

Investment Allowance Agreement

(hereinafter IAA)

in connection with film exhibition contracts with cinema operators

concluded between the Trade Association for Film and Music / Association of Film Distributors

and

the Trade Association for Cinema, Culture and Entertainment Businesses

I. Preamble

1. The Investment Allowance Agreement shall serve the purpose of furthering cinema attendance in Austria and increasing the attractiveness of the film medium in the Austrian cinemas. Thereby investments shall be made possible for cinemas to provide, above all, state-of-the-art (digitized) technical equipment for visual and audio transmittal, high quality furnishing of public and viewing areas, as well as overall decoration.
2. The IAA shall regulate the administration of the funds raised through the film distributors' allowance of a deduction of the exhibition fee for the benefit of IAA-contracting cinemas.

II. Duties of the film distributors / Deduction of the exhibition fee

1. For the attainment of the goals and purposes of the Agreement, the film distribution companies within the Trade Association for Film and Music / Association of Film Distributors are willing to contribute to the financing of investments for Austrian cinemas through the IAA by making a considerable sum available by debiting the amounts receivable from their film exhibition fees, based on the guidelines of this Agreement.
2. The film distributors shall allow a deduction of their amounts receivable from the film exhibition fees, based on billing practices until now, wherein participating cinemas may retain a conditional deduction of the film exhibition fee due in the amount of € 0,22 per admission.
3. An increase of this conditional allowance shall be possible for specific purposes, such as the establishment of a digitization fund.

III. Duties of the administrative office (ARGE Film und Kino (AFK))

1. The AFK shall establish an escrow account for each contracting cinema and shall seek the best possible total interest yield.
2. Each cinema, together with the AFK, shall dispose of the accumulated amounts according to the guidelines.
3. Approval of use of funds in keeping with the designated allocation may not be denied.
4. The cinemas shall receive a bank statement for every transaction on their asset account.
5. The administrative office AFK shall have the right to review all payments at any time, whereby according to the statutory provisions of the AFK, a third party may also be contracted to perform an audit.

IV. Duties of the cinema operators

1. The amounts arising from Art. II/2 shall be declared monthly to the AFK and shall be paid into the AFK escrow account, which shall set up a sub-account for each cinema.
2. Thus accumulated funds shall be in co-ownership of the cinemas and the distributors.
3. The funds shall only be availed of jointly, whereby the distributors shall be represented by the AFK.
4. Upon closing the joint account, the contracting partners shall not block each other's access to the accumulated assets and shall accept the countersignature of the third party nominated at the time of the opening of the joint account. The third party's right to countersign shall be established for the respective sub-account.
5. The cinema wishing to use the IAA-funds shall submit corresponding cost quotations to the AFK in a timely manner. If the cinema documents the start of the work (eg. an order confirmation), 50% of the projected investment shall be disbursed in advance, provided there are sufficient accumulated funds. Upon documentation and review of the final invoices, the remaining amount shall be given clearance.
6. For already completed investments, submission of the original invoice and payment confirmation is sufficient. The submitted invoices to be charged to IAA shall not be dated more than one year after completion of the investment project. Final invoices older than one year in the past shall not be recognized.
7. The cinema shall permit an audit, as per Art. III/5.
8. A right to the continued validity of the benefits obtained through IAA, especially to the conditional deduction of the film exhibition fee shall not persist beyond a premature termination of an individual contract or rescission of the IAA. In both cases the claim shall be void.

V. Investments

1. A list of valid investments is included in attachment (Appendix III).
2. Ongoing operational expenses, for example for heating and other utilities, but also for other investments that do not fulfill the conditions of Art. I/2 shall not be entitled to funding from the IAA.
3. For the new construction of a cinema in a location where previously no cinema was operated and the building permit was issued after December 31, 1998 the following is provided:
 - a) all investments effected (from planning to operational cinema venue) shall be excluded from funding through the IAA.
 - b) once the cinema opens, the operator is free to join the IAA in order to save up for investments, in line with the guidelines, that may be required after the construction was completed and once the cinema commenced business.

VI. Liability accounts

1. Cinemas wishing to charge investments to the IAA without availing over sufficient funds from their IAA account, shall be owners of so-called liability accounts.
2. It shall be possible to charge investments, providing the credit is approved by the director of the AFK or by decision of the arbitration commission.
3. Owners of liability accounts may apply for the stay of payments per Art. II/2 until the proven and approved investment sum is reached.

VII. Administrative costs

1. The running administrative costs shall be subsidized up to the amount of € 10,000 by the Trade Association for Cinema, Culture and Entertainment Businesses as an economic development measure.
2. The cinemas shall contribute to the running administrative expense through payment of processing fees which are due for the processing of requests for investment approvals. The amount of the fee shall be determined by the main assembly of the ARGE Film und Kino (AFK) with consideration of the total administrative costs and the economic capacity of the cinemas.*

*At the time of the previous change of the statutory provisions (December 2013) the processing fees amounted to € 20.- per screening room for the registration of investment requests.

VIII. Arbitration commission

1. Disputes in connection with the IAA shall be arbitrated by an arbitration commission made up of three representatives each of the professional group Association of Film Distributors within the Trade Association for Film and Music and Trade Association for Cinema, Culture and Entertainment Businesses, together with the directors of the Trade Associations.
2. The formal requirements for the vote shall be conducted in the same manner as the regulation of the main assembly based on the statutory provisions of the AFK.
3. A simple majority shall be determinate.

IX. Contract termination between AFK and individual cinema operators

1. The premature termination of an individual contract shall be possible in case of violation of the provisions of the IAA upon warning and written* notice to reinstate contractual conformity within one month.
*The written form of e-mail and fax shall be considered equal.
2. Likewise, an individual contract shall be terminated if the cinema
 - a) permanently closes its business operation;
 - b) does not maintain regular operations (excepting closing days, seasonal operation, usual company holidays, customary free days, renovation periods);
 - c) upon rescission of the IAA per Art. X.
3. In the event of an effective termination of the individual contract where assets remain, a 50% share of the sub-account (Art. IV) shall be returned to the cinema. The remaining 50% shall be transferred to the Trade Association for Film and Music. Owners of liability accounts per Art. VI shall have no further claims towards the IAA, the AFK or their sponsoring associations, nor any of their succeeding organizations.
4. In case of dispute the arbitration commission decides.

X. Termination of IAA

1. The IAA is concluded for an indefinite period of time. It can be terminated by one of the two sponsoring associations by the end of each year giving one-year's notice.
2. The assets, excepting those in Art. IV, shall be transferred in equal halves to the Trade Association for Film and Music and the Trade Association for Cinema, Culture and Entertainment Businesses.

3. In case of rescission of the IAA, both trade associations pledge to use the funds collected per Art. II in the interest of the distributor or exhibitor sectors and to promote relevant activities in the sense of Art. I/ 1 and 2 and according to the statutory purpose of the AFK.
4. Owners of liability accounts per Art. VI. Shall, upon rescission of the IAA, have no further claims towards the IAA, the AFK or the sponsoring associations, nor any of their succeeding organizations.

Appendix III

Valid investments per Investment Allowance Agreement (IAA) (formerly Investschillingabkommen) for the maintenance and improvement of the quality of cinemas.

Initial fittings, repairs or replacement investments shall be funded provided they serve the purpose of quality maintenance and quality improvement. Ongoing service contracts or similar costs shall not be considered within the framework of the Investment Allowance Agreement. Similar to sales contracts, installment contracts for the same economic purpose shall be recognized. Lease payments shall therefore be considered chargeable investments.

Any investment made or to be made for digitization attributed to the VPF account shall not be deductible from the IAA.

ACOUSTICS

eg. Dolby or other current or future already proven sound systems

ANNOUNCEMENT BOARDS AND SHOWCASES

PAINTING

painting and wall-papering of screening rooms and lobbies

RECONSTRUCTION OF SCREENING ROOMS

no new construction or property acquisition

DISABLED-ACCESSIBLE SEATING, SOUNDSYSTEMS, STAIRS, ENTRANCES, ELEVATORS AND TOILETS

LIGHTING FOR SCREENING ROOM OR CINEMA SPACE, AS WELL AS AISLE LIGHTING

VENTILATION AND AIR CONDITIONING

SEATING

cinema and waiting area, but not concession area

SCREEN

Renewal, re-coating, cleaning

FLOORING

in cinemas, lobby and hallways

DIGITAL CINEMA

Investments for the digitization of cinemas, including the costs of leasing projectors.

This provision shall not be valid as of the entry into force of the "Digitalisierungsmodell" ('digitization model'), if the cinemas has joined the model according to Appendix IV.

ELECTRIC INSTALLATIONS

FIRE EXTINGUISHER AND SMOKE DETECTOR

BUILDING FACADES

Renovation and renewal of the cinema lobby (eg. entrance and exit)

INTERNET INSTALLATIONS

Internet: cinemas are automatically credited with an annual tax-free allowance of € 3,000 for Internet (€ 6,000 per year for operators with more than location), provided they can substantiate the existence a website* related to the cinema and have registered the existence of such a website with the office of the AFK (as per Art. VIII/4 of the AFK bylaws).

* eg. for program announcements, online ticket sales, reward programs, etc

COMPUTER REGISTER AND TICKET PRINTER

not central computer server

CASSETTE RECORDER, VIDEORECORDER, MONITORS FOR PREVIEWS IN THE LOBBY AND SHOWTIMES, OR CUSTOMER INFORMATION, BUT NOT FOR SECURITY

CINEMA EXTERIOR

Showcases also including lighting/visual effects

PROJECTORS

LENSES

DOORS

carpentry and locksmith

WATER AND HEATING

cinemas, sanitary areas

INVESTMENT IN TECHNICAL MEASURES TO PREVENT ILLEGAL CAMCORDING AND OTHER FORMS OF FILM THEFT

structural or technical investments for the compliance with legal or regulatory provisions