

IMAX CORP  
Form 10-K  
February 24, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**Form 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2011**

**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,**

**98-0140269**  
(I.R.S. Employer

Identification Number)

**L5K 1B1**

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Mississauga, Ontario, Canada  
(Address of principal executive offices)

(Postal Code)

(905) 403-6500

(Registrant's telephone number, including area code)

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

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

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

None

(Title of class)

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

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

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

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

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

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

Large accelerated filer  Accelerated filer

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

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

The aggregate market value of the common shares of the registrant held by non-affiliates of the registrant, computed by reference to the last sale price of such shares as of the close of trading on June 30, 2011 was \$1,788.9 million (55,160,370 common shares times \$32.43).

As of January 31, 2012, there were 65,324,925 common shares of the registrant outstanding.

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### **Document Incorporated by Reference**

Portions of the registrant's definitive Proxy Statement to be filed within 120 days of the close of IMAX Corporation's fiscal year ended December 31, 2011, with the Securities and Exchange Commission pursuant to Regulation 14A involving the election of directors and the annual meeting of the stockholders of the registrant (the Proxy Statement) are incorporated by reference in Part III of this Form 10-K to the extent described therein.

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**IMAX CORPORATION**

**December 31, 2011**

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Unless otherwise indicated, all dollar amounts in this document are expressed in United States ( U.S. ) dollars. The following table sets forth, for the periods indicated, certain exchange rates based on the noon buying rate in the City of New York for cable transfers in foreign currencies as certified for customs purposes by the Bank of Canada (the Noon Buying Rate ). Such rates quoted are the number of U.S. dollars per one Canadian dollar and are the inverse of rates quoted by the Bank of Canada for Canadian dollars per U.S. \$1.00. The average exchange rate is based on the average of the exchange rates on the last day of each month during such periods. The Noon Buying Rate on December 31, 2011 was U.S. \$0.9833.

	Years Ended December 31,				
	2011	2010	2009	2008	2007
Exchange rate at end of period	0.9833	1.0054	0.9555	0.8170	1.0120
Average exchange rate during period	1.0151	0.9709	0.8757	0.9381	0.9425
High exchange rate during period	1.0583	1.0054	0.9716	1.0291	1.0908
Low exchange rate during period	0.9430	0.9278	0.7692	0.7710	0.8437

**SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION**

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

IMAX®, IMAX® Dome, IMAX® 3D, IMAX® 3D Dome, Experience It In IMAX®, *The IMAX Experience®*, *An IMAX Experience®*, *An IMAX 3D Experience®*, IMAX DMR®, DMR®, IMAX think big® 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.

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**Table of Contents****PART I****Item 1. Business**  
**GENERAL**

IMAX Corporation, together with its wholly-owned subsidiaries (the Company), is one of the world's leading entertainment technology companies, specializing in motion picture technologies and presentations. The Company's principal business is the design and manufacture of premium theater systems (IMAX theater systems) and the sale, lease or contribution to customers under revenue-sharing arrangements of IMAX theater systems. The IMAX theater systems are based on proprietary and patented technology developed over the course of the Company's 44-year history. The Company's customers who purchase, lease or otherwise acquire the IMAX theater systems are theater exhibitors that operate commercial theaters (particularly multiplexes), museums, science centers, or destination entertainment sites. The Company generally does not own IMAX theaters, but licenses the use of its trademarks along with the sale, lease or contribution of its equipment. The Company refers to all theaters using the IMAX theater system as IMAX theaters.

IMAX theater systems combine: (i) IMAX DMR (Digital Re-Mastering) movie conversion technology, which results in higher image and sound fidelity than conventional cinema experiences; (ii) advanced, high-resolution projectors with specialized equipment and automated theater control systems, which result in significantly more contrast and brightness than conventional theater systems; (iii) sound system components, which result in more expansive sound imagery and pinpointed origination of sound to any specific spot in an IMAX theater; (iv) 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; and (v) specialized theater acoustics, which results in a four-fold reduction in background noise. The combination of these components causes audiences in IMAX theaters to feel as if they are a part of the on-screen action, creating a more intense, immersive and exciting experience than in a traditional theater. In addition, the Company's IMAX 3D theater systems combine the same theater systems with 3D images that further enhance the audience's feeling of being immersed in the film.

As a result of the immersiveness and superior image and sound quality of *The IMAX Experience*, the Company's exhibitor customers typically charge a premium for IMAX DMR films over films exhibited in their conventional auditoriums. The premium pricing, combined with the higher attendance levels associated with IMAX 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 platform for Hollywood blockbuster films, which is separate and distinct from their wider theatrical release. For example, in December 2011, *Mission: Impossible - Ghost Protocol: The IMAX Experience*, not only featured 30 minutes of footage shot with IMAX cameras, but it was also released 5 days earlier in North America than its wide release to conventional theaters.

In addition to the design and manufacture of premium theater systems, the Company is also engaged in the conversion of two-dimensional (2D) and three-dimensional (3D) Hollywood feature films for exhibition on IMAX theater systems around the world, the production and distribution of original large-format films, the provision of services in support of the IMAX theater network, the provision of post-production services for large-format films and the operation of four IMAX theaters.

The Company believes the IMAX theater network is the most extensive premium theater network in the world with 634 theater systems (517 commercial, 117 institutional) operating in 50 countries as at December 31, 2011. This compares to 518 theater systems (396 commercial, 122 institutional) operating in 46 countries as at December 31, 2010. The success of the Company's digital and joint revenue sharing strategies and the strength of its film slate has enabled the Company's theater network to expand significantly since it introduced its digital projection system in 2008, with the Company's overall network increasing by 80.6% and the Company's commercial network increasing by 123.8%. In each of 2010 and 2011, the Company signed theater agreements for over 200 theater systems, which is expected to drive additional growth in 2012 and thereafter.

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The Company believes that over time its commercial theater network could grow to more than 1,500 theaters worldwide from 517 commercial IMAX theaters operating as of December 31, 2011. While the Company continues to grow domestically, particularly in small to mid-tier markets, it believes that much of its future growth will come from underpenetrated, international markets. In 2011, over 70.0% of theater signings came from outside the United States and Canada. Key international growth markets include Greater China, Russia and the Commonwealth of Independent States, Western Europe and Latin America.

During 2011, the Company formed IMAX (Shanghai) Multimedia Technology Co., Ltd. ( IMAX China ), a wholly-owned subsidiary, to enable further growth in Greater China (includes China, Hong Kong, Taiwan and Macau), the Company's second-largest and fastest-growing market. The Company believes that favorable market trends in China, including government initiatives to foster cinema screen growth and to support the film industry, present opportunities for significant additional growth. In March 2011, the Company announced a 75-theater joint revenue sharing arrangement with Wanda Cinema Line, China's largest cinema chain. ( Wanda ). This agreement with Wanda, which represents IMAX's first full revenue-sharing arrangement in China and its largest single international joint revenue sharing arrangement to date, brings the total number of IMAX theaters open or in backlog in Greater China to 212. In September 2011, the Company announced the appointment of Jiande Chen to the position of Chief Executive Officer of IMAX China. As at December 31, 2011, IMAX China had offices in Shanghai and Beijing and had 29 employees. On February 18, 2012, the U.S. and China announced an agreement to allow 14 additional IMAX or 3D format Hollywood films to be released in China, with distributors permitted to receive higher distribution fees. The Company believes this is an extremely positive development for its business in China and elsewhere.

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

DMR IMAX's proprietary DMR technology digitally converts live-action 35mm or digital films to its large-format, while meeting the Company's high standards of image and sound quality. In a typical IMAX DMR film arrangement, the Company will receive a percentage of net box-office receipts of the film, which generally range from 10-15%, from a film studio for conversion of the film to the IMAX DMR format and for access to the IMAX distribution platform. At December 31, 2011, the Company had released 84 IMAX DMR films since the introduction of IMAX DMR in 2002. As digital technology has been introduced to the DMR process and improvements have been made in conversion time, the number of films released on an annual basis that have converted through the DMR process has increased as well. Accordingly, 25 films converted through the IMAX DMR process were released in 2011, as compared to 15 in 2010 and 4 in 2005.

IMAX Digital Projection System The Company introduced its digital projection system in 2008. Prior to 2008, all of IMAX's large format projectors were film-based and required analog film prints. The IMAX digital projection system, which operates without the need for such film prints, was designed specifically for use by commercial multiplex operators and allows operators to reduce the capital and operating costs required to run an IMAX theater without sacrificing the image and sound quality of *The IMAX Experience*. By making *The IMAX Experience* more accessible for commercial multiplex operators, the introduction of the IMAX digital projection system paved the way for several important joint revenue sharing arrangements which have allowed the Company to rapidly expand its theater network. Since announcing that the Company was developing digital projection technology, the vast majority of the Company's theater system signings have been for digital systems. As at December 31, 2011, the Company has signed agreements for 700 digital systems since 2007 (including the upgrade of film-based systems), 208 of which were signed in 2011 alone. As at December 31, 2011, 443 IMAX digital projection systems were in operation, an increase of 60.5% over the 276 digital projection systems in operation as at December 31, 2010.

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The Company strives to remain at the forefront of advancements in cinema technology. Accordingly, one of the Company's key initiatives for 2012 is the development of a next-generation laser-based digital projection system. On October 17, 2011, the Company announced the completion of a deal in which it secured certain exclusive license rights to a portfolio of intellectual property in the digital cinema field owned by the Eastman Kodak Company (Kodak). The transaction involves rights to technology related to laser projection as well as rights in the digital cinema field to a broader range of Kodak technology. On February 7, 2012, the Company announced an agreement with Barco to co-develop a laser-based digital projection system that incorporates Kodak technology. The Company believes that these arrangements with Kodak and Barco will enable IMAX theaters to present greater brightness and clarity, a wider color gamut and deeper blacks, and consume less power and last longer than existing digital technology. The Company believes that a laser projection solution, which it plans to introduce in 2013, will allow IMAX's network to show the highest quality digital content available. During 2012, the Company also intends to re-invest in its brand with its consumer brand marketing campaign that will encompass social media, in-theater marketing and Internet advertising. Finally, the Company remains focused on growing its theater network, particularly, in key international territories such as Greater China, India, Central and South America and Western Europe.

On January 31, 2011, the Company provided notice to the NASDAQ Global Select Market (NASDAQ) that the Company intended to voluntarily delist its common shares, without par value, from NASDAQ and intended to subsequently list such common shares on the New York Stock Exchange (NYSE). Trading commenced on the NYSE on February 11, 2011 under the Company's current trading symbol, IMAX. The Company's common shares continued to trade on NASDAQ until the transfer of listing to the NYSE was completed. The trading of the Company's common shares on the Toronto Stock Exchange (TSX), under the ticker symbol IMX remains unchanged.

IMAX Corporation, a Canadian corporation, was formed in March 1994 as a result of an amalgamation between WGIM Acquisition Corp. and the former IMAX Corporation (Predecessor IMAX). Predecessor IMAX was incorporated in 1967.

## **PRODUCT LINES**

The Company is the pioneer and leader in the large-format film industry. The Company believes it is the world's largest designer and manufacturer of specialty projection and sound system components for large-format theaters around the world, as well as a significant producer and distributor of large-format films. The Company's theater systems include specialized IMAX projectors, advanced sound systems and specialty screens. The Company derives its revenues from: IMAX theater systems (the sale and lease of, and provision of services related to, its theater systems); films (production and digital re-mastering of films, the distribution of film products to the IMAX theater network, post-production services for films); joint revenue sharing arrangements (the provision of its theater system to an exhibitor in exchange for a certain percentage of theater revenue); theater system maintenance (the use of maintenance services related to its theater systems); and other activities, which include theater operations (owning equipment, operating, managing or participating in the revenues of IMAX theaters), and the sale of after market parts and camera rentals. Segmented information is provided in note 19 to the accompanying audited consolidated financial statements in Item 8.

### **IMAX Systems, Theater System Maintenance and Joint Revenue Sharing Arrangements**

The Company's primary products are its theater systems. The Company's digital projection systems include a projector that offers superior image quality and stability and a digital theater control system; a 6-channel, digital audio system delivering up to 12,000 watts of sound; a screen with a proprietary coating technology; and, if applicable, 3D glasses cleaning equipment. IMAX's digital projection system also operates without the need for analog film prints. Traditional IMAX film-based theater systems contain the same components as the digital projection systems but include a rolling loop 15/70-format projector and require the use of analog film prints. Since its introduction in 2008, the majority of the Company's theater sales have been digital systems and the

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Company expects a majority of its future theater systems sales will continue to be IMAX digital systems. Furthermore, a majority of the Company's film-based theater systems have been upgraded, at a cost to the exhibitor, to an IMAX digital system. As part of the arrangement to sell or lease its theater systems, the Company provides extensive advice on theater planning and design and supervision of installation services. Theater systems are also leased or sold with a license for the use of the world-famous IMAX brand. Historically, IMAX theater systems come in five configurations:

the GT projection systems, film-based theater systems for the largest IMAX theaters;

the SR systems, film-based theater systems for smaller theaters than the GT systems;

the IMAX MPX systems, which are film-based systems targeted for multiplex theaters (MPX theater systems);

the IMAX digital systems, which are digital-based systems and which are accordingly targeted for multiplex theaters; and

theater systems featuring heavily curved and tilted screens that are used in dome shaped theaters.

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

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

In order to compete and evolve with the market, the Company's digital projection system provides a premium and differentiated experience to moviegoers that is consistent with what they have come to expect from the IMAX brand. The shift from a film-based projection system to a digital projection system for a large portion of the Company's customer base has been compelling for a number of reasons. The savings to the studios as a result of eliminating film prints are considerable, as the typical cost of an IMAX film print ranges from \$20 thousand per 2D print to \$45 thousand per 3D print whereas a digital file delivery totals approximately \$200 per movie per system. Removing those costs significantly increases the profit of an IMAX release for a studio which, the Company believes, has provided more incentive for studios to release their films to IMAX theaters. The Company similarly believes that economics change favorably for its exhibition clients since the costs associated with installing and operating an IMAX digital system are lower than those for a film-based system, and digital delivery provides increased programming flexibility that allows theaters to program significantly more IMAX DMR films per year, thereby increasing customer choice and potentially increasing total box-office revenue. In 2011, 25 films converted through the IMAX DMR process were released to the IMAX theater network as compared to 15 in 2010 and 4 films in 2005. To date, the Company has contracted for the release of 16 DMR films to its theater network in 2012 and expects a similar number of films to be released to the network as in 2011. Digital projectors also typically require lower installation costs for exhibitors and potentially allow for the opportunity to show attractive alternate programming, such as live sporting events and concerts, in the immersive environment of an IMAX theater. Digital systems represent 97.7% of the Company's current backlog and 69.9% of the Company's theater network. The Company continues to expect the vast majority of its future theater system arrangements to be for digital systems.

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

The Company's arrangements for theater system equipment involve either a lease or sale. As part of the purchase or lease of an IMAX theater system, the Company also advises the customer on theater design, supervises the installation of the theater systems and provides projectionists with training in using the equipment. The supervision of installation requires that the equipment also be put through a complete functional start-up and test procedure to ensure proper operation. Theater owners or operators are responsible for providing the theater location, the design and construction of the theater building, the installation of the system components and any other necessary improvements, as well as the theater's marketing and programming. The Company's typical arrangement also includes the trademark license rights which commence on execution of the agreement with terms generally of 10 to 20 years that may be renewed. The theater system equipment components (including the projector, sound system, screen system, and, if applicable, 3D glasses cleaning machine), theater design support, supervision of installation, projectionist training and trademark rights are all elements of what the Company considers the system deliverable (the System Deliverable). For a separate fee, the Company provides ongoing maintenance and extended warranty services for the theater system. The Company's contracts are generally denominated in U.S. dollars, except in Canada, China, Japan and parts of Europe, where contracts are sometimes denominated in local currency.

The Company offers certain commercial clients joint revenue sharing arrangements, pursuant to which the Company provides the System Deliverable in return for a portion of the customer's IMAX box-office receipts, concession revenue, and in some cases, a small upfront or initial payment. Under these revenue sharing arrangements, the Company retains title to the theater system (including the projector, the sound system and the projection screen) and rent payments are contingent, instead of fixed or determinable. The Company has the right to remove the equipment for non-payment or other defaults by the customer. The contracts are generally non-cancellable by the customer unless the Company fails to perform its obligations. In rare cases, the contract provides certain performance thresholds that, if not met by either party, allows the other party to terminate the agreement. Joint revenue sharing arrangements generally have a 7 to 10-year initial term and may be renewed by the customer for an additional term. By offering arrangements whereby exhibitors do not need to invest the significant initial capital required in a lease or a sale arrangement, the Company has been able to expand its theater network at a significantly faster pace than it had previously. As at December 31, 2011, the Company has entered into joint revenue sharing arrangements for 376 systems with 22 partners, 257 of which were in operation as at December 31, 2011.

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

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

The typical lease or sales arrangement provides for three major sources of cash flows for the Company: (i) initial fees; (ii) ongoing minimum fixed and contingent fees; and (iii) ongoing maintenance and extended warranty fees. Initial fees generally are received over the period of time from the date the arrangement is executed to the date the equipment is installed and customer acceptance has been received. However, in certain cases, the payments of the initial fee may be scheduled over a period of time after the equipment is installed and

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customer acceptance has been received. Ongoing minimum fixed and contingent fees and ongoing maintenance and extended warranty fees are generally received over the life of the arrangement and are usually adjusted annually based on changes in the local consumer price index. The ongoing minimum fixed and contingent fees generally provide for a fee which is the greater of a fixed amount or a certain percentage of the theater box-office. The terms of each arrangement vary according to the configuration of the theater system provided, the cinema market and the film distribution market relevant to the geographic location of the customer.

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

The Company's sales backlog is as follows:

	December 31, 2011		December 31, 2010	
	Number of Systems	Dollar Value (in thousands)	Number of Systems	Dollar Value (in thousands)
Sales and sales-type lease arrangements	144 <sup>(1)</sup>	\$ 176,184	165 <sup>(1)</sup>	\$ 179,231 <sup>(3)</sup>
Joint revenue sharing arrangements	119	21,516	59	n/a
	263 <sup>(2)</sup>	\$ 197,700	224 <sup>(2)</sup>	\$ 179,231

(1) Includes 10 upgrades from film-based IMAX theater systems to IMAX digital theater systems as at December 31, 2011, and 25 upgrades from film-based IMAX theater systems to IMAX digital theater systems as at December 31, 2010.

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

(3) Dollar value incorporates revisions based on contracts renegotiated subsequent to December 31, 2010.

The value of the sales backlog does not include revenues from theaters in which the Company has an equity-interest, agreements covered by letters of intent or long-term conditional sale or lease commitments, though the number of systems contracted for under these arrangements is included.

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

	2011		2010	
	Theater Network Base	Backlog	Theater Network Base	Backlog
Flat Screen (2D)	26		30 <sup>(2)</sup>	
Dome Screen (2D)	60		66	
IMAX 3D Dome (3D)	2		3	
IMAX 3D GT (3D)	69 <sup>(1)</sup>	2	80 <sup>(2)</sup>	2
IMAX 3D SR (3D)	28 <sup>(1)</sup>	1	44 <sup>(2)</sup>	1
IMAX MPX (3D)	6 <sup>(1)</sup>	3	19 <sup>(2)</sup>	4
IMAX digital (3D)	443 <sup>(1)</sup>	257 <sup>(3)</sup>	276 <sup>(2)</sup>	217 <sup>(3)</sup>
Total	634	263	518	224

(1)

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In 2011, the Company upgraded 33 film-based IMAX theater systems across various categories to IMAX digital theater systems (all sales arrangements).

- (2) In 2010, the Company upgraded 32 film-based IMAX theater systems across various categories to IMAX digital theater systems (30 sales arrangements and 2 joint revenue sharing arrangements).

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(3) Includes 119 and 59 theater systems as at December 31, 2011 and 2010, respectively, under joint revenue sharing arrangements. *IMAX Flat Screen and IMAX Dome Systems.* IMAX flat screen and IMAX Dome systems comprise 88 of the Company's opened theater base and primarily reside in institutions such as museums and science centers. Flat screen IMAX theaters were introduced in 1970, while IMAX Dome theaters, which are designed for tilted dome screens, were introduced in 1973. There have been several significant proprietary and patented enhancements to these systems since their introduction.

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

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

As at December 31, 2011, there were 97 IMAX 3D GT and IMAX 3D SR theaters in operation compared to 124 IMAX 3D GT and IMAX 3D SR theaters in operation as at December 31, 2010. The decrease in the number of 3D GT and 3D SR systems is largely attributable to the conversion of existing 3D GT and 3D SR systems to IMAX digital systems.

*IMAX MPX.* In 2003, the Company launched a large-format theater system designed specifically for use in multiplex theaters. Known as IMAX MPX, this system had lower capital and operating costs than other IMAX systems and was intended to improve a multiplex owner's financial returns and to allow for the installation of IMAX theater systems in markets that might previously not have been able to support one. As at December 31, 2011, there were 6 MPX systems in operation compared to 19 MPX systems as at December 31, 2010. The IMAX digital system has supplanted the MPX system as the Company's multiplex product. The decrease in the number of MPX systems is largely attributable to the upgrade of existing MPX systems to IMAX digital systems.

*IMAX Digital.* In July 2008, the Company introduced a proprietary IMAX digital projection system that it believes delivers higher quality imagery compared with other digital systems and that is consistent with the Company's brand. As at December 31, 2011, the Company had installed 443 digital theater systems, including 92 digital upgrades, and has an additional 257 digital systems in its backlog. Digital theater systems represent 97.7% of the total backlog and 69.9% of the total theater network, and the Company expects a majority of its future theater system arrangements to be for digital systems. Moreover, the Company believes that some of the film-based systems currently in its backlog, particularly uninstalled MPX systems, will ultimately become digital installations.

## **Films**

### ***Film Production and Digital Re-mastering (IMAX DMR)***

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

In 2002, the Company developed technology that makes it possible for live-action film footage to be digitally transformed into IMAX's large-format at a cost of roughly \$1.0 million per film. This proprietary system, known as IMAX DMR, has opened up the IMAX theater network to film releases from Hollywood's

