

Undertakings

Paramount Pictures Corporation, Universal Studios Inc. and Metro-Goldwyn-Mayer Inc. (together, the "Partners") and UIP undertake that, as to the European Economic Area ("EEA"):

A

- (i) UIP shall make itself available, based upon its commercial judgment, to co-finance, acquire distribution rights to or distribute the feature films of third parties in the EEA.
- (ii) UIP will publicize such availability to independent producers and will introduce and make known its procedures to assist such producers to contact UIP concerning their film projects.
- (iii) To facilitate its efforts in this area, UIP will employ or designate an experienced film industry executive to be responsible for identifying and seeking to secure distribution of EEA films which are considered reasonably likely, in UIP's commercial judgment, to offer the opportunity to generate reasonable earnings in theatrical distribution. UIP will endeavour to make such an appointment or designation not later than July 31, 1999, UIP and its Partners envisage that the job description for this executive may change from time to time reflecting their views as to the job criteria and responsibilities most likely to encourage the acquisition of distribution rights for successful EEA films. Annex 1 sets forth the job description for this position currently contemplated by UIP and its Partners.
- (iv) UIP shall publicize annually in the trade press or by some other appropriate publication the nature and extent of its activity in co-financing, acquiring distribution rights to and distributing the feature films of third parties in the EEA and make a copy of any such publication available to the Commission at its request. That publication shall also contain a statement explaining how to obtain a copy of all of the undertakings.
- (v) Each of UIP's Partners shall be available individually based upon its individual commercial judgment to produce, finance, co-finance or acquire distribution rights to local films in the EEA.
- (vi) UIP and each Partner, as appropriate, shall maintain records sufficient to show the nature and extent of its activity in the production, financing, co-financing or acquisition of distribution rights of films of EEA national origin or made in whole or in part in the EEA. For this purpose, a film of EEA national origin shall be one which satisfies the criteria set forth in either Council Directive 63/607/EEC, Council Directive 89/552/EEC (as amended by Council Directive 97/36/EC) or which has received a Certificate of Nationality or the like from the relevant issuing authority within an EEA country.

UIP or its partners, as appropriate, shall maintain records sufficient to show:

- a. the title of all local films of third parties produced, financed or distributed by UIP in the EEA;
- b. the identity (by title, producer or other identifying information) of all local films of EEA origin for which a formal written offer is made by third parties to UIP for production, financing or distribution by UIP in the EEA;
- c. all feature films of the UIP partners for which they hold EEA theatrical distribution rights that are not distributed by UIP in the EEA; and
- d. all co-productions of the UIP partners for which they hold EEA theatrical distribution rights that are not distributed by UIP in the EEA.

B

- (i) UIP and its Partners undertake that one or more of them will take initiatives to encourage, support and promote the training and professional development of young European film makers and their films including one or more of the following: providing financial support to European film schools and/or other training institutions; providing funding to film festivals in the EEA, particularly those which showcase the talents of novice film makers; sponsoring prizes and awards for promising EEA directors or producers; and offering internship opportunities to novice EEA film industry professionals.
- (ii) UIP and its Partners envisage that the type of initiatives to be taken may change from time to time reflecting their views as to the type of initiative then most likely to encourage development of EEA film makers and their films. Annex 2 sets out the initiatives currently contemplated by UIP and its Partners.

C

- (i) Neither the UIP Partners' Committee nor the UIP Operating Committee nor any other committee of UIP composed of representatives of the UIP Partners shall consider or discuss plans to release, distribute or market the individual films of any Partner. UIP shall prepare and maintain minutes of all such meetings.
- (ii) Except pursuant to any co-production, co-financing or similar agreement for one or more films entered into independently of the UIP arrangements, each Partner undertakes to set dates for the release of its films through UIP individually without agreeing or seeking to reach agreement with any other Partner as to such date, and UIP shall not disclose a release date set by one Partner to any other Partner which has been designated as confidential by the Partner setting that release date until such time as either such Partner designates such

information to be no longer confidential or such information becomes known to any exhibitor or other third party.

D

- (i) The Partners shall cause Article IV, Section 4.1(e) of the UIP Main Agreement dated 5 October 1981 and Article 1(e) of each Franchise Agreement to be amended to provide that the right of first refusal granted by each Partner to UIP to distribute a Picture in the EEA can be exercised by UIP on a country-by-country basis. *[Deleted – business secret]*

E

- (i) Each Partner will cause (i) the provisions in Article IV.4.4(a) of the UIP Main Agreement dated 5 October 1981 providing that UIP's obligation to use its best efforts to maximize the gross receipts for Pictures it distributes shall be deleted from the UIP Main Agreement, and (ii) Paragraph 3(d) of each Franchise Agreement dated 1 November 1981 shall be amended to provide that UIP's obligation shall be to use its best efforts to maximize the gross receipts as to each individual Picture it distributes for that franchisor. *[Deleted – business secret]*

F

- (i) UIP will support cinema industry efforts to establish arbitration or comparable procedures for the resolution of disputes between exhibitors and distributors.
- (ii) When a dispute (*i.e.*, an impasse that cannot be resolved through commercial dialogue) arises with an exhibitor regarding the allocation of prints for films for which UIP holds the distribution rights, in those Member States where exhibitors currently cannot compel UIP to submit such disputes to arbitration under existing industry arbitration procedures, UIP will advise that exhibitor of UIP's willingness to conciliate or arbitrate such disputes.
- (iii) Any conciliation or arbitration pursuant to clause (ii) shall be carried out in accordance with the rules and procedures set out in the Annex hereto.

G

- (i) UIP will not make or seek to make the supply of a print for one picture conditioned upon the exhibitor accepting a supply of a print for any other picture.

H

- (i) Films which UIP supplies to those cinemas, if any, that may be wholly-owned or controlled by Paramount, Universal or MGM (A Controlled Cinemas@) shall be supplied on an arm's length basis recognizing that differences in terms may be attributable to commercial differences between a Controlled Cinema and another cinema, including in particular but without limitation the box office performance, physical qualities, geographical location, programming policy and payment record of that exhibitor, and recognizing further that it is not economically desirable to license a film to every exhibitor desiring that film and that each film is a unique and heterogeneous product which has individual characteristics and therefore different box office potential at different cinemas and at different times.

[Annex 1]

DIRECTOR, INTERNATIONAL ACQUISITIONS

SECTION 1. - Position Summary

JOB TITLE: Director, International Acquisitions

LOCATION: Europe/Hammersmith

REPORTING TO: Executive Vice-President, International Sales

JOB SUMMARY

Responsible for developing relationships with international film makers and building on these relationships to source films for theatrical distribution on a single or multi-territory basis.

SECTION 2. - Job Tasks

1. To develop and maintain relationships with prominent film makers in the international market place.
2. To become aware of indigenous film projects, to read and evaluate scripts and to screen potential acquisitions.
3. To assess the commercial viability of available projects on a market-by-market basis.
4. Where appropriate to propose to management deal terms for the acquisition of suitable projects.
5. To liaise with the film makers and UIP legal department and to conclude the acquisition contract.

6. To follow each project through distribution and to maintain liaison with the film makers.

SECTION 3. - Skills

1. Experience in acquisitions for theatrical markets.
2. Good communication skills in English and other European languages.
3. MBA or equivalent degree preferred.

[Annex 2]

**Initiatives to Encourage EEA Film Makers
and Enhance the Standing of EEA Titles**

UIP's Distribution of EEA Films

- 1) UIP will employ or designate at all times an experienced film industry executive to be based in its worldwide headquarters in London who will have responsibility for identifying high quality commercially attractive films produced within the EEA (and elsewhere). This executive will, through discussion with third party producers, seek to identify and, if appropriate, reach agreement on terms to enable UIP to co-finance, acquire distribution rights to and distribute such films in one or more states of the European Economic Area. Any decision by UIP to enter into any such arrangements shall be subject to UIP's commercial judgment.
- 2) In order to make more widely known UIP's availability to distribute EEA-origin films, UIP will publish the same through announcements in the trade press not less than once a year. UIP will at the same time publish details of the procedures which EEA film makers can follow to facilitate their requests that UIP consider their proposed project.
- 3) On a targeted basis in order to enhance UIP's ability to distribute films of more limited commercial appeal, UIP currently intends to appoint in one or more EEA countries individuals who have the relevant film industry background and experience to enhance the potential of succeeding in such distribution. UIP shall commence or terminate such initiatives as deemed by UIP from time to time best designed to permit successful distribution of films of lesser commercial appeal.

Supporting EEA Film Makers and Films

- 4) UIP intends to provide financial support to selected EEA film schools or other training institutions to strengthen the skills and to enhance the professional development of young EEA film makers and script writers. Such support may also be directed to programs which provide training to technical and craft personnel in the EEA film industry.
- 5) UIP intends to provide funding to selected film festivals in the EEA, particularly those which showcase the talents of novice film makers.

- 6) UIP intends to sponsor and finance prizes or awards annually for promising young EEA directors or producers.
- 7) UIP intends to provide internship opportunities to aspiring young EEA film makers either in or at UIP's offices or that of one or more of its Partners or their affiliated entities. These internships, which will be carefully constructed to accommodate the intern's interest, will offer practical in-house training in the sales, marketing and/or production of films.
- 8) Having had regard for the various opportunities to support EEA films and film makers, it is envisioned that UIP and its Partners and affiliates would make investments to support the initiatives outlined in paragraphs 4, 5, 6 and 7 [*Deleted – business secret*]. A copy of the plan for the Internship Programme of UIP and the Partners outlined in paragraph 7 is attached.

INTERNSHIP PROGRAMME

UIP and the Partners intend to sponsor an internship programme to assist young European film professionals.

The objective of the internship programme is to enable European professionals to better understand the audiovisual market and to encourage them to develop projects with the worldwide market in mind. It is intended to be practical, "hands-on" training within the company provided by company executives and other employees.

The programme is intended to focus on the marketing and distribution of films but also to include other areas of the industry.

Eligibility

The programme is intended for professionals with some practical experience in film or television production, distribution, and/or marketing, but who are, generally speaking, at or near the start of their careers. Preferences will be given to candidates under 35 years of age.

Interns must be nationals of a country within the European Economic Area.

They must have a good working knowledge of English and be fluent in the language of the country in which they will serve their internship.

Programme details

The framework curriculum for European locations and for U.S. locations is attached. The programme is designed to be flexible and can be adapted to meet individual needs.

It is currently anticipated that there will be about 3 interns with UIP and 1 with each Partner (or its affiliated companies) annually. The duration of an internship will normally be from four to six weeks and it may begin at any time agreed mutually by UIP or the Partner, as the case may be, and the intern.

Internships will be offered in a variety of European locations. At the discretion of UIP and the Partners, there may also be a limited number of US locations.

At the conclusion of each internship, the intern will be asked to complete an evaluation of the programme, which will be used in planning for future years.

Finance

[Deleted – business secret]

Other formalities

It will be the candidates' own responsibility to ensure that they have secured in advance all necessary approvals from third parties, *e.g.*, unions, guilds, insurance companies, immigration authorities.

All successful candidates will be required to enter into agreement with UIP or the Partners as the case may be, which agreements shall include confidentiality clauses. In the event that any company becomes aware of any breach of such agreements, they shall have the right to withdraw from the programme with immediate effect.

Applications

Completed applications should be sent to the General Counsel's Office at UIP's office in Hammersmith, England.

An initial list of qualified candidates will be reviewed by UIP, following which a final selection will be made. UIP reserves the right to interview candidates if it wishes. UIP will then notify each candidate of the decision made on his/her application.

CURRICULUM I - EUROPEAN LOCATIONS

The following is designed to be merely a framework and there will be scope for variation in the curricula offered to each intern. Preferences expressed by the interns will be taken into account as far as possible, but the final programme will be determined by UIP or the Partners as the case may be. In practice, adjustments will inevitably be made in order to take advantage of opportunities that may arise at short notice.

The intent of UIP is to provide an opportunity for a practical experience which will complement existing European training programmes in the audiovisual industry.

Orientation

- ! general orientation at the local company office, during which the intern will be introduced to key management personnel
- ! overview of company's structure, profile and mode of operating in the marketplace

Marketing area

- ! attendance at internal marketing meetings
- ! study of how ad/pub campaigns are created fresh for European markets or adapted from US campaigns
- ! creative decision-making involved in selecting posters, trailers, etc.
- ! use of promotion to increase the public's awareness of films
- ! possible opportunities to attend meetings to plan junkets by talent, attend press conferences, etc.

Technical area

- ! observation of dubbing and subtitling processes and familiarization with issues relating to this area;
- ! possible visits to local dubbing and/or subtitling labs and print reproduction facilities
- ! physical aspects of distribution such as storage, control, shipment and security of prints

Sales/distribution area

- ! attendance at sales meetings
- ! basics of planning distribution strategy for motion pictures
- ! where appropriate, accompany personnel on visits to exhibitors
- ! possible visits to one or more of the local branch offices

Finance/administration area

- ! introduction to the MIS function
- ! computerized tracking of box office results in the territory
- ! local booking procedures and confirmations
- ! collection of receivables

Overview and synthesis

- ! an overview with local management of the interns' experiences and an attempt to integrate them into a coherent picture of a local distributor's role and activities

CURRICULUM II - U.S. LOCATIONS

The following is designed to be merely a framework and there will be scope for variation in the curricula offered to each intern. Preferences expressed by the interns will be taken into account as far as possible, but the final programme will be determined by each UIP Partner. In practice, adjustments will inevitably be made in order to take advantage of opportunities that may arise.

The intent of the UIP Partners is to provide an opportunity for a practical experience which will complement existing European training programmes in the audiovisual industry.

Orientation

- ! guided tour of the studio's facilities; orientation sessions and studio overview of economics of industry

Development

- ! attend meetings to discuss recently submitted literary properties
- ! screening of movies
- ! overview of how submissions are handled, first drafts, redrafts, synopsising

Pre-production

- ! how, when and why a project is approved for production; final analysis
- ! production scheduling
- ! putting a budget together, production/story board, day out of days, scheduling
- ! guild requirements, etc., staffing and crew deals

Production

- ! preparing production reports, call sheets, production summary reports
- ! role of Music executives; role of Licensing and Merchandising at this point
- ! production safety, stunts, high-risk activities and permits required
- ! set construction

Post-production

- ! scheduling, budgeting and other functions of post-production execs
- ! film editing and its procedures; sound editing, visual effects, special effects, ADR, on-line, new technologies; visit to laboratory

Preparing for distribution

- ! publicity and advertising - is there a difference?
- ! print media vs. electronic vs. TV media vs. billboards, etc.
- ! compare ad/pub campaigns for various films
- ! use of talent to publicise

Marketing and distribution

- ! overview of publicity and its relevance to marketing campaign
- ! marketing research and demographics, determining target audience
- ! how ad/pub people work with the press, domestic and international

Music

- ! catalogue licensing of owned music for motion pictures, trailers, etc.
- ! negotiating with composers, songwriters, record companies
- ! drafting relevant agreements

Licensing

- ! licensing value of a production, of rights and materials availability
- ! how to pitch to the right outside parties; negotiating and closing the deal
- ! product approval and marketing follow-up
- ! controlling infringements

Clips and stills licensing

- ! usage in films, television productions, commercials, CD-Roms, books, etc.
- ! negotiating agreements and pricing

Contract servicing

- ! sample the various contract forms in use in various media and territories
- ! technical operations, lives of different types of copies (print, tape, disc, etc.)

Legal: Business Affairs, Corporate, Entertainment and Litigation

- ! a short overview concentrating on the functions of each area

Annex

Arbitration and Conciliation Rules and Procedures

SCOPE AND OBJECTIVES

1 Objectives

1.1 The objectives of these rules and procedures are:

- 1.1.1 to provide a framework for fair and equitable dealing between UIP and exhibitors;
- 1.1.2 to provide a non-legalistic, cost-effective and commercially oriented means of avoiding and settling disputes regarding product allocation;
- 1.1.3 to reduce the likelihood of litigation between UIP and exhibitors.

2 Scope

- 2.1 UIP and exhibitor agree to endeavour in good faith to resolve disputes regarding product allocation through one of the dispute resolution mechanisms set out herein.

PRINCIPLES APPLYING TO THE SUPPLY OF PRINTS

3 The Overriding Principle

- 3.1 UIP and the exhibitor will deal with the other on a fair and equitable basis at arm's length having regard only to legitimate commercial objectives.

4 Supply of Prints

- 4.1 UIP will formulate its decisions as to whether an exhibitor will be offered supply of a print, on a picture-by-picture basis (without, for the avoidance of doubt, making or

seeking to make the supply of a print for one picture conditional on the exhibitor accepting a supply of a print for another picture), in first run, second run or at all, having regard to its distribution strategy in relation to the picture, the nature of the picture and its anticipated performance and having regard to the following factors:

- 4.1.1 primarily, the expected return from the exhibitor with respect to such supply, based (where available) on past box office returns from the exhibitor and any other relevant financial data and considerations;
 - 4.1.2 the overall business relationship including the existing supply arrangements between the exhibitor and the distributor;
 - 4.1.3 the geographical location of the exhibitor, and its proximity to competitive exhibitors;
 - 4.1.4 the general condition and facilities of the theatre, including the auditorium, front of house, projection and audio facilities;
 - 4.1.5 the extent of any marketing and promotional activities of the exhibitor which may be of benefit to the picture.
- 4.2 The exhibitor acknowledges that the formulation by UIP of a marketing strategy for each film is dependent upon the skill, experience, expert intuition and personal judgment of the individuals responsible for such decisions.

RESOLUTION OF DISPUTES BY ARBITRATION AND/OR CONCILIATION

5 Arbitration and/or conciliation

- 5.1 The purpose of this part of the rules is to set out the options available to an exhibitor to seek to resolve a dispute with UIP. At the exhibitor's discretion, it may choose:
- 5.1.1 conciliation;
 - 5.1.2 arbitration; or
 - 5.1.3 conciliation followed, if the dispute remains unresolved, by arbitration.

6 Conciliation

- 6.1 An exhibitor who intends to seek to resolve a dispute before a conciliator pursuant to paragraph 5.1.1 shall give written notice (registered letter or hand delivery) to UIP, stating the nature of the dispute to be resolved, the basis of its position and the relief requested.
- 6.2 Recognizing the importance of speed in determining disputes between distributors and exhibitors regarding product allocation, UIP will at all times endeavour to maintain a list of two or more senior independent lawyers with experience of conciliation and of the law prevailing in the country of the exhibitor. Such lawyers shall be expert conciliators (in some countries known as mediators) of recognized integrity and stature who will command respect from all sectors of the industry and who will not during the term of office hold any substantial interest in the film industry.
- 6.3 Where the exhibitor serves notice under paragraph 6.1, UIP shall contact the first lawyer on the list and that lawyer, provided he or she confirms his or her availability at that time, shall act as the conciliator. If that lawyer is then not available, UIP shall contact the second lawyer on the list who shall, subject to availability, act as the conciliator. UIP shall notify the exhibitor which lawyer is to act as the conciliator in the dispute in question within a maximum of seven days.
- 6.4 Both UIP and the exhibitor shall use their best endeavours to commence the conciliation procedure within fourteen days of the appointment of the conciliator.
- 6.5 The conciliator's role is to act in good faith as a neutral, impartial facilitator of constructive discussion between the parties on the causes of a dispute so as to assist the parties in reaching agreement on a mutually acceptable solution. The conciliator, at the time of appointment, shall be asked to attempt to procure agreement within a maximum period of twenty-eight days.
- 6.6 The disputants shall bear their own costs of the conciliation and unless otherwise agreed, shall pay in equal shares the conciliator's fee and out-of-pocket expenses and any other reasonable costs of and incidental to the conciliation (such as hearing room fees).
- 6.7 Subject to these rules, the conciliator shall determine his/her own procedures, and may require the parties to enter into an appropriate conciliation agreement.

7 Arbitration

- 7.1 An exhibitor who intends to seek to resolve a dispute before an arbitrator or arbitral tribunal pursuant to paragraph 5.1.2 or 5.1.3 shall give written notice (registered letter or hand delivery) to UIP, stating the nature of the dispute to be resolved, the basis of its position and the relief requested.
- 7.2 In such case, the proceeding shall be conducted by one arbitrator nominated jointly by the parties within seven days after receipt of the written notice. If the parties cannot agree upon the joint appointment, then within ten days after receipt of the written notice UIP and the exhibitor shall each appoint one arbitrator. The arbitrators appointed by UIP and the exhibitor shall appoint another arbitrator to be president of the arbitral tribunal within ten days after both have been nominated. If the arbitrators do not agree, the third arbitrator shall be appointed by the President of the Court of Appeals having jurisdiction in commercial matters in the capital of the exhibitor's country.
- 7.3 The law applicable to the substance of the case shall be the law of the country of the exhibitor.
- 7.4 The internal arbitration procedure shall follow the Rules of the Arbitral Court of the International Chamber of Commerce (ICC Rules). General procedural issues shall be regulated by the law of the country of the exhibitor.
- 7.5 The place of arbitration shall be the country of the exhibitor.
- 7.6 The arbitration shall be conducted in the language of the exhibitor.
- 7.7 Arbitrators are to be advised in writing by the party or parties appointing them of the urgency derived from the specific features of the cinema distribution and cinema exhibition industry. In order to permit an expedited decision to the extent permitted by national law:
- a) an application to the competent judicial authority for preservation or interim measures shall not be incompatible with those rules as to arbitration and shall not imply a renunciation of those rules;
 - b) if an arbitrator or an arbitral tribunal is able to make an award more quickly if it does not have, at the same time, to give reasons for its decision, then the arbitrator or arbitral tribunal may make the award without giving reasons

providing reasons are then given within a reasonable period thereafter;

- c) the arbitral award is to be made within a reasonable time after the date on which the arbitrators accepted office. The parties, in appointing the arbitrator or arbitral tribunal shall request the arbitrator or arbitral tribunal to use best endeavours to make an award within three months of being appointed.

- 7.8 The arbitrator or arbitral tribunal shall fix the on account payment which shall be made by either or both parties towards the costs of arbitration.
- 7.9 The arbitration award shall, in addition to dealing with the merits of the case, fix the costs of the arbitration and decide which of the parties shall bear the costs or in what proportions the costs shall be borne by the parties.

[Confidential contractual provisions implementing above undertakings deleted]