

## Eliot I. Bernstein

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**From:** Eliot I. Bernstein [eliot@iviewit.com]  
**Sent:** Wednesday, February 27, 2002 11:19 AM  
**To:** Simon L. Bernstein (E-mail); Jeffrey Friedstein (E-mail 2)  
**Subject:** FW: Your Response of February 20 -- Final Proposal  
**Attachments:** I View It\_W B\_Final Proposal.doc

**Importance:** High

Now asking for 50M

> -----Original Message-----

> From: P. Stephen Lamont  
> Sent: Wednesday, February 27, 2002 8:10 AM  
> To: john.calkins@warnerbros.com  
> Cc: Eliot I. Bernstein; Chuck N. Brunelas; david.colter@warnerbros.com; Mpegcto@aol.com; chuck.dages@warnerbros.com; sbrower@sortlaw.com  
> Subject: Your Response of February 20 -- Final Proposal  
> Importance: High

>

> Dear John:

>

> Thank you, finally, for your recent reply to my inquiries. Moreover, I would have hoped that your read of my email message sent on February 8 at 3:37 PM EST was a little more diligent than it appears at present, so to refresh your memory, I have stated that Iviewit is of a different opinion pertaining to unauthorized uses of Iviewit techniques by Warner Bros. and that differing view is evidenced by the numerous and documented executed contracts, memos, emails, meeting notes, and parole evidence currently in the company's possession, all of which I have had the opportunity to review at this point; hopefully, you had the support of your Board before you knowingly filled your response with misinformation, the nature of which can only astound one of comparable mind.

> Factually, any one of a number of present and past Iviewit employees, and any one of a number of present or former Warner Bros. employees, whether by subpoena or cross examination at trial, would attest, lest they perjure themselves, that since February 2000, the Iviewit/Warner Bros. dialogues were lessons in: (i) disclosing patent pending techniques under that certain NDA dated August 14, 2000; (ii) instructing how to make the patent pending techniques disclosed under that NDA; (iii) instructing how to use the patent pending techniques under that certain NDA; and (iv) that no, I repeat, no such video techniques existed on any Warner Bros. or affiliated sites prior to the dissemination of this information, and not orally with a wink and a nod I lastly remind you, but under NDA, an NDA executed by a Warner Bros. executive.

> Furthermore, presently I am surrounded by draft after draft of subsequently executed documents, Warner Bros. authored memo after memo, Warner Bros. authored email after email, meeting note after meeting note authored by both parties, and not the least compelling of all, parole evidence that is in diametric opposition to your misinformed response of February 20. With this said, John, I ask you, and as we say in NY, "do you think I just fell off the turnip truck?"

> Now therefore, and on behalf of Iviewit, I attach what amounts to a Final Proposal. Mind you, Iviewit requires execution of said Final Proposal no later than Wednesday, March 6, 2002 at 5:00 PM EST, and should execution of said Final Proposal not be forthcoming Iviewit must and shall, regretfully, seek its adequate remedy at law or in equity in protection of its intellectual property at which time we shall allege that Warner Bros. has, inter alia, misappropriated said intellectual property, conducted the prior unauthorized use, conducted

the present unauthorized use, and plans the future unauthorized use, knowingly and willfully, in material breach of that certain NDA dated August 14, 2000.

> > <<I View It\_W B\_Final Proposal.doc>>

>

> Best regards,

>

> P. Stephen Lamont

> Chief Executive Officer, Director

> I View It Technologies, Inc.

> 10 Mela

> Rancho Palos Verdes, Cal. 90275

> Tel: 914-217-0038

> Email: psl@iviewit; [pstephen.lamont@verizon.net](mailto:pstephen.lamont@verizon.net)

> URL: [www.iviewit.com](http://www.iviewit.com)

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## ADVANCE ROYALTY AGREEMENT

This **ADVANCE ROYALTY AGREEMENT** (“Agreement”) is entered into as of this \_\_\_\_ day of March, 2002 (“Effective Date”) by and between I View It Holdings, Inc., a Delaware corporation, with principal offices at 10 Mela, Rancho Palos Verdes, Cal. 90275 (“Licensor”) and Warner Bros., a division of Time Warner Entertainment L.P., a Delaware limited partnership with principal offices at 4000 Warner Boulevard, Burbank, Cal. 91522 (“Licensee”).

**WHEREAS**, Licensee is a creator, producer, and distributor of entertainment content and Licensor is a video and imaging compression technology company;

**WHEREAS**, Licensee and Licensor are parties to that certain Confidentiality Agreement (“NDA”) dated August 14, 2000, attached herein as Exhibit A;

**WHEREAS**, since the execution of that NDA and before then, Licensee has visited Licensor’s facilities and was made fully aware by Licensor of the techniques used in Licensor’s technology and Licensee has thoroughly reviewed Licensor’s patents pending portfolio, partial documentation of which is attached herein as Exhibit B;

**WHEREAS**, Licensee currently presents video previews of its proprietary content (“Trailers”) and other video content at an approximate frame rate of ~~up to~~between twenty four (24) frames per second (“fps”) and thirty (30) fps, commonly known to those expert in the industry as “full frame rates,” and that prior to Licensor disclosures under that certain NDA, no such scaled video technique existed on Licensee’s Uniform Resource Locator (“URL”) at <http://www.warnerbros.com>, or any affiliated URL’s, partial documentation of which is attached herein as Exhibit C ; and

**WHEREAS**, Licensee, under that certain NDA, received trade secrets and/or patent pending information on how to make and how to use Licensor’s means of capturing, encoding and distributing motion and/or still images in a 320 by 240 frame size, and that prior to Licensor disclosures, no such video technique existed on Licensee’s Uniform Resource Locator (“URL”) at <http://www.warnerbros.com>, or any affiliated URL’s.

**NOW THEREFORE**, in consideration for the mutual representations, warranties, and covenants contained herein, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

### 1. DEFINITIONS

1.1. **“Advance Royalty Fee”** shall mean the payment made by or on behalf of Licensee, its parents, subsidiaries, and/or affiliates pursuant to the terms of this Agreement.

1.2. “fps” shall mean frames per second..

~~1.2.~~ 1.3. “Licensee” shall mean Warner Bros., a division of Time Warner Entertainment L.P., a Delaware limited partnership.

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1.4. “Licensor” shall mean I View It Holdings, Inc., a Delaware Corporation.

1.5. “NDA” shall mean that certain confidentiality agreement executed by and between Licensor and Licensee on August 14, 2000 attached herein as Exhibit A.

1.6. “Series B Preferred Stock” shall mean preferred shares of Licensor having the rights, privileges, preferences, and restrictions attached herein as Exhibit E.

1.7. “URL” shall mean Uniform Resource Locator, or more commonly known as the address of a page on the World Wide Web layer of the Internet.

1.8. “Trailer” shall mean the method of Licensee and competitive URL’s, among other places, that portrays previews of their proprietary content.

1.9. “Warrant” shall mean the Series B Preferred Warrant of Licensor exercisable into Series B Preferred Stock, attached herein as Exhibit D.

## 2. ADVANCE ROYALTY FEE

2.1. **Payment of Advance Royalty Fee.** Within ten (10) business days following the execution of this Agreement, Licensee will pay to Licensor the sum of **Fifty Million Dollars (\$50,000,000)** by wire transfer to the following account as an Advance Royalty Fee:

Bank:	First Union National Bank of Florida
Address:	Post Office Box 1000
City, State, Zip	Pompano Beach, Fla. 3306109877
For Credit of:	Iviewit.com, Inc.
Account Number:	2000006722665
ABA Number:	063000021

2.2. **Treatment of Advance Royalty Fee.** Licensor will carry the Advance Royalty Fee on its books of account as a prepayment of royalty fees by Licensee that can be applied to royalty fees under any present or future license agreement between Licensee and Licensor. The parties intend that such payment will not be applied to royalty fees before June 30, 2002. Provided Licensee exercises the Series B Preferred Warrant issued in accordance with Section 3.1, the Advance Royalty Fee will be converted into Five Hundred Thousand (500,000) shares of Series B Preferred Stock at the same time and on the same terms as the exercise of the Series B Preferred Warrant. After June 30, 2002, the Advance Royalty Fee will no longer be convertible into preferred shares of Licensor

and may be applied only against royalty payments pursuant to a future licensing agreement between the parties.

### 3. **ISSUANCE OF SERIES B PREFERRED WARRANT**

3.1. **Issuance of Warrant.** Upon satisfaction of the prerequisites set forth in Subsection 3.2, below, Licensor shall issue to Licensee a Series B Preferred Warrant substantially in the form attached herein as Exhibit A. The Warrant shall grant Licensee the right, but not the obligation, to purchase, on or before June 30, 2002, Five Hundred Thousand (500,000) shares of Series B Preferred Stock of Licensor at an exercise price of One Hundred Dollars (\$100.00) per share, whereby the exercise price shall be offset by the Advance Royalty Fee of Section 2.1.

3.2. **Condition Precedent.** The Series B Preferred Warrant will be issued to Licensee by Licensor upon satisfaction of the following prerequisite:

Licensee has paid the Advance Royalty Fee pursuant to Section 2.1 above.

### 4. **MISCELLANEOUS**

4.1 **Assignment.** Licensee shall not have the right to assign this Agreement, either voluntarily or involuntarily. Licensor shall have the right to assign this Agreement to any party that purchases all or substantially all of the assets or stock of Licensor.

4.2 **Binding Effect.** This Agreement shall inure to the benefit of, be binding upon and enforceable against, the parties hereto and their permitted, respective successors, heirs, beneficiaries, and permitted assigns only upon execution by both parties not later than March 6, 2002.

4.3 **Headings.** The headings contained in this Agreement are for convenience of reference only, and shall not effect in any way the meaning or interpretation of this Agreement.

4.4 **Notices.** All notices, requests, demands, and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when personally delivered, sent by registered or certified mail, return receipt requested, postage prepaid, or by private overnight mail service (e.g., Federal Express) to the party at the address set forth above or to such other address as either party or Licensor may hereafter give notice of in accordance with the provisions hereof. Notices shall be deemed given on the sooner of the date actually received or on the third (3) business day after sending.

4.5 **Waiver.** The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a continuing waiver of any subsequent breach by either party. No waiver by either party of any provisions or conditions to be performed

shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

**4.6 Governing Law: Jurisdiction and Venue.** Regardless of the place of performance, this Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to such State's choice of law provisions.

**4.7 Dispute Resolution: Arbitration.** Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association in accordance with its applicable rules and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

**4.8 Severability.** If, for any reason, any provision of this Agreement is held invalid, such invalidity shall not affect any other provisions of this Agreement not held so invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect. If any provision of this Agreement shall be held invalid in part, such invalidity shall in no way affect the rest of such provision not held so invalid, and the rest of such provision, together with all other provisions of this Agreement, shall to the full extent consistent with law continue in full force and effect.

**4.9 Counterparts.** This agreement may be executed in one or more original or facsimile counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

**4.10 Finder's Fees.** Licensee and Licensor: (i) represent and warrant each other that it has retained no finder or broker in connection with the transactions contemplated by this Agreement; and, (ii) hereby agrees to indemnify and to hold the other harmless of and from any liability for any commission or compensation in the nature of a finder's fee to any broker or other person or firm (and the costs and expenses of defending against such liability or asserted liability) for which it, or any of its employees or representatives, are responsible.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the date set forth above.

**LICENSOR**

**LICENSEE**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT "A"**

CONFIDENTIALITY AGREEMENT

To: **iviewit, Inc.**  
Attention: Brian G. Utley  
2255 Glades Road, Suite 337-W  
Boca Raton, Florida 33431-7360

The undersigned acknowledges and agrees that any and all "Proprietary Information" provided by or on behalf of iviewit, Inc., a Delaware corporation, and its affiliates collectively the "Company", Simon L. Bernstein, Eliot I. Bernstein, or any officer, director, employee, agent or representative of the Company to the undersigned, or to which the undersigned otherwise gains access to, shall be subject to the terms and conditions of this Agreement. "Proprietary Information" means all confidential materials and information (regardless of the form of such information, including without limitation, in writing, electronic, computerized or other recorded form, oral or visual) marked as "Confidential" or, if disclosed orally, confirmed in writing as "Confidential" within thirty (30) days that the undersigned may receive or learn of now or in the future concerning, or related in any way to, the Company, its technology, or its business, including without limitation: (i) the contents of any Business Plan, projections or financial or credit information or data relating to the Company; (ii) the contents of any manuals or written materials of the Company; (iii) the names and records of actual or prospective clients, customers, suppliers, lenders, financing sources, or related persons; (iv) the terms of various agreements between the Company and third parties; (v) any data or database, or other information compiled or developed by the Company; (vi) any computer programs and listings, source codes and/or object codes, file structures, trademarks, trade secrets, patents, patent designs, patent applications, copyrights, forms, procedures, processes, training methods, developments, technical information, marketing activities and procedures and methods of operation, methodologies and processes for the display of video on the World Wide Web, together with any other information, data, know-how or knowledge of a confidential or proprietary nature; and (vii) any information of a type described above derived or obtained from the internet or any website of the Company, including without limitation, the file structure relating to such website or the content of such website. Notwithstanding the foregoing, the term "Proprietary Information" does not include information which (i) is already known to the undersigned or in the undersigned's possession, (ii) is or becomes generally available to the public other than as a result of a disclosure by the undersigned, or (iii) becomes available to the undersigned on a non-confidential basis from a source other than the Company or its representatives, provided that such source is not known, to be bound by a confidentiality agreement with, or other obligation of secrecy to, the Company, or (iv) is independently developed by the undersigned without violating this Agreement. The undersigned shall bear the burden of demonstrating the availability of any of the exceptions set forth in the preceding sentence.

The undersigned acknowledges that the Proprietary Information constitutes valuable, special and unique assets of the Company. The undersigned agrees (a) to receive in trust, and treat as confidential, the Proprietary Information; (b) not to use any of the Proprietary Information for any purpose without the prior written consent of Brian Utley, Simon L. Bernstein or Eliot Bernstein on behalf of the Company; (c) not to disclose any of the Proprietary Information to anyone (other than to such of the undersigned's employees or advisors who have a need to know such Information for the sole purpose of assisting the undersigned in evaluating such Information; provided that the undersigned shall be liable for any breach of confidentiality or use by such employees or advisors) without the prior written consent of Brian Utley, Simon L. Bernstein or Eliot Bernstein on behalf of the Company; (d) not to reproduce, store or copy any Proprietary Information in any form (other than as necessary to evaluate such Proprietary Information) without the prior written consent of Brian Utley, Simon L. Bernstein or Eliot Bernstein on behalf of the Company; in the event that the parties do not proceed to an agreement, all items including all duplicates and copies will be returned to the company or proof of their destruction will be provided, and (e) not to fax, distribute or reverse engineer any Proprietary Information. The

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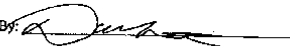
undersigned understands that all Proprietary Information is confidential and that all rights, title and interest in the Proprietary Information is and shall remain the exclusive property of the Company, and no license or other rights are being granted to the undersigned by the Company.

The undersigned further agrees that the Company shall be entitled to equitable relief, including injunction, in the event of any breach of this Confidentiality Agreement, that the granting of such relief will not be opposed and that such relief shall not be the exclusive remedy for such breach. Furthermore, the undersigned agrees to defend and hold harmless the Company from any loss, cost, expense (including attorney's fees and litigation expenses), claim, liability, or damage arising from or related to a breach of this Confidentiality Agreement.

This Agreement shall expire three (3) years from the date of execution.

This Confidentiality Agreement shall be governed by California law.

The undersigned has executed this Confidentiality Agreement as of the date set forth below.

By: 

Print Name: David Colter  
VP Technology and Standards

Company: Warner Bros

Date: Aug 14/02

4708/40017-001 BR181/261214 v1 12/27/99 03:00 PM (2761)

**EXHIBIT "B"**

-----Original Message-----

From: Jack Scanlan [mailto:jackscanlan\_hollywood@yahoo.com]  
Sent: Tuesday, August 15, 2000 4:49 PM  
To: Brian G. Utley; James F. Armstrong; Eliot I. Bernstein; Eliot I. Bernstein  
Cc: Patti Spigarelli; Gregory Thagard; Michael Reale; Jennifer A. Kluge;  
Victoria LaHaie; Martha Mantecon; Raymond Hersh; Guy T. Iantoni; Maurice  
R. Buchsbaum; David Colter; David Colter  
Subject: Warner Bros. meeting in Boca Raton 8/24/00

This will confirm a morning to mid-day meeting, Thursday, August 24th, at the iviewit.com offices and facilities in Boca Raton, Suite 337W, 2255 Glades Rd. PH: 877-484-8444 for Warner Bros. executives:  
David Colter, VP Technology and Standards  
Greg Thagard, VP Advanced Technology  
Wendy Aylsworth, VP Technology (?TBA?)  
Please have someone on the iviewit staff contact Patti Spigarelli and Victoria LaHaie with suggested hotel for Wednesday, August 23rd arrival. Arrival time should allow for DINNER Wednesday evening. Will someone from iviewit be available to meet David and Greg at the airport?

Warner Bros. group plan to depart Thursday afternoon.

David: Please contact Martha Mantecon (martha@iviewit.com) and copy me with your flight times.

I hope everyone has a pleasant visit and a good meeting. Please call me upon your return and I'll circulate a meeting memo and follow-up plans to all parties.

Regards to all,

JACK SCANLAN  
323-258-1135

Subj: movies I-View-It will encode for WB presentation.  
Date: 08/02/2001 5:56:59 AM Pacific Daylight Time  
From: tony@iviewit.com (Tony Frenden)  
To: david.colter@warnerbros.com  
CC: eliot@iviewit.com (Eliot Bernstein)

Hi David,

We would be eternally grateful if you were to pull some strings and get us some primo cool content on Digi Beta from the depths of the Warner Bros. tape library archive. Bruce Lee's Enter the Dragon, for example, is WB... Do you have any other suggestions as to what a good movie to do would be? Maybe an upcoming movie trailer. Do I hear Harry Potter knockin' at the door?

Our intent is to showcase video using the SDI preprocessing, and SDI capture, encoded using I-View-It specs, and these would be among the links sent to Heidi. Otherwise, we will continue a path with content we already have in-house....

Thanks for your consideration and input,

Tony  
323 791 1407

-----Original Message-----

From: David.Colter@warnerbros.com [mailto:David.Colter@warnerbros.com]  
Sent: Friday, August 03, 2001 9:54 AM  
To: tony@iviewit.com  
Cc: eliot@iviewit.com  
Subject: Re: movies I-View-It will encode for WB presentation.

Tony,

Can't do anything informally. We can proceed with a Use Letter arrangement to get the demo tape for test purposes, but full titles are difficult.

What you have on the site is Ok for demo.

Thanx,  
David

FW: iviewit

-----Original Message-----

From: Colter, David [mailto:David.Colter@warnerbros.com]  
Sent: Wednesday, April 04, 2001 10:38 PM  
To: 'david.colter@home.com'  
Subject: FW: iviewit

-----Original Message-----

From: Colter, David  
Sent: Wednesday, April 04, 2001 10:29 PM  
To: 'WJRCTO@aol.com'  
Cc: Cookson, Chris; Bell, Alan; 'MattMcConnell9@aol.com'; 'gt@wb.com'  
Subject: FW: iviewit

Bill,

I had an opportunity to talk with Ted Leonsis about a company we have both been looking at, iviewit. He suggested that I bring iviewit to your attention, and we should compare some of the streaming technology companies you and your team have been investigating.

As for iviewit, Greg Thagard and I took a look at them over the past year. They have pending patents which describe scaling processes and formulas for >video and still images. There appears to be a solid licensing potential for the patents -- we primarily looked at the video patents, but recently I have delved into the still image patents, which provide an interesting way to deliver zoomable images across the Internet.

They have an operational side to the company for encoding, and they are currently processing some of the content for WB Online. We have continued the dialogue with iviewit to explore R&D opportunities for encoding. They are currently strengthening their management team, and are very open to a range of partnership/investment options -- worth taking a look.

I would be happy to provide the contacts for iviewit and/or arrange an introduction. Let me know how you would like to proceed.

Thanx,  
David

David Colter  
VP Technology and Standards  
Technical Operations  
Warner Bros  
Bldg 611 Rm 4028  
4000 Warner Blvd  
Burbank, CA  
91522-6114

818) 977-6532  
818) 977-8819 (Fax)

## EXHIBIT "C"

-----Original Message-----

From: Colter, David  
Sent: Thursday, March 01, 2001 5:06 PM  
To: 'Leonsis@aol.com'; 'tedleonsis@netscape.com'  
Subject: FW: iviewit

Ted,

I hope you are feeling better. When I called your assistant indicated you had been sick all week -- my family has been battling flu bugs since November -- we have almost won.

I called to talk to you about a company called iviewit. Early last year we conducted some technical due diligence on encoding technologies and iviewit, was one of the few who stood out. I understand that you have had a chance to connect with them, and it was through mutual friends and contacts that Chuck Brunelas suggested that we link up to share information on the company, and extend the dialogue we have been having with iviewit to you and your team.

They have a strong technology and licensing play with patent pending technology in two areas: a still image zooming process that offers flexible magnification, and a mathematical scaling process for video. We have been very supportive of the technology and have passed the info to John Calkins, VP Strategic Planning to consider iviewit from the investment side.

I would be happy to share my perspective or discuss the technology at your convenience.

Thanx,  
David

David Colter  
VP Technology and Standards  
Technical Operations  
Warner Bros  
Bldg 611 Rm 4028  
4000 Warner Blvd  
Burbank, CA  
91522-6114

(818) 977-6532  
(818) 977-8819 (Fax)

**EXHIBIT "D"**

**WARRANT TO PURCHASE SERIES B PREFERRED STOCK**

**EXHIBIT "E"**  
**RIGHTS, PRIVILEGES, PREFERENCES, AND RESTRICTIONS**  
**OF**  
**SERIES B PREFERRED STOCK**