LIVENT INC.

ANNUAL INFORMATION FORM

May 5, 1998

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INCORPORATION

Livent Inc. (the "Company") is governed by the *Business Corporations Act (Ontario)*. The Company was incorporated on December 8, 1989 and amalgamated with three of its wholly-owned subsidiaries effective January 1, 1997.

Previously, the Company was continued pursuant to articles of amalgamation dated May 17,1993. Such articles of amalgamation of the Company were amended on May 17, 1993 to provide for a series of first preferred shares designated as First Preferred Shares, Series 1 with the rights, privileges, restrictions and conditions as set out in the amendment. No First Preferred Shares are currently outstanding. These articles of amalgamation were further amended on May 18, 1993 to delete restrictions on the issue, transfer or ownership of shares, a restriction on the number of shareholders and a restriction prohibiting any invitation to the public to subscribe for securities of the Company.

Pursuant to articles of amendment, effective May 23,1995, the corporate name of the Company was changed to Livent Inc. The Company's registered and principal office is located at 165 Avenue Road, Suite 600, Toronto, Ontario M5R 3S4.

Predecessors of the Company

In September 1989, Garth H. Drabinsky and Myron I. Gottlieb formed MyGar Partnership ("MyGar"), an Ontario general partnership. In December 1989, for a consideration of $88 million, of which $4 million was personally invested by each of Messrs. Drabinsky and Gottlieb, MyGar acquired all of the assets and assumed certain of the liabilities associated with the live entertainment division of Cineplex Odeon Corporation. Such assets included the Pantages Theatre in Toronto and the Canadian stage rights to *The Phantom of the Opera ("Phantom").* Messrs. Drabinsky and Gottlieb also caused The Live Entertainment Corporation of Canada ("LECC") to be incorporated under the laws of Ontario solely for the purpose of holding the assets of MyGar and carrying on the live entertainment business of MyGar, as the nominee and agent of MyGar.

In 1991, Messrs. Drabinsky and Gottlieb caused Livent Realty Inc. (formerly Mygar Realty Inc.) ("Livent Realty") to be incorporated under the laws of Ontario and to acquire certain lands in Toronto for use in connection with a proposed development of certain lands adjoining the Pantages Theatre. See "Business of Livent - Pantages Place Project".

In June 1994, Georgia Strait Live Entertainment Inc. ("Georgia Strait") was incorporated for the purpose of constructing and operating a new theatre in Vancouver now known as the Ford Centre for the Performing Arts. In 1996, the Company completed the purchase of all third party interests in Georgia Strait.

On December 27, 1996, LECC amalgamated with its wholly-owned subsidiary, Opera Ghost Productions Inc. and continued as The Live Entertainment Corporation of Canada ("Live").

Effective January 1, 1997, with the object of simplifying its corporate structure, Livent Inc. amalgamated with Livent Realty, Georgia Strait and Live and continued as Livent Inc.

Development of Business of Livent

The Company completed its initial public offering on May 20, 1993 and issued 3,333,500 Common Shares for gross proceeds of $30,001,500 whereupon the Common Shares of the Company were listed for trading on the Toronto Stock Exchange. Prior to May 1993, Messrs. Drabinsky and Gottlieb together owned directly or indirectly all of the outstanding equity interests in MyGar and all of the issued shares of Livent Realty. Prior to the closing of the initial public offering, the affairs of the Company and MyGar were reorganized such that the Company acquired all of the assets previously owned by MyGar and all of the issued shares of Livent Realty, and assumed all of the liabilities of MyGar. In consideration for the transfer by Messrs. Drabinsky and Gottlieb of their equity interests in MyGar and Livent Realty to the Company, each of Messrs. Drabinsky and Gottlieb received 2,777,273 Common Shares of the Company. In consequence of the reorganization, MyGar ceased to exist and the Company continued to carry on the businesses previously carried on by MyGar and Livent Realty.

In December 1993, pursuant to a special warrant offering, the Company issued 1,663,000 Common Shares for gross proceeds of $20,004,250.

In January 1995, the Company issued $15 million principal amount of 8.95% subordinated convertible notes maturing February 29, 2000 to two U.S. purchasers and in August 1995 the Common Shares of the Company commenced trading on the NASDAQ Stock Market.

On April 2, 1996, the Company completed a public offering in the United States of 3,750,000 Common Shares issued at a price of US$8.375 per share, the equivalent of CDN$11.42 per share, for proceeds of US$29.52 million (CDN$40.25 million) net of underwriters' commissions and before expenses of the issue. The proceeds of the issue were applied against a portion of the costs to be incurred in connection with the Company's new theatre projects in New York, Chicago and Toronto and against a portion of the costs to acquire the third party interests in Georgia Strait.

In July 1996, to supplement the financing of the New York theatre project, the Company issued US$ 8.5 million 10% subordinated convertible debentures maturing July 28, 2003.

In December 1996, to replace all interim bank facilities relating to the financing of the new theatre projects and to contribute to the permanent financing therefor and to complete the financing of the purchase price of the acquisition of all third party interests in Georgia Strait, the Company issued CDN.$72.5 million of senior secured series A 8.07% debentures maturing December 2003, the security for which was held *pari passu* by the trustee for the debentureholders and the by the Company's banker.

In May 1997, the Company issued 2,000,000 common shares for proceeds of $26,400,000 net of underwriters' fees and before expenses of issue. The proceeds of the offering were used to fund the expanding production activities of the Company and new theatre construction costs.

In October 1997, the Company sold US$125 million unsecured 9 3/8% senior private notes due 2004. These private notes were originally issued and sold in a transaction exempt from the registration requirements of the Securities Exchange Act of 1934 (the "Securities Act"). The net proceeds derived from the sale of the notes were used: to redeem in full the CDN.$72.5 million of senior secured series A 8.07% debentures thereby eliminating the security sharing provisions in connection with its outstanding senior indebtedness; to repay all indebtedness then outstanding under its bank credit facility; and as to the balance, for general corporate purposes. Subsequently, pursuant to an Exchange Offer completed on January 16,1998, all of such private notes were exchanged for new notes having the same terms as the original notes save that the exchange notes, subject to certain statutory restrictions, are negotiable without further compliance with the registration and prospectus delivery requirements of the Securities Act.

Subsidiaries

The principal subsidiaries of the Company, all of which are directly or indirectly wholly-owned by the Company, are Livent (U.S.) Inc., Livent Realty (New York) Inc. and Livent Realty (Chicago) Inc., each of which is a Delaware company, and Livent International Inc., a Barbados company. Livent's theatrical production and presentation activities in the United States are conducted through Livent (U.S.) Inc. Livent Realty (New York) Inc. ("Realty New York") is the subsidiary which operates the Ford Center for the Performing Arts in New York whereat the Broadway production of *Ragtime* premiered on January 18,1998. Livent Realty (Chicago) Inc. ("Realty Chicago") is the subsidiary which acquired and is currently reconstructing and restoring the Oriental Theatre in Chicago, which has been also renamed the Ford Center for the Performing Arts. Livent's theatrical production and presentation activities outside of North America originate through Livent International Inc. In certain cases, single purpose subsidiaries, such as Livent (U.K.) Limited and Livent Productions Pty Ltd, an Australian company, are incorporated through which the Company participates in specific foreign productions. In this annual information form, the Company and its predecessors and subsidiaries collectively are referred to as "Livent".

BUSINESS OF LIVENT

Livent is a leading producer of live theatrical entertainment, with an average market share at 1997 year end of approximately 15% of the North American commercial box office (based on data as to box office receipts published by *Variety* magazine), as well as an operator of theatres in important North American markets. Since its inception in 1989, the Company has staged in excess of 14,000 performances of musical productions in leading Canadian and U.S. live theatre markets and in certain international markets. The Company produces major first-class musical productions for initial production runs, generally at one of its own theatres, with touring engagements when warranted thereafter. These productions may be restorations, such as *Show Boat*, or reproductions, such as *The Phantom of the Opera* and *Joseph and the Amazing Technicolour Dreamcoat*, of established musical productions or may be theatrical productions originated by the Company, such as *Ragtime* and *Kiss of the Spider Woman.*

By reason of its vertical integration Livent has an extensive internal production capability. The Company has full-time in-house personnel responsible for creative development, casting, direction, choreography, musical supervision, technical production, marketing, advertising and publicity, and theatre management. Livent operates its own costume shop and has a minority interest in a Canadian set construction company. As a result, Livent has the internal capacity to research and acquire theatrical rights, attract internationally recognized talent, mount all aspects of the production, market, and then present the musical production at one of its theatres.

The Company owns and operates the Pantages Theatre in Toronto, the Ford Center for the Performing Arts in New York (the "Ford Center-New York"), and the Ford Centre for the Performing Arts in Vancouver (the "Ford Centre-Vancouver"), and manages and operates the Ford Centre for the Performing Arts in Metropolitan Toronto (the "Ford Centre-Toronto"), and currently is in the process of expanding its theatre ownership operations to Chicago where it is constructing and restoring the Oriental Theatre which has been renamed the Ford Center for the Performing Arts (the" Ford Center-Chicago"), and will be undertaking the construction of a third theatre in Toronto adjacent to the Pantages Theatre (see "Theatre Operations"). In addition, the Company generates revenue from a broad range of merchandise associated with each musical production and from theatre concessions and corporate sponsorships.

Once the Chicago theatre is operating, the Company will control a circuit consisting of five premier theatres (with a sixth theatre to be constructed) in two of the three largest theatrical markets in the United States and in the two largest theatrical markets in Canada. With theatres in New York and Toronto, the Company has theatre operations in two of the three largest live theatre markets in the English-speaking world.

Operating Strategy

The Company's principal objectives are to produce commercially successful musicals, to own or operate a premier circuit of North American theatres in which it presents its own productions and to exploit ancillary revenues. To date, the Company's specific strategies have included the following:

- Maintaining a diverse mix of theatrical productions which includes the origination of new musical works, the restoration of historic works, and the reproduction and mounting of shows which have already been produced by unaffiliated entities. The Company believes that a diversified mix of productions reduces reliance on the commercial success of any one production.

- Increasing production revenue and cash flow by mounting multiple productions of successful shows.

- Controlling a limited number of theatre venues in important North American markets at which first-class musical productions may be presented by the Company. The Company believes that this strategy will provide significant competitive advantages by (i) providing access to important markets and to theatres capable of housing major, musical productions, (ii) providing the opportunity to present production runs without scheduling constraints, (iii) facilitating the securing of theatrical stage rights and (iv) enabling the Company to retain that portion of revenue that would otherwise be paid to theatre owners as rent.

- Limiting North American production expenditures by concentrating preproduction activities in Canada, where the Company can benefit from a substantial cost savings as compared to equivalent work performed in the United States, particularly New York. By so doing, the Company incurs a substantial portion of its preproduction costs in Canadian dollars and thereafter, when presenting its productions outside of Canada, is able to derive revenue therefrom in U.S.dollars;

- Actively marketing its productions based on thorough research and well-conceived marketing plans; and

- Achieving a high level of artistic quality for all Livent productions by engaging internationally recognized talent.

Theatrical Productions

To date, the Company has produced ten different musical shows and has mounted multiple productions of the more successful of such shows.

The Company's shows have generally received critical recognition, including artistic recognition for shows such as *Kiss of the Spider Woman, Sunset Boulevard* and *Candide* which were not commercially successful. The open-ended production of *Phantom* at the Company's 2,200 seat Pantages Theatre, currently in its ninth year, has played continuously since 1989 and is the longest running Canadian musical ever, generating a cumulative box office to date of approximately $420 million. The Broadway production of *Ragtime*, which opened in January, 1998, earned Outer Critics' Circle Awards for "Outstanding Broadway Musical" and "Outstanding Featured Actor in a Musical" and to date has additionally received 13 Tony Award and 14 Drama Desk nominations. The earlier U.S. production of *Ragtime*, which opened in June 1997 in Los Angeles, earned 7 Drama Logue Awards, 9 Garland Awards, 8 Theater L.A. Ovation Awards and 5 NAACP Theater Awards. The Broadway production of *Show Boat,* which opened in October 1994, earned five 1995 Tony Awards including "Best Musical Revival", five Drama Desk Awards including, "Outstanding Musical" and four 1995 Outer Critics' Circle Awards including, "Outstanding Revival of a Musical". The Broadway production of *Kiss of The SpiderWoman* was the recipient of seven 1993 Tony Awards including, "Best Musical", "Best Actress", "Best Actor", and "Best Featured Actor". In addition, *Kiss* was awarded five 1992-1993 Drama Desk Awards including "Outstanding Musical" and the New York Drama Critics' Circle Award for "Best Musical". *Barrymore*, the Company's one man portrayal of John Barrymore starring Christopher Plummer, earned a Tony Award, Drama Desk Award and Outer Critics' Circle Award for "Best Actor" in 1997. Candide earned a 1997 Tony Award for Best Costume Design.

Following the conclusion in March 1998 of the six year successful North American tour of the current phase of *Joseph*, the Company's musical theatrical activity in 1998-1999 will concentrate on the presentation of multiple productions of *Show Boat* and *Ragtime* as well as the continuing presentation of *Phantom* in Toronto and the introduction of one or more additional shows now in development. The multiple production companies of *Show Boat* and *Ragtime* have allowed the Company to undertake and plan an extensive North American touring schedule as well as international presentations. In April, 1998, one of the Company's productions of *Show Boat* opened in London, England and a production of *Show Boat*, licensed for presentation in Australia, opened in Sydney. The Broadway production of *Ragtime* will continue its open ended run, the second production company of *Ragtime,* which originated in Los Angeles, will commence an open ended run in Chicago in late 1998 after an engagement in Vancouver, and a third production company of *Ragtime* will continue an uninterrupted U.S.tour currently booked well into the year 2000. A tour of *Barrymore* is scheduled to start in July 1998. In Canada, the Company has additionally become more active in presenting and touring attractions produced by unaffiliated third parties such as *Riverdance*, *Slava's Snow Show* and *Joaquin Cortés*.

Productions in Development

Parade

The musical *Parade* will be directed by Harold Prince with book by Alfred Uhry, Academy Award, Pulitzer Prize and Tony Award winning author of *Driving Miss Daisy* and score by Jason Robert Brown. To date, two readings and a six week workshop, which concluded with three performances before an invited audience in Toronto, have been completed. The show is currently scheduled to first being produced in New York by Lincoln Center in association with Livent in December 1998.

Fosse: A Celebration in Song and Dance

Livent has acquired the worldwide rights for, and has created a musical of, the choreographic work of Bob Fosse. The Fosse rights include the choreographer's various classic dance numbers featured in earlier Broadway shows such as *The Pyjama Game, Damn Yankees* and *Sweet Charity*. The show is being directed by Richard Maltby, the director of the Broadway show *Ain't Misbehavin'*. In August 1996, Livent completed a four week workshop at York University in Toronto involving Gwen Verdon and a cast of 26 young dancers. A second workshop was presented in Toronto in February, 1998. This show will open in July 1998 at the Ford Centre-Toronto.

Seussical

Livent has acquired the worldwide musical stage rights for productions based on the Dr. Seuss collection of books. Livent is currently in the process of assembling the creative team for its pending development of a musical with broad appeal to both children and adults.

The Sweet Smell of Success

Livent has reached an agreement with both David Brown, producer of such hit motion pictures as *Jaws, The Sting*, and *A Few Good Men,* and Ernest Lehman, co-author of the screenplay for the 1957 drama, *The Sweet Smell of Success,* to produce a musical adaptation of *The Sweet Smell of Success.* This project is in early development.

Pal Joey

Livent has acquired rights to *Pal Joey* for all major international markets and has commenced development of the project. *Pal Joey* was originally staged as a Broadway musical in 1940 and later, in 1957, was presented as a motion picture starring Frank Sinatra. It is Livent's intention to produce an updated restoration of this musical which will be rewritten by Terrence McNally and will be rescored using additional songs from the Rodgers and Hart musical library.

Theatre Operations

An objective of the Company has been to control at least one theatre venue in the important North American theatre markets of New York, Toronto, Chicago and Vancouver. At the present time, the Company operates theatres in Toronto, New York and Vancouver. Livent has commenced the construction and restoration of the historic Oriental Theatre in Chicago and plans to construct an additional theatre in Toronto adjoining the Pantages Theatre. The Company believes that this strategy will provide it with significant competitive advantages in that it will (i) guarantee access to important markets and to theatres capable of housing major, first- class musical productions, (ii) provide the Company with the opportunity to mount production runs without scheduling constraints, (iii) facilitate the securing of theatrical stage rights, (iv) enable the Company to retain that portion of revenue that would otherwise be paid to theatre owners as rent, and (v) provide another potential source of revenue through theatre rentals in the event that the Company is not staging one of its own productions at certain of such venues.

Pantages Theatre

In Metropolitan Toronto, the third largest theatrical market in the world after New York and London, the Company owns and operates the 2,200 seat historic Pantages Theatre. The theatre was built in 1920 and was restored in 1989 under the auspices of Livent's current senior management. The Company plans to extend the back stage of the Pantages Theatre in order to accommodate the largest musical productions. The entertainment complex consisting of the Pantages Theatre and the additional theatre to be constructed adjacent thereto has been named the AT&T Canada Centre for the Performing Arts.

Ford Centre-Toronto

This entertainment complex in Toronto is comprised of three theatres: the 1,815 seat Apotex Theatre, the 1,000 seat George Weston Recital Hall, and the 250 seat Studio Theatre. Livent has managed and operated the Ford Centre-Toronto since 1993 pursuant to a 40-year (including renewal options) management contract, on specified terms for the first 20 years and thereafter on terms to be negotiated.

Ford Centre-Vancouver

The Company owns and operates the 1,849 seat Ford Centre-Vancouver in the second largest live theatre market in Canada. This newly constructed theatre opened in November 1995 and is the only venue in Vancouver that can accommodate large scale productions such as *Ragtime* or *Show Boat* on a long run basis.

Ford Center for the Performing Arts-New York

In December 1997, the Company opened its New York theatre with preview performances of *Ragtime* which held its official opening on January 18,1998. The Company entered into a long-term lease with The New 42nd Street, Inc., a non-profit organization authorized by the State of New York to restore a majority of the theatres on 42nd Street, for a term of 40 years with extension options at the Company's discretion for up to 35 additional years. In pursuance thereof, the Company combined and renovated two historic Broadway theatres, the Lyric and the Apollo (also known as the Academy), into a single theatre with approximately 1,839 seats accessible from both 42nd and 43rd Streets.

This state-of-the-art theatre, which was renamed the Ford Center for the Performing Arts, includes amply lobby space, two rehearsal halls, choreography hall, modern dressing rooms, ancillary production facilities and stage and orchestra dimensions capable of accommodating the largest theatrical productions. The stage dimensions of 56 feet by 97 feet are larger than those of any other existing Broadway theatre. In keeping with the historic preservation and design guidelines developed by the State and City of New York, the construction of the new theatre preserved and incorporated architectural elements, details, and decorative motifs originally found within the Lyric and Apollo theatres.

Livent funded the entire construction costs for the completed project and is exempted from realty taxes throughout the term (including renewals) of the lease. The benefit of accelerated depreciation and investment tax credits under tax provisions are applicable to this project.

Ford Center for the Performing Arts-Chicago

The Company acquired and will operate the restored Oriental Theater in Chicago as a state-of-the-art facility with approximately 2,180 seats and a rehearsal hall. With the extension of the stage to a new depth of 60 feet and a width of 107 feet, the theatre will be able to accommodate the largest theatrical productions. The opening of the theatre is scheduled for the fall of 1998.

The City of Chicago has contributed the property including associated retail space and will contribute an additional U.S.$9.7 million by way of a grant towards the estimated total U.S.$32 million costs of acquisition and construction. The estimated U.S.$15 million balance of the construction costs has been placed in escrow by the Company and will be funded substantially on a pro rata basis with the cash grant.

The theatre has now been renamed the Ford Center for the Performing Arts, the fourth of such arrangements made between the Company and Ford to date.

Pantages Place Project/Pantages Place Theatre

In May 1997, Livent acquired title from the City of Toronto to the lands adjoining the Pantages Theatre (the "Pantages Place Lands"). Livent proposes to use a portion of the Pantages Place Lands to extend the back stage of the Pantages Theatre by 20 feet to 55 feet thereby allowing it to accommodate large-scale musical productions, and to commence actual construction in late 1999 of a new theatre with approximately 1,400 seats suitable for smaller size musicals and with the requisite intimacy for presentations of dramatic non-musical plays and which would permit the continued presentation of large scale musical productions which had completed their initial runs and no longer warranted being housed in theatres with 1,800 to 2,200 seats.

The Company has recently sold the requisite air rights over the balance of the lands not to be utilized by the Company for its theatre expansion to a real estate development company to enable the developer to undertake the construction of a hotel/condominium development on such lands. A letter of intent with a leading hotel operator has been entered into by the developer for the hotel component of the mix-use commercial development. The proceeds from the sale of the air rights shall exceed the cost of the underground parking facility of approximately 305 parking spaces which the Company will continue to be responsible to finance. It is estimated that Livent will be responsible for approximately $24 million of additional costs to complete the extension of the backstage of the Pantages Theatre, the new 1,400 seat theatre, the approximate 3,300 square feet of retail space and that aspect of the development involving the mechanical infrastructure and loading facilities to be used in common by the hotel/condominium and the Company's new theatre (collectively, the "Pantages Place Project"). The Company expects to recover part of such outlay upon the subsequent sale of a portion of the parking spaces to the condominium. Ownership of the balance of the parking spaces will remain with Livent. In furtherance of the sale of the air rights, Livent will receive an interest in the development company entitling it to participate in certain of the annual residual net cash flow generated by the hotel operation.

Marketing

Livent considers marketing to be of primary importance in creating and maintaining a successful theatrical production. Livent's market strategy is carefully planned and implemented to reflect the themes and images of its productions. This strategy includes the use of extensive market research to gather information relating to all aspects of Livent's activities and to develop and refine marketing programs that will create and maintain heightened levels of consumer awareness for its productions.

Livent engages marketing and opinion research professionals to assist it in many ways including, identifying and determining the size of a potential audience, even before a production opens. This information assists Livent not only in developing a focused marketing approach to target key segments of the potential market, but also in making other production decisions such as the cities in which the production should be presented, the size of the theatre to be selected and the likely length of a successful run. In the case of *Phantom's* run at the Pantages Theatre, market research assisted Livent in deciding to expand its marketing radius from 75 miles to 250 miles outside Toronto, and in developing its *Phantom Express* package making bus transportation available from certain U.S. and Canadian cities near Toronto to *Phantom* ticketholders for selected weekday performances. For longer running engagements, market research plays an important role in timing the release of new blocks of theatre tickets. After opening night, Livent also tracks its success rate in achieving consumer awareness, the frequency of repeat business, how far in advance consumers are prepared to buy tickets, the elasticity of its prices, and the levels of interest in actually purchasing a ticket to a particular production.

Central to Livent's marketing strategy are multi-media advertising campaigns involving newspapers, radio and television designed to capture and maintain high levels of consumer awareness for its productions. Livent employs experienced in-house advertising professionals to coordinate the efforts of three advertising agencies currently on retainer. Newspaper advertising in core areas, distinguished by the Company's frequent use of colour, appears daily and is varied weekly, both to keep the advertisements "fresh" and to focus on different market segments. A similar approach is taken to electronic media advertising. For *Show Boat,* Livent has produced more than 175 newspaper ads, 15 TV commercials and 25 radio spots. Another advertising method employed by the Company is to use famous actors, with distinctive voices familiar to the public, such as James Earl Jones and Malcolm McDowell, to deliver the Company's messages on radio.

Livent has been instrumental in producing network and local television specials coinciding with the opening of its productions, which contribute to the level of awareness among potential patrons. In the case of *Phantom,* Livent assisted in the production of a nationally broadcast CBC television special. A television special relating to *Kiss* was broadcast in the United States over television station WWOR on the evening of *Kiss's* official opening on Broadway on May 3, 1993. *A Show Boat* television special was nationally telecast on the CBC network in conjunction with the Toronto premiere of *Show Boat* in October 1993 and again on WWOR in conjunction with the Broadway premiere. Television documentaries were similarly broadcast on the BBS network in conjunction with the Toronto premieres of each of *Sunset Boulevard* and *Ragtime*. A two hour television special was broadcast by KCOP TV in conjunction with the Los Angeles premiere of *Ragtime* and, in January 1998, a television special was broadcast by PBS-Great Performances in conjunction with the Broadway opening of *Ragtime*.

Livent offers educational programs to students from across Canada and from U.S. border states. Under these programs, approximately 1.3 million students have attended Livent's productions. Typically, these programs include a detailed teachers' resource guide to help develop a series of projects and related activities with students. Prior to the performance, students at the theatre view a motivational and instructional interactive video that takes them behind the scenes as the creative team, cast and crew offer personal insights into their respective creative fields, and various themes arising from the musical production are explored. Immediately following the video, selected members of the cast, crew or orchestra make special appearances on stage for an informal discussion with the students.

As government arts programs are cut back due to budgetary constraints, Livent considers it important that new, young audiences be given an opportunity to experience the world of live theatre. In addition to introducing students to the theatre, Livent's educational programs generate significant word-of-mouth promotion and goodwill in the communities from which Livent draws its audiences.

Merchandising and Sponsorship

Merchandising rights are among the ancillary rights Livent acquires with the theatrical stage rights to its productions. Livent exploits those rights by marketing, in all theatre venues at which its productions are presented, a broad range of merchandise associated with the productions, including cast recordings, hats, T-shirts, sweatshirts and other clothing, coffee mugs, jewellery and souvenir programs.

Cast recordings for *Phantom, Joseph, Kiss, Show Boat*, *Sunset Boulevard* and *Ragtime* have been produced in association with international record companies. Sales of these recordings have heightened the profile of Livent's productions while also generating revenue. The cost of these recordings is largely borne by the record companies. In March 1994, in conjunction with its cast recording of *Show Boat*, Livent launched its own record label, "Livent Music". A Canadian cast recording of *Sunset Boulevard* was released in December 1995. An original Canadian cast recording of *Ragtime* was released in October 1996, and a second cast recording of the Broadway production of *Ragtime* was released in late April 1998. A documentary dealing with the making of the *Ragtime* recording was broadcast on the BRAVO! network in October, 1996.

Livent also earns additional revenue by encouraging businesses to affiliate themselves with the Company, the theatres owned and managed by the Company, and the productions of the Company, by purchasing corporate sponsorships. Full-time personnel of Livent are active in seeking corporate sponsors for Livent's theatrical productions and for its classical music subscription series at the George Weston Recital Hall at the Ford Centre - Toronto.

In September 1994, Livent entered into an agreement with the Ford Motor Company of Canada to name both the North York Performing Arts Centre in Metropolitan Toronto and the new Vancouver theatre, the "Ford Centre for the Performing Arts". In furtherance of the Company's relationship with the Ford organization, in November 1996, Livent and the Ford Motor Company entered into an agreement to name Livent's new New York and Chicago theatres the "Ford Center for the Performing Arts". In addition to its ongoing sponsorship relationship with the Company, AT&T Canada entered into an agreement with the Company in September 1997 to name the theatre complex consisting of the Pantages Theatre and the new theatre to be built adjacent thereto, the AT&T Canada Centre for the Performing Arts. Other ongoing corporate sponsors include American Express and Canadian Airlines International.

North American Theatre Industry

North American live theatre box office receipts have grown from US $102 million in the 1971-1972 theatre season to US $ 1.25 billion in the 1996-1997 theatre season. During such period, an increasing percentage of the total box office receipts were obtained from road show productions outside of Broadway. With its expanding involvement with multiple productions of its shows, Livent is actively participating in the trend represented by the growth in road show productions. On Broadway, musicals accounted for 85% of the tickets sold in the 1996-97 theatre season. Livent has benefitted from the increasing popularity of musicals, because of its primary focus on musicals as opposed to dramatic productions.

The following table summarizes data published by *Variety* indicating commercial box office receipts for Broadway, road shows and combined for the theatre seasons noted:

Theatre Season (1)	Broadway	Road	Combined
		(US $ in millions)	
1971-1972	$52.3	$49.7	$102.0
1981-1982	221.2	249.5	470.7
1989-1990	283.4	367.1	650.5
1990-1991	267.2	450.2	717.4
1991-1992	292.4	502.7	795.1
1992-1993	327.7	620.6	948.3
1993-1994	356.0	687.7	1,043.7
1994-1995	406.3	694.6	1,100.9
1995-1996	436.1	762.3	1,198.4
1996-1997	499.4	752.9	1,252.3

(1) "Theatre season" or "season" means the period from June 1 of a particular year to May 31 of the following year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

General

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles.

Revenue

Revenue consists of performance revenue, the sale of merchandise, corporate sponsorships, gains on sale of rights and exclusivity arrangements, royalties, concession income and other related fees. Livent is able to derive these latter ancillary revenues as a direct result of its production and theatrical activities.

Preproduction Costs

Preproduction costs associated with the creation of each separate production are deferred to the opening of the applicable production and such capitalized costs are thereafter amortized based on estimated revenues, net of direct operating expenses. The Company's period of amortization of such preproduction costs for a particular production is limited to five production years. The Company reviews the carrying value of unamortized preproduction costs on a quarterly basis and, where conditions warrant, adjusts such costs down to an amount not in excess of their estimated net recoverable amount.

Subsequent preproduction costs incurred in connection with and in anticipation of moving a particular production from one venue to another, including pre-opening advertising, are deferred to the opening of that production at each venue and the specific costs applicable to a particular venue are fully amortized during the presentation of the production at that venue. In the last three years, the movement of productions from one venue to another has progressively increased and during each of such periods these preproduction costs have been at least 50% of the total of preproduction costs incurred by the Company.

The Company's amortization of preproduction costs amounted to $69.4 million (excluding the $27.5 million adjustment to preproduction costs), $45.8 million and $32.4 million in fiscal 1997, 1996 and 1995, respectively.

Deferred Revenue

Deferred revenue consists primarily of deferred performance revenue and also includes deferred sponsorship revenue. Deferred performance revenue represents advance ticket sales for the Company's productions which are not recognized as revenue until the relevant performances have occurred. Such deferred amounts are included under liabilities until the presentation of the performances to which such amounts apply. The risk associated with this liability is substantially a matter of whether the Company will continue to present the performances in respect of which the advances apply. To date the Company has presented in excess of 14,500 performances, only two of which were permanently cancelled because of severe weather conditions in Hong Kong.

Direct Operating Expenses

Direct operating expenses consist of salaries and fees, production running costs, advertising, royalties and profit participation, theatre operating costs, cost of sales for merchandise and concession and other related fees.

General and Administrative Expenses

General and administrative expenses consist principally of management salaries and bonuses, occupancy costs and voice and data communication costs.

Year 2000

Certain computer programs and microprocessors utilize two digits rather than four digits to identify the current year. As the century date change occurs, date-sensitive systems may recognize the year 2000 as 1900, or not at all. This inability to recognize or properly treat year 2000 may cause systems to process financial and operational information incorrectly.

The Company has considered the potential impact of Year 2000 problems on its ability to carry out its normal course business operations and process financial information from an internal and external perspective.

Internally, the Company's day to day ability to stage performances would largely be unaffected by any potential Year 2000 computer problems, as relevant systems are not date sensitive in this operational area of the Company's business. The Company is a significant user of computer technology for the processing of financial information. The Company's financial computer systems and software, some of which are date sensitive, are not of a high degree of complexity and therefore potential Year 2000 problems are mitigated internally by the Company's ability to upgrade applications and make necessary program changes to its computer technology in advance.

The Company is a significant user of external ticketing agencies upon which a large volume of sales transactions are processed and settled through customer credit cards. If unaddressed by external parties, Year 2000 issues could conceivably cause a disruption in the Company's ability to process electronic sales transactions from customers utilizing credit cards.

Recognizing the potential concerns of this issue, in 1997 the Company developed a Year 2000 strategy, which includes a corporate wide focus on policies, procedures, methods, correction tools and coordination with ticketing agencies, customers and vendors. In addition, the Company has been informed by its largest ticketing agency that they are Year 2000 compliant.

A review of the Company's current systems indicates that 35% are already Year 2000 compliant and fully operational. All of the conversion, testing and implementation activities for the remaining 65% of systems are occurring within normal business operations and are expected to be completed by the second quarter of 1999. The costs of such modifications is currently not anticipated to be significant or have a material adverse effect on the financial condition of the Company.

Results of Operations

The following table presents certain items derived from the Company's Consolidated Statements of Income as a percentage of revenue and certain other information for the periods indicated:

Statement of Operations Data:	Years Ended December 31, **1997**	**1996**	**1995**
Revenue	100.0%	100.0%	100.0%
Direct operating expenses	78.2	75.7	76.8
Income from equity-accounted investments	(0.1)	(0.3)	(0.3)
General and administrative expenses	4.1	3.9	4.1
Amortization of preproduction costs	21.6	13.8	11.2
Depreciation and amortization	1.2	1.2	1.1
Valuation, refinancing and other charges	12.4	--	--
Interest, bank fees and charges	2.0	1.4	0.8
Income (loss) before income taxes	(19.4%)	4.3%	6.3%
Net income (loss)	(13.8%)	3.3%	4.0%
EBITDA	17.8 %	20.7%	19.4%

Year ended December 31, 1997 compared to year ended December 31, 1996

Revenue decreased by 3.3 % to $320.8 million for fiscal 1997 from $ 331.7 million for 1996. The decrease in revenue was principally due to a decrease in production performance revenue in the fourth quarter of 1997. Revenue from sponsorship and theatre naming rights activities increased to 6.8% of revenue in 1997 from 5.8% in 1996. In furtherance of the Company acquiring production rights for all major international markets to its more recent productions, the Company has been able to enter into certain exclusivity arrangements relating to these expanded production rights which accounted for 2.3% of revenue in 1997 and 3.7% in 1996. Additionally, revenue from other arrangements of a less frequent nature increased to 2.3% of revenue in 1997 compared to 1.2% in 1996, due primarily to the sale of certain excess density rights.

Direct operating expenses decreased marginally to $250.8 million in 1997 from $251 million in 1996. As a percentage of revenue direct operating expenses increased to 78.2% in 1997 as compared to 75.7% in 1996 due primarily to the decrease in production performance revenue as a significant portion of the costs associated with such revenue are fixed. Sponsorship and theatre naming rights activities, sale of excess density rights and production-related exclusivity arrangements have higher margins than production performance revenue because there are typically fewer costs associated with the generation of such revenue.

General and administrative expenses of $13.3 million in 1997 remained consistent with the 1996 amount of $13 million. As a percentage of revenue such expenses increased to 4.1% in 1997 from 3.9% in 1996 due to the decrease in total revenue for 1997.

As a result of the foregoing, EBITDA decreased to $57 million or 17.8% of revenue for 1997 from $68.8 million or 20.7% of revenue for 1996.

Amortization of preproduction costs increased to $69.4 million in 1997(excluding the $27.5 million adjustment to preproduction costs) from $45.8 million in 1996 due primarily to increased touring activity in 1997.

Depreciation and amortization of fixed assets and deferred costs (excluding deferred finance fees) decreased to $3.8 million in 1997 from $4 million in 1996 as a result of certain deferred costs being fully amortized in 1996.

Valuation, refinancing and other charges consist of a $27.5 million adjustment to preproduction costs and a $12.2 million charge consisting primarily of costs associated with the refinancing of the Company's debt. The adjustment of $27.5 million was made by the Company to reduce the overall carrying value of its preproduction costs to their estimated net recoverable amount. The $12.2 million charge included the premium paid on the early redemption of the Company's $72.5 million Senior Secured Debentures and the remaining unamortized finance fees associated therewith, the finance fees associated with the sale of certain long-term receivables and other charges.

Interest, bank fees and charges increased to $6.3 million in 1997 from $4.8 million in 1996. This reflects primarily higher debt servicing costs of the Company's US$125 million, 9 3/8% Senior Unsecured Debentures which were issued in October 1997, the proceeds of which were used, in part, to redeem the Company's Cdn $72.5 million 8.07% Senior Secured Debentures.

Income from sponsorship and theatre naming rights together with income from the sale of excess density rights reduced the 1997 loss before income taxes that would otherwise have been reported by 30.5%. For 1996 income from sponsorship and theatre naming rights together with income from infrequent production-related arrangements represented 160% of income before income taxes.

The provision for income taxes reflects a recovery of $18 million in 1997. The effective tax rate of 29% differs from the statutory rate of 44% primarily as a result of non-capital loss carry forwards of approximately $30 million, the benefit of which has not been reflected in the financial statements of the Company.

Year ended December 31, 1996 compared to year ended December 31, 1995

Revenue increased by 14% to $331.7 million for fiscal 1996 from $291 million for 1995. The increase in revenue was principally due to (i) the third company of *Show Boat* which opened in Chicago in late March 1996 and continued throughout 1996, (ii) approximately nine months of performances of *Sunset Boulevard* in 1996 compared to three months in 1995 and a full year of performances of *Music of the Night* in 1996 compared to seven months of performances in 1995, (iii) increased revenue from sponsorship and certain theatre naming rights (iv) the sale of production related rights and (v) the inclusion in 1996 of the Georgia Strait operations. Revenue from sponsorship and theatre naming right activities increased to 5.8% of revenue in 1996 from 1.3% in 1995, due primarily to the sale of certain theatre naming rights. In furtherance of the Company acquiring production rights for all major international markets to its more recent productions, the Company was able to enter into certain exclusivity arrangements relating to these expanded production rights which accounted for 3.7% of revenue in 1996 compared to a nominal amount in 1995. Additional production-related arrangements of a less frequent nature accounted for a further 1.2% of revenue in 1996.

Direct operating expenses increased to $251 million in 1996 from $223.5 million in 1995. The 1996 increase in direct operating expenses is consistent with the 1996 increase in revenue. As a percentage of revenue direct operating expenses decreased to 75.7% in 1996 as compared to 76.8% in 1995. This is due primarily to increased revenue from sponsorship and theatre naming right activities and from production-related exclusivity arrangements, which have higher margins than production performance revenue because there are typically fewer costs associated with the generation of such revenue.

General and administrative expenses increased to $13 million in 1996 from $11.8 million in 1995. The 1996 increase of $1.2 million was due primarily to the hiring of additional personnel and the extensions of office space to handle increased production and theatre related activities. As a percentage of revenue such expenses decreased to 3.9% in 1996 from 4.1% in 1995.

As a result of the foregoing, EBITDA increased to $68.8 million or 20.7% of revenue for 1996 from $56.4 million or 19.4% of revenue for 1995.

Amortization of preproduction costs increased to $45.8 million in 1996 from $32.4 million in 1995. As part of the Company's ongoing assessment of the carrying value of preproduction costs, in the fourth quarter of 1996 the Company amortized in full the preproduction costs associated with *Sunset Boulevard*.

Depreciation and amortization of fixed assets and deferred costs (excluding deferred finance fees) increased to $4 million in 1996 from $3.3 million in 1995 as a result of the consolidation of Georgia Strait in 1996.

Interest, bank fees and charges increased to $4.8 million in 1996 from $2.4 million in 1995, reflecting primarily the consolidation of the debt servicing costs of Georgia Strait.

Income from sponsorship and theatre naming rights together with income from infrequent production-related arrangements represented 80% of income before the write-down of the unamortized balance of preproduction costs for *Sunset Boulevard* and represented 160% of income before income taxes for 1996 as compared to approximately 20% of income before income taxes for 1995.

The provision for income taxes decreased to $3.2 million for 1996 from $6.5 million in 1995 due to the decrease in income before income taxes in 1996 and the increase in 1996 of income derived from jurisdictions taxed at lower rates.

Liquidity and Capital Resources

The Company's principal source of liquidity is its cash provided from operating activities, which was $26.7 million for fiscal 1997 and 9.3 million for fiscal 1996. Cash used in investing activities totalled $150.5 million for fiscal 1997 and $83.6 million for fiscal 1996. Such substantial investing activities related primarily to the following items (i) capital expenditures of $65.4 in 1997 and $23.6 million in 1996 reflecting primarily expenditures incurred in connection with the Company's three theatre development projects and the acquisition in 1996 of the Company's head office building, and (ii) preproduction expenditures of $86.4 million in 1997 and $61.4 million in 1996 reflecting primarily expenditures incurred as a result of the Company's extensive expansion of its touring activities.

The level of preproduction costs depends on the nature of the Company's production activity in a given year and the length of stay of each production at any particular venue. Preproduction expenditures have significantly impacted and may significantly impact in the future the cash available for operations until performances for the relevant productions commence at which time revenues are realized. Cash flow may further be influenced by the nature of the Company's schedules for other productions, because during hiatus caused by a production moving from one venue to another, performance revenue for such a production may be temporarily interrupted. In late 1996, the Company undertook an extensive expansion of its North American touring activities. One company of *Show Boat* commenced touring in 1996 and all three companies of *Show Boat* actively toured throughout 1997. *Show Boat* played in 18 different cities in North America in 1997 as compared to five in 1996. In connection therewith, additional 1997 preproduction costs were incurred as part of, and in preparation for, such accelerated touring activities. In conjunction with the shorter runs typical of touring productions, the Company incurs preopening advertising and the moving and loading in and out of a production at each new venue. In 1997, the Company completed a second company of *Ragtime* which opened in Los Angeles in May 1997. As well, the Company advanced commencement of preproduction for its third company of *Ragtime* which opened in April 1998. As a result of all of the foregoing, the level of preproduction costs for 1997 exceeded that of 1996.

At December 31, 1997 the Company had on deposit in an interest-bearing escrow account $16.5 million (US$11.5 million) to be used solely for funding the Company's portion of the construction costs for the theatre development in Chicago which is scheduled to be completed by September 1998.

Cash provided from financing activities aggregated $127.3 million for fiscal 1997 reflecting primarily (i) the issuance of 9 3/8% Senior Unsecured Notes which realized net proceeds to the Company of $167 million (U.S. $120.5 million), which were utilized to redeem the Company's Cdn $72.5 million Series A Senior Secured Debentures and to repay the outstanding borrowings under the bank term credit facility at the time of settling the transaction (ii) the issuance in Canada of 2,000,000 common shares in May 1997 which realized net proceeds to the Company of $25.2 million and (iii) the sale of receivables for $15.9 million. Cash provided from financing activities aggregated $97.4 million in 1996, the primary activities being as follows. On April 2, 1996 the Company completed a U.S. equity offering raising proceeds of U.S. $29.5 million (Cdn. $40.1 million), net of underwriters' commission and before expenses of the issue, through the issue of 3.75 million common shares at U.S. $8.375 per share. The Company issued U.S. $8.5 million aggregate principal amount of 10% Subordinated Convertible Debentures in July 1996 and 8.07% Series A Senior Secured Debentures in the aggregate principal amount of $72.5 million in December 1996. Cash provided from these financing activities was used by the Company to repay bank facilities, to finance the cost of acquisition of the equity interests which the Company did not already own and repay the notes held by the third party shareholders of Georgia Strait, and to fund the equity contributions to certain subsidiaries of the Company which will use such contributions in connection with its theatre developments.

The Company is exposed to foreign currency risk to the extent that its financial results measured in Canadian dollars will be impacted by the effect of exchange rate fluctuations between the Canadian dollar and/or other currencies on its revenue from U.S. and foreign productions. This exposure is mitigated by the fact that a significant portion of the operating expenses associated with U.S. and foreign productions is incurred in the same currencies as the revenue therefrom. Furthermore, to date, the exchange rate between Canadian and US dollars, has benefited the Company because it has incurred a substantial portion of its initial preproduction costs in Canadian dollars and thereafter derived revenue in US dollars when such productions are presented outside Canada. As a consequence, the Company is not involved in hedging or similar activities.

The Company believes that its positive cash flow from operations, together with the proceeds from its financing activities discussed above and the funds available under its $50 million revolving term credit facility, which matures November 2000, will provide the Company with adequate liquidity and capital resources.

Employees

As at December 31, 1997, the Company employed approximately 550 full-time and 551 part-time employees. Additionally, approximately 877 performers, musicians and others were engaged by the Company for its specific productions as of such date. The number of persons so engaged varies significantly with the level of the Company's production activity.

Many individuals associated with Livent productions are members of guilds or unions. Management believes that its relations with its employees and with independent contractors whom it may retain from time to time are generally satisfactory.

DIVIDEND POLICY

Since incorporation, the Company has not paid any dividends on any of its share capital. The Company does not currently anticipate paying dividends in the foreseeable future but intends instead to reinvest earnings to support future growth. The Company's revolving term credit agreement with its banker provides that the Company may not pay dividends which cumulatively (together with certain other payments) exceed 80% of the Company's consolidated net income (after taxes) earned for periods subsequent to December 31, 1995. Additionally, pursuant to both the indenture governing the issuance of the outstanding US$125 million senior notes and a certain shareholder agreement, Livent has similarly agreed to less restrictive limitations on the payment of dividends.

SELECTED CONSOLIDATED FINANCIAL DATA

Financial Data for 1993 to 1997

	Year Ended December 31,				
	1997	1996	1995	1994	1993 (1)
Revenue	320,828,264	331,732,764	290,955,282	209,094,685	163,263,921
Net income (loss)	(44,130,869)	11,053,702	11,766,969	5,835,077	7,369,909
Weighted average earnings (loss) per share	(2.57)	.75	.98	.50	.83
Fully diluted earnings (loss) per share	(2.57)	.71	.92	.48	.76
Total assets	386,547,001	306,048,401	188,996,730	146,812,116	126,445,268
Long-term debt (including current portion)	216,529,435	120,734,523	44,573,124	17,201,907	23,989,912
Cash dividends declared per share for each class	-	-	-	-	-

Last Eight Quarters

	Revenue	**Net Income (loss)**	**Weighted Average Earnings (loss) Per Share**	**Fully Diluted Earnings (loss) Per Share**
December 31, 1997	64,072,180	(53,788,675)	(2.99)	(2.99)
September 30,1997	100,030,876	4,305,130	0.24	0.23
June 30, 1997	84,641,330	1,018,431	0.06	0.06
March 31, 1997	72,083,878	4,334,220	0.28	0.25
December 31, 1996	94,578,859	2,669,824	.17	.16
September 30,1996	73,287,429	3,149,113	.20	.19
June 30, 1996	90,359,831	3,541,723	.23	.21
March 31, 1996	73,506,645	1,693,042	.14	.13

(1) Prior to May 17, 1993, the business of the Company was conducted by a partnership and a corporation. The 1993 earnings per share ("EPS") is a proforma calculation in that the computation of EPS has been made on the basis that the reorganization of the business had occurred at the beginning of 1993.

MARKET FOR SECURITIES

The common shares of the Company are listed and posted for trading on The Toronto Stock Exchange (Stock symbol: LIV) and on The Nasdaq National Stock Market (Stock Symbol:LVNTF).

DIRECTORS AND OFFICERS

The names and municipalities of residence of the current directors and of the officers of the Company who perform any policy making function or are in charge of any divisional responsibilities, the offices held by them in the Company and their principal occupations during the five preceding years are set out below. Each of the directors listed below is currently a director of the Company and has served as a director since May 17, 1993 other than Mr. Emerson, who was appointed a director on August 17, 1993, other than Mr. Lee and Mr. Sperling, each of whom was appointed a director on February 3,1995, other than Mr. Rotman who was appointed a director on May 23, 1995, and other than Mr. Pattison who was appointed a director on May 20, 1997. The term of directors will expire immediately prior to the election of directors at the next annual and special meeting of shareholders to take place on June 5, 1998. At the meeting, each of the current directors and, subject to shareholder approval, 4 additional nominees are, and up to 5 further nominees may be, proposed to be nominated by management for election as set forth in the Company's management proxy circular with respect to the meeting (the "Meeting Circular").

Name and Municipality of Residence	Position with the Company	Principal Occupation
GARTH H. DRABINSKY Toronto, Ontario	Director, Chairman and Chief Executive Officer	Officer of the Company
MYRON I. GOTTLIEB Toronto, Ontario	Director, President	Officer of the Company
CONRAD M. BLACK Don Mills, Ontario	Director	Chairman and Chief Executive Officer, Hollinger Inc. (print media) and Chairman, Telegraph Group Limited (newspaper)
H. GARFIELD EMERSON Toronto, Ontario	Director	President and Chief Executive Officer, Rothschild Canada Limited (investment banker)
MARTIN GOLDFARB North York, Ontario	Director	Chairman and Chief Executive Officer, The Goldfarb Corporation (strategic management company)
THOMAS H. LEE Boston, Mass.	Director	President, Thomas H. Lee Company (investment advisor)
JAMES A. PATTISON Vancouver, B.C.	Director	Chairman, President & Chief Executive Officer, The Pattison Group
JOSEPH L. ROTMAN Toronto, Ontario	Director	Chairman and Chief Executive Officer, Clairvest Group Inc. (merchant banker)
SCOTT SPERLING Boston, Mass.	Director	Managing Director, Thomas H. Lee Company (investment advisor)

A. ALFRED TAUBMAN Bloomfield Hills, Michigan	Director	Chairman of the Board, Taubman Centers Inc. (shopping centres) and Chairman of the Board, Sotheby's Holdings Inc. (international art auction house)
DANIEL D. BRAMBILLA Toronto, Ontario	Director and Executive Vice-President	Officer of the Company
JERALD M. BANKS Toronto, Ontario	Secretary and General Counsel	Officer of the Company
MARTIN BELL Toronto, Ontario	Sr. Vice-President, Creative Affairs	Officer of the Company
WILLIAM CONNER Toronto, Ontario	Sr. Vice-President, North American Touring	Officer of the Company
GORDON ECKSTEIN Scarborough, Ontario	Sr. Vice-President, Finance and Administration	Officer of the Company
BETH RUSSELL Toronto, Ontario	Sr. Vice-President, Casting & Creative Development	Officer of the Company
FRANK SCARDINO Toronto, Ontario	Sr. Vice-President, Production	Officer of the Company
FARDAD YAZDI Etobicoke, Ontario	Sr. Vice-President, Sales	Officer of the Company
MARIA MESSINA Toronto, Ontario	Vice-President, Finance & Chief Financial Officer	Officer of the Company
GERARD BLAIR Toronto, Ontario	Vice-President, Production Accounting	Officer of the Company
STEPHEN CERA Toronto, Ontario	Vice-President, Concert Music Programming	Officer of the Company

ANDREW FARBER Toronto, Ontario	Vice-President, Business Affairs	Officer of the Company
ELEANOR GOLDHAR Toronto, Ontario	Vice-President, Publicity and Publications	Officer of the Company
LOREEN LALONDE Toronto, Ontario	Vice-President, Sales Canada	Officer of the Company
ARNOLD MUNGIOLI Toronto, Ontario	Vice-President, Casting and Creative Development	Officer of the Company
HUGH WAKEHAM Toronto, Ontario	Vice-President, Sponsorship & Promotions	Officer of the Company
JANET YOUNG Toronto, Ontario	Vice-President, Advertising	Officer of the Company

Each of the foregoing directors and officers of the Company has been engaged in his or her current occupation or in other capacities with the same entity for the previous five years except: Mr. Sperling, who prior to the fall of 1994 was managing partner of the Aneas Group, a private capital affiliate of Harvard Management Company, Inc.; Mr. Bell, who prior to October 1993 was creative director of National Alliance of Musical Theatre Producers; Ms. Messina who prior to May 1996, was a partner of Deloitte & Touche and prior to September 1994 was a Senior Manager at Deloitte & Touche; Mr. Mungioli, who prior to September 1993 was a freelance casting director in New York; Mr. Conner, who prior to August 1995 was President of the Ordway Music Theater in St. Paul, Minnesota; Mr. Farber, who prior to August 1995 was a legal consultant at Lehman Bros., and during November 1992 to May 1994 was Executive Director, The Dramatists Guild, Inc.; Ms. Goldhar, who prior to June 1996 was Director of Communications and Public Affairs for SOCAN and during the period 1990-1995 was Director of Communications for the Ontario Arts Council; Ms. Lalonde who prior to January 1997 held various marketing positions including Director of Business Development with Tourism Toronto, Director of Marketing for Royal York Hotel and Director of Marketing for Deloitte & Touche; and Mr. Blair, who prior to May 1997 was Group Financial Controller for The Really Useful Group PLC.

The Company's executive committee of its board of directors currently consists of Messrs. Drabinsky, Gottlieb, Rotman and Sperling. The Company's audit committee currently consists of Messrs. Emerson, Goldfarb, Gottlieb and Taubman. The Company's compensation committee currently consists of Messrs. Goldfarb, Lee, Pattison and Taubman.

As at the date hereof, the directors and officers of the Company as a group beneficially owned, directly or indirectly, approximately 36.0% of the 18,071,235 issued and outstanding Common Shares of the Company.

RECENT DEVELOPMENTS

During April 1998, the Board of Directors considered and approved, subject to shareholder approval at the forthcoming annual and special meeting of shareholders to be convened on June 5,1998 (the "Meeting"), the completion of an investment transaction with a limited partnership controlled by Mr. Michael Ovitz and additional related transactions which will have significant implications to the Company.

In conjunction with a private placement purchase to be made by the aforementioned limited partnership of 2,500,000 common shares of the Company @U.S.$8.00 per share together with warrants to acquire 1,470,000 common shares with exercise prices of U.S.$ 9.00 as to one-half thereof and U.S.$10.00 as to the remainder, and in conjunction with a private placement purchase to be made by Mr. Roy Furman of 250,000 common shares of the Company @ U.S.$8.00 per share together with warrants to acquire 160,000 common shares with exercise prices of U.S.$ 9.00 as to one-half thereof and U.S.$10.00 as to the remainder, the senior management of the Company will be significantly transformed.

Subject to shareholder approval at the Meeting of the foregoing issuance of common shares and warrants and the grant of certain stock options to a company controlled by Mr. Ovitz which will be providing advisory services to the Company and to the grant of certain stock options to Mr.Furman and to Mr. David Maisel, employment agreements will be entered into between the Company and Mr.Furman who is to be appointed Chairman of the Board and Chief Executive Officer and between the Company and Mr. Maisel who will assume the office of President of the Company. Subject to the aforesaid approvals, the Board of Directors will initially be expanded at the Meeting from the present complement of eleven directors to fifteen directors with the addition of four proposed nominees of Mr. Ovitz including Messrs. Ovitz, Furman and Maisel. Up to five further nominees of Mr.Ovitz may be proposed for election as directors at the Meeting or, if not identified by such time, may be appointed as directors subsequent to the Meeting.

The Company will enter into a new employment agreement with Mr. Drabinsky, the current Chairman and Chief Executive Officer, who will assume the office of Vice-Chairman and Chief Creative Director, Live Theatre thereby enabling Mr. Drabinsky to focus his energies on creative development without the burden of the responsibilities of Chief Executive Officer. The Company will enter into a new employment agreement with Mr. Gottlieb, the current President, who will be appointed Executive Vice-President, Canadian Administration.

The complete details of these transactions are set forth in the Proxy Circular, the relevant contents (and in particular pages 3 through 12) of which are incorporated by reference herein.

ADDITIONAL INFORMATION

The Company will provide to any person, upon request to the Secretary of the Company, the following information:

(a) when the securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities:

(i) one copy of the annual information form of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated therein by reference;

(ii) one copy of the comparative financial statements of the Company for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the Company subsequent to the financial statements for its most recently completed financial year;

(iii) one copy of the management information circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of directors; and

(iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or

(b) at any other time, one copy of any other document referred to in (a)(i), (ii) and (iii) above, provided the Company may require the payment of a reasonable charge if the request is made by a Person who is not a security holder of the Company.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase securities is contained in the Company's management information circular and proxy statement dated May 5, 1998. As well, additional financial information is provided in the Company's 1997 Annual Report.