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MOTION PICTURE EXHIBITION AGREEMENT (SMI)

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MOTION PICTURE EXHIBITION AGREEMENT (SMI)

THIS MOTION PICTURE EXHIBITION AGREEMENT (SMI) ("Agreement") is made as of the 23<sup>rd</sup> day of June, 1991, by and between NORMAN F. STARKEY, Trustee of Author's Family Trust-B, conducting affairs as the L. Ron Hubbard Library, whose address is 6515 Sunset Boulevard, Suite 202, Hollywood, California 90028 ("Trustee"), 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, which incorporate and embody a portion of the Scriptures ("Films"). The Films are used to disseminate the religion, to explain it in a fashion that is easily understandable to the common man, with the ultimate goal of

attracting his interest and participation in the religion of Scientology.

C. L. Ron Hubbard died on January 24, 1986, and an executor of his Will was appointed by the San Luis Obispo County Superior Court on February 18, 1986. On January 3, 1989, the Superior Court ordered distribution of the Estate of L. Ron Hubbard, including ownership of the Films, to the Trustee. The Trustee is now prepared to grant rights to SMI to disseminate the Films throughout the world.

D. 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 and Church of Scientology International, the Mother Church of the religion of Scientology ("CSI") learned through many 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. Accordingly, L. Ron Hubbard and CSI have availed themselves of all laws, such as copyright laws, to assure that the integrity and standard and ethical use of the Films is maintained.

E. 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.

F. Concurrently herewith, SMI and CSI are entering into a lease agreement ("Lease") whereby CSI agrees to furnish copies of the Films to SMI, for distribution to missions of Scientology in good standing under the Scriptures.

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) "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.

(b) "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.

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

2. Grant of Authority. The Trustee hereby grants to SMI the exclusive rights and authority to:

(a) To exhibit, disseminate and display (collectively "to exhibit") the Films throughout the world, subject to the limitations and requirements set forth in this Agreement.

(b) To permit Qualified Scientology Missions to exhibit the Films throughout the world, subject to the limitations and requirements set forth in this Agreement;

(c) To protect and enforce all rights in the Films, including copyrights, and to collect damages for any past, present, or future infringement of such rights by third parties.

3. Consideration.

(a) It is understood and agreed that SMI will establish appropriate contributions for the exhibition of the Films by Qualified Scientology Missions as a way to provide financial support for the dissemination and growth of the religion of Scientology.

(b) In consideration of the grant of authority set forth hereinabove, SMI shall pay to the Trustee twelve and one-half percent (12-1/2%) of the total contributions received by SMI from the exhibition of the Films by SMI or Qualified Scientology Missions. Payments shall be made weekly for the contributions

received during the prior week. Such payments shall be accompanied by an informal statement of the contributions received by SMI for the week for which such payments are made. All payments shall be payable in United States currency. SMI shall be responsible for handling all currency and exchange controls. No reduction shall be allowed on account of such controls.

(c) SMI shall maintain accurate books and records pertaining to the contributions received from the exhibition of the Films, whether by SMI or a Qualified Scientology Mission, in sufficient detail to permit calculations and verification of the consideration payable to the Trustee. SMI shall prepare statements, in a form acceptable to the Trustee, accounting for all payments due the Trustee during each calendar quarter in every year. A calendar quarter means a three-month period commencing on January 1, April 1, July 1 or October 1 of any calendar year.

SMI shall mail each such statement to Trustee within thirty (30) days after the close of each calendar quarter. Each statement shall report the total contributions received by SMI from the exhibition of the Films by SMI or Qualified Scientology Missions during the prior calendar quarter. The statement shall also report the amount of consideration due Trustee but unpaid. Each statement shall be certified as true and correct by an officer of SMI. Any amount shown to be due on the statement shall be paid with the statement. Should such payment not be made within thirty (30) days following the close of the calendar quarter, the amount due shall bear interest from the first day of the month following



the end of the quarter for which it is due until paid at the higher of (1) ten percent (10%), or (2) five percent (5%) plus the Federal Reserve Bank of San Francisco's discount rate on the twenty-fifth (25th) day of the last month of the calendar quarter for which payment is due. Should the statement show an overpayment to Trustee, such overpayment shall be deducted proportionately from the weekly payments during the calendar quarter following the one in which the overpayment was made.

(d) Upon the Trustee's written request, the Trustee shall have the right to examine the books and records of SMI which relate to revenue derived from the Films. If such examination discloses an error of five percent (5%) or more with respect to any royalty statement, SMI shall reimburse the Trustee for Trustee's costs of the examination; otherwise, such costs shall be borne by the Trustee.

(e) SMI or the Qualified Scientology Missions that are permitted to exhibit the Films, shall bear the costs of any tariffs, duties, taxes, and other governmental charges applicable in any respect to the use of the Films, the importation or exportation of the Films, the grant of authority contained in this Agreement, or the payment to the Trustee of the consideration required to be paid hereunder.

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.

Without limiting the generality of the foregoing, SMI agrees to exhibit, and cause the Qualified Scientology Missions to exhibit, the Films strictly in accordance with the Scriptures, to assign adequate personnel to disseminate the Films to Qualified Scientology Missions, and, pursuant to the doctrine of exchange, to collect from the Qualified Scientology Missions the consideration stated hereinabove. SMI acknowledges the importance of the consideration to the Trustee in that revenues derived from the Films and other intellectual properties created by L. Ron Hubbard, are used by the Trustee to support the archival preservation of the Scriptures.

5. Term and Termination.

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

(b) This Agreement is subject to termination at any time by any successor of the Trustee with respect to the rights granted herein. Any continuation of this Agreement after such a succession will be at the will of the Trustee's successor-in-interest.

(c) The Trustee retains the right to terminate this Agreement at any time, if he determines, in his sole and absolute

discretion, that SMI has failed to preserve and maintain the integrity, purity, and standard and ethical use of the Films in accordance with the Scriptures, or that SMI in any way has placed the Films in danger of appropriation by any entity that is outside of or hostile to the religion of Scientology, or that SMI has permitted and is permitting use of the Films in any way that is contrary to the Scriptures or seriously damages the religion of Scientology.

(d) This Agreement shall automatically terminate upon the termination of the Lease.

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

6. Title. SMI acknowledges that all copyright rights covering the Films are retained and owned exclusively by the Trustee. SMI agrees not to undertake any action which may interfere with or cause the Trustee to lose, Trustee's copyright rights. 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 the Trustee.

7. Indemnification. SMI acknowledges the full responsibility of SMI, and the Qualified Scientology Missions permitted to exhibit the Films, for the standard and ethical use and delivery of the Films according to the Scriptures, and agrees that it will make no claim that the Trustee 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 Trustee or his 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 Missions. All such claims shall be defended at the expense of SMI.

8. 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 the Trustee 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. The Trustee may, at his option, (1) participate in such suits in an advisory capacity at the Trustee'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 the Trustee participates in such lawsuits, any award or damages received shall be divided between the Trustee and SMI in proportion to their share of expenses incurred in connection with such litigation.

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

10. 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.

11. 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 Trustee, 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 the Trustee 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

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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.

12. 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 Exhibit "A". 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.

13. Trustee's Representatives. Any rights or privileges conferred on Trustee hereunder may be exercised by one or more of the Trustee's representatives, as the Trustee may specify in written notice(s) to SMI. Such notice shall contain the name and address of any designated representative empowered to act on Trustee's behalf hereunder. Where the Trustee has designated a representative, SMI shall furnish both Trustee and such representative with a copy of each notice required to be given hereunder. At present, Author Services, Inc., whose address is 7051 Hollywood Boulevard, Suite 400, Hollywood, California 90028,



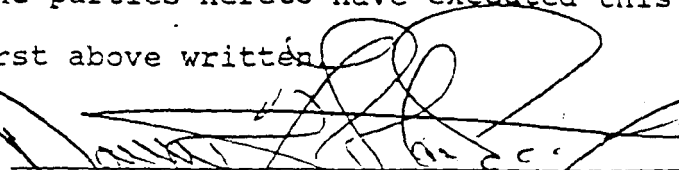
is the designated representative of Trustee pursuant to this paragraph.

14. 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.

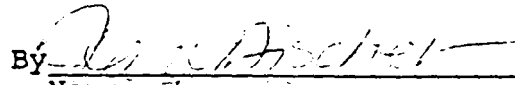
15. Agreement Personal To SMI. This Agreement shall be considered personal to SMI, and SMI may not assign any of its rights or duties under this Agreement.

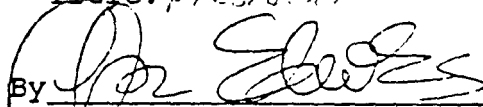
16. Headings. The headings and captions of the various paragraphs are for convenience only, and they shall not limit, expand or otherwise affect the construction or interpretation of this Agreement.

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

  
\_\_\_\_\_  
NORMAN F. STARKEY  
Trustee of Author's Family Trust-B  
"Trustee"

SCIENTOLOGY MISSIONS INTERNATIONAL

By   
\_\_\_\_\_  
Name: Jean Druhet  
Title: President

By   
\_\_\_\_\_  
Name: CLANCE EASTRED  
Title: Secretary

"SMI"

EXHIBIT A TO AGREEMENT ENTITLED  
MOTION PICTURE EXHIBITION AGREEMENT (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)