in full. We intend to use the net proceeds from the sale of our common shares offered by this prospectus supplement for the repayment of debt, including a portion of our 9 5/8% Senior Notes due December 2010, and for general corporate purposes. See Use of Proceeds.
Risk factors	See Risk Factors beginning on page S-3 of this prospectus supplement for a discussion of factors you should carefully consider before deciding to invest in our common shares.
NASDAQ Global Market Symbol	IMAX
Toronto Stock Exchange Symbol	IMX

The number of our common shares outstanding after this offering is based on approximately 43,735,340 shares outstanding as of May 29, 2009. Unless otherwise indicated, the number of common shares outstanding presented in this prospectus supplement excludes:

- 2,258,947 common shares reserved for future stock option grants under our equity compensation plans as of May 29, 2009;
- 6,488,121 common shares issuable upon the exercise of outstanding stock options as of May 29, 2009 at a weighted average exercise price of $6.01 per share;
- 160,000 common shares issuable upon the exercise of restricted stock awards as of May 29, 2009; and
- 1,470,000 common shares that may be purchased by the underwriter to cover over-allotments, if any.

RISK FACTORS

An investment in our common shares involves a high degree of risk. Prior to making a decision about investing in our common shares, you should carefully consider the risks described below and in the Company s most recent Annual Report on Form 10-K filed with the SEC, in each case as these risk factors are amended or supplemented by subsequent Quarterly Reports on Form 10-Q. The occurrence of any of these risks could materially adversely affect our business, operating results and financial condition. As a result the trading price of our common shares may decline, and you might lose part or all of your investment.

The risks and uncertainties we describe are not the only ones facing our Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business or operations. Any adverse effect on our business, financial condition or operating results could result in a decline in the value of our common shares and the loss of all or part of your investment.

RISKS RELATED TO THE COMPANY S FINANCIAL PERFORMANCE OR CONDITION

The Company is highly leveraged, which may make it difficult to refinance its existing indebtedness and obtain new financing and which limits cash flow available for its operations.

The Company is highly leveraged. As at March 31, 2009, its total indebtedness was $180.0 million and the Company s shareholders deficit was $98.5 million. The Company s high leverage has important possible consequences. It may:

- make it more difficult for the Company to satisfy its financial obligations;
- make it more difficult for the Company to refinance its existing indebtedness;
- lead to dilution of the Company s shares if the Company elects to reduce existing indebtedness through use of its equity;
- limit the Company s ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes;
- require the Company to dedicate all or a substantial portion of its cash flow from operations to the payment of principal and interest on its indebtedness, resulting in less cash available for its operations and other purposes;
- impede the Company s research and development initiatives;
- limit the Company s ability to rapidly adjust to changing market conditions; and
- increase the Company s vulnerability to downturns in its business or in general economic conditions.

The Company s ability to satisfy its obligations and to reduce its total debt depends in large part on its future operating performance. The Company s future operating performance is subject to many factors, including economic, financial and competitive factors, which may be beyond its control and, as a result, the Company may be unable to provide sufficient net proceeds to meet these obligations. In addition, the capital markets are currently experiencing a period of dislocation and instability, as evidenced by a lack of liquidity in both the equity and debt capital markets, significant write-offs in the financial services sector, the repricing of credit risk in the broadly syndicated credit market and the failure of certain major financial institutions. These events have contributed to worsening general economic conditions that are materially and adversely affecting the broad financial and credit markets and reducing the availability and increasing the price of debt and equity capital. The Company s $160.0 million aggregate principal amount of Senior Notes and its $20.0 million of indebtedness outstanding under the Credit Facility mature on December 1, 2010 and October 31, 2010, respectively. In addition to its existing indebtedness, the Company has an unfunded U.S. defined benefit pension plan, the SERP, covering Richard L. Gelfond, the Company s Chief Executive Officer, and Bradley J. Wechsler, the Chairman of the Company s Board of Directors, and current SERP assumptions include that approximately $15.3 million will be paid out in August 2010. In light of current credit conditions, there can be no assurance that the Company will be successful in refinancing its existing indebtedness or in obtaining new financing on a timely basis or on satisfactory terms or at all. If the Company is unable to refinance its indebtedness or obtain other financing, the Company will face substantial liquidity challenges and there is no guarantee that the Company will have sufficient cash flow or capital resources to meet its repayment and other obligations.

Even if the Company is able to refinance its existing indebtedness or to obtain new financing in the short term, continued volatility and disruptions in the capital and credit markets as result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect the Company s access to liquidity needed for its business in the longer term. As a result, the Company could be required to fund its business without significant outside capital. In such an event, the Company may have to conserve cash by significantly reducing its spending and limiting certain operational and strategic initiatives, including, potentially, the execution of future joint revenue sharing arrangements and by forgoing business opportunities that are in the Company s best interests until the markets stabilize or until alternative credit arrangements or other funding for the Company s business needs can be arranged. The inability to carry out such initiatives or pursue business opportunities could adversely affect the Company s operating results, cash flows and financial position over the longer term.

The Company may not generate cash flow sufficient to service all of its obligations.

The Company s ability to make payments on and to refinance its indebtedness and to fund its operations, working capital and capital expenditures, depends in large part on its ability to generate positive cash flows in the future. The Company s cash flow is subject to general economic, industry, financial, competitive, technological, operating, regulatory and other factors, many of which are beyond its control. The Company s business may not generate cash flow in an amount sufficient to enable it to repay its indebtedness or to fund its other liquidity needs.

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

The global macro-economic outlook for 2009 is largely negative and the U.S. and global economies could remain significantly challenged for an indeterminate period of time. While historically the movie industry has proved to be somewhat resistant to economic downturns, and while the Company is actively taking steps to mitigate the effect of the economic downturn on its operations, present economic conditions, which are beyond the Company s control, could lead to a decrease in discretionary consumer spending. It is difficult to predict the severity and the duration of any decrease in discretionary consumer spending resulting from the economic downturn and what affect it may have on the movie industry, in general, and box office results of the Company s films in particular.

The Company s revenues are increasingly dependent on box-office revenues. The Company s sale and sales-type lease agreements typically provide for additional revenues based on a percentage of theater box-office receipts when attendance at an IMAX theater exceeds a minimum threshold. In addition, the Company receives a percentage of the gross box-office receipts of its IMAX DMR films. The Company s joint revenue sharing arrangements typically provide it with a portion of exhibitor s IMAX box-office and concession revenue in lieu of receiving significant payments at the beginning of a contract term. As the Company continues to install theater systems under joint revenue sharing arrangements, the Company s revenues will be more directly dependent on the box-office performance of IMAX films. Accordingly, any decline in attendance at commercial IMAX theaters could materially and adversely affect the Company s future revenues and cash flows.

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

Under the Company s joint revenue sharing arrangement with American Multi-Cinema, Inc. (AMC), the obligation of AMC to accept the delivery of additional theater systems is subject to certain box-office performance thresholds. Although such thresholds have been significantly exceeded to date, there is no guarantee that they will continue to be, and the failure to achieve box-office performance thresholds could result in fewer theater systems being installed under the Company s agreement with AMC.

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

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

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

At March 31, 2009, the Company s sales backlog included 190 theater systems, consisting of arrangements for 101 sales and lease systems and 89 theater systems under joint revenue sharing arrangements. The Company lists signed contracts for theater systems for which revenue has not been recognized as sales backlog prior to the time of revenue recognition. The total value of the sales backlog represents all signed theater system sale or lease agreements that are expected to be recognized as revenue in the future (other than those under joint revenue sharing arrangements) and includes initial fees along with the present value of fixed minimum ongoing fees due over the term, but excludes contingent fees in excess of fixed minimum ongoing fees that might be received in the future and maintenance and extended warranty fees. Notwithstanding the legal obligation to do so, not all of the Company s customers with which it has signed contracts may accept delivery of theater systems that are included in the Company s backlog. This could adversely affect the Company s future revenues and cash flows. In addition, customers with theater system obligations in backlog sometimes request that the Company agree to modify or reduce such obligations, which the Company has agreed to in the past under certain circumstances. Customer requested delays in the installation of theater systems in backlog remain a recurring and unpredictable part of the Company s business. The Company has seen a number of theater systems installations originally anticipated for the third and fourth quarters of 2008 move to anticipated installations for 2009 and beyond.

The Company depends on commercial movie exhibitors to purchase or lease its IMAX theater systems, to supply revenue under joint revenue sharing arrangements as well as to provide additional revenues under its sales and sales-type lease agreements and to supply venues in which to exhibit its IMAX DMR films.

The Company s primary customers are commercial multiplex exhibitors. The Company is unable to predict if, or when, they or other exhibitors will purchase or lease IMAX theater systems or enter into joint revenue sharing arrangements with the Company, or whether any of the Company s existing customers will continue to do any of the foregoing. If exhibitors choose to reduce their levels of expansion or decide not to purchase or lease IMAX theater systems or enter into joint revenue sharing arrangements with the Company, including as a result of the current economic downturn, the Company s revenues would not increase at an anticipated rate and motion picture studios may be less willing to reformat Hollywood 35mm films into the Company s film format for exhibition in commercial IMAX theaters. As a result, the Company s future revenues and cash flows could be adversely affected.

The success of the IMAX theater network is directly related to the availability and success of IMAX DMR films.

An important factor affecting the growth and success of the IMAX theater network is the availability of films for IMAX theaters. The Company produces only a small number of such films and, as a result, the Company relies principally on films produced by third party filmmakers and studios, particularly Hollywood features converted from 35mm format using the Company s IMAX DMR technology. There is no guarantee that these filmmakers and studios will continue to release IMAX films, or that the films they produce will be commercially successful. The steady flow and successful box office performance of IMAX DMR releases becomes more important to the Company s financial performance as the number of joint revenue sharing arrangements included in the overall IMAX network grows. The Company s revenues from joint revenue sharing arrangements are driven directly by exhibitors box-office results, which are dependent on commercial acceptance of IMAX DMR films. Moreover films can be subject to delays in production or changes in release schedule, which can negatively impact the number, timing and quality of IMAX DMR and IMAX original films released to the IMAX theater network.

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

The Company s theater systems revenue can vary significantly from the associated cash flows. The Company generally provides financing to customers for theater systems on a long-term basis through long-term leases or notes receivables. The terms of leases or notes receivable are typically 10 to 20 years. The Company s sale and lease-type agreements typically provide for three major sources of cash flow related to theater systems:

initial fees, which are paid in installments generally commencing upon the signing of the agreement until installation of the theater systems;

ongoing fees, which are paid monthly after all theater systems have been installed and are generally equal to the greater of a fixed minimum amount per annum and a percentage of box-office receipts; and

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

Initial fees generally make up a majority of cash received for a theater arrangement.

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

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

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

There are several risks associated with the Company s transition to a digitally-based projector, including technical risks and business risks, such as the risk that movie studios may be unwilling to pay the higher costs of IMAX film prints, particularly for certain under-performing movie theaters outside the United States and Canada.

In 2008, the Company completed the development of its proprietary digitally-based projector, which the Company predicts will ultimately supplant and replace its film-based projector for a large portion of its commercial theater customer base. As of March 31, 2009, the Company has installed 73 digitally-based projectors, including seven digital upgrades, all of which are currently in operation, and has signed contracts for the installation of an additional 148 digitally-based projectors in future periods. As the number of digitally-based projectors in the commercial IMAX theater network grows, movie studios may be unwilling to continue to pay the high costs of IMAX film prints, particularly those intended for under-performing theaters located outside the United States and Canada. While the Company is actively seeking solutions to ensure that IMAX film prints will be delivered to such theaters, there can be no assurance that these measures will be adequate to ensure that all IMAX theaters will continue to receive film prints.

In addition, while to date the digitally-based projectors have been highly reliable, technical flaws or bugs may become apparent in the future which would require repairs or modifications to the projector. Competitors may design digitally-based projectors which are more attractive to the consumer and/or are more cost effective than the Company s, and may make the Company s projectors less competitive. As a result of this competition, the Company could lose market share if demand for its products declines, which could seriously harm its business and operating results. In addition, the need for additional research and development and/or for capital to finance the replacement of certain theater systems and associated conversion costs could require the Company to raise additional capital, which capital may not be available to the Company on attractive terms, or at all.

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

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

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

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

The Company may not be able to generate profits in the future.

The Company had significant losses in each of 2008, 2007 and 2006 and the three months ended March 31, 2009. The Company may not be able to generate profits in any future period. If the Company does not generate profits in future periods, it may be unable to finance the operations of its business or meet its debt obligations.

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

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

The agreements governing the Company s indebtedness contain significant restrictions that limit its operating and financial flexibility.

The agreements governing the Company s indebtedness including the agreement governing its credit facility and the Indenture governing the Senior Notes, contain certain restrictive covenants that, among other things, limit its ability to:

incur additional indebtedness;

pay dividends and make distributions;

repurchase stock;

make certain investments;

transfer or sell assets;

create liens;

enter into transactions with affiliates;

issue or sell stock of subsidiaries;

create dividend or other payment restrictions affecting restricted subsidiaries; and

merge, consolidate, amalgamate or sell all or substantially all of its assets to another person.

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

The introduction of new products and technologies and changes in the way the Company s competitors operate could harm the Company s business.

The out-of-home entertainment industry is very competitive, and the Company faces a number of challenges. In addition to existing large-format film projection competitors, the Company may also face competition in the future from companies in the entertainment industry with new technologies and/or substantially greater capital resources. The Company also faces competition from a number of alternative motion picture distribution channels such as home video, pay-per-view, video-on-demand, DVD, Internet and syndicated and broadcast television. The Company also competes for the public s leisure time and disposable income with other forms of entertainment, including sporting events, concerts, live theater and restaurants.

Furthermore, the out-of-home entertainment industry in general is undergoing significant changes. Primarily due to technological developments and changing consumer tastes, numerous companies are developing, and are expected to continue to develop, new entertainment products for the out-of-home entertainment industry, which may compete directly with the Company s products. Competitors may design products which are more attractive to the consumer and/or are more cost effective than the Company s and may make its products less competitive. As a result of this competition, the Company could lose market share if demand for its products declines, which could seriously harm its business and operating results.

The motion picture exhibition industry is in the early stages of conversion from film-based media to electronic-based media. The Company has developed a proprietary digitally-based projector that can be utilized in IMAX theaters, and is currently available for sale. The Company s digital roll-out has been successful to date. The Company installed 73 digitally-based projectors as at March 31, 2009 and has signed contracts for the installation of an additional 148 digital projectors. There are several risks associated with the Company s transition to a digitally-based projector. See Risk Factors Risks Related to the Company s Financial Performance or Condition There are several risks associated with the Company s transition to a digitally-based projector, including technical risks and business risks, such as the risk that movie studios may be unwilling to pay the higher costs of IMAX film prints, particularly for certain under-performing movie theaters outside the United States and Canada.

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

A significant portion of the Company s sales are made to customers located outside the United States and Canada. Approximately 31%, 35% and 36% of its revenues were derived outside of the United States and Canada in 2008, 2007 and 2006, respectively. The Company expects its international operations to continue to account for a significant portion of its revenues in the future and plans to expand into new markets in the future. The Company does not have significant experience in operating in certain foreign countries and is subject to the risks associated with doing business in those countries. The Company currently has theater systems installations projected in countries where economies have been unstable in recent years. The economies of other foreign countries important to the Company s operations could also suffer slower economic growth or instability in the future. The following are among the risks that could negatively affect the Company s operations and sales in foreign markets:

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

The Company may still be able to incur more indebtedness, which could further exacerbate the risks associated with its existing indebtedness.

In spite of the current state of the capital and credit markets, the Company may be able to incur substantial additional indebtedness in the future. Although the agreements governing the indebtedness contain restrictions on the incurrence of additional indebtedness, debt incurred in compliance with these restrictions could be substantial. If additional indebtedness is added to its current indebtedness levels, the related risks that the Company faces would be magnified.

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

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

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

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

The Company is subject to impairment losses on its inventories.

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

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

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

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

U.S. GAAP and accompanying accounting pronouncements, implementation guidelines and interpretations for many aspects of the Company s business, such as revenue recognition, film accounting, accounting for pensions, accounting for income taxes, and treatment of goodwill or long lived assets, are highly complex and involve many subjective judgments. Changes in these rules, their interpretation, management s estimates, or changes in the Company s products or business could significantly change its reported future earnings and operating income and could add significant volatility to those measures, without a comparable underlying change in cash flow from operations. See Critical Accounting Policies in Item 7 of the Company s Annual Report on Form 10-K.

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

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

The Company s ability to adequately protect its intellectual property is limited, and competitors may misappropriate its technology, which could weaken its competitive position.

The Company depends on its proprietary knowledge regarding IMAX theater systems and digital and film technology. The Company relies principally upon a combination of copyright, trademark, patent and trade secret laws, restrictions on disclosures and contractual provisions to protect its proprietary and intellectual property rights. These laws and procedures may not be adequate to prevent unauthorized parties from attempting to copy or otherwise obtain the Company s processes and technology or deter others from developing similar processes or technology, which could weaken the Company s competitive position. The protection provided to the Company s proprietary technology by the laws of foreign jurisdictions may not protect it as fully as the laws of Canada or the United States. Some of the underlying technologies of the Company s products and system components are not covered by patents or patent applications.

The Company has patents issued and patent applications pending, including those covering its digital projector and digital conversion technology. The Company s patents are filed in the United States, often with corresponding patents or filed applications in other jurisdictions, such as Canada, Belgium, Japan, France, Germany and the United Kingdom. The patents may not be issued or provide the Company with any competitive advantages. The patent applications may also be challenged by third parties. Several of the Company s issued patents in the United States, Canada and Japan for improvements to IMAX projectors, IMAX 3D Dome and sound system components expire between 2009 and 2024. Any claims or litigation initiated by the Company to protect its proprietary technology could be time consuming, costly and divert the attention of its technical and management resources.

The Company faces risks in connection with the continued expansion of its business in China and other parts of Asia.

The first IMAX theater system in a theater in China was installed in December 2001, there were 18 IMAX theaters in China as at March 31, 2009, and 23 additional IMAX theater systems are scheduled to be installed in China by 2013. However, the geopolitical instability of the region comprising China, Taiwan, North Korea and South Korea could result in economic embargoes, disruptions in shipping or even military hostilities, which could interfere with both the fulfillment of the Company s existing contracts and its pursuit of additional contracts in China.

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

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

RISKS RELATED TO THE COMPANY S PRIOR RESTATEMENTS AND RELATED MATTERS

The Company is subject to ongoing informal inquiries by regulatory authorities in the U.S. and Canada, and it cannot predict the timing of developments and outcomes in these matters.

The Company is the subject of informal inquiries by the SEC and the OSC; these inquiries focus on the Company s accounting policies and related matters. In a letter dated December 13, 2007, the Staff of the Division of Corporation Finance of the SEC notified the Company that it had completed its review of the Company s Form 10-K and related filings, and did not, at that time, have any further comments; however, other inquiries remain ongoing. The Company cannot predict when these inquiries will be completed or the further timing of any other developments in connection with the inquiries. The Company also cannot predict the results or outcomes of these inquiries.

Expenses incurred in connection with these informal inquiries (which include substantial fees of lawyers and other professional advisors) continue to adversely affect the Company s cash position and profitability. The Company may also have potential obligations to indemnify officers and directors who could, at a future date, be parties to such inquiries.

The informal inquiries may adversely affect the course of the pending litigation against the Company. The Company is currently defending a consolidated class-action lawsuit in the U.S. and a class-action lawsuit in Ontario (see Item 3. Legal Proceedings in the Company s Annual Report on Form 10-K). Negative developments or outcomes in the informal inquiries could have an adverse effect on the Company s defense of lawsuits. Finally, the SEC and/or OSC could impose sanctions and/or fines on the Company or its officers in connection with the aforementioned inquiries. The indenture dated as at December 4, 2003, and as thereafter amended and supplemented, governing the Company s 9.625% Senior Notes due 2010 contains a covenant requiring the timely filing of its financial statements with regulatory agencies. Additional changes to the Company s accounting policies and/or additional restatements could result in the failure of the Company to meet these deadlines and cause the holders of its Senior Notes to accelerate payment. In addition, these informal investigations could divert the attention of the Company s management and other personnel for significant periods of time.

The Company is subject to lawsuits that could divert its resources and result in the payment of significant damages and other remedies.

The Company s industry is characterized by frequent claims and related litigation regarding breach of contract and related issues. The Company is subject to a number of legal proceedings and claims that arise in the ordinary course of its business. In addition, the Company is engaged as a defendant in several class action lawsuits filed by certain shareholders of the Company and one action filed by a bondholder of the Company. Since March 2007, this bondholder has repeatedly and unsuccessfully attempted to trigger a default or acceleration under the Indenture. Although the Company was successful in a summary judgment motion at the trial level, the Company cannot assure that it will succeed in defending any claims, that judgments will not be entered against it with respect to any litigation or that reserves the Company may set aside will be adequate to cover any such judgments. If any of these actions or proceedings against the Company is successful, it may be subject to significant damages awards. In addition, the Company is the plaintiff in a number of lawsuits in which it seeks the recovery of substantial payments. The Company is incurring legal fees in prosecuting and defending its lawsuits, and it may not ultimately prevail in such lawsuits or be able to collect on such judgments if it does.

Although the Company s directors and officers liability insurance is deemed to provide coverage for the class-action and bondholder lawsuits the Company is defending (see Item 3. Legal Proceedings in the Company s Annual Report on Form 10-K), the damages in such lawsuits could be significant. Additionally, the defense of these claims (as with the defense or prosecution of all of the Company s litigation) could divert the attention of the Company s management and other personnel for significant periods of time.

The Company has been the subject of anti-trust complaints and investigations in the past and may be sued or investigated on similar grounds in the future.

Continued negative publicity has affected and may continue to adversely affect the Company s business and the market price of its publicly traded common shares.

The Company has been the subject of continuing negative publicity in part as a result of the ongoing informal SEC and OSC inquiries and its prior delay in filing financial statements and restatements of prior results. Continuing negative publicity could have an adverse effect on the Company s business and the market price of the Company s publicly traded securities.

RISKS RELATING TO THE COMPANY S COMMON SHARES AND THE OFFERING

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

The Company s publicly traded shares have in the past experienced, and may continue to experience, significant price and volume fluctuations. This market volatility could reduce the market price of its common shares, regardless of the Company s operating performance. In addition, in recent months, conditions in the public equity markets has resulted in exceptional volatility in equity prices of some companies. A decline in the capital markets generally, or an adjustment in the market price or trading volumes of the Company s publicly traded securities, may negatively affect its ability to raise capital, issue debt, secure customer business or retain employees. These factors, as well as general economic and geopolitical conditions, may have a material adverse effect on the market price of the Company s publicly traded securities, including the common shares you purchase in the offering.

There may be future sales or other dilution of the Company s equity, which may adversely affect the market price of our common shares.

The Company is not generally restricted from issuing additional common shares, or any securities that are convertible into or exchangeable for, or that represent the right to receive, common shares. The issuance of any additional common shares or preferred stock or securities convertible into, exchangeable for or that represent the right to receive common shares or the exercise of such securities could be substantially dilutive to holders of the Company s common shares. The market price of the Company s common shares could decline as a result of this offering as well as sales of the Company s common shares made after this offering or the perception that such sales could occur. Because the Company s decision to issue securities in any future offering will depend on market conditions and other factors beyond its control, the Company cannot predict or estimate the amount, timing or nature of future offerings. Thus, the Company s shareholders bear the risk of future offerings reducing the market price of the Company s common shares and diluting their shareholdings in the Company.

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

As of March 31, 2009, the Company had approximately $35 million of consolidated or separate U.S. federal tax and state tax net operating loss carryforwards as well as approximately $44 million of U.S. federal branch return loss carryforwards. Realization of any benefit from these U.S. tax net operating losses is dependent on: 1) the Company s ability to generate future taxable income and 2) the absence of certain future ownership changes of the Company s common shares. An ownership change, as defined in the applicable federal income tax rules, would place significant limitations, on an annual basis, on the use of such net operating losses to offset any future taxable income that the Company may generate. Such limitations, in conjunction with the net operating loss expiration provisions, could significantly reduce or effectively eliminate the Company s ability to use its U.S. net operating losses to offset any future taxable income. The issuance of common shares in the offering could cause an ownership change. Such transactions include the issuance of common shares upon future conversion or exercise of outstanding options, warrants and convertible preferred stock.

The Company s Canadian loss carryforwards, available future deductions and tax credits, which are also significant, would be assessed for future utilization based on income tax rules outlined in the Canadian Income Tax Act. The issuance of common shares would generally not result in the loss of the Company s ability to use these Canadian tax attributes

The Company does not anticipate paying cash dividends on its common shares. Investors in this offering may never obtain a return on their investment.

You should not rely on an investment in the Company s common shares to provide dividend income, as the Company has not paid any cash dividends on its common shares and does not plan to pay any in the foreseeable future. Accordingly, investors must rely on sales of their common shares after price appreciation, which may never occur, as the only way to realize any return on their investment.

The Company s board of directors may issue, without shareholder approval, special shares with rights and preferences superior to those applicable to our common shares.

The Company s Articles of Amalgamation includes a provision for the issuance of special shares, which may be issued in one or more series, with each series containing such rights and preferences as the board of directors may determine from time to time, without prior notice to or approval of shareholders. Among others, such rights and preferences might include the rights to dividends, superior voting rights, liquidation preferences and rights to convert into common shares. The rights and preferences of any such series of special shares, if issued, may be superior to the rights and preferences applicable to the common shares and might result in a decrease in the price of the Company s common shares.

You will incur immediate and substantial dilution in the net tangible book value of your shares.

If you purchase shares in the offering, the value of your shares based on the Company s actual book value immediately will be less than the price you paid. This reduction in the value of your equity is known as dilution. This dilution occurs in large part because our earlier investors paid less than the price you will pay when you purchase our common shares. If the underwriter exercises its over-allotment option, or if outstanding options to purchase the Company s common stock are exercised, investors will experience additional dilution. For more information, see Dilution.

The Company will have broad discretion in applying the net proceeds of the offering and may not use those proceeds in ways that will enhance the market value of the Company s common shares.

Subject to certain restrictions imposed by our financing facilities, the Company has significant flexibility in applying the net proceeds it will receive in the offering. The Company will use some of the proceeds that its receives from the sale of common shares in the offering to repay outstanding indebtedness, and will use the remainder to pay the expenses of the offering and for general corporate purposes. For more information, see Use of Proceeds. As part of your investment decision, you will not be able to assess or direct how the Company applies these net proceeds. If the Company does not apply these funds effectively, it may lose significant business opportunities. Furthermore, the price of the Company s common shares could decline if the market does not view the Company s use of the net proceeds from the offering favorably.

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USE OF PROCEEDS

We estimate that the net proceeds to us from this offering after commissions and expenses will be approximately $65.2 million, or approximately $75.2 million if the underwriter exercises its over-allotment in full. We intend to use the net proceeds from the sale of our common shares offered by this prospectus supplement for the repayment of debt, including a portion of our 9 5/8% Senior Notes due December 2010, and for general corporate purposes.

Pending application of the net proceeds, we will temporarily invest the proceeds in U.S. or Canadian government or agency obligations, commercial paper, money market funds, taxable and tax-exempt notes and bonds, variable-rate demand obligations, bank certificates of deposits or repurchase agreements collateralized by U.S. or Canadian government or agency obligations or we may also deposit the proceeds with banks.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2009:

- on an actual basis; and
- on an as adjusted basis to reflect our sale of 9,800,000 common shares in this offering, based on the public offering price of $7.15 per share, and after deducting underwriting commissions and estimated offering expenses paid by us, assuming the underwriter does not exercise its over-allotment option.

This table should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto that are incorporated by reference in this prospectus supplement and the accompanying prospectus.

	March 31, 2009	
	Actual	As Adjusted
	(in thousands)	
Cash and cash equivalents	$ 18,721	$ 83,888
Indebtedness:		
Bank indebtedness	$ 20,000	$ 20,000
9.625% Senior Notes due 2010	160,000	160,000(1)
Total indebtedness	180,000	180,000
Shareholders deficiency:		
Common shares, no par value, unlimited number authorized 43,730,631 shares issued and outstanding, historical 53,530,631 shares issued and outstanding, as adjusted	142,430	208,597(2)
Other equity	5,728	5,728
Deficit	(249,651)	(250,651)(2)
Accumulated other comprehensive income	2,974	2,974
Total shareholders deficiency	(98,519)	(33,352)
Total capitalization	$ 81,481	$ 146,648

(1) The Company intends to use the net proceeds from the sale of the common shares offered hereby for the repayment of debt, including a portion of the Company s

9.625% Senior Notes due 2010, and for general corporate proceeds. See Use of Proceeds in this prospectus supplement.

(2) Reflects $1,000,000 of offering expenses to be charged to the Company s income statement for the three months ended June 30, 2009.

MARKET PRICE OF COMMON SHARES

Our common shares trade on the NASDAQ under the symbol IMAX and on the TSX under the symbol IMX. On June 1, 2009, the last reported sale price of our common shares on NASDAQ and the TSX was $7.62 and Cdn$8.27, respectively. The following tables present quarterly information on the price range of our common shares. This information indicates the high and low sale prices reported by the NASDAQ and the TSX, respectively. As of March 31, 2009, there were approximately 288 holders of record of our common shares.

NASDAQ:

	U.S. Dollars	
	High	**Low**
Fiscal year ended December 31, 2009		
First quarter	$ 5.49	$ 3.74
Second quarter (through June 1, 2009)	$ 7.90	$ 7.57
Fiscal year ended December 31, 2008		
Fourth quarter	$ 5.94	$ 2.41
Third quarter	$ 8.28	$ 5.58
Second quarter	$ 7.74	$ 6.45
First quarter	$ 7.39	$ 5.27
Fiscal year ended December 31, 2007		
Fourth quarter	$ 7.94	$ 4.05
Third quarter	$ 5.21	$ 3.72
Second quarter	$ 5.68	$ 4.05
First quarter	$	