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**FILED**  
Superior Court of California  
County of Los Angeles

DEC 20 2018

Sherril K. Carter, Executive Officer/Clerk  
By Patricia [Signature], Deputy  
Patricia Officer

7 Attorneys for Plaintiffs Hanzer Holdings and  
8 Arlita, Inc.

9 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
10 **COUNTY OF LOS ANGELES, CENTRAL DISTRICT**

11  
12 HANZER HOLDINGS, a California  
Limited Partnership, and ARLITA, INC., a  
13 California corporation.

14 Plaintiffs,

15 vs.

16 CBS STUDIOS, INC. a Delaware  
corporation.

17 Defendant.

CASE NO.

**18STCV09231**

**COMPLAINT for:**

**(1) Breach of Contract, including the  
Implied Covenant of Good Faith  
and Fair Dealing**

**DEMAND FOR JURY TRIAL**

ORIGINAL

1 Plaintiffs Hanzer Holdings and Arlita, Inc., collectively referred to herein as the  
2 "Plaintiffs," by their undersigned attorneys, demanding a trial by jury, allege as follows:

3 **PARTIES**

4 1. Plaintiff Hanzer Holdings ("Hanzer") is a California Limited Partnership.  
5 Hanzer is a successor in interest to Major Talent Agency, Inc. ("MTA"). MTA was a  
6 California corporation in the business of acting as a talent agency in the entertainment  
7 industry. MTA acted as a packaging agent in connection with the original *MacGyver*  
8 television series and is an express third party beneficiary of the 1984 Agreement  
9 (described below).

10 2. Plaintiff Arlita, Inc. ("Arlita") is a California corporation. Arlita is also a  
11 successor in interest to MTA relative to, *inter alia*, MTA's work as a packaging agent in  
12 connection with the original *MacGyver* television series and the rights and interests  
13 associated therewith.

14 3. Defendant CBS Studios, Inc. ("CBS Studios") is a corporation organized and  
15 existing under the laws of the State of Delaware, is qualified to do business in the State of  
16 California, and is doing business as CBS Television Studios. CBS Studios, through CBS  
17 Television Studios, a business unit of CBS Studios, produces, owns and distributes  
18 television programming, including *MacGyver*. Plaintiffs are informed and believe that  
19 CBS Studios is the successor in interest to the rights and liabilities of, among others,  
20 Paramount Pictures Corporation, Television Production Division ("Paramount"), in  
21 connection with *MacGyver*.

22 4. The Plaintiffs do not know the true names and capacities of the defendants  
23 named herein as Does 1 through 20 and therefore sue these defendants under such  
24 fictitious names. The Plaintiffs are informed and believe and based thereon allege that the  
25 defendants, and each of them, including Does 1 through 20, and CBS Studios (sometimes  
26 collectively referred to herein as the "Defendants"), are and at all material times have been  
27 the agents and servants of, and acted in concert with, one another with respect to the acts  
28 and conduct herein alleged, and are responsible for and liable to the Plaintiffs for the

1 damages and losses arising out of such acts and conduct. The Plaintiffs will amend this  
2 complaint to show the true names, capacities, and conduct of Does 1 through 20 when and  
3 as the Plaintiffs ascertain the same.

#### 4 JURISDICTION AND VENUE

5 5. Venue is proper in this county pursuant to California Code of Civil  
6 Procedure §§ 395 et seq. Each of the Plaintiffs has its principal place of business in Los  
7 Angeles County. Plaintiffs are informed and believe that the 1984 Agreement (described  
8 below) – of which MTA was an express third party beneficiary – was negotiated and  
9 performed in Los Angeles County. Plaintiffs' injuries arising from CBS Studios'  
10 wrongdoing also occurred in Los Angeles County. In addition, CBS Studios is a business  
11 entity doing extensive business in Los Angeles County.

12 6. This Court has jurisdiction over CBS Studios both because (a) it has such  
13 extensive business activities in California as to be fairly regarded as being at home in this  
14 State, and (b) it has purposefully engaged in activities within California sufficient to  
15 constitute minimum contacts with the State of California, and this action arises out of or  
16 relates to CBS Studios' contacts.

#### 17 FACTUAL ALLEGATIONS

18 7. CBS Studios' predecessor in interest, Paramount, entered into an  
19 "Agreement" with the loan-out companies for Henry Winkler and John Rich, "as of  
20 February 1, 1984" (the "1984 Agreement"), a copy of which is attached as Exhibit A  
21 hereto and incorporated herein by reference. The 1984 Agreement governed, *inter alia*,  
22 the production of certain television series by Paramount involving the acting, directing,  
23 and/or producing work of, *inter alia*, Henry Winkler and/or John Rich.

24 8. MTA is an express third party beneficiary of the 1984 Agreement. The 1984  
25 Agreement includes a "package commission" agreement between MTA and Paramount,  
26 and thereby reflects an obligation by Paramount to benefit MTA through payment by  
27 Paramount to MTA, or its designee, of, *inter alia*, an upfront and deferred package  
28 commission on each series produced under the 1984 Agreement "and any spin-off series

1 therefrom.” At the time of the 1984 Agreement, the term “spinoff,” unless further defined,  
2 was broadly understood in the industry to mean a television series that is based on, comes  
3 out of, or otherwise derives from an earlier television series, including what are referred to  
4 today as, among other things, “reboots,” “revivals,” “remakes,” “sequels,” and “spin-offs.”

5 9. Pursuant to Paragraph 19 of the 1984 Agreement, Paramount agreed to pay  
6 MTA or its designee (a) a certain percentage of the gross broadcast network license fees  
7 (sometimes referred to as “LF”) of series covered by the 1984 Agreement, including their  
8 spinoffs, and, (b) “[f]rom distribution other than on initial network run and runs which  
9 network has the right to order as part of initial network agreement, 10% of the total  
10 licensing revenues” after deduction of certain costs. Also in the 1984 Agreement, MTA  
11 agreed that it would perform certain services if requested by Paramount, but could  
12 designate qualified third parties to render such services. There is no requirement in the  
13 1984 Agreement that MTA perform any services, or be requested to perform any services,  
14 in order to receive the payments set forth in Paragraph 19 of the 1984 Agreement.

15 10. For seven seasons between 1985 through 1992, the hit television show  
16 *MacGyver* was produced by Paramount under the 1984 Agreement. It was initially  
17 broadcast on the American Broadcasting Company (“ABC”) Network and distributed on  
18 other networks domestic and foreign during that time. During that time, and thereafter,  
19 payments were made by Paramount and its successors in interest to MTA and its  
20 successors in interest, consistent with the terms of the 1984 Agreement.

21 11. On January 13, 1986, Paramount was informed via written correspondence  
22 that Hanzer was MTA’s designee to receive “all moneys which may become due to” MTA  
23 under the 1984 Agreement. Paramount subsequently made payments to Hanzer that were  
24 due to MTA under the 1984 Agreement, consistent with those instructions.

25 12. In early February 2016, after Paramount was acquired by CBS (together with  
26 the rights to *MacGyver* and other Paramount properties), CBS Studios announced that it  
27 had greenlit production of a pilot episode of the original *MacGyver* (the “Spinoff Series”).  
28 The Spinoff Series was referred to by CBS Studios and others variously as a “reboot.”

1 "remake," and/or "spin-off," but it is in fact a "spinoff series" as contemplated by the 1984  
2 Agreement.

3 13. The Spinoff Series premiered on the CBS Network on September 23, 2016.  
4 On October 17, 2016, the CBS Network ordered a full season of 21 episodes. On March  
5 23, 2017, the CBS Network renewed the series for a second season, which began  
6 broadcasting new episodes on September 29, 2017. On April 18, 2018, the CBS Network  
7 renewed the Spinoff Series for a third season, which began broadcasting new episodes on  
8 September 28, 2018.

9 14. Before the premier of the Spinoff Series in September 2016, Plaintiffs,  
10 through Richard Weston, contacted the Executive Vice-President and Deputy General  
11 Counsel of CBS Corporation to advise that MTA's successors in interest were entitled to a  
12 package commission consistent with the terms of the 1984 Agreement, for the Spinoff  
13 Series. Nonetheless, CBS Studios went ahead with the initial season of the Spinoff Series,  
14 and two additional seasons of the Spinoff Series, without recognizing Plaintiffs' interest,  
15 asking Plaintiffs to perform any services in connection with the spinoff, or making any  
16 payments to Plaintiffs as required by the 1984 Agreement.

17 15. To date, CBS Studios has refused to make any payments to Plaintiffs or their  
18 predecessors in interest in accordance with CBS Studios' obligations under the 1984  
19 Agreement.

20 16. Effective November 2, 2017, CBS entered into a tolling agreement with  
21 Hanzer's and Arlita's predecessors in interest which tolled "any and all statutes of  
22 limitation, and any and all other defenses related to the passage of time whether legal or  
23 equitable (including without limitation, laches), which may be applicable with respect to  
24 any actual or potential claims" arising out of the 1984 Agreement with respect to the  
25 Spinoff Series.

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1 **FIRST CAUSE OF ACTION**

2 **(For Beach of Written Contract and the Implied Covenant of Good Faith and Fair**  
3 **Dealing)**

4 17. Plaintiffs repeat, reallege and incorporate paragraphs 1 through 16 above as  
5 though here fully set forth.

6 18. Plaintiffs are successors in interest to the express third party beneficiary of  
7 the 1984 Agreement. Included within the 1984 Agreement is an implied covenant of good  
8 faith and fair dealing pursuant to which Paramount, and now CBS Studios as its successor,  
9 agreed not to deprive MTA and its successors in interest of the full benefits of that  
10 agreement.

11 19. Plaintiffs have fully performed all of their material obligations under the  
12 1984 Agreement or have otherwise been excused from performance.

13 20. CBS Studios has materially breached the provisions of the 1984 Agreement,  
14 and the implied covenant of good faith and fair dealing, by, *inter alia*, refusing to timely  
15 make payments to Plaintiffs as required pursuant to Paragraph 19 of the 1984 Agreement.

16 21. As the proximate result of CBS Studio's breaches of its contractual  
17 obligations, Plaintiffs have suffered damages substantially in excess of the jurisdictional  
18 minimum of this Court for unlimited jurisdiction cases. Plaintiffs seek damages for these  
19 breaches of contract up to the date of the trial.

20 **PRAYER FOR RELIEF**

21 WHEREFORE, Plaintiff prays for judgment in its favor against CBS Studios and  
22 DOES 1-20 and an order granting the following relief:

23 A. For actual and compensatory damages in an amount to be determined at the  
24 trial of this action, but substantially in excess of the jurisdictional minimum of this Court  
25 for unlimited jurisdiction cases;

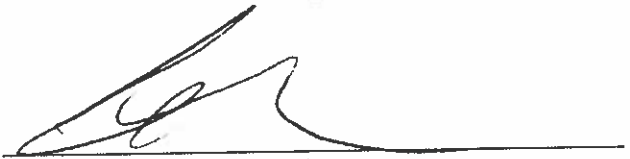
26 B. For pre- and post-judgment interest thereon at the legal rate in favor of  
27 Plaintiffs against CBS and DOES 1-20; and  
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C. For such other and further relief as this Court may deem just and proper.

DATED: December 20, 2018

Ronald J. Nessim  
Ariel A. Neuman  
Andrew McTernan  
Bird, Marella, Boxer, Wolpert, Nessim,  
Drooks, Lincenberg & Rhow, P.C.

By:   
Ariel A. Neuman  
Attorneys for Plaintiffs Hanzer Holdings and  
Arlita, Inc.

Deadline

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**DEMAND FOR JURY TRIAL**

Plaintiffs Hanzer Holdings and Arlita, Inc., demand a jury trial on all causes of action so triable.

DATED: December 20, 2018

Ronald J. Nessim  
Ariel A. Neuman  
Andrew McTernan  
Bird, Marella, Boxer, Wolpert, Nessim,  
Drooks, Lincenberg & Rhow, P.C.

By:



Ariel A. Neuman  
Attorneys for Plaintiffs Hanzer Holdings and  
Arlita, Inc.

Deadline



Deadline

11/11/2019 10:11:11 AM

EXHIBIT A

AGREEMENT

The following will confirm the understanding and agreement reached between a joint venture named WRP Productions, Ltd., comprised of Fair Dinkum and John Rich Productions, Inc. or their respective designees ("WRP") and Paramount Pictures Corporation, Television Production Division ("Paramount"), as of February 1, 1984.

1. ABC Commitments - See ABC Letter attached hereto, excluding Paragraph 9 thereof, which includes three on-air series of 13 episodes each with liquidated damages of \$1,000,000 per series and two on-air pilots with liquidated damages of \$150,000 each. WRP shall turn over the ABC Agreement and commitments on the terms herein set forth.

2. Advances  
Loans vs. Commitments

Paramount agrees to <sup>advance</sup>lend WRP or designee the cash sum of \$3,500,000, of which \$1,250,000 shall be <sup>advanced</sup>loaned upon execution hereof and the balance of \$2,250,000 on or before August 1, 1984. \$1,750,000 of such sum shall be <sup>recouped</sup>repaid on such terms as the parties may agree prior to execution hereof. The balance of \$1,750,000 will be <sup>recoupable</sup>payable (from available Adjusted Gross on a series or pilot after taking into account the advances specified in Paragraph 14 below) (a) solely from WRP's share of Adjusted Gross allocated on the following basis: not more than \$500,000 for each of the three firm series and not more than \$125,000 for each of the two firm pilots and the series resulting therefrom and (b) on such other basis as the parties shall agree prior to execution hereof.

3. Liquidated Damages

All liquidated damages paid pursuant to the ABC Agreement (excluding Paragraph 9) will be divided equally between WRP and Paramount. Both parties must agree to any changes or modifications in the current structure of the ABC agreement or the term thereof.

4. Additional Years of "Happy Days"

In the event WRP or the entity entitled to Winkler's services agrees to furnish the services of Winkler for "Happy Days" beyond the 1984/1985 season, then it agrees as part of the negotiation for the compensation payable to Winkler to negotiate in good faith for additional commitments which will be "rolled" into this arrangement at no additional cost to Paramount. The commitments so acquired and any liquidated damages related thereto will be treated as additional commitments under this agreement.

5. Winkler Series

Winkler agrees to commit to star in a prime time network television series hereunder within three years from the date hereof subject to his creative approvals and approval of his compensation therefor (as specified in Paragraph 9 below). If Winkler does not so perform for such reasons within such three year period, Winkler agrees to extend for an additional three years or until he accepts an alternate series hereunder.

6. Paramount Services

Paramount will provide the services of its executives in the television area pursuant to this Agreement. Such Paramount executives will assist in the acquisition, development, and sale of television projects with the intention of fulfilling the commitments under the ABC Agreement. Moreover, Paramount will endeavor in good faith to utilize other personnel such as other producers/writers in term deals employed by Paramount as it deems necessary in order to effectuate the acquisition, development, etc.

7. Exclusivity

During the term, WRP (and its constituent entities and Henry Winkler and John Rich) shall be exclusive as a production entity with respect to projects intended for free and pay television only. The foregoing notwithstanding, movies-for-television shall be excluded from WRP's exclusivity hereunder. However, in the event such a project results in a prime time series, such series shall be produced hereunder pursuant to the terms hereof.

As an actor Winkler, shall be exclusive hereunder for prime time network series for three years unless he completes his services on a series produced hereunder before the expiration of such period, subject, however, to the three year extension specified in Paragraph 5 above. Winkler shall be non-exclusive as an actor in all

other areas, and Winkler shall function on a non-exclusive, as available basis as consultant or executive producer on the projects produced by a joint venture as described in Paragraph 8 below. Winkler in the capacity of an executive producer and/or producer shall during the term be exclusive in prime-time series television.

Rich shall be exclusive in all capacities in free and pay television hereunder, and shall render non-exclusive, as available, services as consultant or executive producer on the projects produced by a joint venture as described in Paragraph 8.

8. Ownership/Distribution

At WRP's option, exercisable prior to commencement of production of a pilot or series hereunder, WRP (or its designees) and Paramount will form a separate joint venture to produce each pilot and/or series under the ABC Agreement or other network agreement or a single joint venture to produce all such pilots and/or series. Each series ordered shall be produced by the same joint venture that produced the pilot (or sample) episode or presentation film therefor. Each joint venture shall contract with WRP (or its designee) for the borrowing of the services of Winkler and Rich as herein provided. Each joint venture shall also contract with Paramount (or an affiliate thereof) for the distribution of the projects produced hereunder. Also, each joint venture shall contract with Paramount (or

an affiliate) to render production services on each such project. A joint venture shall be formed for each pilot and/or series produced hereunder and Paramount, on the one hand, and WRP (or designees) on the other, shall each contribute \$1,000 as a capital contribution for each project.

Under the terms of the joint venture agreement, WRP and Paramount shall contract for production of any project hereunder and each bear and be responsible for an amount equal to 50% of the mutually approved budget for each pilot and/or series episodes ("the approved budget") but in no event greater than 50% of the network licensing revenues excluding any network stripping revenues of any pilot and/or series episode produced. Either under a production service agreement or a joint venture (as the parties shall agree), Paramount will bear first overages to the extent of 60% of the approved budget, or, if less, 60% of such network licensing revenues; WRP will then bear an amount equal to 10% of the approved budget, or, if less, 10% of such network licensing revenues; Paramount will bear all overages thereafter. In the event that network licensing revenue (including stripping) exceeds production costs inclusive of overhead and interest on a cumulative basis, the excess shall be allocated 100% to Paramount until it has been paid any unrecouped Advances. Each joint venture shall have a fiscal year (for tax and accounting purposes) ending

May 31st or such other date as the parties shall mutually agree. Financial statements and tax returns shall be prepared on the cash receipts and disbursements basis of accounting, subject, of course, to the "income forecast" requirements of the Internal Revenue Code applicable to amortization of costs of production. A joint venture will designate Paramount under a production services agreement to make all payroll payments on behalf of the venture and Paramount shall also be signatory to all guilds. All production costs, network residuals and any profit participations shall be paid from a joint venture bank account, unless otherwise agreed.

A joint venture shall contract with Paramount (or an affiliate thereof) for the off-network distribution of each of the programs produced hereunder. In that connection Paramount shall deduct from gross receipts (as defined in Paragraph 13(b) below) its actual residual, royalty and out-of-pocket distribution costs without any distribution fee. 100% of the remaining sums after such deductions shall be paid to the joint venture producing the applicable pilot or series episode, or as it shall designate. Such amounts shall first be applied to pay any unrecouped Advance pursuant to Paragraphs 2 and 14 and any other sums required to be paid to third parties pursuant to their agreements on the applicable pilot or series episodes. Any excess sums shall then be applied to recoup production

overages and then the venturers capital contributions on a pro rata basis; the remainder, if any, of such sums shall be divided 60% to Paramount and 40% to WRP or their designee, subject to the provisions of Paragraphs 13 and 14 below. In any fiscal year in which a joint venture has investment tax credit resulting from the production by such joint venture, such investment tax credit shall be allocated in accordance with and in respect to the amount of capital at risk with respect to any pilot and/or series produced by the applicable joint venture in accordance with the principles set forth above.

As to subsidiary rights (merchandising, music and music publishing) Paramount shall deduct a 15% distribution fee and its out-of-pocket costs from such sources with the remainder paid 60% to Paramount and 40% to WRP (or its designees), as a separate accounting unit per Paragraph 13(b) below.

9. Winkler Actor's Compensation

If Winkler agrees to perform a series or other project pursuant to the ABC Agreement the cash compensation and terms for Winkler as an actor shall be negotiated in good faith with Paramount in connection with any such series or other projects. Winkler's share of Adjusted Gross shall be borne by WRP (or its designee) from its share of Adjusted Gross of that particular series or project as specified in Paragraph 8 above and/or Paragraphs 13 and 14 below.



10. Dean Hargrove Obligations - All of the obligations in connection with the existing projects to Dean Hargrove as specified in paragraphs 5(c), (d) and (e) of Schedule "B" attached hereto will be assumed by the joint venture which produces a project hereunder. Moreover, in connection with the project entitled "Charlie", if produced by a joint venture hereunder, Hargrove shall receive for his non-exclusive creative consultant services on the pilot \$5,000, and a royalty of \$2,500 per episode with 20% of that amount payable for each of the first five reruns and 5% of 100% of the net profits derived from the series on a definition of net profits to be negotiated in good faith.

11. Compensation for Services

WRP (or its designees) shall be entitled to the compensation for services specified in the attached Schedule "A" on the applicable pilot(s) and/or series produced by a joint venture hereunder.

12. Rich's Directing Services

Rich shall direct all half-hour pilots or the first episode(s) of each firm series to be produced hereunder except for the Winkler Series. He may or may not be involved in a directing and/or production capacity in connection with the Winkler Series which will be determined by the mutual agreement of Rich, Winkler and Paramount at the appropriate time. In the event the parties cannot agree he will not be involved. In addition to the compensation

specified in Schedule "A", for his executive producing, consultant or directing services on a pilot or series produced by a joint venture hereunder, an entity so furnishing Rich's services shall receive a director's royalty if he directs a pilot which results in a series or the first episode of a firm series of \$2,500 per episode plus 20% of that amount payable for each of the first five domestic reruns, plus 10% of that amount payable for each additional domestic run in perpetuity. Moreover, such entity furnishing Rich's services shall receive 5% of 100% of the net profits derived from any such series (including any spin-off series) as defined, computed, and accounted for pursuant to the Paramount Standard Definition of Net Profits. In the event that Rich renders directing services on a half-hour pilot which results in a series then the entity furnishing his services shall receive a series sales bonus of \$25,000, which sales bonus shall not be payable in the event there is no pilot and the initial network order is for a firm series. All prescribed DGA fringes shall be paid for on all amounts paid for Rich's services as a director without any limitation thereon.

13. WRP Share of Joint Venture Adjusted Gross

(a) Adjusted Gross:

WRP (or its designees) shall be entitled to receive the sum equal to 40% of 100% of the Adjusted Gross on each pilot and/or series produced hereunder, as

defined below. Such share of Adjusted Gross may be reduced on a dollar-for-dollar basis to not less than a sum equal to 27-1/2% of 100% of the Adjusted Gross for contingent compensation (based on a percentage of net profits, adjusted gross or gross receipts) actually paid to third party writer(s) responsible for actually writing the pilot(s) and/or series produced hereunder, subject to the prior approval of WRP not to be unreasonably withheld.

(b) Definition:

"Adjusted Gross" is "Gross Receipts" (as defined below) derived from the distribution, exhibition and/or exploitation of the applicable pilot and series or other project less the following: the actual direct out-of-pocket third party costs of distribution and any royalties, residuals, agency fees, and third party participations on a dollar for dollar basis "off the top" (except as provided in Paragraph 13(a) above), such participations to be accorded third parties only upon mutual approval by WRP and Paramount, and the cost of production of such pilot and series, including overhead fee and interest as set forth in Paragraph 13(c) below.

For purposes of determining WRP's participation in Adjusted Gross, each pilot and series or other project shall be accounted for separately and shall not be subject to cross-collateralization with other projects; however, each series and any pilot upon which it

is based shall be combined for such accounting purposes herein.

"Gross Receipts" means all sums received from the exploitation of the applicable television project in television ("pay" and free), and from other ancillary sources or media, including but not limited to net revenues received by Paramount from the exercise of merchandising and music rights (both recording and publishing). Theatrical distribution rights are reserved in each joint venture and require joint approval before exercise. Merchandising and music revenues shall each constitute a non-crossed separate accounting unit and there shall be deducted off the top all royalties or profit participations payable to bona fide third parties and as to merchandising royalties, to Winkler, if he is rendering services as a performer in such series. In connection with music publishing and merchandising, as stated in Paragraph 8 above, Paramount will only charge a 15% administration fee and deduction of out-of-pocket third party costs. Gross Receipts shall be calculated "at the source" in all media (if Paramount's distributor with respect to such media is a subsidiary, affiliate or owned or controlled by Paramount), except with respect to basic cable, pay television, videodiscs and videocassettes, etc. For such purposes Gross Receipts shall be revenues actually received by Paramount (if distributed by a third party such as Showtime/Movie Channel, HBO, etc.) or an amount equal to

such other industry practice or standard that is then prevailing at the time of such license or sale (if a subsidiary, affiliate or wholly owned or controlled company of Paramount distributes such videodisc, etc.).

(c) Overhead Fee and Interest

Under the production services agreement for each joint venture, Paramount shall be entitled to an overhead/production fee ("Overhead Fee") which shall be 7-1/2% of the actual direct out-of-pocket third party cost of production of any pilot, series or other project produced hereunder, including the customary Paramount fringes and facilities charges subject to Paragraph 17(b) hereof, but the Overhead Fee on any pilot shall be no greater in amount than the average Overhead Fee for the programs produced for the first production season of the series. For purposes herein, there shall be no interest charged on the Overhead Fee or Advances and the Overhead Fee shall not be charged on interest or Advances payable to WRP as specified below.

Interest shall be computed on production overages only as of the end of each accounting period, reflecting the Adjusted Gross collected (whether or not earned or refundable) and all actual direct out-of-pocket production costs actually paid or incurred during each accounting period as hereinafter set forth. Paramount shall use the cash receipts and disbursements method of accounting in computing Gross Receipts, distribution costs, Adjusted

Gross and production costs hereunder. Interest charged on production overages hereunder shall be the customary rate granted to any third parties in connection with television programs produced pursuant to agreements of this type, but in no event more than 2% over prime.

14. Advances (Against Adjusted Gross)

(i) 2-Hr. Pilot/Mini-Series:

WRP shall be entitled to Advances against its share of the Adjusted Gross ("Advance") pursuant to the following:

With respect to any 2-hr. pilot, WRP shall be entitled to the amount of \$150,000 as an Advance, payable \$75,000 upon foreign release of the applicable project and \$75,000 upon actual sale of the project in domestic syndication as hereinafter defined. In the event, however, that the actual first run production costs of the pilot (without Paramount Overhead Fee or interest) exceeds the first run network license fee by more than \$50,000, the amount of said Advance shall be reduced by 50% of such excess (over \$50,000) to a floor of \$75,000 (payable 1/2 upon foreign release and 1/2 upon actual sale in domestic syndication). The advance for a mini-series shall be the pro rata share of the above Advance (based on length of project in question). There shall be no advance for a 90 minute pilot.

(ii) Series:

Foreign - With respect to any series produced hereunder, WRP shall be entitled to receive an Advance against its share of Adjusted Gross of \$15,000 per episode for a one hour or one-half hour episode (including any pilot other than as provided in (i) above). Said sum shall be payable at the time the episodes are actually sold in foreign markets other than Canada, but not later than the pick-up for the second full season of the series and thereafter upon delivery to the network of each episode.

Domestic Syndication - \$50,000 per episode (including any pilot) but only if more than 66 episodes (including the pilot) are produced, payable \$1,650,000 upon production of the 67th episode of the series, \$25,000 upon delivery of each subsequent episode (including the 67th episode) of the series produced and the remainder (or all of the \$50,000 if no sums previously were advanced) within 30 days following first use of the episode in domestic syndication; provided, however, if Paramount, as distributor, notifies the applicable joint venture in writing that in its good faith judgment the episodes of the series are not susceptible of television domestic syndication, then no Advance shall be payable. The foregoing notwithstanding, in the event Paramount, as distributor, determines that such series is not capable of license in domestic syndication and later licenses, then the

Advance of \$50,000 per episode shall be immediately payable upon such actual sale.

For purposes herein, an "actual sale" of an episode in domestic syndication shall be deemed to occur at such time as any revenues including advances are received by Paramount as a result of such sale or license by Paramount.

15. Accounting Statements

Paramount, as production service entity and/or as distributor to the applicable joint venture shall render accounting statements for each series (and/or pilot upon which it is based) or other project on an annual basis during the original network license period or until the series goes into stripping or free television syndication; thereafter said accountings shall be rendered on a semi-annual basis. Payments, if due, shall be made to the joint venture within 90 days after the conclusion of the applicable accounting period. Any production losses incurred by Paramount in connection with production services may be carried forward and backwards from accounting period to period, but in no event shall any joint venture (or WRP) be required to repay any sums previously paid hereunder.

WRP shall have the right to audit any statement rendered by Paramount within 36 months after the date of issuance thereof until a program or series of programs is sold into syndication in which event the time



period to audit shall thereafter be reduced to 24 months after the date of issuance thereof. If there is a dispute as to any accounting, the matter shall be arbitrated by a single neutral arbitrator in Los Angeles under American Arbitration Association rules.

16. Spin-Off Series

In the event a spin-off series results from a project produced hereunder whether said series is produced during or after the term, WRP shall have the election to form a new joint venture (consistent with all the terms applicable to the original series) and to furnish the services of Winkler and/or Rich in connection therewith as the non-exclusive executive producers thereof for the fees in the attached Schedule "A" and share of Adjusted Gross and Advances specified herein. In the event WRP elects not to form a new joint venture or furnish such executive producer services then WRP, at its election, shall furnish the services of Rich and/or Winkler as non-exclusive, as available, creative consultants in connection with any such spin-off pilot (or sample episode) and/or series, for which WRP (or its designees) shall be entitled to receive the following: 50% of the fees, Advances, and share of the Adjusted Gross payable with respect to the original series upon which such spin-off series is based. An entity furnishing Rich's services shall have a separate right to furnish his services as director on any spin-off pilot

and/or series on the same basis as Paragraph 11 and Schedule "A".

17. Controls

(a) Creative Controls:

Paramount and WRP shall have mutual approvals regarding the creative elements of each project produced hereunder. In the event of a dispute which affects a joint venture's ability to produce and deliver a pilot and/or series in a timely manner to the applicable network, the final decision of Paramount shall be controlling. "Creative" elements, as herein used, shall be defined to mean the selection (subject to network approval, sponsor requirements and budgetary limitations) of the script, writer, writing staff, director, producer (including supervising, associate and co-producers) key post-production personnel.

Notwithstanding the foregoing, Rich and/or Winkler shall have the right, at their sole election to function on any program or series hereunder as the sole Executive Producer(s) thereof and shall be locked to all series episodes for all episodes produced. Rich shall have the right, at his sole election to function on any one-half hour program or series as director thereof.

(b) Production Controls:

Paramount and WRP shall have mutual approvals regarding the production elements of each project

produced hereunder to the extent reasonable under the circumstances, (which shall be determined in Paramount's sole discretion). In the event of a dispute, the final decision of Paramount shall be controlling. "Production" elements, as used herein, shall be defined as the selection of all elements (other than stated above) in connection with each project, including but not limited to all below the line elements. WRP shall have mutual approval with respect to the budget of a pilot or pattern series budget; however if the budget is in excess of the first run network license fee Paramount's decision shall be controlling in such regard. It is the intent of the parties that any facilities, equipment or personnel furnished by Paramount to a joint venture hereunder shall be at competitive rates.

18. Offices/Expenses

During the Term, Paramount shall provide both Winkler and Rich with the following: office space of their choice (to the extent available), plus first-class furnishings, telephones (including services and charges), reasonable messenger service, reproduction equipment and other customary office services. Paramount shall also provide two secretaries (or more, if it is determined to be necessary in connection with production) and a receptionist at WRP's offices, all of whom shall be furnished to WRP during the term and thereafter as long as a project is being produced hereunder.

19. Agency Commission

On network license fees on each series produced hereunder and any spin-off series therefrom, the applicable joint venture (or Paramount, if applicable) shall pay to Major Talent Agency, Inc. or designee an amount equal to 3% of gross network license fee, escalating prospectively as to each series produced hereunder (computed separately) by 1/2% for each production season after the first season to a ceiling of 6%. Such commission is not payable on pilots except for two hour pilots except if the pilots sells as an episode of the series (in which event commission is payable on airing and in an amount equal to the license fee for an episode of the series) or if network covers the agency commission. The commission is payable on union and governmental escalation, star protection and any other extra item over and above the license fee whether or not the network agrees to pay such commission so long as Paramount charges its Overhead Fee on such costs but not otherwise. From distribution other than on initial network run and runs which network has the right to order as part of initial network agreement, 10% of the total licensing revenues after the applicable joint venture (or production service entity) has recouped its actual cost of production (including the Paramount overhead fee and interest as set forth in Paragraph 13(c) above) and after first deducting from Gross Receipts the actual direct out-of-pocket third party costs

of distribution, any royalties and residuals. Such 10% shall therefore be applicable to all other sources, including without limitation, late night telecast, network stripping, foreign and domestic syndication, pay television, home video devices, merchandising, music, etc.

On all programs other than series, a commission equal to 3% of gross network license fee, with 3% of such network license fee deferred until recoupment of actual production costs (excluding any Paramount overhead fee and interest), residuals and foreign taxes and payable out of 50% of available gross receipts, and 10% of all "off network" licensing revenues as provided above (i.e., gross receipts less only actual costs of production, residual obligations and foreign taxes actually paid).

Major Talent Agency, Inc. shall perform such services as may be requested by a joint venture producing the applicable pilot and/or series from time to time, it being agreed that such agency may designate qualified third parties to render such services in the event of unavailability.

20. Screen Credit

(a) Executive Producing (Winkler and/or Rich)

WRP will designate either or both Winkler and/or Rich as executive producer(s) on a separate card in the main titles of all projects produced hereunder and such person(s) shall receive such credit in all paid ads or

publicity under Paramount's control subject to Paramount's standard exclusions whenever any other "off camera" individual on the applicable project receives credit.

(b) Production Credit

WRP shall receive a production credit (the name and form of which shall be designated by WRP) in the end titles of each project produced hereunder on a separate card immediately preceding the Paramount end title logo or credit and in all paid advertising or publicity under Paramount's control if Paramount receives credit in such ads, subject to Paramount's standard exclusions. WRP at its election, may substitute for the aforesaid production credit a so-called signature production credit which may include a logo and/or a music signature and/or a voice over, it being agreed, however, that the form of such credit is subject to network approval.

21. Reversion

Any material of WRP which reverts under a network deal shall be jointly controlled by WRP and Paramount after the term, and neither party can proceed with the further sale, license or exploitation of such material without the agreement of the other.

22. Supplemental Documents

The parties acknowledge that supplemental documents (including, without limitation, joint venture agreements, production services agreements, distribution

agreements and "loan out" agreements) will be prepared in accordance and consistent with the foregoing, subject to good faith negotiations, but until such documents have been executed, this memorandum shall constitute the agreement of the parties.

PARAMOUNT PICTURES CORP.

By: Edith Tolkin  
Its EDITH TOLKIN  
ASSISTANT SECRETARY

WRP PRODUCTIONS, LTD.

By: FAIR DINKUM

By: [Signature]  
Its \_\_\_\_\_

By: JOHN RICH PRODUCTIONS, INC.

By: [Signature]  
Its \_\_\_\_\_

[Signature]  
HENRY WINKLER

[Signature]  
JOHN RICH

SCHEDULE "A"

Fees For Executive Producer (Winkler and/or Rich)  
Services

1. Pilots

30 minute	\$50,000.00
60 minute	\$50,000.00
<u>120 minute MOW/Pilot</u>	\$75,000.00
2. Mini-Series - pro rata with MOW's
3. Series-(Episodic Fees)
  - (a) 30 minute episodes \$30,000.00  
(plus 10% cumulative for  
each succeeding season)
  - (b) 60 minute episodes \$30,000.00  
(plus 10% cumulative for  
each succeeding season)

Fees for Rich as Director

1. Pilots

30 minute	\$75,000.00
60 minute	To be negotiated in good faith
2. Series-(Episodic Fees)
  - (a) 30 minute episodes \$25,000.00  
(plus 10% cumulative  
for each succeeding season)
  - (b) 60 minute episodes To be negotiated  
(plus 10% cumulative) in good faith

The foregoing fees are the fees which are firm for projects commencing production in the 84/85 and 85/86 production seasons; thereafter fees shall increase for projects commencing production by 10% per season.