

COMPLETION GUARANTY

Film Finances, Inc.
9000 Sunset Boulevard, Suite 1400
Los Angeles, California 90069

As of [Date]

[Financier Name]

("Financier")

Re: "[Film Title]" (the "Film")

Gentlemen:

We have been informed by [Producer Name] (referred to herein as "Producer") that you have agreed to advance \$ [] (exclusive of Finance Charges) to Producer to pay for the production costs of the Film upon the terms and conditions of that certain agreement between yourselves and Producer (the "Financing Agreement"). The Producer has also informed us that as a condition to your advancing the funds, you have required the Producer to procure for you a guaranty of completion of the production and delivery of the Film. The Producer has applied to us to provide such guaranty, and we have agreed to do so subject to, and in consideration of, the payment to us of the fee hereinbelow referred to.

In consideration of the foregoing premises and of your lending the referenced funds to the Producer, we have agreed with you as follows:

1. Guaranty. Subject to the provisions of this agreement we:

(a) Guaranty the Completion and Delivery of the Film (as that term is defined in Schedule I attached hereto);

(b) Agree to procure or provide the Completion Funds, if any are needed, to Complete and Deliver the Film, as aforesaid, if the Producer shall fail to do so; and if Producer fails to Complete and Deliver the Film, we shall Complete and Deliver the Film as aforesaid; and

(c) If we fail to Complete and Deliver the Film as aforesaid, we shall make the payments specified in paragraph 7(a) hereof.

2. Definitions. The defined terms herein shall have the meaning set forth in Schedule II attached hereto.

3. Fee. Our obligations hereunder are conditioned upon the payment to us of our fee of \$ [REDACTED] in full (the "Fee"), which Fee shall be paid on the earlier of the commencement of principal photography or the execution of this agreement.

4. Production Controls: Pursuant to the Completion Agreement (the terms of which you need not be concerned) we shall have the right to Complete and Deliver the Film in accordance with this Completion Guaranty, or to procure the Completion and Delivery of the Film by any other person or company in accordance with the terms of the Completion Agreement.

5. Conditions of Guaranty: We shall be under no obligation hereunder:

(a) Until the Strike Price has been made available to the Producer or us in full, as and when required by the Producer or us, as provided in the Financing Agreement, whether or not an event of default has occurred thereunder. Notwithstanding anything to the contrary contained herein, you shall not be obligated to supervise or administer to the application of the Strike Price to be made by you to Producer or us as aforesaid, it being agreed that your obligation shall only be to advance such sums in accordance with the approved cash flow or pursuant to drawdown requests approved by us and in accordance with the terms of this Completion Guaranty. Guarantor reserves the right to change the approved cashflow during the course of production.

(b) To obtain any seal, certificate or rating of the Motion Picture Association of America, Inc. ("MPAA"), except as required to Complete and Deliver the Film;

(c) To deliver any materials other than the Delivery Materials prior to the Delivery Date or to deliver the Delivery Materials to any locations other than the locations, if any, designated in Schedule I attached hereto;

(d) For the quality of the Film or the Delivery Materials, other than the technical quality thereof necessary to Complete and Deliver the Film;

(e) In respect of any defect in the copyright of the Screenplay, the Underlying Literary Property, if any, or the Film, or in the rights acquired for the Film in the Screenplay or in the Underlying Literary Property, if any, or in the title of the Film, or in the music of the Film (except for the rights in such music that are acquired by us in the event we take over the production of the Film and then acquire rights in and to music which is used in the Film);

(f) With respect to any claim or liability arising out of any tort or any breach of contract committed by the Producer, except to the extent necessary to Complete and Deliver the Film;

(g) With respect to any of the Excluded Risks (as defined in Schedule II); and

(h) Any Over-Budget Costs arising as a result of currency fluctuations.

6. Excluded Costs: Notwithstanding any provisions of this Completion Guaranty to the contrary, the Guarantor shall not be obligated to provide funds for the payment of the following costs except to the extent such costs are (i) specified in the Budget, (ii) required to Complete and Deliver the Film, (iii) required to correct technical defects in the Film, or (iv) required to conform the Film to contractual specifications for which we are responsible under this Completion Guaranty;

(a) The cost of delivery items which are not Delivery Materials;

(b) The cost of legal, interest and finance fees and expenses, except as provided for in paragraph 7(a) hereof;

(c) Any distribution expenses, including costs incurred in meeting censorship or exhibitor requirements, or to make foreign language versions of the Film (dubbed, subtitled or otherwise) or any other versions except the original version in the language specified in the Screenplay; advertising and publicity costs, including costs incurred for previews;

(d) Any costs incurred to photograph, record or include in the Film "cover shots" for television or other purposes or other substitute or additional material; provided, however, that if "cover shots" are required to Complete and Deliver the Film, we will be obligated to deliver such "cover shots"; and,

(e) Any costs incurred after the Completion and Delivery of the Film or incurred in connection with recutting, reediting, retakes (other than retakes done by the director during the ordinary course of production in accordance with the Production Schedule) and changes.

7. Failure to Complete and Deliver the Film; Insurance:

(a) In the event that we fail to Complete and Deliver the Film, our liability hereunder shall be limited (except as otherwise provided herein) to (i) the payment to you of, and we shall pay to you upon demand, an amount equal to the Obligations (as defined in Schedule II) less so much thereof as may have been refunded to and retained by you by insurance or otherwise indefeasibly paid to you in connection with the Film, and (ii) the payment of any additional costs or expenses of the Film that we are required to pay pursuant to this Completion Guaranty. The payment referred to in paragraph 7(a)(i) hereof shall be made to you without reduction or set-off and notwithstanding any Completion Funds advanced by us to Producer or expended by us directly to Complete and Deliver the Film in accordance with the terms of this Completion Guaranty. Upon our payment to you provided in paragraph 7(a)(i) hereof, we shall be automatically subrogated to all of your rights, claims, causes of action and security interests in relation to the Film. You agree to execute such assignments and other instruments as we may reasonably require to evidence and effectuate such subrogation at our sole cost and expense.

(b) If any claim covered by production/indemnity insurance should arise in relation to the Film, the insurance recovery (unless paid to a third party, such as in relation to a personal injury or property damage claim) shall be paid and disbursed as provided as an Insurance Recovery specified in Schedule II attached hereto.

8. Rights of Financier: So long as you do not interfere with our ability to Complete and Deliver the Film pursuant to this Completion Guaranty, you may at all times, without prejudice to this Completion Guaranty and without discharging or in any way increasing our liability hereunder, make further advances to the Producer or grant to the Producer any time or indulgence, or deal with, exchange, release, modify or abstain from perfecting or enforcing any security interest or other guaranty or rights which you may have from or against the Producer or with any other person or Guarantor, provided that such action shall not materially prejudice our rights or obligations under this Completion Guaranty. In any event, you agree that, without our prior written consent, which consent shall not be unreasonably withheld, you will not

agree to any amendment to the Financing Agreement or any agreements ancillary thereto or take any other action (including interference with our access to the physical elements of the Film) which in any way materially prejudices our rights or obligations under this Completion Guaranty. If the Financing Agreement provides that you have the right to take over control of the production of the Film you acknowledge that such right is subject to our rights under this Completion Guaranty. You shall not be obligated to see to the application of the funds provided by you pursuant to the Financing Agreement. Guarantor shall inform Financier if Guarantor has elected to take-over production of the Film. If Financier notifies Guarantor that it does not want Guarantor to proceed with taking over production, then Guarantor will follow such instruction and shall immediately be released from any Obligations under this Completion Guaranty.

9. Subordination: We hereby subordinate any rights and claims which we may have against the Producer, and its principals and affiliates (whether by way of subrogation or otherwise) and any security interest which we may have in any collateral of the Film in which you have or may have a security interest pursuant to the Financing Agreement or other agreements furnished to us by yourselves, to the repayment to you of the Obligations in full and to all of your rights and security interests and claims under the Financing Agreement or otherwise in connection with the Film. We agree to take such actions and execute such documents as may be required to subordinate our security interest. If we exercise any right of foreclosure of our security interest in the film or any other collateral relating thereto, we will not do so in a way that would interfere with or impair any of your rights in the film under the financing agreement or otherwise.

10. Assignment: You shall have the right to assign the benefit of this Completion Guaranty, in whole or in part, to any third party who succeeds to your rights in the Film or the Financing Agreement and you hereby agree to promptly notify us in writing in the event of any such assignment. Any other assignment to any other person or company shall be null and void. We shall not have the right to assign this Completion Guaranty to any person without your prior written consent, and any such assignment effectuated without written consent shall be null and void.

11. Notices: Any notice given hereunder shall be conclusively deemed to have been received by the addressee and to be effective on the day on which it is personally delivered to such party at the address set forth below (or at such other address as such party shall specify to the other party in writing) or, if sent by registered or certified mail, on the fifth business day after

the date on which it is mailed, postage prepaid, addressed to such party at such address, or if sent by cable, telegram, telex or telecopier on the fifth business day after the day on which it is wired or telexed, charges prepaid or provided for, addressed to such party at such address:

(a) If to you, at the address specified above, with a copy to [Financier's Attorney and Address];

(b) If to us, at its offices at 9000 Sunset Boulevard, Suite 1400, Los Angeles, California 90069, with simultaneous copies to Ballantyne, McKean & Sullivan, Ltd., Latham House, 16 Minories, London EC3N 1AX, Attn: Roy Martin, Esq. and to Sedgwick, Detert, Moran & Arnold, One Embarcadero Center, Sixteenth Floor, San Francisco, California 94111, Attn: David Bordon, Esq.

12. Miscellaneous Provisions: This Completion Guaranty shall be deemed to have been executed in California, and shall in all respects be interpreted, enforced and governed by the laws of California because of its large body of law regarding entertainment industry transactions. The language of this Completion Guaranty shall be construed as a whole according to its fair meaning and not strictly for or against either of the parties. If any one or more of the provisions of this Completion Guaranty shall be held to be illegal or unenforceable in any respect, the legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. NO MODIFICATION OR WAIVER OF ANY PROVISION OF THIS COMPLETION GUARANTY OR WAIVER OF ANY DEFAULT HEREUNDER SHALL BE EFFECTIVE UNLESS IN WRITING AND SIGNED BY AN OFFICER OF BOTH YOU AND US (IN THE CASE OF A MODIFICATION) OR BY THE WAIVING PARTY (IN THE CASE OF A WAIVER) AND SUCH WRITING EXPRESSLY STATES THAT SUCH WRITING IS A MODIFICATION OR WAIVER (AS APPLICABLE) OF THIS COMPLETION GUARANTY.

13. Corporate Action: We warrant that we are not required to obtain any authorizations, approvals or consents from any governmental bodies or regulatory authorities for the execution and delivery by us of this Completion Guaranty and the performance thereof; provided, however, if any such authorizations, approvals or consents are hereafter required, Guarantor shall comply with such requirements. We further warrant that the execution, delivery and performance of all of the terms and provisions hereof have been duly authorized by proper corporate or other action under the laws of the State of California and that no consent of any third party to the execution, delivery and performance hereof is otherwise required.

14. Remedies: In the event of a dispute hereunder, the provisions for arbitration specified in Schedule III attached hereto shall apply. Each and all of the several rights and remedies provided for in this Completion Guaranty or at law or in equity shall be cumulative and no one of them shall be exclusive of any other right or remedy. The exercise of any one or more of such rights or remedies shall not be deemed to be a waiver of or an election not to exercise any other such right or remedy. The obligations of the Producer and us are several, not joint. You may proceed against us without having first instituted proceedings or made demand upon or against Producer. If action, suit or other proceeding is brought for the enforcement of this Completion Guaranty, to declare rights or obligations hereunder, or as a result of an alleged breach, default or misrepresentation by either party, the prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs, in addition to any other relief to which that party may be entitled.

15. Release: It is agreed that we shall be absolutely and unconditionally released from all our obligations under this Completion Guaranty on the date which is thirty (60) days after you receive written notice from us indicating that we believe the Film has been Completed and Delivered pursuant to our obligations hereunder, unless you have given us notice in writing that you do not consider that we have discharged our obligations in full, specifying the reasons for this, within such thirty (60) day period.

16. Amendments: Any amendments to this Completion Guaranty must be in writing, and if any such amendments are agreed to concurrently with the execution hereof, the same shall be those specified in Schedule IV attached hereto.

17. Counterparts: This Completion Guaranty may be signed in counterparts and each such counterpart shall constitute an original document and each such counterpart, taken together, shall constitute one and the same instrument.

18. Miscellaneous: The captions used herein are for convenience only and have no other significance. The term "we", "us" or "our" as used herein shall mean Guarantor and the term "you" or "your" as used herein shall mean Financier.

Please sign below to indicate your approval to the terms hereof, including the Schedules attached hereto, which are incorporated herein by reference.

Very truly yours,

Film Finances, Inc.

By: _____

Its: _____

Agreed:

[Financier Name]
("Financier")

By: _____

Its: _____

DRAFT

SCHEDULE I

COMPLETION AND DELIVERY OF FILM

1. The term "Completion and Delivery of the Film" or "Complete and Deliver the Film" as used in this Completion Guaranty shall mean all of the following:

(a) The production of the Film shall: (i) be based upon the Screenplay; (ii) be in the English language; (iii) qualify for an MPAA rating of not more than "R"; (iv) be 90 to 120 minutes in length, including main and end titles; (v) be shot in color in 35mm, with an aspect ratio suitable for first class theatrical exhibition; (vi) be of technical first class quality; (vii) be produced consistent with the approved budget; and (viii) be delivered by the Delivery Date. There are no "essential elements" in the Film.

(b) The delivery to Financier by the Delivery Date of a laboratory access letter for an answer print of Film.

(c) Guarantor shall have no obligations under the Financing Agreement or any Distribution Agreement and the Guarantor's only obligation shall be to deliver the Film in accordance with paragraphs 1(a) and (b) above.

2. The term "Delivery Date" shall mean [Date] subject to extension for a period of time not exceeding sixty (60) days caused by any event(s) of Force Majeure (as such term is defined hereinbelow) plus the duration of inspection and cure periods.

3. The term "Force Majeure" shall refer to any production exigency, including, but not limited to, prevention or interruption of the production of the Film because of a fire, earthquake, flood, epidemic, accident, explosion, casualty, strike or labor stoppage or threat thereof, lockout, riot, civil disturbance, act of a public enemy, embargo, war, terrorist act, act of God, or death, disability or incapacity of a principal cast member or the director or the director of photography of the Film, by any municipal, state or federal ordinance or law, by any legally constituted authority, whether municipal, state or federal, or by the issuance of any executive or judicial order.

4. The term "Production Bank Account" shall mean account # [Account Number] located at [Bank Name and Address] in the name of the Producer, where all advances by Financier shall be made unless otherwise agreed to in writing by Guarantor.

You hereby acknowledge that if you receive written notice from us that we are entitled to assume control of the production funds of the Film, you will provide your consent that the only authorized signatories on the Production Bank Account be a signatory or signatories designated by us.

In the event you exercise any rights of offset against the Production Bank Account, whether arising out of a security interest or otherwise, our obligations under paragraph 7(a) of the Principal Agreement of this Completion Guaranty shall not be modified or altered as a result thereof, and you shall still be responsible (as far as we are concerned) to advance the Strike Price (as hereinafter defined) in full.

5. The term "Strike Price" shall mean the aggregate sum of \$ [THIS WILL BE THE TOTAL BUDGET OF THE FILM] which sum includes the Fee. The Strike Price must be funded in its entirety into the Production Bank Account.

SCHEDULE II

Definitions:

Budget: The final budget of the Film dated [Date] which has been approved in writing by the Producer, the Guarantor and, if required, the Distributor(s) and Financier.

Budget Costs: The projected production costs of the Film as set forth in the Budget.

Budget Funds: The moneys needed to pay the Budget Costs.

Complete and Deliver the Film: The term "Complete and Deliver the Film" shall have the meaning specified in Schedule I.

Completion Agreement: The agreement between the Producer and the Guarantor.

Completion and Delivery of the Film: The term "Completion and Delivery of the Film" shall have the meaning specified in Schedule I.

Completion Funds: The moneys needed to pay Over-Budget Costs, if any.

Completion Guaranty: This agreement consisting of the Principal Agreement and the attached Schedules.

Delivery Date: The term "Delivery Date" shall have the meaning specified in Schedule I.

Delivery Materials: The term "Delivery Materials" shall have the meaning specified in Schedule I.

Distribution Agreement(s): The term "Distribution Agreement(s)" shall have the meaning specified in Schedule I.

Distributor(s): The term "Distributor(s)" shall have the meaning specified in Schedule I.

Excluded Costs: Those costs of the Film which are not Guarantor's responsibility under paragraph 6 of the Principal Agreement.

Excluded Risks: The term "Excluded Risks" shall mean any loss based upon, arising out of, directly or indirectly resulting from or in consequence of or in any way involving:

- 1) loss or destruction of or damage to any property whatsoever or any loss or expense whatsoever resulting or arising therefrom or any consequential loss and any legal liability of whatsoever nature directly or indirectly caused by or resulting or arising from a) ionizing radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel, b) the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear assembly or nuclear component thereof, or (c) any actual or alleged seepage, pollution or contamination of any kind.
- 2) insolvency and/or financial default of the Financier.
- 3) war, whether declared or not, civil war or insurrection and terrorism; being any act of any person or group of people, involving the use of or threat of force or violence where the purpose of the act by its nature or context is to further a political, religious, or ideological aim and/or to intimidate or influence a government (whether lawfully constituted or otherwise), the public or any section of the public.
- 4) the failure to obtain or maintain various insurance for the Film required by Guarantor including but not limited to Producers' Indemnity Insurance, (i.e., cast insurance, negative insurance, props, sets, wardrobe and miscellaneous equipment insurance) or with respect to any loss actually paid or reimbursed under any such insurance policies.

Fee: The term "Fee" shall have the meaning specified in paragraph 3 of the Principal Agreement.

Film: The motion picture designated as the Film in the Principal Agreement.

Financier: The guaranteed party under this Completion Guaranty which shall be [Financier Name].

Financing Agreement: The agreement referred to in the first grammatical paragraph of the Principal Agreement.

Guarantor: Film Finances, Inc.

Including: Means including but not limited to.

Insurance Recovery: All insurance recoveries in relation to the production of the Film shall be paid as follows: (i) if paid prior to Guarantor's having advanced any funds, or prior to Guarantor's having taken over production of the Film, they shall be deposited in the Production Bank Account and they shall be made available to pay production costs of the Film before Guarantor is called upon to provide funds toward the completion of the Film ("Completion Sums"); (ii) if paid after Guarantor has advanced any Completion Sums or after Guarantor has taken over production of the Film, they shall be paid to Guarantor, and shall be used to reimburse Guarantor for any Completion Sums advanced by Guarantor and thereafter to pay production costs of the Film before Guarantor is required to advance additional (or any) Completion Sums; (iii) any surplus remaining after such receipts have been applied pursuant to the foregoing shall be paid to Producer or Financier as their respective interest may appear. Notwithstanding the foregoing, if an insured event occurs which results in Guarantor's election to abandon production of the Film, the insurance recovery shall be paid first to Financier until Financier has been fully repaid all Obligations pursuant to the Financing Agreement, and thereafter to Guarantor until Guarantor's has recovered an amount equal to any Completion Sums advanced by Guarantor. Any surplus shall be paid to Producer or Distributor as their interests may appear.

MPAA: Motion Picture Association of America, Inc.

Non-Budget Costs: Costs which the Guarantor is not obligated to fund pursuant to the Principal Agreement, including the Excluded Costs.

Obligations: The term "Obligations" shall mean (i) all sums advanced by Financier under the Financing Agreement, including, without limitation, the principal amount of all advances made by Financier under the Financing Agreement toward the Strike Price of the Film; and (ii) any interest or other costs and expenses payable on such amount to Financier pursuant to the Financing Agreement.

Over-Budget Costs: Those costs of Completing and Delivering the Film which are in excess of the Strike Price.

Principal Agreement: The agreement (to which this Schedule is annexed) between the Financier and the Guarantor whereby the Guarantor undertakes this Completion Guaranty.

Producer: The company designated in the Principal Agreement as the Producer which shall be [Producer Name].

Production Bank Account: The term "Production Bank Account" shall have the meaning set forth in Schedule I.

Production Schedule: The final production schedule of the Film (including the pre-production, production and post-production schedules) dated [Date], which has been approved in writing by the Producer, the Guarantor and, if required, the Distributor(s) and the Financier.

Screenplay: The final screenplay on which the Film is to be based, dated as of [Date], written by [Writer(s) Name] which has been approved in writing by the Producer, the Guarantor and, if required, the Distributor(s) and the Financier.

Secured Sums: All moneys, if any, expended by the Guarantor in relation to the production and delivery of the Film, pursuant to the Completion Agreement or pursuant to this Completion Guaranty, including Completion Funds and, if Completion Funds have been advanced, all out-of-pocket costs, expenses, losses and liabilities reasonably paid to third parties (other than lawyers) by the Guarantor directly in relation to or arising out of the performance of the Completion Agreement or this Completion Guaranty, less any refunds received and retained by the Guarantor from insurance or otherwise; provided, however, that Secured Sums shall not include any costs or expenses incurred by the Guarantor in monitoring the production of the Film prior to such time, if ever, that the Guarantor takes over control of the production of the Film, or (irrespective of whether Guarantor has taken over control of the production of the Film) any costs, salaries or expenses attributable to the Guarantor's general overhead (including any costs or expenses incurred by the Guarantor in connection with the preparation and negotiation of this Completion Guaranty and all agreements ancillary thereto).

Underlying Literary Property. The underlying literary material, if any, upon which the Screenplay is based.

SCHEDULE III

NOTICE CURE AND ARBITRATION AGREEMENT

1. With respect to any dispute relating to the Completion and Delivery of the Film the following provisions will apply:

(a) The Guarantor or Producer shall, on or before the Delivery Date, notify the Financier in writing that delivery of all Delivery Materials has taken place (the "Delivery Notice"). Financier shall have thirty (30) business days after receipt of the Delivery Notice within which to verify that Completion and Delivery of the Film ("Delivery") has been effected and to notify Producer and Guarantor in writing that:

(i) Delivery of the Film has been effected (an "Acceptance Notice"); or

(ii) Delivery of the Film has not been effected (an "Objection Notice"), which notice shall specify (with particularity and in detail) the purported defects in Delivery of the Film, and all items that must be corrected, delivered or otherwise modified in order to complete delivery of same; provided, however, that if within three (3) business days after receiving the Objection Notice, Producer or Guarantor request additional information which they believe in good faith is necessary in order to determine whether Delivery has been effected notwithstanding such Objection Notice, or how any defect in Delivery can be cured, then Financier shall have five (5) business days after its receipt of such request to respond in good faith thereto (the "Response").

If Financier fails to give either an Acceptance Notice or an Objection Notice, as applicable, within the time periods set forth above, or if, after giving an Objection Notice, Financier fails to give the Response, and, if within five (5) business days after Financier's receipt of a reminder notice from the Producer or Guarantor that Financier has failed to give an Acceptance Notice or an Objection Notice or Response, then Financier shall be deemed to have given an Acceptance Notice for all purposes hereunder.

(b) If Financier gives an Objection Notice and is not thereafter deemed to have given an Acceptance Notice, then Guarantor and Producer shall have the following alternatives:

(i) Effect Delivery in accordance with the specifications of the Objection Notice and (if

applicable) the Response, but in no event later than thirty (30) days in the aggregate after receiving the Objection Notice or Response and return of the applicable materials within which to cure such technical defects ("Cure Period"), and give such party notice thereof ("Cure Notice"); or,

- (ii) Give Financier written notice ("Arbitration Notice") within three (3) business days after receiving the Objection Notice or Response, whichever is later to occur, that Delivery has been effected notwithstanding the Objection Notice and that Guarantor has elected to submit the issue of whether Delivery has been effected for expedited arbitration in accordance with paragraph 3(a) hereof; provided that if there are any items referred to in the Objection Notice which the Guarantor elects to correct, deliver or modify to enable Guarantor to serve a Cure Notice, the time allowed for serving an Arbitration Notice in respect of any items which the Guarantor does not so intend to correct, deliver or modify shall be extended so that it is co-terminous with the period allowed for delivery following the service of the Cure Notice.

2. Financier, Producer and Guarantor hereby agree that in the event any dispute arises between any of the parties hereto as to whether or not Delivery has been effected such dispute will be submitted to binding arbitration as hereinafter provided.

3. If a Cure Notice is given as aforesaid, then Financier shall have ten (10) business days from and after its receipt of the cured Delivery Materials within which to verify that Delivery has been effected in accordance with the specifications of the Objection Notice and (if applicable) the Response and to notify Guarantor and Producer that either:

(i) Delivery has been effected as aforesaid (and such notice shall constitute an Acceptance Notice for all purposes hereunder); or,

(ii) Delivery has not been effected (a "Second Objection Notice"), which notice shall specify (with particularity and in detail) the purported defects in the re-tender Delivery of the Film, and all re-tender items that must be corrected, delivered or otherwise modified in order

to complete delivery of same (for the avoidance of doubt, those Delivery Materials, if any, that are not specified in the Second Objection Notice as requiring delivery, correction or other modification in order to complete Delivery of the Film shall be deemed to be either waived or accepted, as applicable, by Financier); provided, however, that if within three (3) business days after receiving the Second Objection Notice, Producer or Guarantor request additional information which they believe in good faith is necessary in order to determine whether Delivery has been effected notwithstanding such Second Objection Notice, or how any defect in Delivery can be cured, then Financier shall have five (5) business days after its receipt of such request to respond in good faith thereto (the "Second Response").

If Financier fails to give either an Acceptance Notice or an Second Objection Notice, as applicable, within the time periods set forth above, or if, after giving a Second Objection Notice, Financier fails to give the Second Response, and, if within three (3) business days after Financier's receipt of a reminder notice from the Producer or Guarantor that Financier has failed to give an Acceptance Notice or a Second Objection Notice or Second Response, then Financier shall be deemed to have given an Acceptance Notice for all purposes hereunder.

4. If Financier gives a Second Objection Notice and is not thereafter deemed to have given an Acceptance Notice, then Guarantor and Producer shall have the following alternatives:

- (i) Effect Delivery in accordance with the specifications of the Second Objection Notice and (if applicable) the Second Response, but in no event later than fifteen (15) business days in the aggregate after receiving the Second Objection Notice or Second Response and return of the applicable materials within which to cure such technical defects ("Second Cure Period"), if applicable, and give Financier notice thereof ("Second Cure Notice"); or,
- (ii) Give Financier written notice ("Arbitration Notice") within three (3) business days after receiving the Second Objection Notice or Second

Response, whichever is later to occur, that Delivery has been effected notwithstanding the Second Objection Notice and that Guarantor has elected to submit the issue of whether Delivery has been effected for expedited arbitration in accordance with paragraph 3(a) hereof; provided that if there are any items referred to in the Second Objection Notice which the Guarantor elects to correct, deliver or modify to enable Guarantor to serve a Second Cure Notice, the time allowed for serving an Arbitration Notice in respect of any items which the Guarantor does not so intend to correct, deliver or modify shall be extended so that it is co-terminous with the period allowed for delivery following the service of the Second Cure Notice.

5. If a Second Cure Notice is given as aforesaid, then Financier shall have five (5) business days from and after its receipt of the re-tender Delivery Materials within which to verify that Delivery has been effected only in accordance with the specifications of the Second Objection Notice and (if applicable) the Second Response and to notify Guarantor and Producer that either:

- (i) Delivery has been effected as aforesaid (and such notice shall constitute an Acceptance Notice for all purposes hereunder); or,
- (ii) Delivery has not been effected and Financier has elected to submit the issue of whether Delivery has been effected (and such issue only) for expedited arbitration in accordance with paragraph 3(a) below ("Arbitration Notice").

If Financier fails to give either an Acceptance Notice or an Arbitration Notice, as applicable, within the time periods set forth above, and, if, within five (5) business days after Financier's receipt of a reminder notice from the Producer or Guarantor that Financier has failed to give an Acceptance Notice, or an Arbitration Notice, then Financier shall be deemed to have given an Acceptance Notice for all purposes hereunder.

- (a) In the event Financier or Guarantor elects to submit the issue of whether Delivery has been effected to arbitration pursuant to this agreement, the following shall apply:

(i) the arbitration shall be submitted to one arbitrator who shall be selected as follows:

(A) Upon receipt of notice ("Arbitration Notice") from Guarantor or Financier ("First Party") that it has elected to submit such dispute to arbitration, the party ("Second Party") receiving notice and the party serving notice shall each appoint within five (5) business days after the Arbitration Notice is given, one neutral arbitrator (by written notice to the other party) with knowledge and experience in the United States motion picture industry and the technical delivery issues relating to motion pictures, and said arbitrators so selected shall then appoint the sole neutral arbitrator within five (5) business days and shall give written notice thereof to both parties within two (2) business days of such appointment; provided, however, that if either Financier or Guarantor shall fail to appoint its respective arbitrator within five (5) business days after receipt of the Arbitration Notice, then the arbitrator appointed by the other party shall have full authority to act as the sole arbitrator of such arbitration; In the event the two arbitrators can not agree on the selection of the neutral arbitrator, then the arbitrator shall be selected pursuant to the rules of the American Arbitration Association then in effect.

(ii) The arbitration shall commence at a location in Los Angeles County. Such location to be chosen by the aforementioned arbitrators, within twenty (20) business days after the selection of the arbitrator ("Arbitrator"), and such arbitration shall continue on each consecutive business day therefrom until fully concluded, unless continued by the Arbitrator for good cause shown. Except as expressly provided for herein, such arbitration shall be conducted in accordance with the commercial rules and procedures of the American Arbitration Association then in effect but in no event shall such arbitration continue for more than twenty (20) business days from the commencement thereof;

- (iii) There shall be made available to the Arbitrator all relevant documents and the delivery materials. The parties shall participate in an exchange of information before the hearing. The parties acknowledge and agree that each party shall be entitled to reasonable discovery for the purposes of any such arbitration, including (without limitation) document production and the taking of depositions. The party desiring such discovery may apply to the Arbitrator at the outset of the arbitration for particular discovery requests. The parties will make themselves and all documents as may be required available so as to enable full and complete discovery in a timely fashion. The Arbitrator may deny only such discovery as is unreasonable or is intended unduly to delay the prompt conclusion of the arbitration or is unduly burdensome.
- (iv) The Arbitrator must determine whether Delivery has been effected or has not been effected, and shall promptly notify the parties in writing of the finding made.
- (v) The Arbitrator's award shall be determined by majority vote of the chosen arbitrators.
- (vi) The determination by the Arbitrator of whether Delivery has been effected or not shall be res judicata as among the parties thereto in any subsequent proceeding.
- (vii) The Arbitrator's award shall provide for payment by the losing party or parties of the Arbitrator's and any court reporter's fees, as well as the reasonable attorneys' fees incurred by the prevailing party in the arbitration.

SCHEDULE IV

The following provisions shall amend the Completion Guaranty to which this Schedule IV is appended:

1. With respect to each element of the Film which Financier has the right to approve under the Distribution Agreement, Financier agrees to exercise such approval rights reasonably and in good faith and in a manner taking into account the allocation of funds in the Budget for such element and the Production Schedule for the Film. In the event that it becomes necessary to replace any person after such person has been approved by Financier for any reason (including, without limitation, default or disability), Producer or Guarantor shall have the right to substitute or replace such person, subject to Financier's approval of such replacement or substitution ("Replacement"). In this regard, Financier agrees that it shall approve or disapprove of any proposed Replacement as soon as reasonably possible, but not later than three (3) business days following receipt of written notification regarding the proposed Replacement and Financier's failure to act within such period shall be deemed to be acceptance by Financier of Producer's or Guarantor's suggested Replacement. Notwithstanding the foregoing, if Financier has timely disapproved any such Replacement, then Financier, within three (3) days following written notification of such disapproval, shall have the obligation to designate such Replacement in writing, provided that any Replacement designated must be willing to be engaged consistent with the original allocation of funds in the Budget for such position, item or element, and provided further that such designated Replacement is available consistent with the requirements of the approved production schedule and does not have a history of causing substantial cost overruns. In the event Financier fails to designate the Replacement in writing within the above three (3) business day period, Guarantor shall thereafter have the sole right to designate any such Replacement. In the event that any person is replaced as aforesaid, the Distribution Agreement shall be deemed to be automatically amended to incorporate the new person.

2. In the event and to the extent we advance any Secured Sums, Financier hereby agrees to pay to us all those gross receipts of the Film, less distribution and sales fees and expenses, up to the amount of the Secured Sums, if any, which shall become payable to you after Financier's recoupment of the Budget Funds and Financier's fees and expenses as set forth in the Financing Agreement (the "Assigned Receipts"). You hereby agree to make payment of the Assigned Receipts directly to us at our offices at

9000 Sunset Boulevard, Suite 1400, Los Angeles, California 90069, Attention: Mr. Steve Ransohoff, without offsets, counterclaims, or defenses. You shall not grant any rights or security interest inconsistent with your agreement to pay us the Assigned Receipts hereunder.

3. If Guarantor abandons the Film and makes full payment of the Obligations to the Financier as provided herein, or if Guarantor fails to Complete and Deliver the Film to Financier and thereafter makes full payment of the Obligations to the Financier as provided herein, all copyrights and all other rights Financier has in the Film shall be automatically assigned to Guarantor and all of Financier's right, title and interest in the Film shall be terminated. Financier agrees to enter into a first-priority security agreement evidencing Guarantor's interest in the Film. Any sale, transfer, hypothecation, mortgage or other conveyance of the copyright of the Film, or any other interest Financier may have in the Film, shall be subject to the security interest in favor of Guarantor provided for hereunder.

Except as amended hereby, the completion Guaranty is ratified and is in full force and effect.