COURT OF CHANCERY
OF THE
STATE OF DELAWARE

WILLIAM B. CHANDLER III
CHANCELLOR

PO. BOX 581
GEORGETOWN. DELAWARE 19947
TELEPHONE (302) 856-5424
FASCIMILE (302) 856-5251

April 23,2002

Robert K. Payson
Potter Anderson & Corroon LLP
13 13 N. Market Street
Wilmington, DE 19899

Thomas J. Allingham II
Skadden Arps Slate Meagher & Flom
One Rodney Square
Wilmington, DE 19899

Re: *Cede & Co. and Cinerama, Inc. v. Technicolor, Inc.*
Civil Action No. 7129

Dear Counsel:

I have considered your respective positions regarding Cinerama's motion to declare pre-judgment 10.32% annual compound interest as law of the case in connection with the retrial. Cinerama requests that this Court order that the parties and their experts "limit themselves in connection with the retrial to offering evidence and arguments concerning only the rate and form of post-judgment interest and the definition of the post-judgment period *(i.e.* whether it is to begin August 2, 1991 or only after the judgment entered after retrial)." It is my opinion that this motion should be granted.

Cinerama contends that the Supreme Court's remand in *Technicolor IV* and *V* for an "entirely new trial" relates specifically to a new determination of the fair value of Technicolor stock as of January 24, 1983, the date of the merger, and does not include a reevaluation of the appropriate rate of pre-judgment interest. It argues further that Chancellor Allen's determination of the pre-judgment interest rate is unaffected by the underlying valuation of Technicolor stock, by the Chancellor's inappropriate use of the majority acquiror rule, or by the "Kamerman/Perelman dichotomy." Instead, according to Cinerama, the interest determination was based on facts that were either stipulated or undisputed at the first trial and remain unchanged to this day-specifically, the legal interest rate, the interest rate for prudent investments, and the actual cost of funds.

Technicolor argues in response that this Court is entitled to revisit any discretionary act, such as an interest award, relying on language from *Technicolor IV*. Technicolor contends further that the pre-judgment interest award cannot be considered the law of the case because the controlling law on interest awards was changed by the Supreme Court's decision in *Gonsalves v. Straight Arrow Publishers, Inc.*, Del. Supr., 1999 WL 87280 (Feb. 25, 1999).

I am not persuaded by Technicolor's arguments. The cited language from *Technicolor IV* about the discretionary nature of interest awards was in response to Cinerama's claims about post-judgment interest. Nothing in *Technicolor IV* compels me to question Chancellor Allen's determination of the appropriate pre-judgment interest rate. As for Technicolor's second argument, a change in the law in 1999 has no effect on a decision rendered in 1991, and reiterated in 1995, with respect to the appropriate interest rate to be applied from 1983 to 1991. This is especially so when, as in this case, it cannot be said that the appropriate rate of interest for that period is inextricably intertwined with the disputed valuation.

For all of these reasons, I conclude that Chancellor Allen's award of pre-judgment interest of 10.32%, compounded annually from January 24, 1983 to August 2, 1991 (the date of entry of the original order in this matter), is the law of the case. Cinerama's motion is therefore granted. The parties may offer additional evidence at retrial with respect to the rate and form of post-judgment interest and the relevant post-judgment period.

Very truly yours,

oc: Register in Chancery (NCC)
xc: Vice Chancellors