

CONFIDENTIAL MEMO

TO: Igor Anatsko
Maria Chychula
Vitaliy Baka

FR: Cliff Johnson
Jim Bolton

RE: Meeting Notes to Gnxpert from Icon Productions/Dearborn Media Group Meeting
in Santa Monica, California on Friday 20 May 2005

Meeting Attendees:

On Behalf of Icon Productions:

Vicki Christiansen, COO Icon Productions

Steve McEveety, Independent Business Owner, formerly Icon Producer of The Passion of the Christ movie, now representing Icon on this matter of anti-piracy

Dave Miercort, Executive VP, Business Affairs and General Counsel, Icon Productions

On Behalf of Dearborn Media Group:

Cliff Johnson, President/CEO

Jim Bolton, Vice President/Creative Director

The meeting lasted from 10:00AM to 12:00PM at the offices of Icon Productions in Santa Monica. The purpose of the meeting was to explore and discuss the desire, nature and extent of Icon's continuing interest in being partner in the anti-piracy project that was presented to them by Gnxpert and Dearborn Media Group in the December 2004 meeting also at Icon's offices in Santa Monica.

Dearborn proposed this meeting today at Gnxpert's request because of the positive test results "proof of concept" by Gnxpert Corporation on Thursday, May 6th, at Elk Grove Theatre. Gnxpert's evaluation was that the testing validated their concept and theory about the solution for anti-piracy, and that the final product installed on the Paparazzi film could be accomplished within a couple weeks. Therefore, Gnxpert urged Dearborn to immediately contact Icon to begin working out the parameters of an agreement between Gnxpert, Dearborn and Icon to confirm their continuing interest and the parameters of any business agreement.

An additional purpose was to evaluate options for the most appropriate and effective business structure for an opportunity like this.

Discussion Points:

1. Icon strongly reaffirmed their desire to be involved significantly in the project. They said that Gnxpert's GnxShield is effective and works as proposed and is likely the most significant contribution to the motion picture industry and will literally change the economics of the industry overnight. Steve mentioned that it would be a "gift" to the industry, and Icon would be very pleased to be a part of that.

2. There are a number of points that will need to be addressed both technically and structurally for any business arrangement. The technical points are:

A. To prevent camcorder piracy, GnxShield must continually upgrade its technology to stay ahead of the pirates. The main reason for this is that the invention is being sold on a per-picture basis not on a one-time basis to a purchaser. The anti-piracy protection must be applicable globally for motion industry.

B. The point in A above is particularly important in that in a phone conversation during our meeting today the president of Deluxe (film lab duplicator) said that it is his belief that an incredible 98% of all piracy is from illegal camcording, not the previously mentioned 75% figure that we had heard from the MPAA. It was also discussed that the prints should be coded with the distortion of images and special numbers, so that we would know exactly from which copy/theatre the pirated copy originated. This would be extremely helpful in identifying the source of illegal duplication. He had a very high degree of interest and enthusiasm for working with and through Icon because of the highly developed and strong credibility Icon has within the industry and with Deluxe itself. Steve has worked closely with this man over the years and has given him valuable business counsel so there is a very effective business relationship.

C. Professional cameramen like Caleb Deschanel would need to be brought into the company for assistance with picture's original quality. With a few key professionals coming on board, Steve indicated that the others would readily and quickly accept the solution to have Gnxshield technology available for the fall 2005 movie releases.

D. Originally in December, Steve felt that we would have to demonstrate to each of the 8 major studios the effect of the anti-piracy protection on one of their own films for them to have confidence in the product. Steve now mentioned that he does not think this is necessary as long as one or two of the major studios is installing the protection effectively and supports it. The rest will follow.

The legal and administrative structure and other business considerations that were discussed are as follows:

A. Icon felt that one of the most significant problems that will be encountered would be the collection of large amounts of revenue from an industry that is often accustomed to not paying their bills. Icon's experience in this area is extremely valuable to us in that they successfully sued Regal Entertainment to recover enormous money that

Regal tried to prevent Icon from getting from The Passion of the Christ movie. Icon sued Regal for \$40 million and settled the lawsuit with them successfully. Icon's involvement in our company would almost guarantee that industry insiders would not try to take advantage of us being from outside the industry. The value of this one contribution cannot be overstated in its significance in that it will often take clout and influence to get the right things done in Hollywood. Icon is one of the most credible entities in the entertainment industry.

B. Icon said that they would be willing to actually accomplish the licensing contracts with the labs, policing the execution and implementation of the anti-piracy software, complete collection of the revenues due to the new company, and using the entire administrative infrastructure currently in place at Icon to administer and manage this effort. What would be necessary is a simple Agency Agreement between the GnxShield and Icon productions. For this Agency Agreement, Icon suggests that they take an administrative fee from the revenues they collect, and then pass all remaining revenue directly to the company to be distributed to its shareholders. As their attorney described this, it seemed both simple to understand and not extremely time-consuming or complex to get the paperwork done.

C. Icon said that they are not like a typical studio writing a movie contract. The paperwork involved in this agreement between Dearborn, Gnxpert and Icon could be accomplished within 2 weeks and once the terms were established, it would not need to be more than 5-10 pages at the most. None of the Icon participants in the meeting felt this was either difficult or time consuming to accomplish. The most significant issues taking up the time would be coming to agreement on the terms...the paperwork is minimal and the time to get it done is equally minimal because Mel Gibson and partners privately own Icon so it can move quickly.

D. During our meeting, the President of Deluxe Labs was contacted by Steve McEveety on the speakerphone in our conference room. The President was extremely excited about this possibility and said that Gnxshield will be one of the most significant developments in the industry. He said that presently there is about 6 billion feet of film produced per year in North America alone. We discussed pricing for this software, and initially he thought that Steve's recommendation of \$.20 per foot was too high. But upon further discussion, working out specific examples for specific films, and the fact that it would be "per print" produced, we came to the conclusion that the estimate was not too far off but rather in the ballpark of reality. After some calculations and rough estimates, all agreed that the value of the product was extremely high and potentially worth several hundred million dollars per year of gross revenue into Gnxshield as Icon envisions the process to work.

E. The business model of doing this on a "per print" rather than a one-time fee per release was discussed and reaffirmed. This way studios only wanting to produce a minimal number of prints could afford the protection and then put it on additional prints as needed. In other words, everyone who wants protection could afford it and thus be valuable to an entire industry not just the big studios. The example of Big Fat Greek

Wedding was noted. Initially, that was a low-budget movie that would not have been able to afford a one-time huge fee for the entire release. However, it could afford the protection on the small number of prints initially made and then added it to additional prints made. This seemed like a good model to follow.

F. Icon hoped that the anti-piracy technology would be applied onto movies for Fall 2005 releases. Studios generally are making prints the week before release sometimes so if the protection is validated and it works, then the installation and revenues could actually start as early as late summer or early fall 2005. A very important release (December 9, 2005) to install this protection on would be the upcoming Chronicles of Narnia. This will likely be the most significant Holiday 2005 release and the number of prints made on this film given the production budget will be extremely high. The anti-piracy revenue from this film alone could run as high as \$8+ million.

G. The successful completion of this invention would change the nature of the industry in many ways and be valuable to more than just the studios whose revenues would be protected. It was discussed that this would also create enormous value to the theatre owners in that movies would now stay longer in theatres, have more people attending the theatres to see the movie since it would not have pirated DVD's out on the streets the day after the movie opened (like was reported on the news this morning about the new Star Wars release). It would, therefore, increase the value of each theatrical release and allow the industry to be more profitable and less vulnerable to pirates.

H. Additionally, Steve indicated that this software would have to utilize digital intermediaries and be installed by them before being reproduced by the labs like Deluxe and Technicolor. This would make these companies very valuable, and it would be important not to be held hostage to just one digital intermediary. Technicolor owns its own digital intermediary. Deluxe owns their own also, which is called E Films. Steve felt that it might be important to have a contract with each digital intermediary that installs the anti-piracy protection. Since pricing will have to be determined by the marketplace, it will be important to include restrictions in our contractual relationship with the digital intermediary that prevents them from charging more than "x" percent above what they pay us for the anti-piracy protection. That way they do not benefit disproportionately from the investment and time that has been put into developing both this anti-piracy software and the business structure/arrangement to execute the product concept and take it to market.

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