

APPENDIX IV

DIGITALIZATION MODEL OF THE FILM AND CINEMA WORKING GROUP (HEREINAFTER "AFK") according to pt. III /3 of the statutes

I. Preamble

With the nationwide introduction of digital projection equipment, the Austrian cinema industry is facing an important technological change. Especially those cinemas that have not been incorporated into a so-called third party integrator model, will generally not be able to finance digital projection equipment corresponding to DCI standard without public sector aid and refinancing through Virtual Print Fee (VPF) models. In the interest of ensuring an economically necessary, speedy, and nationwide digitalization of the entire cinema sector, distributors, taking part on a voluntary basis, will support cinemas that have signed the agreement to use a refinancing model (VPF model) which is available for a limited time and amount.

The voluntary digitalization model regulates the administration of funds which are granted as VPF to member cinemas by the distributors.

II. Obligations of distributors

1. In order to achieve the goals under point I during a contract period of maximum 7 years, beginning with its entry into force, the participating distributors will make a contribution to refinancing investments in digital projection equipment according to the DCI standard for cinemas, until the respective total amount of investment has been refinanced. The respective refinancing share consists of costs incurred for digitalizing a cinema – minus the investment share of the cinema and the public sector aid it has received for digitalization purposes from the federal government, the provincial government and other public services – plus the financing costs up to the maximum flat rate amount according to Article V /3.
2. After 7 years at the latest, the total investment amount is considered to be refinanced and the distributors do not have any obligation to continue the payment of a VPF.

III. Obligations of cinemas

1. Cinemas, which are not incorporated into the integrator model qualify for admission, regardless of screen number.

2. Cinemas belonging to the VPF model will agree that the AFK set up a trust account for each of them.
3. Upon admission, cinemas commit to observe the compulsory notification obligation and to be able to prove the purchase of digital projection equipment. This includes disclosing information on the real investment and financing costs as well as any public sector aid received from federal, provincial or public services.
4. The cinemas commit to monthly notifications in accordance with the guidelines of the AFK, as well as to conveying the AKM notification.
5. If the notification obligation is violated, the cinema will lose VPF benefits, After a reminder has been sent, the cinema violating the notification obligation is to be excluded from the voluntary digitalization model by a unanimous decision of the AFK. It will therefore, lose any claim to further VPF payments and the trust account will be dissolved in favor of the excluded cinema.
6. The cinemas must allow audits.
7. The cinemas authorize AFK to process the data necessary for the evaluation of the model and to use it for statistical purposes.
8. The cinemas commit to screening only digital copies of films even if regular copies should exist. If, however, analog screenings do take place, the VPF amount will be deducted from the refinancing share of the cinema in the investment account.

IV. Obligations of the AFK administration office

1. AFK will set up a trust account for every participating cinema.
2. The cinema can have access to the saved amount within the framework of these provisions.
3. AFK is obligated to transfer these amounts regularly – at least on a quarterly basis – from the trust account to an account designated by the cinema.
4. The AFK administrative office has the right to review, at any given time, all payment-related procedures. In accordance with AFK statutes a third party can also be tasked with this review.
5. After AFK has been dissolved, the accounts should be closed in favor of each participating cinema, or the management of these accounts should be assigned to an organization which will succeed AFK.

6. The saved funds are the sole property of the cinemas.

V. Capital share / flat rate investment costs

1. The contribution of the cinemas ranges from 25% of the flat rate investment amount (without financing costs) up to the maximum amount mentioned under point 3.
2. A maximum of 50% of the contribution can be funded through public sector aid.
3. The investment sum for a digital projector per screen has been estimated to a total of €80.000 maximum (€70.000 for investments and €10.000 for financing costs).

VI. VPF rate

1. After receiving a statement from AFK, the distributors transfer a VPF of €500 per copy to the trust account of the respective cinema (as program groups per distributor and city, as well as for projection circles according to pt. VII/7).
2. With regard to films with a low attendance rate, the VPF is €1 per visitor, however only a maximum of €500.
3. As of the second week, the VPF decreases in a degressive manner until the beginning of the 8th week:

	Percent	Max. amount	Per visitor
Week 1	100%	500	1.00
Week 2	100%	500	1.00
Week 3	80%	400	0.80
Week 4	60%	300	0.60
Week 5	40%	200	0.40
Week 6	20%	100	0.20
Week 7	10%	50	0.10

4. The provisions of points 1-3 are valid for the hours of operation between 4 pm and 11 pm; digital content outside these hours of operation is generally rated as €20 per a maximum 3 hour runtime.
5. After the 7th week, the films are generally VPF free. Special and repeat screenings due to schedule changes are also VPF free.
6. Transferred VPF reduces the accepted refinancing share in the investment account of the cinema.
7. If a distributor refuses to make a payment, the cinema will be notified that a VPF transfer will not be made. The amount determined for a screening decreases the accepted refinancing share in the investment account of the cinema.
8. a) All of the digitalized screens of an operator who has several locations in a city, or who is part of a projection circle (several locations within another group) will be combined in a joint VPF account. Switching a film between these locations is accounted for in exactly the same way as switching a film between screens of the same location.
c) The AFK* administrative office has to be informed about projection circles, as well as about the cinema which is to receive the VPF payment.

* In accordance with AFK statute VIII/4 a third party may be designated to help with administration and accounting.

VII. Administrative costs

1. The amount of €50 will be deducted from the VPF and used exclusively to cover the administrative costs. For films with a low attendance rate, 10% of the respective VPN amount will be deducted.
2. If there is an administrative cost surplus, then it must be used in accordance with the guidelines of ARGE Film and Kino within the framework of the provisions of the General Assembly.
3. As decided by the General Assembly of AFK, the administrative cost share can also be reduced if the incoming payments exceed the actual administrative costs.

VIII. Alternative content

1. Alternative content cultural and historical films, as well as contemporary films, that have no distributors in Austria (ie: movies, documentaries, and short films) can be

projected VPF free 75 times per screen and year. Furthermore, they reduce the refinancing share by €50 per a maximum 3 hour runtime.

2. Different alternative content (ie: entertainment, sport and musical performances) has to be announced and can reduce the refinancing share by €70 per a maximum 3 hour runtime.
3. Numbers 1-3 are only valid for digital content. Cinemas projecting analog alternative content are free of VPF with the exception of point III/8.

IX. Other regulations / entry into force / interim provision

1. These regulations will enter into force on 1.1.2012.
2. The VPF calculation begins as soon as the cinema has verifiably made the investment in digital projection equipment and has started using digital copies.
3. Cinemas having invested in digital equipment up to two years before the entry into force of this agreement, and fulfilling the requirements in accordance with point III/1, may also benefit from the VPN model. The total duration of the contract is 7 years and is calculated from the time of investment onwards. The same is valid for the refinancing share which will be reduced accordingly. All other provisions are valid in turn.
4. For cinemas it is possible to join this agreement only until 31 December 2012. By way of a resolution through the Annual General Meeting this deadline can be extended for cinemas joining later. Article IX (3) shall be applied accordingly regarding the calculation of the share of the refinancing and the duration.