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Dear Andy:

Before writing this letter, I dug out two morale -boosting letters you wrote me shortly after I left the fold in 1969 to come here to see what inroads I could make in the motion picture industry and, as backup insurance, to study for and take the California Bar examination. Reading your letters, I can't help but remember how important and reassuring they were to me, especially at a time when I was going through a big transition. Again, Andy, thanks for all the help you gave me.

My God, how the hell are you? It's been so long since we've been in touch, I'm just hoping you're alright. Your last letter is dated October 7, 1969, and in it you say you had gone back to Methodist that July for a checkup and they found you in good shape. I remember when you had the operation by the famous heart surgeon. I hope you're still in good shape. I hope all other Sorianos are in good shape, too.

I had thought because I'd been away from lawyering so long I'd have to take the Bar a couple times to pass but I managed to pass on the first crack. The main reason was I didn't have any financial worries while studying for it. After I took it, I did a part in a movie while waiting for the results. Then eventually I did a stint as a public defender in Santa Barbara to dispel a longtime yearning to try a bunch of heavy criminal jury trials. I tried 50 felony jury trials in four years which I think is some kind of a record in California. It was quite an interesting experience.

But while I was trying all those cases in Santa Barbara, I was writing movie scripts and sending them to an agent in Hollywood. In the course of writing, I created a story idea about a public defender character and decided, instead of sending it to my agent, I should move back to Los Angeles, form a production company and produce the picture myself. Which is what I did and what I'm doing.

I incorporated this company in March of 1977, under the General Corporation Law of California. Under the present articles of incorporation, CinemaCom West, Inc., is authorized to issue one

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million shares of one class of common stock of which only 180 shares have actually been issued--all to me. I'm the only outstanding shareholder; also the company's sole director, president and treasurer.

The first week of January this year we permanently moved the company to its present location in the ABC Entertainment Center in Los Angeles. We're in an excellent suite in the building housing the West Coast executives of the American Broadcasting Companies.

After moving here, I set out to find a screenwriter with whom I could collaborate on the further development of my picture idea. After talking to perhaps 50 Hollywood screenwriters, I found an exceptionally talented and experienced guy named Roland Wolpert. Biographical notes on Wolpert are in the enclosed informational circular. Over the past 15 years, he's written several movie scripts and several scripts for the top network television shows. Wolpert's style--kind of a composite Neil Simon, Woody Allen and Carl Reiner--was perfect for the script I wanted to develop, perfect for the picture I wanted to produce.

Wolpert wrote exactly the script I wanted. The picture, entitled DISORDER IN COURT, is a comedy based on an actual court case I tried as a public defender in Santa Barbara. It is about a notoriously unsuccessful businessman, played by Mickey Rooney or Buddy Hackett or an actor of similar stature, who decides to change his luck by going into the most profitable small business in America today--the adult bookstore business--at exactly the wrong time: just when a politically ambitious young district attorney is elected to put such places out of business. The story primarily concerns itself with the ensuing obscenity trial and the relationship that develops between the town's public defender, played by me, and the two defendants in the obscenity case: the businessman whose luck runs true to form and a young farm girl who came to town to find work and finds herself on trial.

The script calls for cameo appearances by Gig Young, Shelley Winters, Charlton Heston, Broderick Crawford, Art Carney, Ernest Borgnine, Red Buttons, Peter Ustinov, Ray Milland, Karl Malden, Tatum O'Neal, George Burns, George Kennedy, Jack Nicholson and Lee Marvin. Andy, the script is one of the best pieces of writing I've read since I came here in 1969--and I've read a hell of a lot of scripts.

Next thing I needed was the right director, and I found him too: Jack Arnold. Jack's biographical notes are also in the informational circular. He's directed over 30 feature motion pictures--Bob Hope pictures, Orson Wells pictures, Peter Sellers pictures, Lana Turner pictures ... Tony Randall, Janet Leigh, Edward G. Robinson ... and on and on and on. Jack Arnold will direct DISORDER IN COURT.

We plan to shoot the picture in 31 shooting days: six five-day weeks plus

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one day of week seven. Twenty three shooting days are scheduled on sound stages, probably at the Burbank Studios, and eight shooting days are scheduled on Los Angeles locations. The first shooting day is tentatively scheduled for Monday, October 9, 1978; the last shooting day is Monday, November 20. I have a good relationship with Burbank and the October 9 start date can be reasonably advanced or postponed depending on availability of talent and timing of financing. The tentative day-by-day shooting schedule is in the informational circular.

We intend to use Consolidated Film Industries (CFI) for all laboratory work, Panavision and Arriflex for cameras and the various Hollywood locals of the International Alliance of Theatrical and Stage Employees for members of the crew. Everybody on the picture is--or will be-- union members: writer, director, actors, etc. Cast, negative and other insurance will be written by Truman Van Dyke Company. I also have good relationships with CFI and Truman Van Dyke.

What I may need, Andy, is a little muscle in connection with financing the picture's nondeferred production costs. Nondeferred--as distinguished from deferred--production costs are the charges for services, materials, equipment and facilities payable prior to or during production of the picture. In other words, the costs necessary to manufacture the picture's negative so prints can be made, distributed and exhibited, and the picture can generate revenues at the boxoffice. Deferred production costs are paid out of the revenues after repayment of principal and interest of all production loans.

I guess on the basis of my enthusiasm over this project, I was able to persuade United California Bank to give CinemaCom West a \$20,000 line of credit to provide interim operational cash while I'm putting together the financing of DISORDER IN COURT. (I completely depleted my own funds--\$30,000--about last April.) So for the time being I'm flush. But, like I said, I think I'm going need some muscle ... somewhere down the road.

The production budget of DISORDER IN COURT is in the informational circular. It lists in detail all nondeferred production costs. My goal was to keep nondeferred production costs under \$2 million--a low for an attractive package like ours. I worked very, very hard and closely with the Burbank Studios preparing the budget.

The production budget totals \$1,931,702. The idea is to make such an attractive package that a national distributor will commit itself to distribute the picture (which means a commitment to financing the cost of prints and advertising--often more than the cost of producing the picture) and, hopefully, to advance part of the nondeferred production costs. The producer gets the balance of the nondeferred production cost any way he can. This arrangement is known as a negative pickup--

"negative" referring to the actual picture negative which is "picked up" by the distributor.

For example, over the past couple weeks I've been talking to Republic Pictures, a distributor based in New York, about a negative pickup of DISORDER IN COURT. Republic is affiliated with CFI, a large established postproduction sound company called Glen Glenn Sound, and, according to Republic's senior vice president for sales, the guy I've been talking to, Republic has bought a large production facility here called Hollywood General Studios.

Republic is considering advancing CinemaCom West about \$700,000 of the \$1,931,702 needed to DISORDER IN COURT in the can. Republic proposes to do this by having CFI, Glen Glenn Sound and Hollywood General Studios supply every item on the budget they can--services, equipment, materials and facilities that total about \$700,000. Republic would either pay its affiliates on behalf of CinemaCom West or would somehow handle payment internally. In either case the \$700,000 would be tantamount to a cash advance as far as we're concerned. We would have to pull the picture out of Burbank, but that's okay because the Republic affiliates' production and postproduction facilities are as good as Burbank's. And we were going to use CFI anyway.

I should point out here, Andy, that the Republic possibility is at this time only a possibility. Other distributors have shown interest in DISORDER IN COURT and we could well wind up with another distributor. However the Republic possibility illustrates what I perceive to be the potential problem.

The potential problem, of course, is where the hell do we get the other \$1.2 million.

Companies like mine producing their second picture sometimes can get the \$1.2 million from a bank. Even though everything has gone really well so far, I frankly don't know whether I can get a bank to lend me that kind of money. Even United California Bank which, as I said, has been more than reasonable.

What I want is to know just what muscle I have before I approach a bank. That's why I'm writing you now.

I have two plans, Andy, that could give me the muscle I may need.

Wolpert wrote a great script. Arnold will turn it into a great movie. I personally spoke with Herb Tobias, Mickey Rooney's agent, and Chuck Bender, Buddy Hackett's agent. Both Rooney and Hackett are interested in doing the Harry Fink role (Fink's the notoriously unsuccessful businessman). Also I've personally been in contact with Avon Books

in New York. Avon's interested in a paperback novelization of the script. The book's publication date would be tied in with the picture's release date so that book and picture would each be an advertisement for the other. And, like I said before, other distributors are showing interest. Nevertheless I'm still concerned about the \$1.2 million.

So, as the saying goes, here's my first plan ...

First Plan: Product-Movie Tie-in

The name of this public defender character I play is Jack Moon. Moon is 38, single and lives in a swinging apartment facing a Southern California beach always packed with gorgeous gals wearing skimpy and sometimes no bathing suits. The gorgeous gals have been wandering into Moon's apartment without knocking. Then one day Harry Fink wanders in and Moon's troubles begin. But throughout the 100 minutes of the movie, one part of Moon's life doesn't change. Moon, being of Irish descent, is a great beer drinker. The first thing he does when he enters his apartment is open a bottle of beer. Everytime we see him--except when he's in court--he's drinking beer. It's part of his personality. Moon loves beer.

I could prepare an agreement between CinemaCom West and the San Miguel Corporation or San Miguel International or any other affiliate which would incorporate our script by reference and specify by scene

- 1) the number and kind of shots in which San Miguel beer would be phototgraphed and
- 2) the specific dialogue used in connection therewith.

Since beer-drinking is already part of the Jack Moon character, Roland Wolpert can easily rewrite portions of the script to fit San Miguel's wishes.

Our intention from the start, Andy, has been to give DISORDER IN COURT a trendy, with-it style--to make not only an entertaining and funny movie but a movie with broad appeal to the 18 to 30 audience. We could easily have written this picture to draw an R (Restricted) rating but we did not because an R rating more or less limits a picture's playoff pattern to the major metropolitan markets. DISORDER IN COURT will be rated PG (Parental Guidance Suggested) and will be suitable for television broadcast in any time slot.

You know as much about marketing beer as anybody. Isn't the audience we're trying to reach a very important segment of the population San Miguel is after? DISORDER IN COURT is aimed at the same young adults establishing their drinking habits.

I realize that San Miguel is probably presently not interested in making a Herculean effort to crash the United States beer market, certainly not interested in making a substantial financial commitment. I occasionally see a one-page ad in the West Coast edition of Playboy and that's about all I ever see. I think I'm right in guessing that San Miguel has never conducted a major nationwide promotional campaign in the United States. I know the competition here is formidable. I vividly remember the hard sell and political clout of the competition when in the late 1960s it got Secretary of Defense McNamara to in effect ban San Miguel from Viet Nam.

But on the other hand I would guess that San Miguel would not be opposed to an effective major nationwide promotional effort without a substantial financial commitment.

What about the soft sell of a well-executed product tie-in with a highly entertaining and commercially successful motion picture aimed at the same market the product's aimed at? If DISORDER IN COURT becomes the trendy, with-it picture Roland Wolpert, Jack Arnold and I think it will become, and almost everytime Jack Moon is photographed he's drinking a San Miguel, and he serves San Miguel to his buddies and girlfriends when they visit his apartment, then San Miguel could well become a trendy, with-it beer, an "in" beer.

Andy, all I want to do is get this picture made. I'm not interested in personally making money on it. I want the people who pay for the picture to get made to make money on it.

CinemaCom West would:

- 1) Revise the script to show Jack Moon and his friends always specifically drinking San Miguel beer;
- 2) Revise portions of characters' dialogue to include specific references to San Miguel beer;
- 3) Agree to shoot, assemble and release the picture as written in the script; and
- 4) Grant San Miguel and its affiliates the right to use and exploit the picture and the Jack Moon character in connection with any promotion or advertising of the products of San Miguel or its affiliates.

In return, San Miguel would somehow make sure a bank advanced CinemaCom West the balance of nondeferred production costs needed to get DISORDER IN COURT shot, assembled, released and generating revenues at the boxoffice. If we wind up giving a negative pickup to

Republic, as I explained above we'll probably be going to the bank for a balance of about \$1.2 million. If we give a negative pickup to another distributor, we might be going to the bank for a different balance.

What I'm trying to do, Andy, is make the arrangement as attractive and safe for San Miguel as I possibly can. So CinemaCom West also would:

- 1) Take out full insurance, including a completion bond, to make sure the picture gets made. Truman Van Dyke Company will place the insurance with Pacific Indemnity and Lloyds of London. Coverage will include cast, negative, props, miscellaneous equipment, property damage liability, errors and omissions, worker's compensation and comprehensive liability insurance. Cast insurance will reimburse San Miguel for any extra expense necessary to complete production due to the death, injury or sickness of an any insured performer or director. Negative insurance covers all risks of direct physical loss, damage or destruction of raw film stock, developed or undeveloped exposed film and sound tracks and tape up to the nondeferred production cost of the picture. \$19,000 is budgeted for insurance at Account 29 of the enclosed production budget; \$100,000 for a completion bond at Account 32P.
- 2) Give San Miguel a security interest in 100 percent of the profits of the picture.
- 3) Do what ever else San Miguel wishes to secure its position.

At this point I of course don't know exactly what San Miguel would wish. I'm assuming for example that if interested in the product-movie tie-in idea, San Miguel would want a debt rather than equity relationship with CinemaCom West along the lines I suggested, i.e., making sure CinemaCom West can borrow the balance of the nondeferred production costs from the bank. On the other hand, we would be willing to give San Miguel an equity participation in DISORDER IN COURT too. This brings me to my second plan ...

#### Second Plan: Tax Benefit from Equity Investment

My second plan assumes that one or more selected Soriano affiliates would get some kind of a tax benefit from an equity investment in CinemaCom West or its affiliate, the Entertainment Center Group.

Let me explain the Entertainment Center Group.

Last March, before Roland Wolpert wrote DISORDER IN COURT, we agreed to be fifty-fifty partners in the project. CinemaCom West, Inc., would own 100 percent of the picture, be its corporate producer and Roland's and my employer. Roland's employment would be writer/coproducer, my employment would be actor/coproducer. Roland wrote the Jack Moon part specifically for me to play. All of this has taken place.

Roland and I agreed that if investors acquire equity in the picture, CinemaCom West would retain a right to at least 25 percent of the profits and assign that right to Roland. Also for his services as the picture's writer/coproducer, we agreed that as additional compensation Roland would receive a nondeferred fee of \$106,406 and a deferred fee of five percent of the aggregate of all production costs, nondeferred and deferred, less \$50,000. I estimate Roland's deferred fee will be about \$50,000. In my opinion Roland's compensation is fair inasmuch a writer of his stature rarely writes anything without a guarantee of payment. Moreover, Roland has done an excellent job as coproducer.

Once I established Roland's compensation, I formed and recorded the Entertainment Center Group which is a California limited partnership with CinemaCom West, Inc., as the general partner. Under the terms of the Entertainment Center Group Amended Agreement of Limited Partnership (included in the informational circular), limited partners acquire, and share proportionately to their individual investments, 50 percent of the profits of DISORDER IN COURT. I formed the Entertainment Center Group to give investors the option to acquire limited partnership units rather than shares of capital stock thus 1) avoiding double taxation since a partnership is not taxable as an association and 2) permitting any losses to be written off against ordinary income.

So if CinemaCom West permits an investor to become a limited partner of the Entertainment Center Group, the investor will share with any other limited partners 50 percent of the profits of DISORDER IN COURT. And since CinemaCom West owns an additional 25 percent of the profits, 75 percent of the equity of the picture would be available for acquisition by an appropriate Soriano affiliate.

Again, Andy, I don't know precisely what tax benefits, if any, would be of interest to you. My job would be to make the movie and protect your investment ... which I would do as I've always done, with the same diligence and fidelity as a member of the family.

Another equity investment possibility would be acquisition by an appropriate Soriano affiliate of CinemaCom West stock. I've prepared amendments to the articles of incorporation that authorize two classes of stock--common and preferred. The amendments, which I can file at any time, give broad authority to the board of directors to issue one or more series



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of preferred, to determine the number of shares, and to determine the rights, preferences, privileges and restrictions granted to or imposed upon the series. The board can determine dividend provisions, liquidation preferences, redemption provisions, sinking fund provisions, conversion rights, protective provisions, provisions relating to common stock and prohibitions against reissuance of shares. I would fashion the stock to the needs of the appropriate Soriano affiliate.

DISORDER IN COURT is going to be one dynamite motion picture, Andy. I've devoted all of my waking hours to it since the first of the year. I haven't thought about anything except this picture. We have the right script, the right producer, the right director and the right actor. By playing a leading role, I can retain and exert a tremendous amount of artistic control over the end product. I have very specific ideas about the "look" of the picture. I conceived DISORDER IN COURT and I think I know what will make it a commercial success at the boxoffice. Wolpert, Arnold and I are the perfect team. All we need is a little muscle.

If there's any possible way--maybe a way I haven't thought of--to make that muscle available, let me know. Okay, Andy? It's very, very important to me.

I still think of everyone ... Juan, Lee, Jimmy ... Say hello when you see them.

I'll look forward to hearing how you're doing.

Warm regards,

Edward Murphy  
President