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MOTION PICTURE LEASE AGREEMENT (CSI/SMI)

TABLE OF CONTENTS

1.	<u>Definitions</u>	3
2.	<u>Film Lease</u>	4
3.	<u>Consideration</u>	4
4.	<u>SMI's Responsibilities</u>	5
5.	<u>Term and Termination</u>	5
6.	<u>Title</u>	6
7.	<u>Damage to Films</u>	7
8.	<u>Standard and Ethical Exhibition of the Films</u>	8
9.	<u>Quality Control and Inspections</u>	10
10.	<u>Indemnification</u>	10
11.	<u>Protection and Enforcement of Rights</u>	11
12.	<u>Governing Law</u>	12
13.	<u>Notice</u>	12
14.	<u>Arbitration</u>	12
15.	<u>New Films</u>	13
16.	<u>Facsimile Transmissions</u>	14
17.	<u>Agreement Personal To SMI</u>	14
18.	<u>Headings</u>	14

MOTION PICTURE LEASE AGREEMENT (CSI/SMI)

THIS MOTION PICTURE LEASE AGREEMENT (CSI/SMI) ("Agreement") is made as of the 1st day of July, 1991, by and between CHURCH OF SCIENTOLOGY INTERNATIONAL, a California non-profit religious corporation, whose address is 6331 Hollywood Boulevard, Hollywood, California 90028 ("CSI"), and SCIENTOLOGY MISSIONS INTERNATIONAL, a California non-profit religious corporation, whose address is 6331 Hollywood Boulevard, Suite 800, Hollywood, California 90028 ("SMI"), with reference to the following:

A. L. Ron Hubbard was the founder of the religion of Scientology, which is based on a body of truths, and the technology for applying such truths, that was discovered, described, and refined by L. Ron Hubbard through many years of research and study, and is contained in the writings and recorded spoken words of L. Ron Hubbard relating to Dianetics spiritual healing technology and Scientology applied religious philosophy. Such writings and recorded spoken words of L. Ron Hubbard are hereinafter referred to as the "Scriptures".

B. L. Ron Hubbard was the owner of a body of motion pictures, identified in Exhibit "A" hereto, that incorporate and embody a portion of the Scriptures ("Films"). The Films identified in Exhibit "A" as Public Films are used to disseminate the religion, to explain it in a fashion which is easily understandable

to the common man, with the ultimate goal of attracting his interest and participation in the religion of Scientology.

C. CSI has secured a license from the L. Ron Hubbard Library to reproduce and disseminate the Films throughout the world, to oversee their standard and ethical use and to protect all rights in the Films, including copyright rights. In accordance with such license, CSI is now prepared to lease copies of the Films to SMI so that SMI may make them available to qualified Scientology missions under the terms of this Agreement.

D. Concurrently herewith, SMI is entering into an agreement with the L. Ron Hubbard Library whereby SMI obtains the right to exhibit the Films and to authorize qualified Scientology missions to exhibit the Films, copies of which will be made available in accordance with the terms of this Agreement.

E. A fundamental tenet of the religion of Scientology is that all of the Scriptures, including the Films, must be used and exhibited in a standard and ethical manner, and in strict accordance with requirements set forth in the Scriptures. Moreover, L. Ron Hubbard, CSI and SMI have learned through years of experience that the Films are a powerful and effective tool for disseminating and teaching the religion of Scientology. For these reasons, the parties acknowledge that it is imperative that the Films be used and exhibited in a standard and ethical manner, and that the Films must not be altered in any way.

F. It is the purpose of this Agreement to further the practice and dissemination of the religion of Scientology by

authorizing the standard and ethical use of the Films throughout the world, and to enable SMI to permit missions of Scientology, in good standing under the Scriptures, to use and exhibit the Films in strict accordance therewith.

NOW, THEREFORE, in consideration of the foregoing Recitals, which are incorporated herein by this reference, and of the mutual covenants and conditions contained herein, the parties agree as follows:

1. Definitions.

(a) "Equipment" shall mean all projectors, speakers, screens, videotape player, and other devises used by a Qualified Scientology Mission to exhibit, perform, or display the Films.

(b) "Film" and "Films" shall mean one or more of the motion pictures identified in Exhibit "A", and associated soundtracks, including copies, prints, stills, leaders, and packaging, and any newly released motion pictures, together with copies, prints, stills, leaders and packaging thereof, as may be added to this Agreement from time to time by the parties.

(c) "Format" shall mean the medium in which the Films are reproduced, including, but not limited to, eight millimeter cassettes, sixteen millimeter reels, thirty-five millimeter reels, videotape cassettes, video laser discs, and any other medium approved by CSI, whether now known or later developed, on, or from which, the Films may be stored, recorded, perceived,

reproduced, or otherwise communicated visually, either directly or with the aid of a machine or device.

(d) "Qualified Scientology Mission" and "Qualified Scientology Missions" shall mean missions in good standing under the Scriptures and with SMI.

(e) "Manual" shall mean a document issued or approved by CSI describing the manner in which Equipment must be operated and maintained.

(f) "Operator" shall mean a person designated by the Qualified Scientology Mission to operate the Equipment.

(g) "Standard" shall mean the exact level or degree of quality that is proper and adequate for a specific purpose. It is achieved by exact adherence to the Scriptures in an orthodox manner.

2. Film Lease. CSI hereby leases to SMI and SMI hereby hires from CSI physical copies of the Films. The Films shall be used only in accordance with the terms and conditions of this Agreement. SMI may use the Films in accordance with this Agreement or it may authorize Qualified Scientology Missions to exhibit, perform and display ("Exhibit") the Films only on the physical premises of the Qualified Scientology Mission; to Exhibit at other locations film trailers or other advertisements for the Films supplied by SMI; and to promote and publicize the Films.

3. Consideration. CSI shall provide physical copies of the Films in the requested Format to SMI or at SMI's direction, CSI shall furnish such copies of the Films directly to a Qualified

Scientology Mission. SMI shall pay the one time lease rental fee and replacement or extra copy charge specified on Exhibit "B" attached hereto. CSI may, from time to time, by written notice, change the lease rental fee. In such event the new fee will be inserted on Exhibit "B" and the parties will acknowledge the change by signing Exhibit "B". Fees and charges required hereunder shall be due upon ordering copies of the Film.

4. SMI's Responsibilities. SMI acknowledges and agrees that, in accepting the grant of authority described hereinabove, it is undertaking an important responsibility in furtherance of the expansion of the religion and that it is of the essence of this Agreement that SMI shall use its best efforts, due diligence and the highest standards of ethical conduct in fulfilling this responsibility. Most important, SMI agrees to execute the terms of this Agreement in strict conformity with the policies, doctrines and precepts set forth in the Scriptures. Moreover, SMI agrees to use the Films and to cause the Films to be used in accordance with policies and guidelines promulgated by CSI from time to time.

5. Term and Termination.

(a) The term of this Agreement shall be perpetual, subject to termination as hereinafter provided.

(b) CSI retains the right to terminate this Agreement at any time that:

(1) CSI's rights in the Films are terminated;

or

(2) SMI is no longer in good standing under the Scriptures.

(c) CSI may also terminate this Agreement at any time that CSI determines in its sole and absolute discretion that any use of the Films by SMI or a Qualified Scientology Mission is not standard and ethical.

(d) This Agreement shall automatically terminate upon termination of that certain Agreement with the L. Ron Hubbard Library entitled Motion Picture Exhibition Agreement (SMI).

(e) On termination of this Agreement for any reason, SMI shall immediately cease all use of the Films, shall promptly account to CSI for each physical copy of the Films, and shall transfer all such copies within SMI's possession, custody, or control, to CSI, CSI's successor, or to the representative of CSI or CSI's successor.

6. Title.

(a) SMI acknowledges that all copyright rights covering the Films are retained and owned exclusively by the L. Ron Hubbard Library and CSI. SMI further acknowledges that this Agreement does not permit SMI, any Qualified Scientology Mission, or anyone else to copy the Films, to distribute the Films for sale, to exhibit the Films on free or pay television, to create derivative works from the Films, or to modify the Films in any way, without the prior written consent of CSI or the L. Ron Hubbard Library.

(b) SMI agrees to require all Qualified Scientology Missions that are permitted to Exhibit the Films to maintain the copyright notice on all physical copies of the Films within their possession, custody or control.

7. Damage to Films.

(a) CSI, at its own expense, shall repair or replace any Film that is delivered in a damaged condition (except for shipping damage) and that is reshipped by SMI to CSI, shipping charges prepaid, within seven (7) days after the receipt by SMI or a Qualified Scientology Mission of the damaged Film.

(b) SMI shall make every reasonable effort to protect the Films from loss, theft, destruction, and damage. SMI assumes and bears all risk of, and agrees to pay to CSI, all damages, costs, and expenses resulting from loss, theft, destruction, or damage to the Films, including such damages, costs, and expenses incurred during or in connection with reshipment of a damaged Film by SMI to CSI. SMI shall provide CSI with a declaration or certificate evidencing and describing any loss, theft, or destruction of any Films.

(c) In the case of damaged or destroyed copies of Films, SMI's liability for damages, costs, and expenses under this paragraph shall be limited to CSI's actual cost to replace or repair the copy or copies of any such Film, as CSI determines in its sole and absolute discretion.

(d) The parties agree that it would be impractical or extremely difficult to fix actual damages, because the loss or

theft of Films presents a special risk of unauthorized copying, exhibition, and other nonstandard use of the Films, to the religious detriment and monetary injury of CSI. Therefore, the parties agree that SMI shall pay CSI as liquidated damages, not as a penalty, an amount equal to five (5) times the actual cost to CSI of replacing each Film that has been lost or stolen, or for which SMI cannot account.

8. Standard and Ethical Exhibition of the Films.

(a) SMI and/or a Qualified Scientology Mission shall Exhibit the Films:

(1) to any parishioners or prospective parishioners;

(2) in accordance with the Scriptures.

(b) All Films shall be Exhibited only on proper Equipment, which has been authorized by CSI, in suitable quarters (i.e., quarters that are clean and orderly, which are adequate for the size of the audience, and which are free of distractions such as light sources, improper ventilation, heating or cooling, and walk-through traffic).

(c) SMI and/or the Qualified Scientology Missions shall maintain the Equipment and facilities for the exhibition of the Films in a condition acceptable to CSI in its sole and absolute discretion, including maintaining Equipment in a fully operational state at all times. SMI agrees that its misuse of the Films, including the use of Equipment or facilities not acceptable to CSI, shall subject SMI and/or the Qualified Scientology Mission to

penalties as may be determined through arbitration pursuant to this Agreement, and that in the event of repeated or flagrant violations, CSI may in its sole and absolute discretion terminate all of SMI's rights under this Agreement.

(d) All Operators shall have read all Manuals and must be star-rated, i.e., the Operators' proficiency in operating the Equipment will have been tested by another Operator and graded 100%, all to the end that errors do not occur in the operation of Equipment utilizing the Films.

(e) SMI shall not authorize, cause, or permit any copying, duplication, alteration, or modification of all or any part of any Film without the prior written consent of CSI, which may be withheld by CSI in its sole and absolute discretion. SMI acknowledges that any unapproved copying, duplication, alteration, or modifications may subject SMI and its officers and agents to criminal prosecution to the extent permitted by law.

(f) At least once each year, or more frequently if requested by CSI, SMI shall return all physical copies of the Films to CSI for maintenance and repair, and SMI shall pay all related shipping and insurance costs. If CSI determines that the usage of any Film has exceeded the useful life of such Film and its replacement is deemed necessary by CSI to maintain the quality of presentation, SMI shall pay all replacement costs.

(g) SMI shall provide a proper exhibition room for individuals to view the Films. The exhibition room shall comply with guidelines published by CSI from time to time.

9. Quality Control and Inspections. To assure the standard and ethical use of the Films, CSI shall have the right to control the quality of the Films, Equipment, Operators, facilities, location, and exhibition of or relating to the Films, and may enter SMI's premises, or the premises of a Qualified Scientology Mission, at any time to review the Mission's compliance with this Agreement.

10. Indemnification. SMI acknowledges the full responsibility of SMI, and the Qualified Scientology Missions permitted to exhibit the Films, for the standard and orthodox use and delivery of the Films according to the Scriptures, and agrees that it will make no claim that CSI, the L. Ron Hubbard Library or any other person or entity controls or is responsible for the use and delivery of the Films. Accordingly, SMI hereby indemnifies, defends, and waives any claim against the L. Ron Hubbard Library, CSI or their respective trustees, directors, agents, employees, representatives, successors or assigns, and agrees to hold each of them harmless from and against all claims, costs, damages, causes of action and liabilities of any kind whatsoever, that arise from or relate to the exhibition, use or misuse of the Films by SMI or any Qualified Scientology Mission. All such claims shall be defended at the expense of SMI.

11. Protection and Enforcement of Rights.

(a) If during the term of this Agreement or any renewal thereof, SMI becomes aware of any use by third parties of the Films, or of films, videotapes, videodiscs, or other media similar to the Films, SMI shall immediately notify CSI in writing of such third party uses.

(b) Upon becoming aware of any such third party uses as described hereinabove, SMI shall diligently take steps to abate such uses if, in the opinion of counsel, such uses constitute infringement of the copyrights or other rights covering the Films.

(c) SMI shall initiate enforcement proceedings against any third party who infringes SMI's rights granted hereunder, or who otherwise infringes the copyrights or other rights covering the Films, if in the opinion of SMI's counsel such enforcement should be undertaken. CSI may, at its option, (1) participate in such suits in an advisory capacity at CSI's own expense, (2) be joined in such suit as a party, or (3) initiate suit on his own behalf.

(d) SMI shall pay all legal expenses incurred in connection with the conduct of litigation hereunder that it institutes and shall be entitled to retain any award or damages received pursuant to such litigation. To the extent that CSI participates in such lawsuits, any award or damages received shall be divided between CSI and SMI in proportion to their share of expenses incurred in connection with such litigation.

12. Governing Law. This Agreement shall be interpreted under the internal laws and judicial decisions of the State of California.

13. Notice. Any notice required to be given hereunder shall be delivered personally or shall be sent by first class mail, postage prepaid, return receipt requested, to the respective parties at the addresses given in the Preamble of this Agreement, which addresses may be changed by the parties by written notice conforming to the requirements of this Agreement. Any such notice deposited in the mail shall be conclusively deemed delivered to and received by the addressee four (4) days after deposit in the mail, if all of the foregoing conditions of notice shall have been satisfied.

14. Arbitration. Any controversy or dispute which arises out of or relates to this Agreement, including, without limitation, the adequacy of performance by SMI and of any demands made by CSI, which cannot be settled by informal means or through the aid of a third party arbitrator mutually acceptable to the parties, shall be settled through arbitration held in Los Angeles, California, or at such other location as CSI may choose. If the parties are unable to settle the matter through informal means, then either party may demand arbitration by serving upon the other party a written demand for arbitration containing the name of an arbitrator to participate in the proceedings. Within ten (10) days after receipt of such notice, the party upon whom demand was served shall select an arbitrator. The two arbitrators shall select a

third arbitrator. The decision in writing of the arbitrator or a majority of the arbitrators appointed by the parties shall be final and conclusive as to all parties to the dispute. Should any party fail or refuse to appear or participate in an arbitration proceeding, the arbitrator or arbitrators so appointed may decide the dispute on the evidence presented in the arbitration proceeding by the other party or parties to the dispute. The arbitrator or arbitrators shall have the power to award to any party or parties to the dispute any sums for costs, expenses, and attorneys' fees that the arbitrator or arbitrators may deem proper. Judgment may be entered on the award in any court of competent jurisdiction. Arbitration shall not be required with respect to any matter in connection with which injunctive relief or specific performance is sought by all or any of the parties hereto.

Each arbitrator shall be a member in good standing under the Scriptures, a minister of the religion of Scientology, a member of the Sea Org, and well versed in the Scriptures, in particular those Scriptures pertaining to Scientology ethics and justice.

15. New Films. The parties contemplate that they will enter into agreements in the future relating to the dissemination of motion pictures not otherwise described on Exhibits "A" and "B". It is agreed that such motion pictures shall not be the subject of a separate agreement but shall be governed by the terms and conditions of this Agreement at such time as the parties sign a writing referring to the motion picture and this Agreement.

16. Facsimile Transmissions. The parties each agree to accept a signed copy of this Agreement transmitted by facsimile (telecopier) and to rely upon such transmitted copy as if it bore original signatures. If a signed copy of this Agreement is transmitted by facsimile, each party agrees to provide to each other party, within a reasonable time after transmission, the Agreement bearing the original signatures.

17. Agreement Personal To SMI. This Agreement shall be considered personal to SMI, and SMI may not assign any of its rights or duties under this Agreement.

18. Headings. The headings and captions of the various paragraphs are for convenience only, and they shall not limit, expand or otherwise affect the construction or interpretation of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date first above written.

CHURCH OF SCIENTOLOGY INTERNATIONAL

By *[Signature]*
Name: _____
Title: *President*

By *[Signature]*
Name: *Aynn R. Farny*
Title: *Secretary*
"CSI"

SCIENTOLOGY MISSIONS INTERNATIONAL

By *[Signature]*
Name: *Jean D. Baker*
Title: *President*

By *[Signature]*
Name: *Claire Edwards*
Title: *Secretary*
"SMI"

EXHIBIT A TO AGREEMENT ENTITLED
MOTION PICTURE LEASE AGREEMENT (CSI/SMI)

1. The Case He Couldn't Crack ("CHCC")
2. The Problems of Life ("POL")
3. Man the Unfathomable ("EM 1")
4. TRs in Life ("TR 1")
5. General Trailer No. 1 ("GT 1")
6. General Trailer No. 2 ("GT 2")
7. The Secret of Flag Results ("SFR")
8. Introduction to Scientology ("HITCHMAN")
9. Afternoon at Saint Hill ("ASH")
10. The Classification, Gradation and Awareness Chart
11. What Happened to These Civilizations?
12. Freedom
13. Dianetics: The Dynamics of Life
14. The Summit
15. Birth
16. Raising the Baby
17. Evolution of a Science
18. The Original Thesis
19. The Story of Book One
20. How the Organizations Came About
21. The Way to Happiness
22. Radiation
23. Brainwashing
24. Drugs and the Mind
25. Clear Defined and Described

26. The Story of Study Technology
27. Dualism
28. Exteriorization
29. Flag and Exteriorization (Flag Service Org only)
30. The Bridge and Orgs
31. The Married Couple
32. The Child
33. Why Finding
34. Work
35. Organizing
36. Where the Information Is
37. Flag Executive Briefing Course
38. Advice to Persons Being Audited
39. The First of Dianetics and Scientology
40. Influencing the Planet
41. The Data Series Course
42. Introductory Auditing
43. Assists
44. Accident Proneness
45. Survival Rundown
46. Scientology Drug Rundown
47. Expanded ARC Straightwire
48. Expanded Lower Grades
49. Resistive Cases
50. Method One Word Clearing
51. PTS Rundown
52. Interiorization Rundown

53. New Era Dianetics Drug Rundown
54. New Era Dianetics
55. Clear Certainty Rundown
56. What is Auditing?
57. Courses
58. Staff Recruitment
59. Operating Thetan
60. Solo Auditor's Course (only for anyone Clear)

EXHIBIT "B"

Lease Rental Fee/Extra Copy Charge

Fee and Charge as of date of Agreement

Lease Rental Fee \$2,000.00 per Film
Replacement or extra Copy Charge: \$ 350.00 per Copy

Future Fees and Charges

1. Lease Rental Fee: \$ _____
Replacement or extra Copy Charge: \$ _____

Date: _____

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CHURCH OF SCIENTOLOGY
INTERNATIONAL

By _____

By _____

2. Lease Rental Fee: \$ _____
Replacement or extra Copy Charge: \$ _____

Date: _____

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INTERNATIONAL

CHURCH OF SCIENTOLOGY
INTERNATIONAL

By _____

By _____