

SIDELETTER NO. 7

As of July 1, 2002;
Revised as of July 1, 2005

Mr. J. Nicholas Counter III
Alliance of Motion Picture &
Television Producers, Inc.
14144 Ventura Boulevard, Third Floor
Sherman Oaks, California 91423

Dear Mr. Counter:

Reference is made to the Directors Guild of America, Inc. Basic Agreement of 2005 ("the BA").

If the number of subscribers, calculated as prescribed in Paragraph 20-401 of the BA, is 6,000,000 or more for the first exhibition year of a covered motion picture, the provisions of this sideletter shall modify the provisions of Article 20 applicable to such picture.

- (1) The term "subsequent exhibition year" means a one year period commencing on the date immediately following the date the prior exhibition year ends. (There may or may not be an exhibition of the motion picture during a subsequent exhibition year.)
- (2) The "subscriber window" is eliminated.
- (3) The percentage residual for the pay television exhibition of the motion picture is eliminated, except for the pay-per-view exhibition of other than sports and nonstaged event motion pictures.
- (4) The "per subscriber rate" shall be calculated by dividing thirty million (30,000,000) into the applicable free television minimum, but with respect to a "high budget pay television motion picture," the 30,000,000 is divided into the theatrical minimum.
- (5) The per subscriber rate for any exhibition year following the first exhibition year shall be a percentage of the per subscriber rate for the first exhibition year as shown in the schedule below:

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Exhibition Year	Subscriber Factor
2	70%
3	50%
4	30%
5	25%
6	20%
7	15%
8	10%
9	10%
10	10%
11 and each subsequent year	5%

- (6) Residual payments calculated by use of the per subscriber rate become due if there is an exhibition (excluding the "exempt run") during any exhibition year. If an exhibition occurs during the first six months of an exhibition year, the residual payment is calculated at the end of the six months and paid within thirty days following the calendar quarter in which the calculation is to be made. If there is an exhibition in the second six months of an exhibition year and no exhibition (excluding the "exempt run") in the first six months, the residual payment is calculated at the end of the exhibition year and paid within thirty days following the calendar quarter in which the calculation is to be made.
- (7) For free television exhibitions of the motion picture (excluding a "high budget pay television motion picture"), the "accountable receipts plateau" is disregarded and the residual payment is discounted by 10% in perpetuity. (As stated in Article 20, the first domestic telecast on free television is deemed the second run.)
- (8) Residuals for pay television exhibitions outside of the U.S. and Canada shall no longer be calculated using the per subscriber rate. Instead, residuals for such

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exhibitions will be two percent (2%) of “accountable receipts” which are to be calculated in accordance with the provisions of subparagraphs 20-402(f) through (h) of the BA.

- (9) Notwithstanding anything to the contrary above, no single exhibition year’s residuals for a particular “covered motion picture” shall exceed the Director’s applicable minimum initial compensation for the picture.

Sincerely,

Jay D. Roth
National Executive Director

Agreed:

J. Nicholas Counter III