

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-13** | Period of Report: **1994-01-13**
SEC Accession No. **0000950142-94-000005**

([HTML Version](#) on [secdatabase.com](#))

FILER

ORION PICTURES CORP

CIK: **35590** | IRS No.: **131680528** | State of Incorporation: **DE** | Fiscal Year End: **0228**
Type: **10-Q** | Act: **34** | File No.: **001-05979** | Film No.: **94501412**
SIC: **7812** Motion picture & video tape production

Business Address
1888 CENTURY PARK EAST
6TH FL
LOS ANGELES CA 90067
3102822401

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: November 30, 1993
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 1-5979

ORION PICTURES CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

13-1680528
(I.R.S. Employer
identification no.)

1888 Century Park East, Los Angeles, California 90067
(Address of principal executive offices)

Registrant's telephone number, including area code:
(310) 282-0550

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes No

Number of shares of Common Stock outstanding as of January 7, 1994:
20,000,000

INDEX TO
QUARTERLY REPORT ON FORM 10-Q

PART I - FINANCIAL INFORMATION

- Item 1. Condensed Consolidated Financial Statements
 Condensed Consolidated Statements of Operations
 Condensed Consolidated Balance Sheets
 Condensed Consolidated Statements of Cash Flows
 Notes to Condensed Consolidated Financial Statements
- Item 2. Management's Discussion and Analysis of Financial
 Condition and Results of Operations

PART II - OTHER INFORMATION

3

PART I - FINANCIAL INFORMATION

ORION PICTURES CORPORATION
 (Debtor-in-Possession from December 11, 1991 to November 5, 1992)
 Condensed Consolidated Statements of Operations
 (in thousands, except per-share amounts)
 (unaudited)

<TABLE>
<CAPTION>

	Three Months Ended November 30,		Nine Months Ended November 30,	
	1993	1992	1993	1992
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 70,729	\$ 53,726	\$140,952	\$169,611
Cost of rentals	62,320	39,454	150,262	139,748
	8,409	14,272	(9,310)	29,863
Gross profit (loss)				
Other costs and expenses:				
Selling, general and administrative	5,250	8,398	15,805	25,784
Interest, net (contractual interest \$14,200 and \$44,574 for the three and nine months ended November 30, 1992)	8,107	6,520	24,674	15,155
	(4,948)	(646)	(49,789)	(11,076)
Loss before chapter 11 reorganization items and provision for income taxes				
Chapter 11 reorganization items	193	6,208	1,406	15,740
	(5,141)	(6,854)	(51,195)	(26,816)
Loss before provision for income taxes				
Provision for income taxes	300	2,300	1,300	4,500
	Loss before extraordinary gains recognized			

upon emergence from chapter 11	(5,441)	(9,154)	(52,495)	(31,316)
Extraordinary gains recognized upon emergence from chapter 11, net of income tax	----	312,592	----	312,592
Net income (loss)	\$ (5,441)	\$303,438	\$ (52,495)	\$281,276
Income (loss) per common share:				
Loss before extraordinary gains	\$ (.27)	\$ (1.57)	\$ (2.62)	\$ (15.39)
Net income (loss)	\$ (.27)	\$ 52.06	\$ (2.62)	\$ 138.16
Number of common and common equivalent shares entering into computation	20,000	5,829	20,000	2,036

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

4

ORION PICTURES CORPORATION
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

<TABLE>
<CAPTION>

	November 30, 1993	February 28, 1993
	-----	-----
<S>	<C>	<C>
ASSETS:		
Cash and cash equivalents	\$ 23,370	\$ 77,539
Accounts receivable, net	92,105	97,699
Film inventories	432,570	498,890
Other assets	21,648	30,228
	-----	-----
	\$ 569,693	\$ 704,356
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Accounts payable	\$ 2,064	\$ 2,634
Accrued expenses	39,030	41,948
Participations and residuals	50,929	66,613
Notes and subordinated debt	274,829	325,158
Deferred revenues	88,337	101,004
Shareholders' equity:		
Common stock	5,000	5,000
Paid-in surplus	265,811	265,811
Accumulated deficit	(156,307)	(103,812)
	-----	-----
Total shareholders' equity	114,504	166,999
	-----	-----
	\$ 569,693	\$ 704,356
	-----	-----

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

ORION PICTURES CORPORATION
 (Debtor-in-Possession from December 11, 1991 to November 5, 1992)
 Condensed Consolidated Statements of Cash Flows
 (in thousands)
 (unaudited)

<TABLE>
 <CAPTION>

	Nine Months Ended November, 30	
	1993	1992
	-----	-----
<S>	<C>	<C>
Operations:		
Loss before chapter 11 reorganization items and provision for income taxes	\$ (49,789)	\$ (11,076)
Provision for income taxes	(1,300)	(4,500)
Loss exclusive of chapter 11 reorganization items	(51,089)	(15,576)
Adjustments to reconcile loss exclusive of chapter 11 reorganization items to cash provided by operations exclusive of chapter 11 reorganization items:	-----	-----
Amortization of film costs	115,452	100,599
Decrease in accounts receivable	5,594	24,918
Decrease in accounts payable and accrued expenses	(9,528)	(20,459)
Accrual of participations and residuals	12,183	17,439
Payments of participations and residuals	(21,763)	---
Increase (decrease) in deferred revenues	(12,667)	2,556
Other, net	13,975	15,866
Cash provided by operations exclusive of chapter 11 reorganization items	-----	-----
Payments of chapter 11 reorganization items	52,157	125,343
	(1,406)	(9,374)
	-----	-----
Cash provided by operations	50,751	115,969
Investment activities:		
Investment in film inventories	(49,132)	(7,238)
Other	5,194	1,706
	-----	-----
Cash used in investment activities	(43,938)	(5,532)
Financing activities:		
Sale of common stock to majority shareholder	---	15,000
Payments on notes and subordinated debt	(60,982)	(83,649)
	-----	-----
Cash used in financing activities	(60,982)	(68,649)
Increase (decrease) in cash	(54,169)	41,788
Cash and cash equivalents at beginning of period	77,539	21,560
	-----	-----
Cash and cash equivalents at end of period	\$ 23,370	\$ 63,348
	-----	-----

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

1. Introduction

The accompanying interim condensed consolidated financial statements of Orion Pictures Corporation and its subsidiaries (the "Company") have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the consolidated financial statements and related footnotes included in the Company's latest Annual Report on Form 10-K (the "1993 Form 10-K"). In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company as of November 30, 1993, the results of its operations for the three- and nine-month periods ended November 30, 1993 and 1992 and its cash flows for the nine-month periods ended November 30, 1993 and 1992 have been included. The results of operations for interim periods are not necessarily indicative of the results which may be realized for the full year.

The Company's Modified Third Amended Joint Consolidated Plan of Reorganization was confirmed by the United States Bankruptcy Court for the Southern District of New York pursuant to an order issued on October 20, 1992, and became effective on November 5, 1992. The condensed consolidated financial statements and other disclosures contained herein should be read in light of such effectiveness. In particular, as described in "Liquidity and Capital Resources", selling, general and administrative costs and interest expense in future periods are likely to exceed gross profit recognized in each period, which will result in the reporting of net losses for financial reporting purposes for the foreseeable future.

2. Basis of Presentation

On December 11 and 12, 1991 (the "Filing Date"), the Company and substantially all of its subsidiaries filed petitions for relief under chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Court"). During the period from the Filing Date to November 5, 1992 (the "Bankruptcy Period"), the Company operated under a series of court orders and actively sought to obtain new equity capital and other forms of investment in order to recapitalize. In this regard, the Company filed its "Debtors' Joint Consolidated Plan of Reorganization" (the "Plan") with the Court on July 13, 1992 (as amended on July 24, 1992, August 7, 1992, September 3, 1992 and October 20, 1992) and the related "Disclosure Statement for Debtors' Joint Consolidated Plan of Reorganization" with the Court on July 21, 1992 (as amended on July 24, 1992, August 7, 1992 and September 3, 1992). On October 20, 1992 (the "Confirmation Date"), the Court confirmed the Plan which became effective on November 5, 1992 (the "Effective Date"). The Plan and the Company's reorganization activities are more fully described in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Certain claims have arisen after the Filing Date from rejection of executory contracts and leases, and from the determination by the Court (or agreed to by parties in interest) of allowed claims for

contingencies and other disputed amounts (Note 9). The Company's consolidated financial statements were prepared on a going concern basis during the Bankruptcy Period, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

3. Chapter 11 Reorganization Costs

The Company has applied the provisions of Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code", issued by the American Institute of Certified Public Accountants ("SOP 90-7") to account for the effects of operating in a chapter 11 environment during the Bankruptcy Period. SOP 90-7 requires direct costs of administering the chapter 11 filing, particularly professional fees, to be expensed as incurred. Accordingly, Chapter 11 reorganization items presented on the Condensed Consolidated Statements of Operations for the three- and nine-month periods ended November 30, 1993 and 1992 are comprised primarily of legal fees incurred during those periods. Direct costs of administering the chapter 11 filing are expected to continue until all claims and related litigation are resolved.

4. Film Inventories

The following is an analysis of film inventories (in thousands):

<TABLE>
<CAPTION>

	November 30, 1993	February 28, 1993
	-----	-----
<S>	<C>	<C>
Theatrical films:		
Released	\$ 345,501	\$ 343,011
Completed and unreleased	72,917	140,567
Television programs:		
Released	14,152	15,312
	-----	-----
	\$ 432,570	\$ 498,890
	-----	-----

</TABLE>

In late December 1991, the Company received a notice from Showtime Networks, Inc. ("Showtime") that Showtime believes that the Company had not complied with the so-called "key man clause" in the Company's exclusive film licensing agreement with Showtime and, accordingly, that Showtime will not license the ten pictures theatrically released in the domestic marketplace during fiscal 1992 and 1993 and the first three quarters of fiscal 1994 and the Company's six remaining unreleased pictures (the "Key Man Dispute"). License fees under the Showtime agreement for these sixteen films are expected to aggregate approximately \$77,000,000. After a review of the underlying facts and circumstances and consultation with counsel, the Company advised Showtime that the Company has complied with the key man clause in the Showtime agreement, that failure to accept delivery of the product rejected by Showtime constituted Showtime's default under the agreement and that the Company intended to pursue all available remedies to realize the domestic pay television license fees due under the Showtime agreement.

On March 20, 1992, the Company filed a proceeding in the Court against Showtime seeking, among other things, an order permitting

the Company to exercise its power under the Bankruptcy Code to assume, and therefore not reject, the Showtime agreement. As part of its request to assume the agreement, the Company sought a factual determination by the Court that it had complied with the key man clause.

After a hearing and trial on these matters held on May 14 and 15, 1992, the Court issued an order dated June 3, 1992 (the "Showtime Order"), authorizing the Company to assume the Showtime agreement and finding that the Company had complied with the key man clause. Showtime subsequently appealed the Showtime Order to the United States District Court for the Southern District of New York (the "District Court"). On December 8, 1992, the District Court affirmed the decision of the Court. On January 13, 1993, Showtime appealed the decision of the District Court to the United States Court of Appeals for the Second Circuit (the "Appeals Court"). Oral argument was held on June 7, 1993. On September 17, 1993, the Appeals Court vacated the grant of motion to assume and remanded the motion to assume to the Court for further proceedings. The Company currently intends to commence an appeal of the Appeals Court's decision to the Supreme Court of the United States by petitioning the Supreme Court for a writ of certiorari and will pursue the appeal vigorously if certiorari is granted. The Company's time to appeal the decision of the Appeals Court has been

8

extended up to and including January 31, 1994. If the Appeals Court's decision is not reversed by the Supreme Court, the Appeals Court's decision ultimately could lead to a retrial of the issue of Orion's compliance with the key man clause to a jury. In the event of any such retrial, the Company intends to pursue the matter vigorously although it cannot be predicted how a jury would determine the facts.

On May 6, 1993, the Company was served with a complaint from Showtime alleging that Showtime should be permitted to offset approximately \$29,400,000 in fees plus interest already paid by Showtime to the Company against future license fees due the Company under the Showtime agreement (the "Qualification Dispute"). Showtime claims that eight of the Company's films did not meet certain contractual qualification criteria including one of which is already included in the disputed pictures under the Key Man Dispute described above. On June 18, 1993, the Company commenced an adversary proceeding in the Court against Showtime seeking the declaratory judgement that the claims asserted in the Qualification Dispute are barred by, inter alia, operation of the Plan and Confirmation Order.

On September 7, 1993, the Court granted the Company's request for a preliminary injunction temporarily barring Showtime from prosecuting the claims asserted in the Qualification Dispute until the Court can decide the claims asserted by the Company in its adversary proceeding against Showtime. The date of the hearing on the Company's claims asserted in the adversary proceeding including, inter alia, the Company's request for an injunction permanently barring Showtime from prosecuting the claims asserted in the Qualification Dispute has been adjourned to February 8, 1994.

The Company and Showtime are currently engaged in settlement negotiations aimed at resolving all disputes between the Company and Showtime, including, without limitation, the litigations regarding the Key Man Dispute and the Qualification Dispute. Any such settlement would require approval of the Bankruptcy Court. There can be no assurance that Showtime and the Company will reach

an agreement settling all disputes between the parties, that such settlement will be concluded on a timely basis, or such settlement will not have a material adverse effect upon the Company's financial position, results of operations and ability to meet the cash flow projections included in the Disclosure Statement.

Film inventories at November 30, 1993 and February 28, 1993 shown above are stated based upon the assumption that all license fees due under the Showtime agreement will eventually be realized; however, no assurance can be given that the Company will be successful in its efforts to realize all such fees. If the Company is unable to fully recover such fees, there would be a material adverse effect upon the consolidated financial position and results of operations of the Company, as well as the Company's ability to achieve the cash flow projections included in the Disclosure Statement. No revenues have been recorded related to the licensing to Showtime of the pictures subject to the Key Man Dispute mentioned above. Approximately \$27,100,000 of revenues has been recognized related to seven of the eight titles subject to the Qualification Dispute.

Approximately two-thirds of the Company's film inventories at November 30, 1993 and at February 28, 1993 are stated at amounts approximating their estimated net realizable value and will not result in the recording of gross profit upon the recognition of related revenues in future periods.

Since the date of the Company's quasi-reorganization (February 28, 1982), when the Company's inventories were restated to reflect their then current market value, the Company has amortized 86% of the gross cost of its film inventories, including those produced subsequent to the quasi-reorganization. Approximately 95% of such gross film inventory costs will have been amortized by November 30, 1996. As of November 30, 1993, approximately 63% of the unamortized balance of film inventories currently in release and to be released will be amortized within the next three-year period based upon the Company's revenue estimates at that date.

9

5. Notes and Subordinated Debt

Notes and subordinated debt is comprised of the following (in thousands):

<TABLE>

<CAPTION>

	November 30, 1993	February 28, 1993
	-----	-----
<S>	<C>	<C>
Notes payable to banks pursuant to the Third Amended and Restated Credit Agreement ("Third Restated Credit Agreement")	\$125,350	\$162,207
Talent Notes, net of unamortized discounts of \$10,425 and \$9,037	28,457	28,786
Creditor Notes, net of unamortized discounts of \$29,072 and \$33,931	33,468	30,494
Non-interest bearing payment obligation to Sony, net of unamortized discounts of \$3,362 and \$5,435	39,069	54,068
Other guarantees and contracts payable, net of		

unamortized discounts of \$3,809 and \$4,958	9,561	12,955
	-----	-----
Total notes payable	235,905	288,510
10% Subordinated Debentures due 2001, net of unamortized discounts of \$10,997 and \$12,375	38,924	36,648
	-----	-----
Total notes and subordinated debt	\$274,829	\$325,158
	-----	-----

</TABLE>

Approximately \$190,826,000 was outstanding under the Third Restated Credit Agreement on the Effective Date of the Plan (Note 2). Such amount has been reduced through repayments to approximately \$125,350,000 at November 30, 1993 which matures as follows (in thousands):

October 20	

1994	\$ 61,134
1995	64,216

	\$125,350

Notwithstanding the above maturity schedule, and to the extent that the Company generates positive net cash flow (as defined in the Third Restated Credit Agreement) ("Net Cash Flow") for the immediately preceding period, the Company is required to make principal payments of amounts outstanding under the Third Restated Credit Agreement at least quarterly during the period from the Effective Date to October 20, 1995, in amounts approximating 62% of the Company's Net Cash Flow. In addition, in connection with consummation of the Plan, Metromedia Company ("Metromedia"), the Company's principal shareholder, and an affiliate of Metromedia guaranteed the payment of substantially all of the Company's payment obligations under the Third Restated Credit Agreement pursuant to a bank guarantee (the "Bank Guarantee"). In the event the guarantor or its affiliate makes any payments under the Bank Guarantee, the Company has agreed to reimburse such party pursuant

10

to a reimbursement agreement out of the portion of Net Cash Flow allocated to the Banks (62%) and Sony (23%) following payment in full of the Banks and Sony.

In accordance with the terms of the Plan, the Company had a \$70,000,000 non-interest bearing payment obligation to Sony at the Effective Date (the "Sony Obligation"). The Sony Obligation is payable pari passu with amounts payable under the Third Restated Credit Agreement described above, and is backed up by a letter of credit issued pursuant to the Third Restated Credit Agreement. Such amount has been reduced through repayments to approximately \$42,431,000 at November 30, 1993 which matures as follows (in thousands):

November 5	

1994	\$ 22,431
1995	20,000

	\$ 42,431

To the extent the Company fails to repay such amounts on a timely basis, Sony may, after giving notice and an opportunity to cure to the guarantors under the Bank Guarantee, draw under the letter of credit issued in its favor. In such event, such amount would become an obligation of the Company under the Third Restated Credit Agreement and guaranteed pursuant to the Bank Guarantee.

Notwithstanding the above maturity schedule and to the extent that the Company generates Net Cash Flow for the immediately preceding period, the Company is required to make principal payments of amounts outstanding for the obligation to Sony at least quarterly during the period from the Effective Date to November 5, 1995 in an amount approximating 23% of the Company's Net Cash Flow.

The following is a summary of the cumulative minimum aggregate Net Cash Flow that must be received by the holders of the Talent Notes, the Creditor Notes and the 10% Subordinated Debentures in payment of their respective principal and interest in accordance with the terms of the Plan. These mandatory minimum amounts may be reduced by the portion of amounts due under the Showtime agreement allocated to the holders of Talent Notes, Creditor Notes and 10% Subordinated Debentures, to the extent that the amounts are not received by the Company (in thousands):

Quarters Ending During Period From -----	Cumulative Minimum Amounts -----
December 1, 1994 to February 28, 1995	\$27,596
March 1, 1995 to February 29, 1996	61,948
March 1, 1996 to February 28, 1997	97,802
March 1, 1997 to February 28, 1998161,140
March 1, 1998 to February 28, 1999204,741

In accordance with the provisions of the Plan and the agreements entered into in connection with the Plan, a Net Cash Flow distribution was not made for the quarter ended August 31, 1993 because the Company did not generate Net Cash Flow. Because distributions of Net Cash Flow are dependent upon the Company's ability to generate Net Cash Flow and are determined for specified periods in accordance with the Plan and the agreements entered into in connection with the Plan, no assurance can be made as to the amount, if any, of each future distribution. The Company has made four Net Cash Flow distributions in accordance with the Plan. The distributions were made in November 1992, March 1993, June 1993, and December 1993, respectively. The following table describes the allocation of these distributions in accordance with the Plan (in thousands):

<TABLE>
<CAPTION>

	December 1993 -----	August 1993 -----	June 1993 -----	March 1993 -----	November 1992 -----
<S>	<C>	<C>	<C>	<C>	<C>
Third Restated Credit Agreement	\$ 2,488	\$ ---	\$ 12,166	\$ 24,691	\$ 28,619
Sony Obligation	912	---	8,016	9,056	10,497
Talent Notes (principal and interest)	340	---	2,018	3,375	3,910
Creditor Notes	---	---	---	1,046	1,498
10% Debentures due 2001	---	---	---	---	977
Interest on 10% Debentures due 2001	260	---	1,544	1,535	519
	-----	-----	-----	-----	-----

</TABLE>

Pursuant to the Waiver and Consent dated as of June 30, 1993 under the Third Restated Credit Agreement, \$2,600,000 of the portion of the June 1993 distribution payable pursuant to the Plan to the Company's banks was instead paid to Sony. In accordance with the terms of the Plan, the portion of Net Cash Flow which would otherwise be payable to holders of Creditor Notes for the December 1993, June 1993 and March 1993 distributions were used to satisfy, in whole or in part, the interest obligation on the 10% Subordinated Debentures. In addition, in accordance with the indenture for the 10% Subordinated Debentures, a portion of the interest due October 1, 1993 on the 10% Subordinated Debentures, was paid with cash and a portion, approximately \$898,000, was paid by the issuance of additional debentures. Also, in accordance with the Talent Note indenture, all of the interest due for the three-month periods ended August 31, 1993 and November 30, 1993 on the Talent Notes was paid by the issuance of additional notes (approximately \$405,000 and \$426,000, respectively). The payments on the Sony Obligation have reduced the outstanding amount on the letter of credit supporting such obligation to \$47,431,000, at November 30, 1993.

All descriptions of securities above refer to securities issued and in certain cases, estimated amounts of such securities that are yet to be issued. Accordingly during the three-month period ended November 30, 1993, approximately \$6,000,000 was reclassified from Participations and residuals payable to Talent Notes as an estimate of the resolution of certain claims.

12

6. Income Taxes

The provision for income taxes for the three months ended November 30, 1993 consists of the following (in thousands):

<TABLE>
<CAPTION>

	Federal -----	State and Local -----	Foreign -----	Total -----
<S>	<C>	<C>	<C>	<C>
Loss before provision for income taxes	\$ ---	\$ ---	\$ 300	\$ 300
Extraordinary gains	---	---	---	---
	\$ ---	\$ ---	\$ 300	\$ 300

</TABLE>

The provision for income taxes for the three months ended November 30, 1992 consists of the following (in thousands):

<TABLE>
<CAPTION>

	Federal -----	State and Local -----	Foreign -----	Total -----
<S>	<C>	<C>	<C>	<C>
Loss before provision for income taxes	\$ ---	\$ (100)	\$ 2,400	\$ 2,300
Extraordinary gains	---	100	---	100
	\$ ---	\$ ---	\$ 2,400	\$ 2,400

</TABLE>

The provision for income taxes for the nine months ended November 30, 1993 consists of the following (in thousands):

<TABLE>
<CAPTION>

	Federal	State and Local	Foreign	Total
<S>	<C>	<C>	<C>	<C>
Loss before provision for income taxes	\$ ---	\$ 100	\$ 1,200	\$ 1,300
Extraordinary gains	---	---	---	---
	\$ ---	\$ 100	\$ 1,200	\$ 1,300

</TABLE>

The provision for income taxes for the nine months ended November 30, 1992 consists of the following (in thousands):

<TABLE>
<CAPTION>

	Federal	State and Local	Foreign	Total
<S>	<C>	<C>	<C>	<C>
Loss before provision for income taxes	\$ ---	\$ 200	\$ 4,300	\$ 4,500
Extraordinary gains	---	100	---	100
	\$ ----	\$ 300	\$ 4,300	\$ 4,600

</TABLE>

These provisions are based, in part, upon estimates of the Company's effective tax rate for the entire year. Only a portion of such provisions are offset by losses from operations, because of certain foreign and state taxes which cannot be mitigated by such losses. In addition, foreign taxes are provided for certain transactions in the period in which they occur.

Effective March 1, 1993, the Company adopted Statement of Financial Accounting Standards No.109, "Accounting for Income Taxes" ("SFAS 109"). The Company's results of operations were not impacted by the change in method of accounting for income taxes resulting from the adoption of SFAS 109.

13

7. Loss Per Common Share

Pursuant to the Plan, all 22,508,600 shares of the Company's previously outstanding common stock and 7,237 shares of the Company's previously outstanding preferred stock were canceled at the Effective Date and the holders of such stock received 160,000 and 20,000 shares (0.8% and 0.1%), respectively, of the reorganized Company's 20,000,000 newly issued common shares. All outstanding options to purchase common stock pursuant to the Company's stock option plans were also canceled.

Per-share amounts presented on the Company's Condensed Consolidated Statements of Operations for periods ended after the Effective Date are computed by dividing Loss before extraordinary gains and Net

income (loss) by the weighted average number of issued common shares outstanding during each period.

Per-share amounts presented for periods ended before the Effective Date were computed by dividing Loss before extraordinary gains and Net income (loss) reduced by preferred and preference dividends and, when applicable, increased by pro-forma reductions in interest expense (net of tax) resulting from the assumed exercise of stock options and the resulting assumed reduction of outstanding indebtedness, by the weighted average number of common and dilutive common equivalent shares outstanding during the period.

8. Revenue Information

The sources of the Company's revenues from operations by market for the three- and nine-month periods ended November 30, 1993 and 1992 are set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company derives significant revenues from the foreign distribution of its theatrical motion pictures and television programming. During the three months ended November 30, 1993 and 1992, the Company generated revenues of \$23,280,000 and \$19,525,000, respectively, from foreign distribution of such product. During the nine-month periods ended November 30, 1993 and 1992, the Company generated foreign distribution revenues of \$64,412,000 and \$85,660,000, respectively.

9. Contingent Liabilities

The Company and its subsidiaries are contingently liable with respect to various matters, including litigation in the ordinary course of business and otherwise. Some of the pleadings in various litigation matters contain prayers for material awards. As described in Note 2, claims have arisen after the Filing Date from the determination by the Court (or agreement by parties in interest) to allow claims for certain of these contingencies and other disputed amounts. Based upon management's review of the underlying facts and circumstances and consultation with counsel, management believes such matters will not result in the allowance by the Court of significant additional liabilities subject to compromise which would have a material adverse effect upon the consolidated financial position or results of operations of the Company with the possible exceptions of the Showtime disputes described in Note 4 and the matter described below.

As previously disclosed in the Registrant's Annual Reports on Form 10-K for the fiscal years ended February 29, 1992 and February 28, 1993, on October 12, 1990, Hemdale Film Corporation ("Hemdale") filed an action against the Company in the Superior Court for Los Angeles alleging various breaches of the agreements between Hemdale and the Company for distribution of the motion pictures "PLATOON", "HOOSIERS" and "THE TERMINATOR". The plaintiff produced these pictures which the Company released. The complaint seeks an accounting and damages purportedly in excess of \$30,000,000 and is based on the allegation that the Company paid Hemdale less than it was due under the agreements, used improper accounting practices, refused to permit Hemdale's representatives to conduct appropriate examinations of the Company's books and records and provided Hemdale with allegedly inaccurate and inadequate settlement statements. On December 10, 1990, the Company filed its answer,

denying the material allegations of the complaint, asserting that its accounting practices were accurate in all respects. Following

the filing of the Company's bankruptcy petition, Hemdale filed a proof of claim substantially based on the allegations in its complaint. The Company has objected to Hemdale's claim and the estimation hearing on Hemdale's claim has been further adjourned in the Court until February 8, 1994. The parties have been engaged in discussions regarding the use of a mediator to mediate the claims. No assurance can be given at this time concerning the ultimate outcome of the Hemdale litigation or the effect thereof, if adverse to the Company. As a result of the Company's chapter 11 filings, if the case is not otherwise resolved, it is expected that this case will be tried before the Court.

15

ORION PICTURES CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On December 11 and 12, 1991 (the "Filing Date"), the Company and certain of its subsidiaries filed petitions for relief under chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Court"). During the period from the Filing Date to November 5, 1992 (the "Bankruptcy Period"), the Company operated under a series of Court orders and actively sought to obtain new equity capital and other forms of investment in order to recapitalize. In this regard, the Company filed its "Debtors' Joint Consolidated Plan of Reorganization" as amended July 24, August 7, September 3 and October 20, 1992 (the "Plan") with the Court on July 13, 1992. On October 20, 1992 (the "Confirmation Date"), the Court confirmed the Plan which became effective on November 5, 1992 (the "Effective Date"). The Plan and the Company's reorganization activities are more fully described in "Liquidity and Capital Resources" below. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended February 28, 1993 (the "1993 Annual M,D & A") for a further discussion of the Company's Plan of Reorganization and the implications thereof.

RESULTS OF OPERATIONS

During the third quarter of the fiscal year ending February 28, 1994 ("fiscal 1994"), the Company recorded a net loss of \$5,441,000 on revenues of \$70,729,000. During the third quarter of the preceding year ("fiscal 1993"), the Company recorded a loss before extraordinary items of \$9,154,000 and extraordinary gains aggregating \$312,592,000 resulting in net income for the quarter of \$303,438,000 on revenues of \$53,726,000.

For the first nine months of fiscal 1994, the Company reported a net loss of \$52,495,000 on revenues of \$140,952,000. For the first nine months of fiscal 1993, the Company reported a loss before extraordinary items of \$31,316,000 and extraordinary gains of \$312,592,000 resulting in net income of \$281,276,000 on revenues of \$169,611,000.

Certain factors discussed more fully below, adversely affected the Company's operations in the third quarter of fiscal 1994. First, as previously disclosed in the Company's 1992 and 1993 Forms 10-K, approximately two-thirds of the Company's film inventory is stated at amounts approximating their estimated net realizable value and do not result in the recording of gross profit upon recognition of related revenues. A large portion of recorded revenues in the

third quarter of fiscal 1994 related to this product. The Company recorded \$5,400,000 of writedowns on this product in the third quarter of fiscal 1994 which included a writedown of \$4,400,000 on "ROBOCOP 3" based on the disappointing results of the domestic theatrical release of this picture. Accordingly, gross profit from profitable pictures (before the effect of the writedowns in the fiscal 1994 third quarter described above), was insufficient to offset the aggregate effect of such losses and the Company's selling, general and administrative costs and interest costs recognized during the quarter.

Certain events discussed more fully below, significantly affected the Company's results of operations in the third quarter of fiscal year 1993. The Company successfully emerged from its chapter 11 bankruptcy proceedings on the Effective Date. Several significant adjustments were recorded during the third quarter of fiscal 1993 to reflect this event in the Company's consolidated financial statements, which resulted in the recognition of an aggregate of \$312,692,000 of extraordinary gains, before the effect of income taxes. Furthermore, the Company incurred approximately \$6,200,000 of costs directly related to the chapter 11 proceedings during the quarter, as described below, that adversely affected results of operations.

16

THREE MONTHS ENDED NOVEMBER 30 (1993 vs 1992)

Revenues

The following table sets forth the sources of the Company's revenues from operations by market during the third quarter of fiscal 1994 and 1993 (in thousands):

<TABLE>
<CAPTION>

	Three Months Ended November 30,	
	1993	1992
<S>	<C>	<C>
Theatrical distribution	\$ 12,755	\$ 4,590
Television and video distribution:		
Home video direct distribution	15,093	26,299
Home video subdistribution	3,401	6,188
Pay television	3,220	6,596
Free television and other	36,260	10,053
	-----	-----
Total television and video distribution	57,974	49,136
	-----	-----
	\$ 70,729	\$ 53,726
	-----	-----

</TABLE>

Theatrical Revenues

The majority of the Company's theatrical revenues in the quarter ended November 30, 1993 were generated by the domestic and foreign theatrical distribution of "ROBOCOP 3". There was no domestic theatrical release in the previous year's third quarter.

Home Video Revenues

The distribution of two of the Company's theatrical releases, "THE DARK HALF" and "MARRIED TO IT", in the domestic home video rental

market through Orion Home Video ("OHV") accounted for over three-quarters of the Company's home video direct distribution revenues during the current year's third quarter. The remaining revenues were derived from "sell-thru" (i.e. lower priced) sales of various titles. A significant portion of the Company's home video direct distribution revenues in the previous year's third quarter was derived from "sell-thru" sales of certain titles, including approximately \$13,800,000 attributable to "DANCES WITH WOLVES". The Company does not expect the "sell-thru" distribution of any of its remaining titles to be as successful as the distribution of "DANCES WITH WOLVES" was in that quarter. In the previous year's third quarter, the Company also distributed two of its theatrical releases in the domestic home video rental market through OHV including "ARTICLE 99" which generated approximately \$5,900,000 in revenues.

The Company's home video subdistribution revenues in the current and previous year's third quarter were mostly generated by sales in a number of foreign territories of titles under the Company's subdistribution agreement with Sony which is described below, including approximately \$1,200,000 which was recognized based upon sales of "ROBOCOP 3" in the current quarter and including approximately \$2,500,000 which was recognized based upon sales of "THE SILENCE OF THE LAMBS" in the previous year's third quarter.

17

Pay Television Revenues

One title first became available during the third quarter of fiscal 1993 under the Company's exclusive long-term film licensing agreement with Showtime Networks, Inc. ("Showtime"). Recognition of approximately \$3,100,000 of revenues on this title was deferred for the reason described below in the section entitled "Pay Television Revenues" for the nine-month periods ended November 30, 1993 and 1992. The remainder of the Company's revenues in this market in each quarter was recorded upon the availability of various titles under certain foreign pay television agreements.

Free Television Revenues

During the current year's quarter approximately \$19,500,000 of free television revenue was recorded upon the availability of "DANCES WITH WOLVES" to ABC and "THE SILENCE OF THE LAMBS" to CBS. The Company does not expect the network license fees of any of its remaining titles to be comparable to the amount generated by these two titles. The Company's free television revenues in the three-month periods ended November 30, 1993 and 1992, also included approximately \$9,200,000 and \$6,100,000, respectively, of license fees recognized under certain foreign free television agreements. Free television revenues in the current and previous quarters each include fees from the availability to Lifetime of three pictures under the Company's October 1989 agreement with that basic cable network.

Gross Profit

Gross profit in the current year's third quarter was most favorably affected by the network availability of "DANCES WITH WOLVES" and "THE SILENCE OF THE LAMBS". Together, these two titles contributed approximately \$13,300,000 to the Company's fiscal 1994 third quarter gross profit.

Gross profit in the previous year's third quarter was most favorably affected by the domestic home video "sell-thru" sales of "DANCES WITH WOLVES" and, to a lesser extent, by "sell-thru" sales and the foreign home video and certain foreign pay cable

availabilities of "THE SILENCE OF THE LAMBS". Together, these two titles contributed approximately \$13,000,000 to the Company's previous year's third quarter gross profit.

As previously disclosed in the Company's 1992 and 1993 Forms 10-K, approximately two-thirds of the Company's film inventories are stated at estimated net realizable value and do not result in the recording of gross profit upon the recognition of related revenues. A large portion of recorded revenues in the third quarter of fiscal 1994 related to this product. In addition, the current quarter was adversely affected by the recording of a \$4,400,000 writedown to "ROBOCOP 3" based upon its less-than-previously-expected domestic theatrical performance.

As previously disclosed, since the beginning of fiscal 1992, the Company has released in the domestic market place only ten pictures, which it has produced, compared to an annual average of 14 releases in each of the previous 3 years. This reduced release schedule has had an adverse effect on amounts and comparisons of revenues and, consequently, gross profit and is expected in the future, to continue to have an adverse effect on comparisons with earlier periods.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the quarter ended November 30, 1993 decreased \$3,148,000 (37%) from \$8,398,000 in the preceding year's third quarter to \$5,250,000 in the current year's third quarter. Approximately 57% of the decrease in selling, general and administrative costs was attributable to reduced personnel costs as a result of extensive layoffs and voluntary terminations that ended in fiscal 1993, as well as from rejections and renegotiations of various operating leases.

18

Chapter 11 Reorganization Items

The Company charged approximately \$193,000 and \$6,208,000 of direct expenses of administering the chapter 11 filing, consisting primarily of professional fees, to operations during the quarters ended November 30, 1993 and 1992, respectively.

Interest Expense

Interest expense for the three months ended November 30, 1993 increased \$1,587,000 (24%) from the previous year's quarter from \$6,520,000 to \$8,107,000. Such increase is largely due to the impact of applying SOP 90-7 to accounting for interest related to the Company's previously outstanding subordinated notes and debentures during the prior year's third quarter. In accordance with the requirements of SOP 90-7, the Company ceased accruing interest on these securities during the Bankruptcy Period. Thus, the third quarter of the previous year had the capital structure following the Bankruptcy Period outstanding for only a portion of the three-month period compared to the third quarter of fiscal 1994 which included three months of interest charges for the new capital structure.

Provision for Income Taxes

The provision for income taxes for the three months ended November 30, 1993 consists primarily of taxes attributable to certain foreign remittances. For the three months ended November 30, 1992, the provision for income taxes included foreign remittance taxes primarily attributable to certain transactions and minimum state

NINE MONTHS ENDED NOVEMBER 30 (1993 vs.1992)

Revenues

The following table sets forth the sources of the Company's revenues from operations by market during the first nine months of fiscal 1994 and 1993 (in thousands):

<TABLE>

<CAPTION>

	Nine Months Ended November 30,	
	1993	1992
<S>	<C>	<C>
Theatrical distribution	\$ 33,779	\$ 51,583
Television and video distribution:		
Home video direct distribution	27,492	48,573
Home video subdistribution	5,845	9,887
Pay television	14,319	25,093
Free television and other	59,517	34,475
	-----	-----
Total television and video distribution	107,173	118,028
	-----	-----
	\$140,952	\$169,611
	-----	-----

</TABLE>

Theatrical Revenues

Approximately 73% of the Company's theatrical revenues in the first three quarters of fiscal 1994 were derived from the distribution of "ROBOCOP 3" and of "THE DARK HALF" in the domestic and foreign theatrical marketplaces. These films produced approximately \$18,000,000 and \$6,400,000 of film rentals, respectively, during the period.

Approximately 83% of the Company's theatrical revenues during the first three quarters of fiscal 1993 were derived from the distribution of five films, including "THE ADDAMS FAMILY" and "THE SILENCE OF THE LAMBS", both of which were distributed in the foreign theatrical marketplace. These two films generated approximately \$20,200,000 and \$9,600,000, respectively, of revenues during the period.

Of the films unreleased at the Effective Date, the Company has six remaining unreleased titles. To maximize their potential, the Company has established a release schedule that contemplates the release of the films during the remainder of fiscal 1994 and the first half of the fiscal year ending February 28, 1995 ("fiscal 1995"). Pursuant to the terms of the Plan and the related Plan documents, the Company's ability to produce or acquire additional product for distribution is limited. Accordingly, it is anticipated that revenues from theatrical distribution of the Company's remaining unreleased films will be substantially earned during the fourth quarter of fiscal 1994 and in fiscal 1995. The Company's revenues after this period will depend entirely on the Company's ability to produce or acquire additional product.

Home Video Revenues

The distribution of "THE DARK HALF", "MARRIED TO IT" and "LOVE FIELD" in the domestic home video rental market and of "DANCES WITH WOLVES" in the domestic home video "sell-thru" market through OHV accounted for approximately 76% of the Company's home video direct distribution revenues during the nine months ended November 30, 1993. The distribution of "LITTLE MAN TATE" and "ARTICLE 99" in the domestic home video rental market and of "DANCES WITH WOLVES" and "SILENCE OF THE LAMBS" in the domestic home video "sell-thru" market through OHV accounted for approximately 86% of the Company's home video direct distribution revenues during the previous nine-month period. No picture generated significant home video subdistribution revenues during the first three quarters of fiscal 1994 or 1993.

20

The Company's home video subdistribution revenue is primarily generated in the foreign market place. Beginning in fiscal 1992, the Company's foreign home video releases began to be distributed under the subdistribution agreement with Sony described in the Company's 1993 Annual Report on Form 10-K for the year ended February 28, 1993. Under the terms of this agreement, which was entered into in February 1990, and amended and restated as of October 20, 1992, the Company received a substantial advance against the performance of the 23 pictures (amended from 50 pictures) covered by the agreement. Revenues recorded to date and to be recorded under this agreement in future periods will be less than amounts that would have been recorded under previous performance-based subdistribution agreements due to the receipt of the substantial advance.

Furthermore, the Company's reduced theatrical release schedule beginning in fiscal 1992, and the limitations of the Plan and the related Plan documents with regard to the ability of the Company to invest in production or acquisition of new theatrical product, are likely to have an adverse effect on quarterly home video revenues for the foreseeable future.

Pay Television Revenues

Two titles first became available during the first nine months of fiscal 1994 compared to five in the preceding year's first nine months under the Company's Showtime agreement. Recognition of revenues on both of the fiscal 1994 titles and on four of the fiscal 1993 titles were deferred for the reason described below.

As described more fully under the heading "Part II - Other Information - Item 1- Legal Proceedings" and in Note 4 of Notes to Condensed Consolidated Financial Statements, the Company and Showtime are currently involved in litigation concerning an alleged breach by the Company of a "key man provision" of a pay television output contract between the Company and Showtime (the "Key Man Dispute"). As a result of the Key Man Dispute, Showtime has refused to accept for licensing the ten pictures theatrically released in the domestic marketplace by the Company in fiscal 1992 and 1993 and in the first three quarters of fiscal 1994, and the Company's six remaining unreleased pictures. Accordingly, no revenues related to the licensing to Showtime of these disputed pictures have been or will be recorded until such dispute has been resolved. Such deferral began to have an adverse effect on Pay Television Revenues in the first quarter of fiscal 1993.

Pay television revenues for each fiscal quarter would have included the following license fees due under the Showtime agreement, (the recognition of which has been deferred until the dispute is resolved) and the following additional amounts which will be

deferred in future quarters (as long as the dispute remains unresolved) (in thousands):

<TABLE>
<CAPTION>

Three Months Ended -----	Number of Pictures -----	License Fees Deferred -----	License Fees to be Deferred -----
<S>	<C>	<C>	<C>
May 31, 1992	1	\$ 5,300	\$ ----
August 31, 1992	2	9,000	----
November 30, 1992	1	3,100	----
May 31, 1993	2	11,700	----
February 28, 1994	1	----	5,900
May 31, 1994	2	----	9,700
November 30, 1994	1	----	6,000
After May 31, 1994	6	----	26,300
	-----	-----	-----
	16	\$ 29,100	\$ 47,900
	-----	-----	-----

</TABLE>

In addition, as more fully described under the heading "Part II - Other Information - Item 1- Legal Proceedings" and in the Note 4 of Notes to Condensed Consolidated Financial Statements, Showtime has also filed a complaint in California State Court (the "Qualification Dispute") alleging that Showtime should be permitted to offset approximately \$29,400,000 in fees already paid by it to the Company under the output agreement, plus interest, against

21

future license fees due the Company. Revenues aggregating \$27,100,000 were recorded upon the availability to Showtime of seven of the eight pictures mentioned in the Qualification Dispute in fiscal 1992 and prior periods. The eighth picture is also subject to the Key Man Dispute.

The Company and Showtime are currently engaged in settlement negotiations aimed at resolving all disputes between the Company and Showtime, including, without limitation, the litigations regarding the Key Man Dispute and the Qualification Dispute. Any such settlement would require approval of the Bankruptcy Court. There can be no assurance that Showtime and the Company will reach an agreement settling all disputes between the parties, that such settlement will be concluded on a timely basis, or such settlement will not have a material adverse effect upon the Company's financial position, results of operations and ability to meet the cash flow projections included in the Disclosure Statement.

The continued delay or unsuccessful resolution of the Showtime disputes described above would also have a material adverse effect upon the Company's financial position, results of operations, and its ability to meet its cash flow projections included in the Disclosure Statement.

The remainder of the Company's revenue in this market for the first nine months of each fiscal year was recorded upon the availability of various titles under certain foreign pay television agreements.

Free Television Revenues

The Company's free television revenues in each of the fiscal 1994 and 1993 nine-month periods included approximately \$23,400,000 and \$22,600,000, respectively, of license fees recorded upon the

availability in a number of foreign territories of certain of the Company's theatrical titles. Free television revenues in the fiscal 1994 nine-month period also includes approximately \$6,200,000 of license fees from the availability to Lifetime of five pictures under the Company's October 1989 agreement with that basic cable network, which compares to \$8,900,000 of license fees for eight titles in the previous nine-month period. During the first nine months of fiscal 1994, approximately \$23,200,000 of revenues were recorded upon the availability of five films to the major networks.

Gross Profit (Loss)

The Company's gross profit (loss) from operations for the nine months ended November 30, 1993 decreased \$39,173,000 from the previous year's nine-month period from \$29,863,000 to \$(9,310,000).

Gross profit in the previous year's first three quarters was most favorably affected by the foreign theatrical and domestic home video "sell-thru" distribution and domestic pay cable availability to Showtime of "THE SILENCE OF THE LAMBS", and by the domestic home video "sell-thru" distribution of "DANCES WITH WOLVES". These two pictures accounted for approximately \$23,100,000 of gross profit during the period. Also contributing to gross profit was the foreign theatrical distribution of "THE ADDAMS FAMILY" and the foreign theatrical and domestic home video distribution of "LITTLE MAN TATE". No film generated comparable gross profit in the current year's first nine months, however, "DANCES WITH WOLVES" and "THE SILENCE OF THE LAMBS" together generated approximately \$13,300,000 of gross profit mostly from the availability of both titles to certain major networks. See the section above entitled "Gross Profit" for the three months ended November 30, 1993 and 1992 for a discussion of certain factors that adversely affected gross profit in the fiscal 1994 nine-month period.

As is done every quarter, the Company performed a review of its inventory of film product and, where appropriate, adjusted values of films in release to reflect current estimates of net realizable value. Such writedowns for the nine months ended November 30, 1993, aggregated approximately \$20,400,000 including a \$14,100,000 writedown on three of the Company's domestic theatrical releases during the current nine-month period, "ROBOCOP 3", "THE DARK HALF" and "MARRIED TO IT". In addition, the Company took further

22

writedowns aggregating approximately \$6,900,000 to its completed unreleased product based upon further evaluations of their potential performance.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine-month period ended November 30, 1993 decreased \$9,979,000 (39%) from \$25,784,000 in the preceding year's nine-month period to \$15,805,000 in the current year's nine-month period. Approximately 65% of the decrease in selling, general and administrative costs was attributable to reduced personnel costs as a result of extensive layoffs and voluntary terminations that ended in fiscal 1993, as well as from rejections and renegotiations of various operating leases.

Chapter 11 Reorganization Items

The Company charged approximately \$1,406,000 and \$15,740,000 of

direct expenses of administering the chapter 11 filing, consisting primarily of professional fees, to operations during the nine-month periods ended November 30, 1993 and 1992, respectively.

Interest Expense

Interest expense for the nine months ended November 30, 1993 increased \$9,519,000 (63%) from the previous year's period. Such increase is largely due to the impact of applying SOP 90-7 to accounting for interest related to the Company's previously outstanding subordinated notes and debentures during the prior year's first nine months. In accordance with the requirements of SOP 90-7, the Company ceased accruing interest on these securities on the Filing Date. Thus, the first nine months of the previous year had approximately one month of interest charges for the Company's capital structure following the Bankruptcy Period compared to the first nine months of fiscal 1994, which included nine months of interest charges for the new capital structure.

Provision for Income Taxes

The provision for income taxes for the first nine months of both fiscal 1993 and 1994 are partially based upon an estimate of the effective rate for the entire year. Only a portion of the provisions are offset by losses from operations because of certain foreign and state taxes which cannot be mitigated by such losses. In addition, foreign taxes are provided for certain transactions in the period in which they occur.

Effective March 1, 1993, the Company adopted the Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("SFAS 109"). Under this method, deferred tax assets and liabilities are recognized with respect to the tax consequences attributable to the differences between the financial statement carrying values and tax bases of existing assets and liabilities. There was no cumulative effect of this change in method of accounting for income taxes for periods prior to March 1, 1993.

The provision for income taxes for the nine months ended November 31, 1993 and 1992 are attributable to foreign remittance taxes and minimum state taxes.

23

LIQUIDITY AND CAPITAL RESOURCES

In accordance with the provisions of the Plan and related agreements, the Company will continue to concentrate its efforts on the licensing and distribution of its library, including the six remaining unreleased pictures, the production of which was complete at the Filing Date. Currently, the principal sources of the funds required for the Company's motion picture distribution activities are proceeds from the licensing of exhibition and ancillary rights to the Company's library. In accordance with terms of the Plan, the Company is permitted to expend certain amounts to release the six remaining unreleased titles in the domestic theatrical marketplace. The Company will be permitted to invest in the production of new theatrical product, only if, among other things, financing for such product can be obtained on a nonrecourse basis to the Company and its restricted subsidiaries and if such financing is secured only by the assets acquired.

Since the beginning of fiscal 1992, the Company has released in the domestic market place only ten pictures, which it has produced. For the three fiscal years prior to fiscal 1992, the Company released an average of 14 films per year. This reduced fiscal

release schedule has had and will continue to have an adverse impact on results of operations for the foreseeable future. Furthermore, as described in Note 4 of Notes to Condensed Consolidated Financial Statements, approximately two-thirds of the Company's film inventories at November 30, 1993 and February 28, 1993 are stated at amounts approximating their estimated net realizable value and will not result in the recording of gross profit upon the recognition of related revenues in future periods. Accordingly, selling, general and administrative costs and interest expense in future periods are likely to exceed gross profit recognized in each period, which will result in the reporting of net losses for financial reporting purposes for the foreseeable future.

Current Financial Outlook and Plan of Reorganization

The Company is operating under the terms and requirements of the Plan and the agreements entered into in connection with the consummation of the Plan. The Plan is extremely complex and the summary presented below contains only a brief synopsis of the compromises reached and benefits granted pursuant to the Plan and is qualified in its entirety by reference to the Plan. The reader should refer to the Plan to obtain a more thorough understanding of the provisions of the Plan and for precise definitions of capitalized terms in the summary presented below.

The Plan represents a compromise and settlement reached among the Company's principal creditor constituencies, most of which relinquished, upon confirmation of the Plan, potential legal and equitable arguments in exchange for the treatment and certainty provided by the Plan.

Under the Plan, the Company's senior secured creditors (the Banks and Sony) are sharing 85% of the reorganized Company's Net Cash Flow. The Plan permits certain unsecured creditors (including holders of certain new subordinated debentures that were issued pursuant to the Plan as described below) to receive, on a pari passu basis with the senior secured creditors, the remaining 15% of Net Cash Flow. After payment in full of the Allowed Claims of the Banks and Sony (and Metromedia and its affiliate, if they become subrogees under the Bank Guarantee), 100% of Net Cash Flow will be paid to the holders of such unsecured Allowed Claims. After payment of the Talent Notes, holders of the Creditor Notes and 10% Subordinated Debentures issued pursuant to the Plan, as described below, will share 100% of Net Cash Flow.

Under the Plan, the holders of Guild Claims and Participation Claims reduced by 17% their Allowed Prepetition Residual Claims and Allowed Preconfirmation Participation Claims, respectively, in exchange for Talent Notes, which are payable currently out of a portion of Net Cash Flow not required to be paid to the Banks and Sony; holders of Allowed Postpetition Residual Claims will be or have been paid in full with respect to such Claims. The holders of other Unsecured Claims, except for those making an election described below, have or will receive Creditor Notes, which are also payable currently out of a portion of Net Cash Flow not

required to be paid to the Banks and Sony. Additional Creditor Notes will be issued in accordance with the Plan as and when Disputed Unsecured Claims become allowed. The holders of allowed Unsecured Claims of \$5,000 or less who so elected have received cash in an amount equal to 70% of their Allowed Claim and the holders of Unsecured Claims of more than \$5,000 who elected to reduce their claims to \$5,000 pursuant to the Plan have received

cash in an amount equal to 70% of the reduced amount of their claims.

In addition, the holders of the Company's subordinated notes and debentures outstanding at the Filing Date received an aggregate of \$50,000,000 initial principal amount of 10% Subordinated Debentures due October 31, 2001 of the reorganized Company, payable out of the portion of Net Cash Flow not otherwise payable to the Banks and Sony as described above, as well as 49% of the equity of the reorganized Company. The holders of the Company's previously outstanding Series B Preferred Stock and common stock received, in the aggregate, 0.1% and 0.8%, respectively, of the common stock of the reorganized Company. Metromedia and its affiliate received an aggregate of 50.1% of the common stock of the reorganized Company in exchange for \$15,000,000, the Bank Guarantee and a contribution of the MetMermaids Rights.

For a period of five years from the Effective Date, the Company's By-laws provide that the Company must cause the three directors not affiliated with Metromedia to be included in the Company's slate of directors nominated for election by the Company's stockholders. One of such nominees is to be a member of the Executive Committee of the Board of Directors of the reorganized Company.

Pursuant to the terms of the Plan, the Company is licensing and distributing its library, including the remaining unreleased pictures. Expenditures for selling, general and administrative costs will be substantially less than the levels of such expenditures that were incurred prior to the Filing Date. Further, the Plan limits the Company's ability to produce or acquire new motion pictures or other product. Such product may be produced or acquired only if, among other things, any financing of such purchase or acquisition is secured, if necessary, only by the assets being produced or acquired. With respect to acquired assets only, the Company is nevertheless allowed, without any restriction, to pay related debt service out of operating cash flow. While the Company has been able to acquire certain distribution rights to certain new product with nonrecourse financing, no assurance can be given that the Company will be successful in obtaining additional debt financing or acquiring additional entertainment assets.

To the extent that the Company generates Net Cash Flow, the Company is required to make principal payments with respect to the Banks and Sony and with respect to holders of its Talent Notes, Creditor Notes and 10% Subordinated Debentures at least quarterly out of Net Cash Flow. Net Cash Flow as defined in the Plan generally provides for the payment of operating costs as incurred. Because distributions of Net Cash Flow are dependent upon the Company's ability to generate Net Cash Flow and are determined for specified periods in accordance with the Plan, no assurance can be made as to the amount, if any, of each future distribution. In addition, as noted above in Note 5 of Notes to Condensed Consolidated Financial Statements, commencing with the last quarter of fiscal 1995, the holders of Talent Notes, Credit Notes and 10% Subordinated Debentures must have received certain mandatory minimum amounts of Net Cash Flow from the Company in accordance with the terms of the indentures pursuant to which such securities were issued. The indentures provide, however, that such mandatory minimum amounts would be reduced by the portion of amounts due under an agreement between the Company and Showtime allocated to the holders of such securities which are not received by the Company because of the disputes between the Company and Showtime.

Although the Company's recently released pictures have performed below management's expectations and below levels premised in the Plan, and despite the fact that the disputes with Showtime described in Note 4 of Notes to Condensed Consolidated Financial

Statements remain unresolved, the Company has to date been able to meet its operating and Plan obligations. Based upon the assumptions contained in the Plan (as modified by changes to the release schedule set forth in the Plan of the six remaining

25

unreleased pictures), the Company believes that it will be able to meet its operating and Plan obligations as they become due for the remainder of fiscal 1994. No assurance can be given as to the performance of the Company's six unreleased films. The poor performance of such pictures, both released and unreleased will have an adverse effect on the liquidity of the Company and, in turn, on its ability to meet its operating obligations under the Plan after fiscal 1994. Further, the continued delay or unsuccessful resolution of the disputes with Showtime would also adversely affect the Company's ability to meet its operating and Plan obligations after fiscal 1994.

As noted above in Note 5 of Notes to Condensed Consolidated Financial Statements, the Company must make certain principal payments to its bank lenders under the terms of the Credit Agreement and to Sony pursuant to the Sony Obligation during fiscal 1995. In the event the Company is unable to make such payments to the banks, such parties may demand payment from the guarantors under the Bank Guarantee. If the Company is unable to make the scheduled payments to Sony pursuant to the Sony Obligation, Sony may draw under its letter of credit (if Metromedia does not first cure such payment default), in which case the amount drawn by Sony would become a guaranteed obligation of the guarantors under the Bank Guarantee. If any such payments are made by the guarantors under the Bank Guarantee, Metromedia or its affiliate would become subrogated to the Banks' and Sony's portion of the Company's Net Cash Flow following payment in full of the Company's obligations to such parties and accordingly would be reimbursed in full by the Company out of such Net Cash Flow.

26

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

1. The Chapter 11 Cases

The Company is, and will continue to be, a party to numerous contested matters and adversary proceedings pending against it in the Bankruptcy Court seeking a variety of forms of relief, including, without limitation, motions (a) to determine classification and treatment of certain tax shelter claims, (b) to approve settlements and compromises, and (c) to allow or disallow claims. Other matters and claims may be referenced in the Disclosure Statement filed by Debtors with the Bankruptcy Court on July 24, 1992, as amended, and approved by such Court by order dated September 8, 1992. The Company also has the right to file such motions or actions as may be necessary to implement and enforce the terms of the Plan.

Pursuant to section 362 of the Bankruptcy Code an automatic stay went into effect when the Debtors commenced their chapter 11 cases. The automatic stay halts, among other things, all pending

litigation and prevents the commencement of all judicial, administrative or other proceedings against the debtor that were or could have been commenced before the commencement of the bankruptcy case. Pursuant to paragraph 35 of the Confirmation Order, any action which had been stayed by operation of section 362(a) of the Bankruptcy Code continues to be stayed pursuant to sections 1141(d) and 105(2) of the Bankruptcy Code.

2. The Litigation-Based Claims

Mace Neufeld Productions, Inc. and Mace Neufeld v. Orion Pictures Corporation, et al., (United States District Court, Central District of California, Civ. Action No. CV-85-7149-ER (Bx)); Mace Neufeld Productions, Inc. and Mace Neufeld v. Orion Pictures Corporation, et al., (Los Angeles County Superior Court, Western District, Case No. WEC 100794). Counsel for the Company has been informed that the bankruptcy judge hearing the Company's bankruptcy claims has transferred the estimation hearing on the Mace Neufeld proofs of claim to a newly-appointed bankruptcy judge in the United States Bankruptcy Court for the Southern District of New York. The estimation hearing on the Mace Neufeld claim, including the Company's objection that the claim was filed late, has been further adjourned to February 17, 1994.

Hemdale Film Corporation v. Orion Pictures Corporation, (Los Angeles County Superior Court, Case No. RCO12594). The estimation hearing on the Hemdale claim has been further adjourned to February 8, 1994.

Pacific Western Productions, Inc., et al. v. Hemdale Film Corporation and Orion Pictures Corporation, et al., (Los Angeles County Superior Court, Case No. RCO12873). The estimation hearing on the Pacific Western claim has been further adjourned to February 8, 1994.

Paradise Films, Inc. v. Orion Pictures Corporation and Orion Pictures Distribution Corporation, (Los Angeles County Superior Court, Case No. BC 038330). The estimation hearing on the Paradise claim has been further adjourned to February 8, 1994.

Sharon Badal v. Orion Pictures Corporation, (United States District Court, Southern District Court, Southern District of New York, Case No. 91 Civ. 4288). The estimation hearing on the Badal claim has been set for February 8, 1994.

27

Bruno Damon v. Orion Pictures Corporation, Island Helicopter Leasing Corporation and A.G.S. Realty Holding Corp., (N.Y. Sup. Ct. Index No. 34167/91) (the "Damon Action"). The estimation hearing for the Damon claim has been further adjourned to February 8, 1994.

Bayer Cadillac, Inc., Plaintiff, v. Cad Co. Productions, Inc., Orion Pictures Corporation and Ted Kurdyla, Supreme Court of the State of New York, County of Queens. The estimation hearing for the Bayer Cadillac claim has been adjourned without date. Counsel for the Company have been notified that Bayer Cadillac has filed for bankruptcy.

Antitrust and Similar Proceedings - Joseph Soffer d/b/a Cine 1-2-3-4 v. Orion Pictures Distribution Corporation, et al., (United States District Court for the District of Connecticut). The estimation hearing for the Soffer claim has been adjourned without date. The Movie v. Orion Pictures Distribution Corporation, Orion Classics, et al., (United States District Court for the Northern District of California, Case No. C86-203-90RPA). The estimation

hearing for The Movie claim has been adjourned to February 8, 1994.

3. Showtime Litigation.

Key Man Dispute - The Company's time to seek a writ of certiorari from the Supreme Court of the United States for permission to appeal the decision of the Second Circuit has been extended up to and including January 31, 1994. The Company intends to commence an appeal to the Supreme Court of the United States by petitioning the Supreme Court for a writ of certiorari and will pursue the appeal vigorously if certiorari is granted. The Second Circuit's decision ultimately could lead to a retrial of the issue of the Company's compliance with the key man clause to a jury. In the event of any such retrial, the Company intends to pursue the matter vigorously although it cannot be predicted how a jury would determine the facts. A determination that the key man clause was not complied with would have a material adverse effect on the Company and the Company's ability to achieve the Cash Flow projections included in the Disclosure Statement. See Note 4 of Notes to Condensed Consolidated Financial Statements.

Showtime Networks, Inc. a Delaware Corporation, Plaintiff, v. Orion Pictures Corporation, a Delaware Corporation, and Does 1 through 10, Inclusive, Defendants. Case No. BC080150 (Super. Ct. of Cal., Los Angeles Co.) (complaint filed April 30, 1993) (the "Showtime Complaint"). The date for the hearing on the Company's claims asserted in the adversary proceeding that the Company has commenced against Showtime including, inter alia, the Company's request for a permanent injunction permanently barring Showtime from prosecuting the claims asserted in the Showtime Complaint has been adjourned to February 8, 1994. The Company has served notices to obtain document and deposition discovery from Showtime and various of its affiliates. Due to the preliminary stage of the proceedings and the fact that discovery has only recently commenced and is still in its early stages, it is not possible to evaluate at this time the likely outcome or the probability or amount of potential loss. If Showtime were permitted to pursue its claims in California and ultimately were to obtain the declaratory judgment that it seeks to permit to offset \$29,350,893 against any future payments due to the Company's, plus any other amounts allegedly overpaid, said judgment would have a material adverse effect on the Company and the Company's ability to meet the cash flow projections included in the Disclosure Statement. See Note 4 of Notes to Condensed Consolidated Financial Statements.

The Company and Showtime are currently engaged in settlement negotiations aimed at resolving all disputes between the Company and Showtime, including, without limitation, the litigations regarding the Key Man Dispute and the Qualification Dispute. Any such settlement would require approval of the Bankruptcy Court. There can be no assurance that Showtime and the Company will reach an agreement settling all disputes between the parties, that such settlement will be concluded on a timely basis, or such settlement will not have a material adverse effect upon the Company's financial position, results of operations and ability to meet the cash flow projections included in the Disclosure Statement.

28

4. The Derivative Action

Harvey Cooper, Derivatively on behalf of Orion Pictures Corporation, Plaintiff, v. John W. Kluge, Stuart Subotnick, Metromedia Company, a Partnership, and Does 1 through 100 Inclusive, Defendants, and Orion Pictures Corporation, Nominal Defendant, Case No. SC016674 (Super. Ct. of Cal., L.A. Co.) (filed

April 27, 1993) (the "Cooper Action"). On October 20, 1993, the bankruptcy court entered its order granting the Company's motion for summary judgment dismissing the Cooper Action with prejudice and denying Cooper's motions filed in the adversary proceeding commenced against him by the Company. The bankruptcy court's order further directed the Company to withdraw its adversary proceeding against Cooper on the ground that it is now moot. Cooper filed a notice of appeal to the United States District Court for the Southern District of New York (Owen, J., presiding) (the "District Court"). On appeal, Cooper alleges that the release and injunction provisions of the Plan that relate to release of the derivative claims Cooper purports to assert against Metromedia Company, John Kluge and Stuart Subotnick on the Company's behalf are ineffectual and do not bar him from prosecuting the Cooper Action purportedly on the Company's behalf. The appeal is scheduled to be heard by the District Court on February 18, 1994.

5. Other Claims Issues

The Company filed numerous claims objections with the Bankruptcy Court, both prior to and after the Effective Date of the Plan. Most of those objections have been granted by the Bankruptcy Court or consensually resolved, but certain disputes remain outstanding and ultimately will be disposed of through negotiations or contested hearings before the Bankruptcy Court. The Company believes that the disposition of these disputed claims will not have a material adverse effect on its consolidated financial position or results of operations.

29

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted during the third quarter of the fiscal year ended February 28, 1994 to a vote of the holders of the Company's Common Stock, through the solicitation of proxies or otherwise.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.18 - Employment agreement dated as of July 1, 1993 between the Company and Diane Keating.

10.19 - Loan Agreement dated as of November 12, 1993 between the Orion Home Entertainment Corporation and MetProduction, Inc. ("Metproductions")

11 - Statement Re: computation of per-share earnings

(b) Reports on Form 8-K

The Registrant filed no Current Reports on Form 8-K, during the fiscal quarter for which this Quarterly Report on Form 10-Q is filed.

30

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ORION PICTURES CORPORATION
(Registrant)

Dated: January 13, 1994

/s/ Cynthia A. Friedman

Cynthia A. Friedman
Senior Vice President and
Chief Financial Officer

Exhibit 10.18

EMPLOYMENT AGREEMENT

This Employment Agreement is dated as of July 1, 1993, and is entered into between Orion Pictures Corporation, a Delaware corporation (the "Company") and Diane Keating ("Executive").

WHEREAS, the Company desires to continue to employ Executive and Executive desires to continue to be employed by the Company, and Executive and the Company desire to embody in this Agreement the terms and conditions under which Executive shall be employed.

NOW, THEREFORE, the parties hereby agree:

ARTICLE I

Employment, Duties and Responsibilities

1.01. Employment. Executive shall serve as President of the Company's Orion Pictures International division. Executive hereby accepts such employment. Executive agrees to devote her full time and efforts to promote the interests of the Company.

1.02. Duties and Responsibilities. Executive shall have such duties and responsibilities as are consistent with her position. Executive shall report to the President of the Company. In addition, Executive shall report to such individuals, and shall render other executive and administrative services in connection with the business of the Company and its affiliates as may be required from time to time by the President or Board of Directors of the Company.

1.03. Base of Operation. Executive's principal base of operation for the performance of her duties and responsibilities under this Agreement shall be the offices of the Company in New York, New York; provided, however, that Executive shall perform such duties and responsibilities not involving a permanent transfer of her base of operation outside of the greater New York metropolitan area at such other places as shall from time to time be reasonably necessary to fulfill

ARTICLE II

Term

2.01. Term. The term of this Agreement (the "Term") shall commence on July 1, 1993 and shall continue for a period of one year and eight months, terminating on February 28, 1995, unless terminated earlier as provided in Article V.

ARTICLE III

Compensation and Expenses

3.01. Salary, Bonuses and Benefits. As full compensation and consideration for the performance by Executive of her obligations under this Agreement, Executive shall be entitled to the following (subject, in each case, to the provisions of ARTICLE V hereof):

(a) Salary. The Company shall pay Executive a base salary during the Term, payable in accordance with the normal payment procedures of the Company and subject to such withholding and other normal employee deductions as may be required by law, at the rate of \$195,000 per year.

(b) Bonus. During the Term, Executive shall participate in the Orion Pictures Corporation Annual Bonus Plan (the "Bonus Plan") and shall be eligible to receive a bonus for each fiscal year of the Company in accordance with, and subject to the terms of, the Bonus Plan, and any agreement executed by Executive in connection with such plan (the "Bonus Agreement"). Executive shall have no right to receive bonus compensation other than as specifically set forth in the Bonus Plan and the Bonus Agreement.

(c) Benefits. Executive shall be eligible to participate during the Term in such life insurance, health, disability and major medical insurance benefits, and in such other employee benefit plans and programs for the benefit of the employees of the Company, as may be maintained from time to time during the Term, in each case to the extent and in the manner generally available to other officers of the Company and subject to the terms and provisions of such plan or program, except that Executive shall be entitled to severance under the Company's severance policy only if and to the extent provided under Section 5.04 of this Agreement.

(d) Vacation. Executive shall be entitled to paid vacation during the Term in accordance with Company policy.

3.02. Expenses. The Company will reimburse Executive for reasonable business-related expenses incurred by her in

3

connection with the performance of her duties hereunder during the Term, subject, however, to the Company's policies relating to business-related expenses as in effect from time to time during the Term.

ARTICLE IV

Exclusivity, Etc.

4.01. Exclusivity; Non-Competition. Executive agrees to perform her duties, responsibilities and obligations hereunder efficiently and to the best of her ability. Executive agrees that she will devote her entire working time, care and attention and best efforts to such duties, responsibilities and obligations throughout the Term. Executive also agrees that during the Term she will not engage in any business activities that are competitive with the business activities of the Company or any of its divisions, subsidiaries or affiliates. Executive agrees that all of her activities as an employee of the Company shall be in conformity with all present and future policies, rules, regulations and directions of the Company not inconsistent with this Agreement.

4.02. Other Business Ventures. Executive agrees that during the Term she will not own, directly or indirectly, any controlling or substantial stock or other beneficial interest in any business enterprise which is engaged in business activities that are competitive with the business activities of the Company or any of its divisions, subsidiaries or affiliates. Notwithstanding the foregoing, Executive may own, directly or indirectly, up to 5% of the outstanding capital stock of any business having a class of capital stock which is traded on any major stock exchange or in the over-the-counter market.

4.03. Properties; Business Secrets; and Non-Solicitation. (a) All right, title and interest of every kind and nature whatsoever, in and to inventions, patents, trademarks, copyrights, films, scripts, ideas, literary works, creations and properties furnished to the Company or any of its divisions, subsidiaries or affiliates, or used in or in connection with any of the productions or other activities of

any of such companies with which Executive is in any way connected in the performance of her duties and obligations hereunder, whether the same were invented, created, written, developed, furnished, produced or disclosed by Executive or by any other party since the inception of Executive's employment with the Company, shall, as between the parties hereto, be, become and remain the sole exclusive property of the Company or such division, subsidiary or affiliate (as the case may be) for any and all purposes and uses whatsoever, and Executive shall have no right, title or interest of any kind or nature therein. Executive hereby fully releases and discharges the Company and

4

all of its divisions, subsidiaries, affiliates, successors, licensees and assigns (if any), and their respective officers, directors and employees, from and against any and all claims, demands, damages, liabilities, costs and expenses arising out of or relating to any such inventions, patents, trademarks, copyrights, films, scripts, ideas, literary works, creations and properties furnished to or used by any of such companies with which Executive may be connected in the performance of Executive's duties and obligations hereunder.

(b) Executive agrees that she will not, at any time during or after the Term, make use of or divulge to any other person, firm or corporation any trade or business secret, process, method or means, or any other confidential information concerning the business or policies of the Company or any of its divisions, subsidiaries or affiliates, which she may have learned in connection with her employment by the Company. For purposes of this Agreement, a "trade or business secret, process, method or means, or any other confidential information" shall mean and include written information treated as confidential or as a trade secret by the Company. Executive's obligation under this Section 4.03(b) shall not apply to any information which (i) is known publicly; (ii) is in the public domain or hereafter enters the public domain without the fault of Executive; (iii) is known to Executive prior to her receipt of such information from the Company, as evidenced by written records of Executive or (iv) is hereafter disclosed to Executive by a third party not under an obligation of confidence to the Company. Executive agrees not to remove from the premises of the Company, except as an employee of the Company in pursuit of the business of the Company or except as specifically permitted in writing by the Company, any document or other object containing or reflecting any such confidential information. Executive recognizes that all such documents and objects, whether developed by her or by someone else, will be the sole exclusive property of the Company. Upon termination of her

employment hereunder, Executive shall forthwith deliver to the Company all such confidential information, including without limitation all lists of customers, correspondence, accounts, records and any other documents or property made or held by her or under her control in relation to the business or affairs of the Company or its subsidiaries or affiliates, and no copy of any such confidential information shall be retained by her.

(c) Executive agrees that, at any time and from time-to-time during and after the Term, she will execute any and all documents which the Company may deem necessary or appropriate to effectuate the provisions of this Section 4.03. It is also agreed that the provisions of this Section 4.03 shall survive the termination, for any reason, of this Agreement or Executive's employment.

5

ARTICLE V

Termination

5.01. Termination by the Company. The Company shall have the right to terminate Executive's employment at any time for "Cause". For purposes of this Agreement, "Cause" shall mean (a) Executive's failure, neglect or refusal to fully perform her duties under this Agreement, (b) Executive's willful and continued failure or refusal to follow directions from her superiors or any other act of insubordination on the part of Executive, (c) the engaging by Executive in willful misconduct which is injurious to the Company or any of its divisions, subsidiaries or affiliates, monetarily or otherwise, (d) the commission by Executive of an act of fraud or embezzlement against the Company or any of its divisions, subsidiaries or affiliates, (e) the conviction of Executive of a felony, or (f) Executive's breach of the provisions of any of Sections 4.01, 4.02 or any other material provision of this Agreement; provided, however, that except in the case of acts described in clauses (d) and (e) of this sentence, Executive shall have a period of 10 days to cure any acts which would otherwise give the Company the right to terminate her employment for Cause. Such 10-day period shall commence as of the date of receipt by Executive of written notice from the Company of its intention to terminate Executive's employment for Cause, which notice shall state in reasonable detail the acts which the Company considers to be grounds for such termination. The Company shall thereafter have the right to terminate Executive's employment for Cause only if such acts have not been substantially cured prior to the end of such 10-day period.

5.02. Death. In the event Executive dies during the Term, this Agreement shall automatically terminate, such termination to be effective on the date of Executive's death.

5.03. Disability. In the event that Executive suffers a disability which prevents her from substantially performing her duties under this Agreement for a period of at least 60 consecutive days, or 90 non-consecutive days within any 365-day period, the Company shall have the right to terminate this Agreement, such termination to be effective upon the giving of notice to Executive in accordance with Section 6.03 of this Agreement.

5.04. Termination by Executive for Good Reason. Executive may terminate her employment with the Company for "Good Reason" by giving 30 days advance written notice to the Company of her intent to so terminate. For purposes of this Agreement, the following circumstances shall constitute "Good Reason":

(a) the assignment to Executive of any duties materially inconsistent with her authority, duties or responsibilities, or any other action by the Company which results in a material diminution or material adverse change in such authority, duties or responsibilities, excluding for this purpose an isolated action not taken in bad faith and which is remedied promptly after receipt of notice thereof given by Executive;

(b) any material breach of this Agreement by the Company, other than an isolated failure not occurring in bad faith and which is remedied promptly after receipt of written notice thereof given by Executive;

(c) any failure by the Company to require any successor to be bound by the terms of this Agreement as required by Section 6.02(b) of this Agreement;

(d) any action by the Company requiring Executive to be based at any office or location outside the greater New York metropolitan area.

5.05. Effect of Termination. (a) For Cause; Without Good Reason; Death; Disability. In the event of termination of this Agreement (i) by the Company for Cause, (ii) by Executive without Good Reason, or (iii) by reason of Executive's death or disability, the Company's sole obligation under this Agreement,

except as set forth in Sections 5.05(b) and (c) of this Agreement, shall be to pay to Executive (or her beneficiary in the event of her death) any base salary earned but not paid to Executive prior to the effective date of such termination.

(b) Without Cause; For Good Reason. In the event of termination of this Agreement (i) by the Company other than for Cause or disability; or (ii) by Executive for Good Reason, the Company shall pay Executive the greater of (A) continuation of her salary for the number of months remaining in the Term immediately prior to such termination, taking into account scheduled salary increases, or (B) the amount of severance to which Executive would be entitled under the Company's severance policies in effect as of July 1, 1993, determined at the salary level in effect as of the date of her termination.

(c) Expiration Without Renewal. In the event this Agreement expires on February 28, 1995 and the Company elects to terminate Executive's employment thereupon, the Company shall pay Executive the amount described in clause (B) of Section 5.05(b) of this Agreement.

(d) Right to Bonus Compensation. Executive's right to receive bonus compensation upon any termination of her

7

employment with the Company shall be governed exclusively by the terms and conditions of the Bonus Plan and the Bonus Agreement.

ARTICLE VI

Miscellaneous

6.01. Life Insurance. Executive agrees that the Company or any of its divisions, subsidiaries or affiliates may apply for and secure and own insurance on Executive's life (in amounts determined by the Company). Executive agrees to cooperate fully in the application for and securing of such insurance, including the submission by Executive to such physical and other examinations, and the answering of such questions and furnishing of such information by Executive, as may be required by the carrier(s) of such insurance. Notwithstanding anything to the contrary contained herein, neither the Company nor any of its divisions, subsidiaries or affiliates shall be required to obtain any insurance for or on behalf of Executive, except as provided in Section 3.01(c) of this Agreement.

6.02. Benefit of Agreement; Assignment; Beneficiary.

(a) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including, without limitation, any corporation or person which may acquire all or substantially all of the Company's assets or business, or with or into which the Company may be consolidated or merged. This Agreement shall also inure to the benefit of, and be enforceable by, Executive and her personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amount would still be payable to Executive hereunder if she had continued to live, all such amounts shall be paid in accordance with the terms of this Agreement to Executive's beneficiary, devisee, legatee or other designee, or if there is no such designee, to Executive's estate.

(b) The Company shall require any successor (whether direct or indirect, by operation of law, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

6.03. Notices. Any notice required or permitted hereunder shall be in writing and shall be sufficiently given if personally delivered or if sent by telegram or telex or by registered or certified mail, postage prepaid, with return receipt requested, addressed: (a) in the case of the Company to Orion Pictures Corporation, 1888 Century Park East, Los Angeles,

8

CA, 90067, Attention: General Counsel, or to such other address and/or to the attention of such other person as the Company shall designate by written notice to Executive; and (b) in the case of Executive, to Diane Keating, 304 Park Avenue South, New York, New York 10010, or to such other address as Executive shall designate by written notice to the Company. Any notice given hereunder shall be deemed to have been given at the time of receipt thereof by the person to whom such notice is given.

6.04. Entire Agreement; Amendment. This Agreement contains the entire agreement of the parties hereto with respect to the terms and conditions of Executive's employment during the term and supersedes any and all prior agreements and understandings, whether written or oral, between the parties hereto with respect to compensation due for services rendered hereunder. This Agreement may not be changed or modified except by an instrument in writing signed by all of the parties hereto.

6.05. 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 or as a consent to or waiver of any subsequent breach hereof.

6.06. Headings. The Article and Section headings herein are for convenience of reference only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

6.07. Enforcement. If any action at law or in equity is brought by either party hereto to enforce or interpret any of the terms of this Agreement, the prevailing party shall be entitled to reimbursement by the other party of the reasonable costs and expenses incurred in connection with such action (including reasonable attorneys' fees), in addition to any other relief to which such party may be entitled. Executive shall have no right to enforce any of her rights hereunder by seeking or obtaining injunctive or other equitable relief and acknowledges that damages are an adequate remedy for any breach by the Company of this Agreement.

6.08. Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the internal laws of the State of California without reference to the principles of conflict of laws.

6.09. Agreement to Take Actions. Each party to this Agreement shall execute and deliver such documents, certificates, agreements and other instruments, and shall take such other actions, as may be reasonably necessary or desirable in order to perform her or its obligations under this Agreement or to effectuate the purposes hereof.

9

6.10. Attorneys' Fees. Each party to this Agreement will bear its own expenses in connection with any dispute or legal proceeding between the parties arising out of the subject matter of this Agreement, including any proceeding to enforce any right or provision under this Agreement.

6.11. Survivorship. The respective rights and obligations of the parties under this Agreement shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

6.12. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect

the validity or enforceability of any other provision or provisions of this Agreement, which shall remain in full force and effect.

6.13. Other Agreements. Executive represents and warrants to the Company that to the best of her knowledge, neither the execution and delivery of this Agreement nor the performance of her duties hereunder violates or will violate the provisions of any other agreement to which she is a party or by which she is bound.

6.14. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the Company and Executive have duly executed this Agreement as of the date first above written.

ORION PICTURES CORPORATION

By:

Name:

Title:

Diane Keating

LOAN AGREEMENT

LOAN AGREEMENT dated as of November 12, 1993 between Orion Home Entertainment Corporation, a Delaware corporation (hereinafter referred to as "Orion") and MetProductions, Inc., a Delaware corporation (hereinafter referred to as "MetProductions").

W I T N E S S E T H:

WHEREAS, Orion and Castle Communications PLC ("Castle") have entered into that certain Agreement (the "Acquisition Agreement") dated as of June 4, 1993 with respect to the distribution of five children's classical music programs in home video and disc in the United States and Canada (the "Licensed Programs"), which is attached hereto as Exhibit A. Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Acquisition Agreement.

WHEREAS, in connection with the license and distribution of the Licensed Programs, Orion has requested and MetProductions has agreed to lend to Orion the Advance (as defined in the Acquisition Agreement) in the sum of Five Hundred Thousand and 00/100 Dollars (\$500,000.00).

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. THE LOAN.

1.1 Loan. Subject to the terms and conditions set forth herein, upon the execution hereof, MetProductions shall loan to Orion the principal sum of up to Five Hundred Thousand and 00/100 (\$500,000.00) Dollars (the "Loan"). Such Loan shall be made in several payments as directed by Orion in accordance with the Acquisition Agreement.

1.2 Note. The Loan shall be evidenced by a promissory note of Orion in the principal amount of Five Hundred Thousand and 00/100 (\$500,000.00) Dollars and in the form attached hereto as Exhibit B. Each payment made by MetProductions pursuant to section 1.1 hereof shall be reflected in Exhibit 1 to the Promissory Note.

1.3 Payments Generally. All payments of principal and interest,

or any other amount payable hereunder, shall be made to MetProductions at its address set forth under its name on the signature page hereof in immediately available funds by wire transfer in accordance with the instructions set forth on the signature page hereto. Upon payment in full of the Loan hereunder, MetProductions will surrender to Orion such Note duly marked cancelled and terminate any security interest. Orion may prepay, in whole or in part, without premium or penalty the principal amount of the Loan and any accrued interest on the Loan at any time

2

notwithstanding the accounting terms set forth in Section 1.5.3 below.

1.4 Interest. Orion will pay interest on the principal amount of the Loan from the date of such loan until the Loan is paid in full hereunder, at a rate per annum equal to Ten Percent (10%). Interest shall be calculated on the basis of a 365-day year for the actual number of days elapsed.

1.5 Repayment of Loan. The Loan and all accrued interest thereon shall be payable first from the Gross Proceeds of the Licensed Programs to which Orion is entitled pursuant to the terms of the Acquisition Agreement, less any distribution expenses incurred by Orion in connection with distributing the Film (e.g. residuals, duplication costs, marketing costs, shipping costs). Orion shall remit to MetProductions all Gross Proceeds to which Orion is entitled pursuant to the terms of the Acquisition Agreement (less the costs and expenses set forth in the preceding sentence) until the full amount of the Loan and all accrued interest thereunder been repaid in accordance with the terms of this Loan Agreement.

2. SECURITY.

2.1 Security. As security for the punctual payment in full of the Loan and all accrued interest thereon, and other amounts payable hereunder or any other agreement or by operation of law or otherwise, relating to the transactions described herein, Orion hereby grants to MetProductions a first priority lien on and security interest in all of Orion's right, title and interest in the Acquisition Agreement but only to the extent necessary to secure MetProductions' right to receive payments under this Agreement (the "Collateral"). The security interest hereby created shall attach immediately on the execution of this Agreement by MetProductions and Orion. Concurrently with the execution of this Agreement (or within a reasonable time thereafter), the parties hereto shall execute and file the Mortgage of Copyright and Security Agreement (the "Security Agreement") attached hereto as Exhibit C and any UCC Financing Statement(s) required to perfect the security interest created by this Agreement and the Security Agreement.

3. EVENTS OF DEFAULT.

3.1 Each of the following shall constitute an Event of Default:

(a) the failure of Orion to pay MetProductions in accordance with Section 1.5 hereof within three (3) business days after notice from MetProductions that such amount is due.

(b) the filing by Orion of a voluntary petition for relief under any federal or state bankruptcy or insolvency law, or the commencement by Orion of any other voluntary proceeding or other action, proceeding or other action in bankruptcy, or the filing of any involuntary

3

petition against Orion under any federal or state bankruptcy law.

3.2 If any Event of Default shall occur, MetProductions may, at its sole option and without notice, declare the entire principal amount loaned to Orion in accordance with this Agreement and the Note to be due and payable in accordance with the terms and conditions of this Agreement and the Note.

3.3 If any Event of Default shall occur, MetProductions shall be entitled to exercise all of the rights, powers and remedies permitted by law, including without limitation, all rights and remedies of a secured party of a debtor in default under the Uniform Commercial Code in effect in the State of New York for the protection and enforcement of its rights in respect of the Collateral.

4. REPRESENTATIONS AND WARRANTIES OF ORION.

Orion hereby represents and warrants to MetProductions that:

4.1 Orion has the right to enter into this Agreement and to grant and assign to MetProductions the interest in the Licensed Programs herein granted.

4.2 The execution, delivery and performance of this Agreement have been duly authorized by all necessary action of Orion and do not and will not contravene or conflict with any corporate or fiduciary obligation Orion has to its shareholders, including but not limited to, the terms or provisions of Orion Pictures Corporation's By-Laws or Orion Pictures Corporation's Restated Certificate of Incorporation. This Agreement constitutes the legally valid and binding obligations of Orion and is enforceable against Orion in accordance with its terms.

4.3 The execution, delivery and performance of this Agreement will not result in a breach of or constitute (with due notice or lapse of time or both) a default under any agreement, undertaking or other instrument to

which Orion is a party or by which it may be bound or affected.

4.4 To the best of Orion's knowledge and except as disclosed in Orion Pictures Corporation's Annual Report on Form 10-K for the fiscal year ended February 28, 1992, and those quarterly reports on Form 10-Q filed up to and including the date hereof, there is no action, suit or proceeding pending or threatened against or affecting Orion, Orion Pictures Corporation or the Licensed Programs subject to this Agreement which, if adversely determined, would materially affect Orion's ability to perform this Agreement.

4.5 Orion agrees to use its reasonable commercial efforts, consistent with good business practices, in distributing and exploiting and causing the distribution and/or exploitation of the Licensed Programs as herein provided.

4

4.6 Orion agrees to provide MetProductions with statements of the distribution costs and expenses in connection with its distribution of the Licensed Programs on a reasonable basis.

4.7 Orion agrees to maintain records pertaining to the license and distribution of the Licensed Programs. MetProductions shall have the right upon reasonable notice to Orion to inspect such records until repayment of the Note in full.

5. ACKNOWLEDGMENT OF METPRODUCTIONS.

5.1 MetProductions acknowledges and agrees that Orion makes no representation, warranty, guarantee or agreement as to the amount of the Gross Proceeds of the Licensed Programs which may be derived from the distribution, exhibition or other exploitation thereof, nor does Orion guarantee the performance by any distributor, sub-distributor, sub-licensee and/or agent of the Licensed Programs.

5.2 Orion shall have the right to select distributors, sub-distributors, sub-licensees, and/or agents upon such terms and conditions as Orion may determine, consistent with its past business practices and with the customs and practices of the home video industry in general, in connection with the distribution, exhibition or other exploitation of the Licensed Programs.

6. INDEMNIFICATION.

6.1 Orion agrees, at its own expense, to defend, indemnify and hold MetProductions, its affiliates, its assignees and licensees, harmless

from and against any and all loss, damage, liability and expense (including without limitation, reasonable attorneys' fees and costs) which may be suffered or incurred by MetProductions, its assignees or licensees, as the result of (i) any material breach or default of any of the representations, warranties, covenants or agreements made by Orion hereunder, (ii) any material breach or default of any agreement whatsoever entered into by Orion in connection with the Licensed Programs or (iii) any claim arising out of, or related to, the production, distribution, or other exploitation of the Licensed Programs.

7. MISCELLANEOUS

7.1 This Agreement shall be construed in accordance with and interpreted under the laws of the State of New York governing agreements which are wholly executed and performed therein.

7.2 Wherever provision is made in this Agreement for the giving of any notice, such notice shall be in writing and shall be deemed to have been duly given if mailed by first class United States mail, postage prepaid, addressed to the party entitled to receive the same or delivered

5

personally to such party at the address specified below or by facsimile (receipt confirmed) to such party:

If to MetProductions to:

c/o Metromedia Company
One Meadowlands Plaza
East Rutherford, New Jersey 07073
Attention: General Counsel
Telecopy No.: (201) 804-6685

If to Orion:

c/o Orion Pictures Corporation
1888 Century Park East
Los Angeles, California 90067
Attention: General Counsel
Telecopy No.: (310) 282-9902

or to such other address as either party hereto shall have last designated by notice to the other party. Notice shall be deemed to have been given three days following the date on which such notice was so mailed or on the date such notice was delivered personally or by facsimile.

7.3 This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts and all of said

counterparts taken together shall be deemed to constitute one and the same instrument.

7.4 Each party shall execute and deliver to the other party from time to time all such other agreements, instruments and other documents (including without limitation all requested financing and continuation statements) and do all such other and further acts and things as the requesting party may reasonably request in order further to evidence or carry out the intent of this Agreement.

7.5 This Agreement represents the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all previous representations, understandings or agreement, oral or written, between the parties, with respect to the subject matter hereof.

7.6 If any inconsistencies between the terms and conditions of this Agreement and the Acquisition Agreement, the terms and conditions of the Acquisition Agreement shall govern.

6

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

MetProductions, Inc.

By: /s/ Arnold L. Wadler
Arnold L. Wadler,
Senior Vice President

Orion Home Entertainment Corporation

By: /s/ Leonard H. White
Leonard H. White, President

7

Exhibit B

PROMISSORY NOTE

\$500,000.00

New York, New York
November 12, 1993

FOR VALUE RECEIVED, Orion Home Entertainment Corporation, a Delaware corporation ("Borrower"), promises to pay to the order of MetProductions, Inc. ("Lender") or its assigns, up to the principal sum of \$500,000.00 in accordance with the terms of the Loan Agreement between Borrower and Lender of even date herewith (the "Loan Agreement"); together with accrued interest on the unpaid principal balance from the date herewith at the annual rate of Ten (10%) percent. All payments of principal and interest shall be made at Lender's offices located at One Meadowlands Plaza, East Rutherford, New Jersey 07073-2137, Attention: Accounting Department, or at such other address provided to Borrower, in writing, from time to time by the holder of this Note.

All capitalized terms used herein and not otherwise defined shall have the meanings assignment thereto in the Loan Agreement.

If any Event of Default specified in the Loan Agreement shall occur, then the holder of this Note can declare the entire unpaid principal amount of this Note, together with interest accrued thereon, to be immediately due and payable and such holder will have all of the rights and remedies set forth in the Loan Agreement.

Borrower hereby waives presentment, demand for payment, notice of default, dishonor or nonpayment, protest and notice of protest and all other demands and notices in connection with the delivery, acceptance, performance or enforcement of this Note.

This Note shall be governed by and construed in accordance with the laws of the State of New York, without reference to the conflict of laws principles thereof.

IN WITNESS WHEREOF, Borrower has executed and delivered this Note on the 12th day of November, 1993.

ATTEST:

Orion Home Entertainment
Corporation, a Delaware corporation

Secretary

By: _____
Leonard H. White, President

THIS SECURITY AGREEMENT (this "Security Agreement") is made and entered into as of November 12, 1993 between Orion Home Entertainment Corporation, a Delaware corporation, (the "Debtor") with offices located at 1888 Century Park East, Los Angeles, California 90067 and MetProductions, Inc., a Delaware corporation (the "Secured Party") with offices of c/o Metromedia Company, One Meadowlands Plaza, East Rutherford, New Jersey 07073.

R E C I T A L S:

WHEREAS, pursuant to that certain Agreement dated June 4, 1993 between Debtor and Castle Communications, PLC ("Castle") (such agreement as it may be amended, modified, supplemented, replaced, renewed or superseded from time to time, is herein referred to as the "Acquisition Agreement") Debtor acquired the right to distribute Licensed Video Devices (as defined in the Acquisition Agreement) (the "Videogram rights") in and to five (5) children's classical music programs entitled PETER AND THE WOLF, THE NUTCRACKER, THE TOY SYMPHONY, SWAN LAKE and SLEEPING BEAUTY (the "Licensed Programs").

WHEREAS, the Debtor and Secured Party have entered into that certain Loan Agreement of even date herewith (the "Loan Agreement"). Pursuant to the Loan Agreement, Secured Party has agreed to loan (the "Loan") to Debtor the Advance (as defined in the Acquisition Agreement) in connection with Debtor's distribution of the Licensed Programs. Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Loan Agreement and the Acquisition Agreement.

In consideration of the premises and mutual covenants herein contained and for other good and valuable consideration the receipt of which is hereby acknowledged, and in order to induce the Secured Party to enter into the Loan Agreement, the parties hereto hereby agree as follows:

1. GRANT OF SECURITY INTEREST.

(a) Grant. Debtor hereby mortgages, hypothecates, grants and assigns to Secured Party as security for the Secured Obligations and Rights (as such term is defined in subparagraph 1(b) below) a continuing first priority security interest in and to all of Debtor's right, title, and interest of every kind and nature in and to (but none of Debtor's obligations with respect to) all of the items listed in subparagraph 1(c) below, which items are hereinafter collectively referred to as the "Collateral". Notwithstanding anything to the contrary contained herein, except for the security interest granted hereby and pursuant to the Copyright Mortgages and Assignments referred to in subparagraph 1(f) below

and the Secured Party's rights and remedies with respect to such security interests, this Security Agreement is not intended to and does not grant to Secured Party any greater exploitation rights in the Licensed Programs than granted to Debtor by Castle pursuant to the Acquisition Agreement.

(b) Purpose of Grant. The security interest in the Collateral granted to the Secured Party pursuant hereto and pursuant to the Copyright Mortgages and Assignments is being granted to secure the Secured Obligations and Rights. The term "Secured Obligations and Rights" shall mean and include (i) the full and timely payment and performance by Debtor when due of all of Debtor's agreements, representations, warranties and covenants, hereunder and under the Loan Agreement (collectively, the "Debtor Obligations"), and (ii) the continuing right of the Secured Party in accordance with all of the terms of the Loan Agreement to exercise all of the rights of the Secured Party under the Loan Agreement (collectively, the "Secured Party's Rights") including, without limitation, the rights of the Secured Party to (i) exploit the Videogram rights in the Licensed Programs pursuant to the terms of the Acquisition Agreement, (ii) recoup all sums paid or advanced by Debtor to Castle in connection with the Licensed Programs, including, without limitation, the Advance, to the extent and as provided for in the Acquisition Agreement, (iii) receive, retain and own all Gross Proceeds or other sums derived from or in connection with the exploitation of the Videogram rights in and to the Licensed Programs subject to the terms and conditions of the Acquisition Agreement, (iv) exercise the Secured Party's right of access to and use of all Physical Properties (as herein defined), and (v) enjoy the full exercise and quiet enjoyment of all rights in connection with the Licensed Programs provided for in the Acquisition Agreement.

(c) Collateral. The term "Collateral", as used herein shall mean all (except as otherwise provided in subparagraphs (iv) through (vii) below where the Secured Party's security interest in the applicable items of Collateral is a non-exclusive interest in Debtor's interest in the applicable items of Collateral) of Debtor's right, title and interest of every kind and nature in and to the following items, whether now owned or in existence or hereafter made, acquired or created and all product and proceeds thereof:

(i) All of the Debtor's rights under the Acquisition Agreement including without limitation all Videogram rights in the Licensed Programs granted pursuant to the Acquisition Agreement;

(ii) All proceeds and product of the rights (including without limitation all Videogram rights in the Licensed Programs) granted to Debtor under the Acquisition Agreement, including without limitation, all accounts, contract rights, chattel paper, documents, general intangibles and instruments (as defined under the California Uniform Commercial Code) and all money and claims for money (whether or not such claims to money have been earned by performance) derived from or arising

(iii) All of Debtor's rights to receive any sums of money under or in connection with the Acquisition Agreement;

(iv) The nonexclusive right to all common law and statutory domestic and foreign copyrights, rights and interests in copyrights and renewals and extensions of copyrights, in or relating to the Licensed Programs (collectively, the "Copyrights"), to the extent that the Copyrights pertain to and are necessary for the Secured Party's exploitation of the Videogram rights granted to Debtor in the Acquisition Agreement; provided, that to the extent applicable law recognizes the divisibility of copyright and the Debtor's interests in the Videogram rights in and to the Licensed Programs are recognized as divisible parts of the copyrights of the Licensed Programs, then in such instances the Secured Party's interest in such divisible parts of the copyrights of the Licensed Programs relating solely to the Videogram rights shall be an exclusive security interest;

(v) The non-exclusive right to all tangible personal property and physical properties of every kind or nature whatsoever of or directly relating to the Licensed Programs (including without limitation all exposed film, developed film, positives, negatives, prints, answer prints, trailers, soundtracks, music and effects tracks, video masters, video and audio recordings, copies of all (1) continuity lists, (2) dialogue lists, (3) spotting lists, (4) synchronization licenses, (5) composers agreements, (6) contracts relating to the acquisition and production of the Licensed Programs, (7) cast lists, (8) still photographs and artwork, (9) press books, (10) story synopses, (11) credit requirements lists, (12) posters, (13) advertising and (14) publicity materials) and all versions thereof (including without limitation all French- and Spanish-language versions) and all of Debtor's rights of access to the foregoing (collectively, the "Physical Properties");

(vi) The nonexclusive right to all literary, dramatic, musical and other material created for the Licensed Programs or upon which the Licensed Programs are based or to be based, in whole or in part, or which are used in connection with the Licensed Programs (including without limitation the screenplays and the underlying materials upon which the screenplays are based) and all common law and statutory domestic and foreign copyrights, and rights and interests in copyrights and renewals and extensions of copyrights, in and to said literary, dramatic, musical and other written material (the "Literary Properties");

(vii) The nonexclusive right to all general intangibles and contract rights in or relating to all agreements and understandings (whether or not evidenced in writing) with third parties relating to the creation, production and acquisition of the Licensed Programs, including

without limitation all agreements and understandings with third parties producing the Licensed Programs or furnishing services and/or rights relating to the development, production, completion, delivery and/or acquisition of the Licensed Programs or to any of the Physical Properties, Literary Properties or Copyrights, including, without limitation, all

11

agreements and understandings relating to Debtor's acquisition of the Licensed Programs from third parties.

Notwithstanding the foregoing, Secured Party's security interest in the Collateral described in subparagraphs (iii) through (vii) above (the "Secondary Collateral") is a nonexclusive (except as provided for in subparagraph (iv)) security interest and is limited to Debtor's right, title and interest in and to such Collateral solely to the extent necessary to assure the delivery of the Licensed Programs to Secured Party and Secured Party's full and complete exercise of the Secured Party's Rights subject to the terms and conditions of the Acquisition Agreement.

(d) Rights of Secured Party. With respect to the security interests hereby granted to Secured Party and granted to the Secured Party pursuant to the Copyright Mortgages and Assignments, Secured Party and any of its successors or assignees shall at all times be entitled to exercise in respect of the Collateral all of the rights, remedies, powers and privileges available to a secured party under all applicable laws, including without limitation, the United States Copyright Act, the New York Uniform Commercial Code in effect at the time which shall be applicable for the purpose of establishing the relative rights of Secured Party and of Debtor, and to those procedures to be followed thereunder in the event this subparagraph 1(d) shall become operative, including the right to sell the Collateral or any portion thereof, and, in addition thereto, to the rights and remedies provided for herein and under the Loan Agreement and to such other rights and remedies as may be provided by law or in equity.

(e) Exercise of Rights. Secured Party shall not exercise any of its rights hereunder in any manner that would interfere with the production, completion, delivery or exploitation of the Licensed Programs (so long as the exploitation of the Licensed Programs does not violate the Secured Party's rights). Subject to the immediately preceding sentence, Secured Party or any of its successors or assignees shall be entitled to exercise any or all of the rights granted hereunder with respect to the Collateral in the event Debtor (or any person or entity acting on Debtor's behalf or in its place and stead) (i) rejects or attempts to reject or wrongfully terminates or wrongfully disaffirms the Acquisition Agreement, the Loan Agreement or this Security Agreement or (ii) breaches or defaults, in any respect that would substantially prevent, hinder, impair, infringe or delay Secured Party's enjoyment of the Secured Party's Rights, in the payment or performance of any of the Secured Obligations and Rights and fails to remedy such breach or default within 30 days after receipt of

written notice thereof from Secured Party if such breach or default is capable of being cured within such time period. If the Debtor shall breach any of its material obligations under the Loan Agreement, the Acquisition Agreement or this Security Agreement, the Secured Party, after giving notice of its intention to do so, may take any reasonable action which it may deem necessary for the maintenance, preservation, and protection of any of the Collateral or its security interest therein.

12

(f) Further Documents. Debtor hereby agrees to execute and deliver to Secured Party all such financing statements or similar documentation for all jurisdictions designated by Secured Party (collectively, the "Financing Statements"), one or more Copyright Mortgages and Assignments in form and substance reasonably satisfactory to Secured Party, and such other documents, agreements or instruments as Secured Party shall reasonably request and are reasonably required to better perfect, protect, evidence, renew and/or continue the security interest in the Collateral granted hereunder and/or to effectuate the purposes and intents of this Security Agreement (collectively, the "Security Documents"), to file, register and/or record the same under (i) the Uniform Commercial Code, and all other similar applicable laws of the States of California and New York and under the laws of any other jurisdiction where such filing, registration and/or recordation may reasonably be required by Secured Party, and (ii) the United States Copyright Act. If after the occurrence and during the continuance of any of the events specified in the second sentence of subparagraph 1(e) hereof Debtor fails to execute and deliver to Secured Party any of the Financing Statements, the Copyright Mortgages and Assignments, or any other Security Documents on request of Secured Party, Debtor hereby appoints Secured Party its irrevocable attorney-in-fact to sign any such document for Debtor, and agrees that such appointment constitutes a power coupled with an interest and is irrevocable throughout the Term of the Acquisition Agreement, the Loan Agreement and this Security Agreement; provided, however, that Secured Party shall be liable to Debtor and Debtor's successors, licensees and assigns for any damages resulting from inaccuracy or failure to conform to this Agreement in any Financing Statement, Copyright Mortgage and Assignment or other Security Document so signed by Secured Party as Debtor's attorney-in-fact. Debtor hereby authorizes the Secured Party to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of the Debtor where permitted by law. A carbon, photographic or other reproduction of this Security Agreement or any part thereof shall be sufficient as a financing statement where permitted by law.

(g) Term of Security Interest. The security interest created hereunder and under the Copyright Mortgages and Assignments shall commence as of the date of this Security Agreement and shall terminate upon the expiration of the Term of Secured Party's rights under the Loan Agreement, at which time Secured Party, on Debtor's request and without further

consideration, shall execute and deliver to Debtor termination statements releasing and terminating the Financing Statements, the Copyright Mortgages and Assignments, and the other Security Documents, all without recourse upon or warranty by Secured Party and with filing thereof at the sole cost and expense of Debtor.

(h) Priority of Security Interest. The security interest by Secured Party in and to the Collateral shall be a first priority security interest.

(i) Continuing Security Interest. This Security Agreement shall create a continuing security interest in the Collateral and shall (a) be

13

binding upon the Debtor, its successors and assigns and (b) inure to the benefit of the Secured Party and its successors, transferees and assigns.

2. DEBTOR'S WARRANTIES AND REPRESENTATIONS AND AGREEMENTS.

Debtor confirms, warrants and represents to Secured Party as follows, which such confirmations, representations and warranties shall be deemed to be continuing until the termination of the Secured Party's security interest hereunder: (a) Debtor has the right to enter into this Security Agreement and execute and deliver to Secured Party the Financing Statements, the Copyright Mortgage and Assignment, and the other Security Documents, and (b) Debtor has not and will not grant or permit to exist on all or any portion of the Collateral any lien, security interest or encumbrance (other than the security interest granted by Debtor to Secured Party hereunder), which does or may in any way conflict or interfere with or have priority over the security interest herein granted by Debtor to Secured Party; provided however that in no event may Debtor grant or permit to exist on all or any portion of the Collateral described in subparagraphs 1(c) (i) through (iii) any lien, encumbrance or security interest, and (c) no agreements, understandings or other arrangements have been or will be made or entered into by Debtor which do or may in any way conflict or interfere with the full, complete and unfettered exercise by Secured Party of the Secured Party's Rights or any other rights granted by Debtor to Secured Party in this Security Agreement or any of the other Security Documents or in the Loan Agreement. Debtor will not sell, offer to sell, hypothecate or otherwise dispose of any Collateral (including proceeds) subject hereto, or any part thereof or interest therein, except subject to the security interest granted to Secured Party hereunder.

3. EVENTS OF DEFAULT. The occurrence of any one or more of the following events shall constitute a "Default" hereunder.

(a) failure of Debtor to perform its obligations under the Loan Agreement;

(b) any material default by Debtor under the Loan Agreement or the Acquisition Agreement;

(c) any person shall levy on, seize, or attach the Collateral;

(d) any person, including without limitation, Debtor interferes with Secured Party's quiet enjoyment of Secured Party's rights as a secured party hereunder;

(e) bankruptcy.

4. GOVERNING LAW. This Security Agreement and the other Security Documents shall be governed by the laws of the State of New York applicable to agreements wholly executed and performed therein, and without giving effect to the principles of conflict or choice of laws thereof.

14

5. ANY LEGAL ACTION. All of the parties hereto (a) agree that any legal suit, action or proceeding arising out of or relating to this Agreement may be instituted in a State or Federal court in the City of New York, State of New York, (b) waive any objection which they may have now or hereafter to the County of New York as the venue of any such suit, action or proceeding, and (c) irrevocably submit to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York, or any court of the State of New York located in the City of New York in any such suit, action or proceeding and any summons, order to show cause, writ, judgment, decree, or other process with respect to any such suit, action or proceeding may be delivered to Debtor personally outside the State of New York, and when so delivered, Debtor shall be subject to the jurisdiction of such court, and amenable to the process so delivered as though the same had been served within the State of New York, but outside the county in which such suit, action or proceeding is pending.

6. NOTICES. All notices or other documents which any party shall be required or shall desire to give to the other hereunder shall be given in the manner provided for in the Loan Agreement.

7. AMENDMENTS AND WAIVERS. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Debtor herefrom shall in any event be effective unless the same shall be in writing and signed by the Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

By signing in the spaces provided below, the parties hereto have agreed to all of the terms and conditions of this Security Agreement.

DEBTOR:

EXHIBIT 11 (page 1)

ORION PICTURES CORPORATION
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
(in thousands, except per-share amounts)

The following tables detail the calculation of the per-share amounts and number of shares used in computing Loss before extraordinary gain and Net income (loss) per common share, on a primary and fully diluted basis.

<TABLE>
<CAPTION>

	Three Months Ended November 30,		Nine Months Ended November 30,	
	1993	1992	1993	1992
<S>	<C>	<C>	<C>	<C>
Primary:				
Loss before extraordinary gains	(\$5,441)	(\$9,154)	(\$52,495)	(\$31,316)
Dividends on preferred and preference stock	--	(5)	--	(19)
Pro-forma reduction in interest expense (net of tax) resulting from the assumed exercise of stock options and the resulting assumed reduction of outstanding indebtedness (B)	--	(A)	--	(A)
Loss before extraordinary gains, as adjusted	(\$5,441)	(\$9,159)	(\$52,495)	(\$31,335)
Net income (loss)	(\$5,441)	\$303,438	(\$52,495)	\$281,276
Dividends on preferred and preference stock	--	(5)	--	(19)
Pro-forma reduction in interest expense (net of tax) resulting from the assumed exercise of stock options and the resulting assumed reduction of outstanding indebtedness (B)	--	(A)	--	(A)
Net income (loss), as adjusted	(\$5,441)	\$303,433	(\$52,495)	\$281,257
Weighted average number of shares outstanding (D)	20,000	5,829	20,000	2,036
Equivalent shares applicable to stock options outstanding (B) (D)	--	(A)	--	(A)
Total common and common equivalent shares	20,000	5,829	20,000	2,036
Primary income (loss) per common share:				
Loss before extraordinary gains	(\$.27)	(\$ 1.57)	(\$ 2.62)	(\$15.39)
Net income (loss)	(\$.27)	\$52.06	(\$ 2.62)	\$138.16

</TABLE>

EXHIBIT 11 (page 2)
ORION PICTURES CORPORATION
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
(in thousands, except per-share amounts)

The following tables detail the calculation of the per-share amounts and number of shares used in computing Loss before extraordinary gain and Net income (loss) per common share, on a primary and fully diluted basis.

<TABLE>
<CAPTION>

	Three Months Ended November 30,		Nine Months Ended November 30,	
	1993	1992	1993	1992
<S>	<C>	<C>	<C>	<C>
Fully diluted:				
Loss before extraordinary gains	(\$5,441)	(\$ 9,154)	(\$52,495)	(\$31,316)
Dividends on preferred and preference stock	--	(5)	--	(19)
Pro-forma reduction in interest expense (net of tax) resulting from the assumed exercise of stock options and the resulting assumed reduction of outstanding indebtedness (B)	--	(A)	--	(A)
Loss before extraordinary gains, as adjusted	(\$5,441)	(\$ 9,159)	(\$52,495)	(\$31,335)
Net income (loss)	(\$5,441)	\$303,438	(\$52,495)	\$281,276
Dividends on preferred and preference stock	--	(C)	--	(C)
Pro-forma reduction in interest expense (net of tax) resulting from the assumed exercise of stock options and the resulting assumed reduction of outstanding indebtedness (B)	--	(A)	--	(A)
Net income (loss), as adjusted	(\$5,441)	\$303,438	(\$52,495)	\$281,276
Weighted average number of shares outstanding, as adjusted to reflect reverse stock split (D)	20,000	5,829	20,000	2,036
Equivalent shares applicable to:				
Stock options outstanding (B) (D)	--	(A)	--	(A)
Series B Preferred Stock (C)	--	14	--	18
Total common and common equivalent shares (E)	20,000	5,843	20,000	2,054
Fully diluted income (loss) per common share:				
Loss before extraordinary gains	(\$.27)	(\$ 1.57)	(\$ 2.62)	(\$15.26)
Net income (loss)	(\$.27)	\$ 51.93	(\$ 2.62)	\$136.95

</TABLE>

- (A) Excluded from the computation due to antidilutive effect.
(B) All of the Company's stock options were canceled effective November 5, 1992.
(C) All of the Company's outstanding shares of preferred stock were converted to 20,000 shares of the Company's new common stock on November 5, 1992.
(D) All of the Company's outstanding shares of old common stock

were converted to 160,000 shares of the Company's new common stock on November 5, 1992.

(E) Additional common shares assumed to be issued for the fully diluted computation for all periods is less than 3% of the weighted average common shares outstanding and, accordingly, fully diluted per-share amounts have not been presented on the Condensed Consolidated Statements of Operations.