

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re: : Chapter 11
METRO-GOLDWYN-MAYER STUDIOS : Case No. 10-15774 (SMB)
INC., et al., :
Debtors. : (Jointly Administered)
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**STIPULATION AND FINAL ORDER (I) AUTHORIZING LIMITED USE OF
PREPETITION COLLATERAL (OF DOMESTIC DISTRIBUTION INC. AND UNITED
ARTISTS PRODUCTION FINANCE LLC), (II) GRANTING ADEQUATE
PROTECTION, AND (III) GRANTING RELATED RELIEF**

Upon the motion (the "Motion")¹ of the Debtors for entry of an interim order (the "Interim Order") (which Interim Order was entered by the Court on November 5, 2010 [Docket No.54]) and a final order (this "Final Order") (I) authorizing use of the Prepetition Collateral (as defined below) pursuant to section 363 of the Bankruptcy Code, (II) granting adequate protection to prepetition secured parties, and (III) granting related relief; and upon the First-Day Declaration; and it appearing that the Motion should be granted; and due and sufficient notice of the Motion having been given under the particular circumstances and in accordance with the Interim Order; and it appearing that no other or further notice is needed; and it appearing that the parties have negotiated at arm's length and in good faith in connection with this stipulated Final Order; and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest; and a final hearing having been

¹ Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Motion. As used herein, "cash collateral" has the meaning set forth in section 363(a) of the Bankruptcy Code.

held December 2, 2010; after due deliberation thereon; and good and sufficient cause appearing therefor; it is hereby

STIPULATED AND AGREED THAT:

DDI Participation Agreement

A. Metro-Goldwyn-Mayer Studios Inc. ("MGM Studios") is a party to that certain Amended and Restated Revenue Participation Agreement, dated as of September 19, 2006, by and among MGM Studios and certain of its subsidiaries listed as signatories thereto (such subsidiaries, collectively with MGM Studios, the "Participation Agreement Obligors"), on the one hand, and Domestic Distribution Inc. ("DDI"), on the other hand (as such agreement has been and may be further amended, modified, or supplemented from time to time, including by the Confirmation Agreement, dated as of October 13, 2010 (the "Confirmation Agreement") among DDI, MGM Studios, and the P&A Agent (as defined below), the "Participation Agreement"). To secure performance of the Participation Agreement Obligors' obligations under the Participation Agreement, the Participation Agreement Obligors granted to DDI liens in certain collateral identified as "MGM Collateral" in the Participation Agreement (such collateral, the "DDI Prepetition Collateral" and, the cash collateral component thereof, the "DDI Cash Collateral").

B. DDI is also a party to that certain Credit and Security Agreement, dated as of September 19, 2006 (the "DDI Credit Agreement"), by and among DDI, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "P&A Agent"). Pursuant to that certain Assignment Agreement, dated as of September 19, 2006 (the "Assignment Agreement"), by and among MGM Studios, DDI and the P&A Agent, DDI, among other things, assigned to the P&A Agent all of its rights under the Participation Agreement, and

the right to exercise such rights and to receive all payments due thereunder directly from MGM Studios.

UAPF Master Distribution Agreement and UAPF Agreements

C. MGM Studios is also a party to that certain Master Distribution Agreement, dated August 16, 2007, between MGM Studios, on the one hand, and United Artists Production Finance LLC ("UAPF"), on the other hand (as such agreement has been and may be further amended, modified, or supplemented from time to time, and collectively with all related documents identified therein (other than the UAPF Credit Agreement (defined below)), the "Master Distribution Agreement" and, together with the Participation Agreement, the "Existing Agreements"). To secure performance of MGM Studios' obligations under the Master Distribution Agreement, UAPF was granted liens in certain collateral identified as "MGM Collateral" in the Master Distribution Agreement (such collateral, the "UAPF Prepetition Collateral" and, the cash collateral component thereof, the "UAPF Cash Collateral"; collectively, the UAPF Prepetition Collateral and the DDI Prepetition Collateral, the "Prepetition Collateral").

D. UAPF is party to that certain Credit and Security Agreement, dated as of August 16, 2007 (the "UAPF Credit Agreement"), by and among UAPF, the guarantors party thereto, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "UAPF Agent"). UAPF is also party to that certain Note Purchase and Security Agreement, dated as of August 16, 2007, among UAPF, the guarantors party thereto, the noteholders party thereto, and Merrill Lynch Mortgage Capital Inc. (in such capacity, the "Mezzanine Agent").

E. In the ordinary course of business, MGM Studios makes payments to United Artists Entertainment LLC ("UAE") in respect of certain administrative, overhead, and

development expenses of UAE pursuant to a series of agreements, including, without limitation, that certain letter agreement, dated as of November 1, 2006, between MGM Studios and the members of UAE (collectively, the “UAE Support Agreements”). In addition, MGM Studios is a party to (i) that certain Amended and Restated Distribution Agreement, among UAPF, MGM Studios, and Lakeshore Entertainment Group LLC, and related agreements, (ii) that certain Co-Financing Agreement for *Hot Tub Time Machine*, dated May 15, 2009, between UAPF and MGM Studios; and (iii) that certain Co-Financing Agreement for *Valkyrie*, dated March 28, 2008, between UAPF and MGM Studios (in each case, as amended, modified, or supplemented from time to time, collectively with the UAE Support Agreements, the “UAPF Agreements”).

Plan Treatment

F. It is in the best interests of the Debtors and their estates to continue to honor their obligations under the Participation Agreement, the Master Distribution Agreement, and the UAPF Agreements. Under the Amended Joint Prepackaged Plan of Reorganization of Metro-Goldwyn-Mayer Studios Inc. and Certain of its Affiliates (the “Plan”), the Debtors intend to assume the Master Distribution Agreement and the UAPF Agreements, and propose to reinstate the Participation Agreement, provided, however, that the Participation Agreement shall be amended by the Confirmation Agreement Amendment (as defined in the Plan) on the Effective Date of the Plan.

Debtors’ Stipulations

G. The Debtors admit, stipulate, and agree that (i) as of the Petition Date, the Participation Agreement Obligor was indebted and liable to DDI and to the P&A Agent under the Participation Agreement and the Assignment Agreement, without defense, offset, or counterclaim of any kind, for all of the obligations described therein (all such obligations, the

“DDI Prepetition Secured Obligations”); (ii) the liens and security interests granted by the Participation Agreement Obligors are (A) valid, binding, perfected, enforceable, first priority liens and security interests in the DDI Prepetition Collateral, and (B) not subject to avoidance or subordination pursuant to the Bankruptcy Code or non-bankruptcy law; (iii) the DDI Prepetition Secured Obligations constitute the legal, valid, and binding obligations of the Participation Agreement Obligors, enforceable in accordance with their terms (other than in respect of any stay of enforcement arising under Bankruptcy Code §362); (iv) as of the Petition Date, the Debtors party to the Master Distribution Agreement were indebted and liable to UAPF thereunder, without defense or counterclaim of any kind, for all of the obligations described therein (all such obligations, the “UAPF Prepetition Secured Obligations” and, together with the DDI Prepetition Secured Obligations, the “Prepetition Secured Obligations”); (v) the liens and security interests granted by the Debtors party to the Master Distribution Agreement are (A) valid, binding, perfected, enforceable, first priority liens and security interests in the UAPF Prepetition Collateral, and (B) not subject to avoidance or subordination pursuant to the Bankruptcy Code or non-bankruptcy law; (vi) the UAPF Prepetition Secured Obligations constitute the legal, valid, and binding obligations of MGM Studios, enforceable in accordance with their terms (other than in respect of any stay of enforcement arising under Bankruptcy Code §362); and (vii) no portion of the Prepetition Secured Obligations is subject to avoidance recovery, or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law.

Controlled Accounts

I. The Debtors have filed a separate motion (the “JPMorgan Cash Collateral Motion”) for entry of an order, among other things, approving the use of cash collateral with respect to collateral securing performance of the obligations of certain Debtors under that Credit

Agreement among MGM Holdings II Inc., Metro-Goldwyn-Mayer Inc., as borrower, the several lenders from time to time parties thereto, Bank of America, N.A., Citicorp USA, Inc., and The Royal Bank of Scotland PLC, as documentation agents, Credit Suisse, as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Corporate Agent"), dated as of April 8, 2005 (as amended, modified, or supplemented from time to time, and, collectively with the related applicable loan and other documents as identified therein, the "Credit Agreement").²

J. Under the Account Control Agency Agreement, dated as of October 30, 2009 (the "Control Agreement"), in connection with the obligations due under the Credit Agreement, the Participation Agreement and the Master Distribution Agreement, certain Debtors granted security interests in the Controlled Accounts (as defined in the Control Agreement) to the respective agents of the holders of security interests and liens granted in connection with the Credit Agreement, the Participation Agreement, and the Master Distribution Agreement. JPMorgan Chase Bank, N.A. ("JPMorgan Chase") was appointed as the control agent with respect to the Controlled Accounts, subject to the terms set forth in the Control Agreement.

Use of Cash Collateral and Adequate Protection

K. The Debtors have requested that DDI, the P&A Agent (as assignee of DDI pursuant to the Assignment Agreement), and UAPF consent to, among other things, the Debtors' use of the Prepetition Collateral. Use of the Prepetition Collateral will facilitate the orderly continuation of the Debtors' business operations. Without the ability to use the Prepetition Collateral, the Debtors' estates could be harmed.

² The Corporate Agent, the P&A Agent, MGM Studios, and DDI are parties to that certain Intercreditor Agreement, dated as of September 19, 2006. In addition, the Corporate Agent, the UAPF Agent, the Mezzanine Agent, MGM Studios, and UAPF are parties to a certain Intercreditor Agreement, dated as of August 16, 2007.

L. The Debtors acknowledge and stipulate that, pursuant to Bankruptcy Code §§ 361 and 363, DDI, the P&A Agent (as assignee of DDI pursuant to the Assignment Agreement), and UAPF are entitled to adequate protection of their interests in the Prepetition Collateral, including the DDI Cash Collateral and the UAPF Cash Collateral, to the extent of any diminution in value of such interests in the Prepetition Collateral resulting from use, sale, or lease of the Prepetition Collateral and from imposition of the automatic stay pursuant to Bankruptcy Code §362.

Based upon the foregoing stipulations, and good and sufficient cause appearing therefor; it is hereby

ORDERED, ADJUDGED AND DECREED THAT

1. The Motion is GRANTED as set forth herein on a final basis.
2. The Debtors are authorized to use the Prepetition Collateral to the extent set forth herein.

DDI Adequate Protection

3. As adequate protection for, and to the extent of, any diminution in the value of DDI's or the P&A Agent's (as assignee of DDI pursuant to the Assignment Agreement) interests in the DDI Prepetition Collateral resulting from (a) the use of the DDI Cash Collateral pursuant to section 363(c) of the Bankruptcy Code, (b) the use, sale, or lease of the DDI Prepetition Collateral (other than the DDI Cash Collateral) pursuant to section 363(c) of the Bankruptcy Code, and (c) the imposition of the automatic stay pursuant to section 362(a) of the Bankruptcy Code, the Participation Agreement Obligors are authorized and directed to continue to make, in the ordinary course of business, without acceleration, but subject to the terms of the Confirmation Agreement, and in accordance with and subject to the terms of the Participation

Agreement and the Assignment Agreement, any and all payments due and owing to DDI or to the P&A Agent under and in accordance with the Participation Agreement and the Assignment Agreement (notwithstanding that such payments may be, in whole or in part, on account of prepetition DDI claims) and to continue to perform in the ordinary course of business all of their other obligations thereunder subject to the terms thereof. The performance of all such obligations shall constitute adequate protection to DDI and the P&A Agent (as assignee of DDI pursuant to the Assignment Agreement) in addition to the adequate protection liens and superpriority claim to be provided to DDI and the P&A Agent (as assignee of DDI pursuant to the Assignment Agreement) as described below.

4. As additional adequate protection, DDI and the P&A Agent (as assignee of DDI pursuant to the Assignment Agreement) are hereby granted (effective as of the Petition Date and without the necessity of the execution by the Debtors of mortgages, security agreements, control agreements, pledge agreements, financing statements, or other documents) first priority security interests in and liens (the “DDI Adequate Protection Liens”) on the following collateral (the “DDI Adequate Protection Collateral”): (a) the cash held at JPMorgan Chase Bank in bank account numbers xxx-xx7-898 (collection account) and xxx-xx7-871 (crossing reserve account) (the “Existing DDI Accounts”), and (b) the cash held in the Controlled Accounts to the extent that any direct cash proceeds of the DDI Prepetition Collateral or the DDI Adequate Protection Collateral are held or transferred (whether prepetition or postpetition) to the Controlled Accounts (the amount of such cash proceeds transferred to the Controlled Accounts, the “DDI Reserve Amount”). In addition the performance of all obligations under the Participation Agreement and the Assignment Agreement as set forth in paragraph 3 above, until performance in full of the obligations owed to DDI and the P&A Agent

under the Participation Agreement and the Assignment Agreement, the Debtors shall maintain in the Controlled Accounts an amount at least equal to the DDI Reserve Amount. Other than for payment and performance of the obligations (whether prepetition or postpetition) under the Participation Agreement and the Assignment Agreement, the Debtors shall not use any DDI Cash Collateral constituting (y) P&A Agent Priority Collateral (as defined in the Control Agreement) or (z) DDI Adequate Protection Collateral.

5. As additional adequate protection, in the ordinary course and in accordance with and subject to the terms of the Participation Agreement and the DDI Credit Agreement, the Debtors shall continue to pay and perform the Obligations (as defined in the Participation Agreement), including, without limitation, the payment of reasonable fees and expenses of counsel to the P&A Agent.

UAPF Adequate Protection

6. As adequate protection for, and to the extent of, any diminution in the value of UAPF's interests in the UAPF Prepetition Collateral resulting from (a) the use of the UAPF Cash Collateral pursuant to section 363(c) of the Bankruptcy Code, (b) the use, sale, or lease of the UAPF Prepetition Collateral (other than the UAPF Cash Collateral) pursuant to section 363(c) of the Bankruptcy Code, and (c) the imposition of the automatic stay pursuant to section 362(a) of the Bankruptcy Code, MGM Studios is authorized and directed to continue to make, in the ordinary course of business, without acceleration and in accordance with and subject to the terms of the Master Distribution Agreement, any and all payments due and owing to UAPF or the UAPF Agent under and in accordance with the Master Distribution Agreement (notwithstanding that such payments may be, in whole or in part, on account of prepetition UAPF claims) and to continue to perform in the ordinary course of business all of its other

obligations under the Master Distribution Agreement, whether such obligations arose prepetition or postpetition, subject to the terms thereof. MGM Studios is also authorized and directed to make, in the ordinary course of business, payments due under the UAPF Agreements, subject to the terms thereof. The performance of all such obligations shall constitute adequate protection to UAPF in addition to the adequate protection liens and superpriority claim to be provided to UAPF as described below.

7. As additional adequate protection, UAPF is hereby granted (effective as of the Petition Date and without the necessity of the execution by the Debtors of mortgages, security agreements, control agreements, pledge agreements, financing statements, or other documents) first priority security interests in and liens (the “UAPF Adequate Protection Liens” and, together with the DDI Adequate Protection Liens, the “Adequate Protection Liens”) on the following collateral (the “UAPF Adequate Protection Collateral”): cash held (a) in the Distribution Reserve Account (as defined in the Master Distribution Agreement) maintained at JPMorgan Chase in account number xxx-xx2-724 in the name of the UAPF Agent, (b) at JP Morgan Chase in account number xxx-xx2-546, and (c) at Bank of America in account number xxx-x2744. Other than for payment and performance of the obligations (whether prepetition or postpetition) under the Master Distribution Agreement and the UAPF Agreements, the Debtors shall not use any UAPF Cash Collateral constituting (y) UAPF Adequate Protection Collateral or (z) UA Agent Priority Collateral (as defined in the Control Agreement), except that the Debtors may continue to use the cash held at Bank of America in account number xxxxx-x1257 (the “Fox Home Video Account”) solely to the extent permitted under the Master Distribution Agreement, notwithstanding any assertion that funds in the Fox Home Video Account may be UA Agent Priority Collateral.

Superpriority Claims

8. To the extent that the Adequate Protection Liens are insufficient to provide adequate protection, DDI, the P&A Agent (as assignee of DDI pursuant to the Assignment Agreement), and UAPF are each granted superpriority claims as provided for in Bankruptcy Code §507(b) (the "DDI/UAPF Superpriority Claims"). The DDI/UAPF Superpriority Claims shall be pari passu and of equal rank with any superpriority claims granted in connection with the JPMorgan Cash Collateral Motion.

Effect of Reversal, Modification or Vacatur

9. If any or all of the provisions of this Final Order are hereafter reversed, modified, vacated, or stayed, such reversal, modification, or vacatur shall not affect (i) the validity of any adequate protection obligations incurred hereunder, including on a contingent or unliquidated basis, prior to the actual receipt of notice by DDI, the P&A Agent, or UAPF, as applicable, of the effective date of such reversal, stay, modification, or vacatur, or (ii) the validity or enforceability of any lien or priority authorized or created hereby with respect to any adequate protection obligations.

Limitations on Debtor Stipulations

10. The stipulations and admissions of the Debtors set forth herein with respect to the Prepetition Secured Obligations and the liens in respect thereof, including without limitation, in paragraph G above, shall be binding upon the Debtors in all circumstances, and shall be binding upon all other parties in interest if the Plan is confirmed and consummated. If the Plan is not confirmed or consummated, such stipulations and admissions shall be binding upon all other parties in interest unless, within sixty (60) days after the Petition Date (the sixtieth day after the Petition Date, the "Challenge Deadline"), (a) a party in interest has

been granted standing to file and has properly filed an adversary proceeding or contested matter (subject to the limitations set forth in paragraph 11 below) challenging the validity, enforceability, or priority of the Prepetition Secured Obligations or the liens on the Prepetition Collateral in respect thereof, or otherwise asserting any claims or causes of action against DDI, the P&A Agent, or UAPF, on behalf of the Debtors' estates no later than the Challenge Deadline and (b) this Court rules in favor of the plaintiff in any such timely and properly filed adversary proceeding or contested matter. If the Plan is confirmed and consummated, or if no such adversary proceeding is commenced as of the Challenge Deadline (in the event that the Plan is not confirmed and consummated), then the Prepetition Secured Obligations shall constitute allowed claims, not subject to defense, counterclaim, or subordination, for all purposes in these chapter 11 cases or any subsequent chapter 7 cases, DDI's, the P&A Agent 's, and UAPF's liens on the Prepetition Collateral shall be deemed legal, valid, binding, perfected, not subject to defense, counterclaim, or subordination, and otherwise unavoidable, and the Prepetition Secured Obligations shall not be subject to any other or further challenge by any party in interest seeking to exercise the rights of the Debtors' estates, including without limitation, any successor thereto. If any such adversary proceeding or contested matter is timely commenced as of such Challenge Deadline, the acknowledgements and agreements contained herein shall nonetheless remain binding and preclusive (as provided in this paragraph), except to the extent that such acknowledgements and agreements were expressly challenged in such adversary proceeding or contested matter.

11. Notwithstanding anything herein or in any other order of this Court to the contrary, none of the Prepetition Collateral may be used to (a) object to, contest, or raise any defense to the validity, perfection, priority, extent, or enforceability of any amount due under the

Participation Agreement or the Master Distribution Agreement, or the liens or claims granted under this Final Order or the Existing Agreements, (b) assert any claims or defenses or causes of action against DDI, the P&A Agent (as assignee of DDI under the Assignment Agreement), UAPF, or their respective agents, affiliates, representatives, attorneys, or advisors, or (c) seek to modify any of the rights granted to DDI, the P&A Agent (as assignee of DDI under the Assignment Agreement), or UAPF under the Existing Agreements, in each of the foregoing cases without such parties' prior written consent; provided, however, that the Prepetition Collateral in an amount not to exceed \$100,000 may be used to investigate the foregoing.

12. This Final Order, including all findings herein, shall be binding upon all parties in interest in these cases, including, without limitation, any committee appointed in these cases and the Debtors and their respective successors and assigns (including any chapter 7 or chapter 11 trustee hereinafter appointed or elected for the estate of any of the Debtors) and shall inure to the benefit of DDI, the P&A Agent (as assignee of DDI under the Assignment Agreement), UAPF, and the Debtors, and their respective successors and assigns.

13. Neither the provisions contained herein, nor any actions or payments made by the Debtors pursuant to this Final Order, shall (a) be construed as a request to assume, or for authority to assume, any executory contract under section 365 of the Bankruptcy Code or otherwise, (b) waive, affect, or impair any of the Debtors' rights, claims, or defenses, including, but not limited to, those arising from section 365 of the Bankruptcy Code, other applicable law, or any agreement, (c) grant third-party beneficiary status or bestow any additional rights on any third party, (d) be otherwise enforceable by any third party, or (e) impair the Debtors' ability to contest or object to any claims asserted against the Debtors.

14. The requirements of Bankruptcy Rule 4001 are satisfied by the contents of the Motion or otherwise deemed waived.

15. Notwithstanding any stay that might be imposed by Bankruptcy Rule 6004(h) or otherwise, this Final Order shall be effective and enforceable immediately upon entry hereof.

16. The relief granted by this Final Order shall apply to any Additional Debtor in these jointly administered cases without further order of this Court. A debtor shall be deemed an Additional Debtor upon the filing of a motion to have such debtor's chapter 11 case jointly administered with the chapter 11 cases of the Debtors.

17. This Court retains jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Final Order.

SO STIPULATED AND AGREED:

DOMESTIC DISTRIBUTION, INC.
by JPMorgan Chase Bank, N.A. as collateral assignee

By: /s/ Kin W. Cheng
Name: Kin W. Cheng
Title: Vice President

JPMORGAN CHASE BANK, N.A.,
as P&A Agent, assignee of Domestic Distribution, Inc.

By: /s/ Kin W. Cheng
Name: Kin W. Cheng
Title: Vice President

UNITED ARTISTS PRODUCTION FINANCE LLC

By: /s/ Elliott Kleinberg
Name: Elliott Kleinberg
Title: Chief Operating Officer

JPMORGAN CHASE BANK, N.A.,
as UAPF Agent

By: /s/ Kin W. Cheng
Name: Kin W. Cheng
Title: Vice President

MERRILL LYNCH MORTGAGE CAPITAL, INC.,
as Mezzanine Agent (as defined in the Control Agreement)

By: /s/ Scott Wiate
Name: Scott Wiate
Title: Authorized Signatory

Metro-Goldwyn-Mayer Studios Inc.

By: /s/ Scott Packman
Name: Scott Packman
Title: Executive Vice President & General Counsel

Metro-Goldwyn-Mayer Home Entertainment LLC
Metro-Goldwyn-Mayer Interactive Productions Inc.
Metro-Goldwyn-Mayer Music Inc.
MGM Domestic Television Distribution LLC

MGM Domestic Digital Media Inc.
MGM Home Entertainment Distribution Corp.
MGM Interactive Inc.

By: /s/ *Scott Packman*

Name: Scott Packman

Title: Executive Vice President & General Counsel

SO ORDERED:

Dated: New York, New York
December 2, 2010

/s/ STUART M. BERNSTEIN
UNITED STATES BANKRUPTCY JUDGE