

J.E.M. F/X INC.
28255 Kelly Johnson Parkway
Santa Clarita CA 91355

LEASE/RENTAL TERMS & CONDITIONS

1. LESSEE _____ agrees to defend, indemnify and hold harmless ELIA POPOV AND JEM F/X INC. (collectively "LESSOR"), against any claim, liability, loss, or costs, (collectively "Claims") arising out of, or in connection with, the equipment leased from Lessor by Lessee, or out of operations conducted by Lessee, its agents, employees, sublessees, contractors, representatives guests, invitees, or customers, including, but not limited to, active and/or passive negligence, save and except claims or litigation arising through the sole negligence or sole willful misconduct of Lessor.

2. Lessee is considered to have taken "delivery" of the equipment and assumes all risks of loss thereof, from the time the equipment is placed in Lessee's care, custody and/or control. From the time Lessee takes delivery as defined above of the equipment leased, until the time that the equipment is returned to Lessor during Lessor's normal business hours and Lessor accepts the return of the equipment, Lessee assumes all risk of loss and responsibility for any damage Lessee causes to the equipment, and/or any property or person(s), including but not limited to, all risks and losses while in transit, at all locations, while in storage, and while on Lessee's premises.

3. Lessee will take all necessary precautions during the progress of its work, including the use of the equipment leased to it by Lessor, to protect all persons and property from injury or damages. The equipment shall be used only by Lessee's qualified employees or agents. Lessee warrants that it will not sublease any of the equipment rented.

4. Lessee acknowledges that the equipment is rented from Lessor without express or implied warranty or guarantee, to the fullest extent permitted by law.

5. Lessee shall, at its own expense, maintain at all times during the rental period an all risk perils insurance policy covering the equipment rented (the "equipment rental floater") for full replacement value except vehicles (see below), and for loss of use (rentals) of the equipment, such loss of use not to exceed the replacement value of the equipment.

6. Lessee's provided insurance coverage shall begin from the time Lessee or its agents take delivery of the equipment and continue until the time the equipment is returned to, and accepted by, Lessor. Such insurance shall be on a worldwide basis, shall name Lessor as the Loss Payee for loss or damage to the equipment rented and shall cover all risks of loss of, or damage to, equipment and loss of use. The limit of such insurance shall be sufficient to encompass the value of all of Lessor's property at risk due to Lessee's rental of same, but in no event less than \$1,000,000.

7. If any vehicles are included in the equipment leased hereunder, Lessee shall, at Lessee's expense, maintain business automobile liability insurance, including coverage for loading and unloading equipment and hired auto physical damage insurance covering owned, co-owned, hired and rented vehicles. Coverage for physical damage shall include the perils of "comprehensive" and "collision" loss. Lessor shall be named as an additional insured respecting the liability coverage and as loss payee on the hired auto physical damage coverage. The liability insurance shall provide no less than \$1,000,000 in combined single limits, and actual cash value,

less only a \$1,000 deductible for physical damage on comprehensive and collision coverage.

8. Lessee shall at Lessee's expense, maintain worker's compensation/employer's liability insurance during the course of the equipment rental with minimum limits of \$1,000,000.

9. Lessee shall at Lessee's expense, maintain commercial general liability insurance which includes coverage for independent contractors and contractual liability coverage specifically referring to this Rental Agreement and to the hold harmless agreement herein. Said insurance shall name Lessor as an additional insured and provide that said insurance is primary coverage with respect to all insured's, the limits of which must be exhausted before any obligation arises under Lessor's insurance. Such insurance shall remain in effect during the course of the rental, and shall include the following coverages: broad form contractual liability, personal injury liability, completed operations, and products liability. Such insurance shall have provided general aggregate limits of not less than \$2,000,000 (including the coverages specified above), personal injury and advertising injury of not less than \$1,000,000 and per occurrence limits of not less than \$1,000,000.

10. All insurance maintained by Lessee pursuant to the foregoing provisions shall be issued by an insurance carrier authorized to do business in the State of California with a BEST rating of A- or higher.

11. All insurance maintained by Lessee pursuant to the foregoing provisions shall contain a waiver of subrogation against Lessor.

12. Lessee shall provide Lessor with written notice at least the greater of (a) thirty (30) days or (b) the applicable time period specified in the insurance policy, prior to the effective date of any cancellation or material change to any insurance maintained by Lessee pursuant to the foregoing provisions.

13. Before obtaining possession of the equipment leased, Lessee shall provide to Lessor a Certificate of Insurance and all applicable endorsements confirming each of the coverages specified above. All Certificates of Insurance shall be signed by an authorized agent or representative of the insurance carrier.

14. Should Lessee fail to procure or pay the cost of maintaining in force the insurance specified herein, or to provide Lessor upon request with satisfactory evidence of the insurance, Lessor may, but shall not be obligated to, procure the insurance and Lessee shall reimburse Lessor on demand for such costs. Lapse or cancellation of the required insurance during the term of this rental agreement shall be an immediate and automatic default of this rental agreement.

15. The grant by Lessee of a sublease of the equipment shall not effect Lessee's obligation to procure insurance for the benefit of Lessor or otherwise effect Lessee's obligations under this agreement.

16. Lessee hereby agrees to strictly comply with the laws of the state or states in which the equipment leased hereunder is transported and/or used as well as all federal and local laws, regulations and ordinances pertaining to the transportation and use of such equipment. Lessee warrants and represents that it is fully aware of any and all dangers and risks, patent as well as latent, involved in the use, transportation and handling of the equipment rented hereby and shall assume responsibility for any accident, damage, or loss, including death, resulting from the transportation and/or use of the equipment rented herein.

17. Lessee hereby agrees to pay all of Lessor's outside attorneys' fees and costs resulting from any requirement of Lessor in having to enforce the Terms and Conditions of this agreement whether or not a legal action is filed.

18. Lessee is responsible to Lessor for the full replacement cost, without deduction for depreciation, or repair cost, of all equipment which may be lost, stolen or damaged. In the event the equipment is lost or stolen, Lessee shall promptly file a police report and notify Lessor. Lessor shall be under no obligation to replace or repair the equipment until Lessee has paid for the damaged, lost or stolen equipment. In such event the rental fees for the equipment shall continue to accrue until Lessee has paid for the lost, damaged or stolen equipment or until repairs are completed, not to exceed the replacement value of the equipment. Lessor's determination whether the damaged equipment shall be replaced or repaired shall be conclusive.

19. Lessee hereby agrees Lessor shall be subrogated to any recovery rights Lessee may have for damage to the equipment in the form of insurance protection for such damage.

20. Accrued rental charges cannot be applied against the purchase/replacement price or cost of repair of damaged, lost or stolen equipment.

21. Equipment deemed beyond repair by Lessor, in its sole, reasonable discretion, will be paid for by Lessee at its replacement cost.

22. Lessee may incorporate the equipment or vehicles leased hereunder as props in Lessee's production (the "Production") and may use the image of the equipment or vehicles in any manner in the Production in all media, whether now known or hereinafter devised, in perpetuity throughout the universe, and in advertising and publicity. The equipment or vehicles may be used in conjunction with the actual visual and/or sound effects of the equipment or vehicles or any other visual and/or sound effects. Lessee is not obligated to use the equipment or vehicles.

23. Lessor acknowledges that in the event of a breach of this agreement by Lessee or any third party, the damage, if any caused to Lessor thereby will not be irreparable or otherwise sufficient to entitle Lessor to seek or obtain injunctive or other equitable relief against the exhibition or other exploitation of the Production. Lessor acknowledges that its rights and remedies in any such event will be strictly limited to the right, if any, to recover damages in an action at law, and Lessor will not have the right to enjoin the production, exhibition, or other exploitation of the Production.

LESSOR AND LESSEE HEREBY AGREE TO THE ABOVE TERMS AND CONDITIONS:

DATE: _____ LESSEE: _____
Please print name:
Its:

DATE: _____ LESSOR, JEM F/X Inc.
By: _____