

## ARTICLE 22

### Responsibility for Residual Payments

#### **Section 22-100    EMPLOYER'S RESPONSIBILITY AND DISTRIBUTOR'S LIABILITY**

With respect to all theatrical motion pictures produced under this Directors Guild of America Basic Agreement (hereinafter referred to as the "DGA BA" or the "BA"), the principal photography of which commences on or after July 1, 2014, which are released to free television or which are released to Supplemental Markets or New Media, the following provisions shall be applicable:

#### **22-101    Distributor's Assumption Agreement for Theatrical Motion Pictures -- Television, Supplemental Markets and New Media**

- (a) Prior to the commencement of principal photography of each such motion picture in which one (1) or more Employees covered by this Agreement renders services, if the Employer is not also the Distributor of such motion picture on free television or in Supplemental Markets or New Media (as applicable), Employer shall obtain from the Distributor having such free television, Supplemental Markets or New Media distribution rights (as applicable) and deliver to the Guild a separate written agreement herein called "Distributor's Assumption Agreement," made expressly for the benefit of the Guild as representative of the Employees involved and for the benefit of the Directors Guild of America – Producer Pension Plan (hereinafter "the Pension Plan"), by which such Distributor agrees to assume and pay the amounts payable hereunder by reason of the exhibition of such motion picture on free television or in Supplemental Markets or New Media (as applicable), when and as the same become due.

In the event such Distributor is a signatory Employer, it shall be deemed automatically bound to such Distributor's Assumption Agreement and delivery and execution of said Assumption Agreement shall not be necessary.

Such agreement shall be substantially in the following form:

**DISTRIBUTOR'S ASSUMPTION AGREEMENT**

In consideration of the execution of a DISTRIBUTION AGREEMENT between \_\_\_\_\_ ("Employer") and the undersigned Distributor, Distributor agrees that the motion picture presently entitled

\_\_\_\_\_

(the "Picture")

is subject to the Directors Guild of America Basic Agreement of 2014 covering theatrical motion pictures and particularly to the provisions of Articles 18 and 19 and Sideletter No. 15 thereof (strike those of the following clauses (1), (2) or (3) which are not applicable):

- (1) Article 18 thereof, pertaining to additional payments to Employees and the Pension Plan when theatrical motion pictures are released in Supplemental Markets; and
- (2) Article 19 thereof, pertaining to additional payments to Employees and the Pension Plan when theatrical motion pictures are released to free television.
- (3) Sideletter No. 15 thereof, pertaining to additional payments to Employees and the Pension Plan when theatrical motion pictures are released in New Media.

Distributor is distributing or licensing the Picture for distribution (select one)

\_\_\_\_\_ in perpetuity (*i.e.*, for the period of copyright and any renewals thereof)

\_\_\_\_\_ for a limited term of \_\_\_\_\_ years

in the following territories and media (indicate those that are applicable):

**Territory:**

\_\_\_\_\_ Domestic (the U.S. and Canada, and their respective possessions and territories)

\_\_\_\_\_ Foreign (the world excluding the U.S. and Canada and their respective possessions and territories)

\_\_\_\_\_ Other (please describe):

**Media:**

\_\_\_\_\_ All

\_\_\_\_\_ Home Video

\_\_\_\_\_ Pay Television

\_\_\_\_\_ Free Television

\_\_\_\_\_ New Media

\_\_\_\_\_ Other (please describe):

\_\_\_\_\_ See description, attached hereto as Exhibit "A" and incorporated herein by reference.

Distributor hereby agrees, expressly for the benefit of the Directors Guild of America, herein called "the DGA" or "the Guild," as representative of the Employees who rendered services on the Picture, and for the benefit of the Pension Plan, when the Picture is telecast on free television or exhibited in Supplemental Markets or New Media (as applicable), to make the additional payments required thereby, if any, with respect to the territories, media and term referred to above as provided in the applicable Articles and/or Sideletter referred to hereinabove (all such payments are collectively hereinafter referred to as "Residuals").

Distributor, for and on behalf of the Employer, shall make all Social Security, withholding, unemployment insurance and disability insurance payments required by law with respect to the additional compensation referred to in the preceding sentence.

It is expressly understood that the right of Distributor to license the Picture for exhibition on free television or in Supplemental Markets or New Media (as applicable), or to exhibit or cause or permit the Picture to be exhibited on free television or in Supplemental Markets or New Media (as applicable), shall be subject to and conditioned upon the prompt payment of Residuals with respect to the territories, media and term referred to above in accordance with said applicable Articles and/or Sideletter. It is agreed that the Guild, in addition to all other remedies, shall be entitled to injunctive relief against Distributor in the event such payments are not made.

To the extent that Employer has executed a security agreement and financing statement in the Guild's favor in the Picture and related collateral as defined in the DGA–Security Agreement ("DGA Security Interest"), Distributor agrees and acknowledges that Distributor's rights in the Picture acquired pursuant to the Distribution Agreement (to the extent those rights are included in the collateral covered by the Security Agreement) are subject and subordinate to the DGA Security Interest.

The DGA agrees that so long as Residuals with respect to the Picture for the territories, media and term referred to above are timely paid in accordance with said applicable Articles and/or Sideletter that the DGA will not exercise any rights under the DGA Security Interest which would in any way interfere with the rights of the Distributor to distribute the Picture and receive all revenues from such distribution.

The Guild further agrees that if it exercises its rights as a secured party, it will dispose of collateral which encompasses any of Distributor's rights or interests in, or physical items relating to, the Picture, only to a transferee which agrees in writing to be bound by the Guild's obligations under this Assumption Agreement.

Within a reasonable time after the expiration of each calendar quarter, but not exceeding sixty (60) days, Distributor will furnish or cause to be furnished to the Guild a written report showing the "Employer's gross" during the preceding quarter from the distribution of the Picture by Distributor on free television or in Supplemental Markets or New Media (as applicable), with respect to which Distributor is required to make payments hereunder, (whether distributed by the Distributor or through another distributor).

Distributor shall also make available for inspection by the DGA all Distributor's statements delivered to Employer insofar as they relate to such "Employer's gross." The Guild shall have the right at reasonable times and on reasonable notice to examine the books and records of Distributor as to such "Employer's gross" pertaining to such distribution on free television or in Supplemental Markets or New Media (as applicable) of the Picture. If Distributor shall fail to make such payments required under Articles 18 and 19 as and when due and payable, interest shall accrue at the rate of one percent (1%) per month on the unpaid balance thereof commencing to accrue from the date payment is due.

In the event of any sale, assignment or transfer of Distributor's distribution or exhibition rights in the Picture, Distributor shall remain liable for the Residuals unless Distributor obtains an executed Distributor's Assumption Agreement from such purchaser, assignee or transferee and the Guild approves in writing the financial responsibility of the party obtaining such rights. The Guild agrees that it will not unreasonably withhold its approval of the financial responsibility of any such purchaser, assignee or transferee. In the event the Guild is notified that such purchaser, assignee or transferee is a Qualified Distributor, as that term is defined in Paragraph 22-103, then the financial responsibility of such purchaser, assignee or transferee shall be deemed automatically approved on the date the Guild receives written notice of the assumption of obligations hereunder by the Qualified Distributor. Nothing herein shall release Employer of its obligations under the Basic Agreement or any other agreement between Employer and the Guild.

If the Guild does not approve in writing the financial responsibility of the party obtaining such rights, this DISTRIBUTOR'S ASSUMPTION AGREEMENT shall remain effective and binding upon Distributor, and Distributor shall be obligated to pay Residuals which accrue during the term for those territories and media for which it was granted distribution rights and all extensions and renewals. Such obligations shall be subject to Section 22-200 of the Basic Agreement. The Distributor shall have the right, at its election, to cause to be immediately submitted to arbitration, pursuant to the provisions of Article 2 of the Basic Agreement, the issue of whether the Guild has unreasonably withheld the approval of the financial responsibility of such purchaser, assignee or transferee for payments due hereunder.

Distributor and the Guild hereby agree that all disputes based upon, arising out of or relating to this Assumption Agreement, other than the Guild's entitlement to injunctive or other equitable relief, shall be submitted to final and binding arbitration in accordance with the arbitration provisions contained in the Basic Agreement. Notwithstanding the foregoing, Distributor agrees and acknowledges that the Guild is not precluded by this or any other provision of this Assumption Agreement from obtaining from a court injunctive relief or any other legal remedy at any time prior to arbitration or issuance of an arbitration award. The right to obtain injunctive relief from a court shall be applicable whether an arbitration proceeding has or has not been initiated, and further, without limitation, shall be applicable in conjunction with a proceeding to confirm and enforce an arbitration award against Distributor.

THIS DISTRIBUTOR'S ASSUMPTION AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA AND THE UNITED STATES, AS THE SAME WOULD BE APPLIED BY A FEDERAL COURT IN CALIFORNIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. The Guild and Distributor agree that any arbitration or legal action or proceeding brought to interpret or enforce the provisions of this Distributor's Assumption

Agreement (including an action to compel arbitration or a petition to vacate an arbitration award) shall be held or brought in Los Angeles County, California, and Distributor irrevocably submits to the jurisdiction of the federal and state courts therein.

Notwithstanding the foregoing, the Guild, at its option, may bring a legal action or proceeding outside California under the following circumstances: (i) if Distributor has no principal place of business in California; or (ii) whether or not Distributor has a principal place of business in California, to enforce or execute upon an arbitration award or court order or judgment, in any jurisdiction in which Distributor's assets are located (and Distributor irrevocably submits to the jurisdiction of the courts of such places for purposes of such execution or enforcement).

Distributor consents to service of process by personal delivery or by certified or registered mail, return receipt requested, to Distributor's general counsel or to Distributor's representative identified below or by first class mail to Distributor when Distributor has not designated a representative or a general counsel, or by any other method permitted by law.

Date \_\_\_\_\_  
\_\_\_\_\_ ("Distributor")

Address: \_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_  
Please print name

Title: \_\_\_\_\_

Distributor's Representative or General Counsel:

\_\_\_\_\_

- (b) An inadvertent failure on the part of any such Distributor to comply with any of the reporting provisions of subparagraph (a) above shall in no event constitute a default by the Employer or

such Distributor or a breach of this Agreement, provided that such failure is cured promptly after notice in writing thereof from the Directors Guild of America.

- (c) In the event of the expiration or termination of any distribution agreement, the obligation of Employer to obtain and deliver to the Guild such Distributor's Assumption Agreement shall apply as well to any subsequent distribution agreement entered into by Employer, and Employer shall obtain and deliver an executed Distributor's Assumption Agreement within ten (10) days after the execution of each such subsequent distribution agreement.

## **22-102      Financial Assurances**

With respect to any such motion picture produced hereunder, the Guild, prior to the commencement of principal photography of such motion picture, may require such financial assurances from Employer as it deems advisable to insure performance of Employer's obligations to pay the Residuals, including without limitation, the execution of security agreements, guarantees or other protective agreements, subject, however, to the following:

- (a) If the Guild shall require financial assurances from the Employer in the form of a security agreement for a security interest in the Picture, so long as the Residuals are timely paid with respect to all territories, media and term acquired by the Distributor in accordance with Article 18, Article 19 and/or Sideletter No. 15 of the Basic Agreement, as applicable, the Guild shall not exercise any rights under such security agreement which would in any way interfere with the rights of the Distributor to distribute the Picture and receive all revenues from such distribution, provided that such Distributor has executed and delivered a Distributor's Assumption Agreement to the Guild and is in compliance with the terms thereof.
- (b) If any "Qualified Distributor," as that term is defined in Paragraph 22-106, assumes in perpetuity under the Distributor's Assumption Agreement the obligation to pay the Residuals for all territories and media with respect to the Picture or guarantees in a written form satisfactory to the Guild (which shall include the Standard

Letter of Guaranty set forth in Exhibit "B-1" of this Agreement) all of such obligations thereunder, the Guild will release and cause to be discharged of record all such security interests, liens, charges or encumbrances entered into by or obtained from such Employer and will not require further financial assurances from such Employer; provided, however, the Employer's primary liability as an Employer shall not be released thereby.

- (c) If any "Qualified Distributor" acquires rights to distribute the Picture in specific territories and media (but not all territories and media) in perpetuity, and thereby has assumed responsibility for the payment of Residuals for such territories and media so acquired pursuant to the Distributor's Assumption Agreement or guarantees in a written form satisfactory to the Guild (which shall include the Standard Letter of Guaranty set forth in Exhibit "B-1" of this Agreement) all of such obligations thereunder, then if the Employer has granted or thereafter grants a security interest in favor of the Guild in the Picture and related collateral as defined in the DGA Security Agreement, the Guild: (1) agrees to modify the definition of the collateral in the DGA Security Agreement to exclude those territories and media acquired by such Qualified Distributor; and (2) acknowledges Distributor's continuing rights of full, unlimited but non-exclusive access to and use of any and all physical items and elements relating to the Picture.
- (d) If any "Qualified Distributor" acquires rights to distribute the Picture in specific territories and media for a limited period of time, and thereby has assumed responsibility for the payment of Residuals for such term and in such territories and media pursuant to the Distributor's Assumption Agreement or guarantees in a written form satisfactory to the Guild (which shall include the Standard Letter of Guaranty set forth in Exhibit "B-1" of this Agreement) all of such obligations thereunder, then any security agreement or security interest obtained by the Guild from the Employer in connection with the Picture shall remain in effect, but the Guild agrees: (1) to modify the definition of the collateral in the DGA Security Agreement to exclude those territories and media for the term of the rights acquired by Distributor, including renewals and extensions; and (2) acknowledges Distributor's continuing rights of full, unlimited but non-exclusive access to

and use of any and all physical items and elements relating to the Picture.

**22-103      Qualified Distributors**

- (a) In addition to those distributors who have been deemed "Qualified" by the Guild due to their past bargaining relationship and/or Residuals payment history, the term "Qualified Distributor" shall mean a Distributor who satisfies the requirements set forth in subparagraphs (1) and (2) below:
  - (1) Distributor has the financial history, liquidity, net earnings before interest, taxes and amortization, assets, and net worth to establish its present and future ability to pay Residuals arising from the exploitation of the Guild Pictures being distributed.
  - (2) The Distributor has been in business for five (5) or more years and has a history of prompt and proper payment of Residuals pursuant to DGA contracts in five (5) consecutive years immediately prior to seeking Qualified Distributor status.
- (b) A Qualified Distributor must agree to assume Residuals obligations, or guarantee the payment of Residuals in accordance with the Qualified Distributor/Buyer Letter of Agreement, as set forth in Exhibit "A-1" of this Agreement, for each Picture produced under this Basic Agreement for the territories, media and term for which it has distribution rights and must execute the Qualified Distributor's Agreement.
- (c) In the event of a dispute as to qualifications of an applicant for Qualified Distributor status, Employer shall provide such financial assurances as the Guild may deem appropriate, which may include, but are not limited to, a security interest in the Picture and related collateral, in which case Distributor shall acknowledge same. Said security interest shall remain effective unless and until it is established by agreement or in an arbitration, pursuant to the arbitration provisions contained in the Basic Agreement, that the applicant Distributor meets the

aforementioned requirements for qualification. Such applicant shall have the burden of proof that it satisfies the aforementioned requirements for qualification in any arbitration and shall, upon the Guild's request, furnish to the Guild all relevant financial or corporate information relating thereto as the Guild may reasonably require.

- (d) Any information submitted to the Guild in order to determine whether a distributor is entitled to status as a Qualified Distributor shall, at the Distributor's discretion, be subject to reasonable confidentiality arrangements.
- (e) In the event that a Qualified Distributor, after notice and a reasonable opportunity to cure, generally fails to report and/or pay Residuals when they are due or generally fails to pay obligations to creditors when they become due or in the event a petition is filed under the Bankruptcy Code by or against a Qualified Distributor, the Guild shall have the right to terminate the Distributor's Qualified Distributor status. The Distributor shall have the right to invoke the arbitration procedures described above to challenge such termination. Pending the resolution of such challenge, the Qualified Distributor's status shall be considered terminated. The Guild agrees that it will not terminate a Qualified Distributor's status when there is a *bona fide* dispute as to whether Residuals are due, or a *bona fide* dispute as to the amount of Residuals due to the Guild, if the Distributor has otherwise timely reported and paid Residuals. In addition to the above, if a Guild audit conducted pursuant to the Basic Agreement or other financial information discloses that the Qualified Distributor no longer meets the aforementioned standards for qualification, the Guild may initiate an arbitration pursuant to the Basic Agreement to terminate the Qualified Distributor's status.

22-104

**Buyer's Assumption Agreement - Television, Supplemental Markets and New Media**

- (a) If the Employer shall sell, transfer or assign its rights to exhibit on free television or distribute in Supplemental Markets or New Media any of the motion pictures produced hereunder in which

one (1) or more Employees covered by this Basic Agreement renders services, it shall obtain from buyer, transferee or assignee a separate agreement, made expressly for the benefit of Directors Guild of America as representative of the Employees involved and for the benefit of the Directors Guild of America–Producer Pension Plan (hereinafter "the Pension Plan"), requiring such buyer, transferee or assignee to comply with the provisions of this Agreement with respect to additional payments to Employees and to the DGA Pension Plan by reason of the exhibition of such motion pictures on free television or the distribution of such motion pictures in Supplemental Markets or New Media (as applicable), when and as the same become due. Such agreement shall be in substantially the following form:

### **BUYER'S ASSUMPTION AGREEMENT**

For valuable consideration, the undersigned

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\_\_\_\_\_ (INSERT NAME OF BUYER,  
TRANSFEREE OR ASSIGNEE) (hereinafter referred to as  
"Buyer") hereby agrees with

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(INSERT NAME OF EMPLOYER)  
that each motion picture covered by this agreement ("the Picture")  
(identified in the attached Exhibit "A") is subject to the Directors  
Guild of America Basic Agreement of 2014 and particularly to  
the provisions of Articles 18 and 19 and Sideletter No. 15 thereof  
(strike those of the following clauses (1), (2) or (3) which are not  
applicable):

- (1) Article 18 thereof, pertaining to additional payments to Employees and the Pension Plan when motion pictures which are covered by said Article are released in Supplemental Markets; and
- (2) Article 19 thereof, pertaining to additional payments to Employees and the Pension Plan when motion pictures which are covered by said Article are released to free television.

- (3) Sideletter No. 15 thereof, pertaining to additional payments to Employees and the Pension Plan when motion pictures which are covered by such Sideletter are released in New Media.

Buyer is purchasing rights in the following territories and media (indicate those that are applicable):

**Territory:**

\_\_\_\_\_ Domestic (the U.S. and Canada, and their respective possessions and territories)

\_\_\_\_\_ Foreign (the world excluding the U.S. and Canada and their respective possessions and territories)

\_\_\_\_\_ Other (please describe):

**Media:**

\_\_\_\_\_ All

\_\_\_\_\_ Home Video

\_\_\_\_\_ Pay Television

\_\_\_\_\_ Free Television

\_\_\_\_\_ New Media

\_\_\_\_\_ Other (please describe):

\_\_\_\_\_ See description, attached hereto as Exhibit "A" and incorporated herein by reference.

Buyer hereby agrees, expressly for the benefit of the Directors Guild of America, hereinafter called "the DGA" or "the Guild," as representative of the Employees who rendered services on the Picture, and for the benefit of the Pension Plan, when the Picture is telecast on free television or exhibited in Supplemental

Markets or New Media (as applicable), to assume and be bound by Employer's obligation thereunder to make the additional payments required thereby, if any, with respect to the territories and media referred to above, as provided in the applicable Article(s) and/or Sideletter referred to hereinabove (all such payments are collectively hereinafter referred to as "Residuals"). Buyer, for and on behalf of the Employer, shall make all Social Security, withholding, unemployment insurance and disability insurance payments required by law with respect to the additional compensation referred to in the preceding sentence.

It is expressly understood that the right of Buyer to license the Picture for exhibition on free television or in Supplemental Markets (as applicable), or to exhibit or cause or permit the Picture to be exhibited on free television or in Supplemental Markets or New Media (as applicable), shall be subject to and conditioned upon the prompt payment of Residuals with respect to the territories and media referred to above in accordance with said applicable Article(s). It is agreed that the Guild, in addition to all other remedies, shall be entitled to injunctive relief against Buyer in the event such payments are not made.

To the extent that Employer has executed a security agreement and financing statement in the Guild's favor in the Picture and related collateral as defined in the DGA-Producer Security Agreement ("DGA Security Interest"), Buyer agrees and acknowledges that Buyer's rights to the Picture acquired pursuant to the Purchase Agreement (to the extent those rights are included in the collateral covered by the Security Agreement) are subject and subordinate to the DGA Security Interest. Buyer further agrees to execute a security agreement, mortgage of copyright, UCC-1, and other UCC documentation and any other document required under the Basic Agreement or necessary or desirable in the Guild's discretion to continue the DGA Security Interest. The Guild agrees that so long as Residuals with respect to the Picture for all the territories and media referred to above are timely paid in accordance with said applicable Article(s) and/or Sideletter, that the Guild will not exercise any rights under the DGA Security Interest which would in any way interfere with the rights

of the Buyer to distribute the Picture and receive all revenues from such distribution.

The Guild further agrees that if it exercises its rights as a secured party, it will dispose of collateral which encompasses any of Buyer's rights or interests in, or physical items relating to, the Picture, only to a transferee which agrees in writing to be bound by the Guild's obligations under this Assumption Agreement.

Within a reasonable time after the expiration of each calendar quarter, but not exceeding sixty (60) days, Buyer will furnish or cause to be furnished to the Guild a written report showing the "Employer's gross" during the preceding quarter from the distribution of the Picture by Buyer on free television or in Supplemental Markets or New Media (as applicable) with respect to which Buyer is required to make payments hereunder (whether distributed by Buyer or through another distributor).

Buyer shall also make available for inspection by the Guild all distributor's statements delivered to Buyer insofar as they relate to such "Employer's gross." The Guild shall have the right at reasonable times to examine the books and records of Buyer as to such "Employer's gross" pertaining to such distribution on free television or in Supplemental Markets or New Media (as applicable) of the Picture. If Buyer shall fail to make such payments required under Articles 18 and 19 as and when due and payable, interest shall accrue at the rate of one percent (1%) per month on the unpaid balance thereof commencing to accrue from the date payment is due.

In the event of any sale, assignment or transfer of Buyer's distribution or exhibition rights in the Picture, Buyer shall remain liable for the Residuals, with respect to the territories, media and term referred to above, unless Buyer obtains an executed Buyer's Assumption Agreement and other documents required by the Guild from such purchaser, assignee or transferee and the Guild approves in writing the financial responsibility of the party obtaining such rights. The Guild agrees that it will not unreasonably withhold its approval of the financial responsibility of any such purchaser, assignee or transferee. Nothing herein

shall release the Employer of its obligations under any other agreement between Employer and the Guild relating to the Picture, unless the Employer has been relieved of liability as elsewhere provided in Article 22.

If the Guild does not approve in writing the financial responsibility of the party obtaining such rights, this Buyer's Assumption Agreement shall remain effective and binding upon Buyer.

Buyer and the Guild hereby agree that all disputes based upon, arising out of or relating to this Assumption Agreement, other than the Guild's entitlement to injunctive or other equitable relief, shall be submitted to final and binding arbitration in accordance with the arbitration provisions contained in the Basic Agreement. Notwithstanding the foregoing, Buyer agrees and acknowledges that the Guild is not precluded by this or any other provision of this Assumption Agreement from obtaining from a court injunctive relief or any other legal remedy at any time prior to arbitration or issuance of an arbitration award. The right to obtain injunctive relief from a court shall be applicable whether an arbitration proceeding has or has not been initiated, and further, without limitation, shall be applicable in conjunction with a proceeding to confirm and enforce an arbitration award against Buyer.

**THIS BUYER'S ASSUMPTION AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA AND THE UNITED STATES, AS THE SAME WOULD BE APPLIED BY A FEDERAL COURT IN CALIFORNIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.** The Guild and Buyer agree that any arbitration or legal action or proceeding brought to interpret or enforce the provisions of this Buyer's Assumption Agreement (including an action to compel arbitration or a petition to vacate an arbitration award) shall be held or brought in Los Angeles County, California, and Buyer irrevocably submits to the jurisdiction of the federal and state courts therein. Notwithstanding the foregoing, the Guild, at its option, may bring a legal action or proceeding outside California

under the following circumstances: (i) if Buyer has no principal place of business in California; or (ii) whether or not Buyer has a principal place of business in California, to enforce or execute upon an arbitration award or court order or judgment, in any jurisdiction in which Buyer's assets are located (and Buyer irrevocably submits to the jurisdiction of the courts of such places for purposes of such execution or enforcement).

Buyer consents to service of process by personal delivery or by certified or registered mail, return receipt requested, to Buyer's general counsel or to Buyer's representative identified below or by first class mail to Buyer when Buyer has not designated a representative or a general counsel, or by any other method permitted by law.

DATE \_\_\_\_\_ BUYER \_\_\_\_\_

ADDRESS \_\_\_\_\_

BY \_\_\_\_\_

BUYER'S REPRESENTATIVE OR GENERAL COUNSEL

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- (b) The Employer agrees to deliver to the Guild an executed copy of the above referred to Buyer's Assumption Agreement within thirty (30) days after the sale, assignment or transfer of such motion picture, with the name and address of the purchaser or assignee.
  - (c) Any inadvertent failure on the part of the Buyer to comply with any of the reporting provisions of this Paragraph 22-104(a) shall in no event constitute a default by the Employer or such Buyer or a breach of this Agreement, provided that such failure is cured promptly after notice in writing thereof from the Directors Guild of America.
  - (d) Upon delivery of such Buyer's Assumption Agreement and other documents from Buyer required under this

Assumption Agreement and on condition that the Guild approves in writing the financial responsibility of the purchaser, assignee or transferee, Employer shall not be further liable for the keeping of any such records, or for the payment of Residuals in accordance with said applicable Articles and/or Sideletter, it being agreed that the purchaser, assignee or transferee shall solely be liable therefor.

- (e) The Guild agrees that it will not unreasonably withhold its approval of the financial responsibility of any such purchaser, assignee or transferee, it being further agreed that if the Guild, within twenty-one (21) days of receipt of written notice of any such sale, assignment or transfer, has not advised the Employer that it disapproves the financial responsibility of such purchaser, assignee or transferee, the Guild will be deemed to have approved the financial responsibility thereof. If any such purchaser, assignee or transferee is a Qualified Buyer, then the financial responsibility of such purchaser, assignee or transferee shall be deemed automatically approved. In the event the Guild advises the Employer within such twenty-one (21) day period that it disapproves the financial responsibility of any such purchaser, assignee or transferee and Employer disputes such disapproval, the Employer shall have the right, at its election, to cause to be immediately submitted to arbitration, pursuant to the provisions of Article 2 of the Basic Agreement, the issue of whether the Guild has unreasonably withheld the approval of the financial responsibility of such purchaser, assignee or transferee for payments due hereunder.

**22-105      Security Interests -- Buyer's Rights**

To the extent that Employer has granted a security interest in favor of the Guild in the Picture and related collateral as defined in any DGA Security Agreement, Buyer's rights in the Picture acquired pursuant to the Purchase Agreement shall be subject to the following:

- (a) So long as the Buyer timely pays Residuals for the Picture with respect to all territories and media in which Buyer has distribution rights in accordance with Article 18, Article 19 and/or Sideletter No. 15 of the Basic Agreement, as applicable, the Guild shall not exercise any rights under such security agreement which would in any way interfere with the rights of the Buyer to distribute the Picture and receive all revenues from such distribution, provided that such Buyer has executed and delivered a Buyer's Assumption Agreement to the Guild and is in compliance with the terms thereof.
- (b) If any "Qualified Buyer" assumes in perpetuity under the Buyer's Assumption Agreement the obligation to pay the Residuals for all territories and media with respect to the Picture or guarantees in a written form satisfactory to the Guild (which shall include the Standard Letter of Guaranty set forth in Exhibit "B-1" of this Agreement) all of such obligations thereunder, the Guild will release and cause to be discharged of record all such security interests, liens, charges or encumbrances entered into or obtained from such Employer and will not require further financial assurances from such Employer.
- (c) If any "Qualified Buyer" acquires rights to distribute the Picture in specific territories and media (but not all territories and media) in perpetuity, and thereby has assumed responsibility for the payment of Residuals for such territories and media so acquired pursuant to the Buyer's Assumption Agreement or guarantees in a written form satisfactory to the Guild (which shall include the Standard Letter of Guaranty set forth in Exhibit "B-1" of this Agreement) all of such obligations thereunder, then if the Employer has granted a security interest in favor of the Guild in the Picture and related collateral as defined in the DGA Security Agreement, the Guild: (1) agrees to modify the definition of the collateral in the DGA Security Agreement to exclude those territories and media acquired by such Qualified Buyer; and (2) acknowledges Buyer's continuing rights of full, unlimited but non-exclusive access to and use of any and all physical items and elements relating to the Picture.

**Qualified Buyer**

- (a) In addition to those buyers who have been deemed "Qualified" by the Guild due to their past bargaining relationship and/or Residuals payment history, the term "Qualified Buyer" shall mean a Buyer who satisfies the requirements set forth in subparagraphs (1) and (2) below:
- (1) Buyer has the financial history, liquidity, net earnings before interest, taxes and amortization, assets, and net worth to establish its present and future ability to pay all Residuals arising from the exploitation of the Guild Pictures being distributed.
  - (2) The Buyer has been in business for five (5) or more years and has a history of prompt and proper payment of Residuals pursuant to the Guild contracts in five (5) consecutive years immediately prior to seeking Qualified Buyer status.
- (b) A Qualified Buyer must agree to assume Residuals obligations, or guarantee the payment of Residuals in accordance with the Qualified Distributor/ Buyer Letter of Agreement for each picture produced under this Basic Agreement for the territories and media for which it has distribution rights and must execute the Qualified Buyer's Agreement.
- (c) In the event of a dispute as to qualifications of an applicant for Qualified Buyer status, Employer shall provide such financial assurances as the Guild may deem appropriate, which may include, but are not limited to, a security interest in the Picture and related collateral, in which case Buyer shall acknowledge same. Said security interest shall remain effective unless and until it is established by agreement or in an arbitration, pursuant to the arbitration provisions contained in the Basic Agreement, that the applicant Buyer meets the aforementioned requirements for qualification. Such applicant shall have the burden of proof that it satisfies the aforementioned requirements for qualification in any arbitration and shall, upon the Guild's request, furnish to

the Guild all relevant financial or corporate information relating thereto as the Guild may reasonably require.

- (d) Any information submitted to the Guild in order to determine whether a Buyer is entitled to status as a Qualified Buyer shall, at the Buyer's discretion, be subject to reasonable confidentiality arrangements.
- (e) In the event a Qualified Buyer, after notice and a reasonable opportunity to cure, generally fails to report and/or pay Residuals when they are due or generally fails to pay obligations to creditors when they become due or in the event a petition is filed under the Bankruptcy Code by or against a Qualified Buyer, the Guild shall have the right to terminate the buyer's Qualified Buyer status. The Buyer shall have the right to invoke the arbitration procedures described above to challenge such termination. Pending the resolution of such challenge, the Qualified Buyer's status shall be considered terminated. The Guild agrees that it will not terminate a Qualified Buyer's status when there is a *bona fide* dispute over whether Residuals are due to the Guild, or a *bona fide* dispute as to the amount of Residuals due to the Guild, if the Distributor has otherwise timely reported and paid Residuals. In addition to the above, if a Guild audit conducted pursuant to this Basic Agreement or other financial information discloses that the Qualified Buyer no longer meets the aforementioned standards for qualification, the Guild may initiate an arbitration pursuant to the Basic Agreement to terminate the Qualified Buyer's status.

## **Section 22-200     DISTRIBUTOR'S LIABILITY**

With respect to any such motion picture, the principal photography of which commences on or after July 1, 2014, in which one (1) or more Employees covered by this BA renders services, the following provisions shall be applicable to the Distributor of such motion picture for telecasting on free television or (if applicable) for distribution in Supplemental Markets:

When the Distributor has provided or guaranteed any of the financing for the production of such motion picture, the Distributor shall be

obligated to pay all Residuals which accrue under Article 18 and/or Article 19 of the Basic Agreement (as applicable) during the term and in the territories and media for which it was granted distribution rights, including renewals and extensions, notwithstanding the termination of such distribution agreement or any foreclosure of a chattel mortgage, security agreement, pledge or lien on such motion picture. In the case of foreclosure, should such mortgagee, pledgee or security holder or a third party, who is neither the Employer nor Distributor, acquire title to such motion picture and execute the Buyer's Assumption Agreement and other documents customarily required by the Guild and, upon condition that the Guild, at its discretion, approves in writing such purchaser's financial responsibility, then, when the Distributor ceases to be the Distributor of such motion picture for telecasting on free television or (if applicable) for distribution in Supplemental Markets, the Distributor shall thereupon be released from any and all further obligations under said Article 18 and/or Article 19, as the case may be, with respect to such motion picture. Should any third party (other than in connection with any such foreclosure) acquire the rights of such Distributor to the distribution of such motion picture on free television or (if applicable) in Supplemental Markets and execute a Distributor's Assumption Agreement pursuant to which it is liable in perpetuity to make the payments under said Article 18 and/or Article 19, as the case may be, then, upon condition that the Guild, in its discretion, approves such third party's financial responsibility, such Distributor shall thereupon be released from any and all further obligations under said Article 18 and/or Article 19, as the case may be, with respect to such motion picture. In any event, such Distributor shall not be liable for the payment of any television fees or Supplemental Markets use payments based on monies received under a "foreign production deal," as defined in Paragraph 18-103(b) and 18-104(b)(3), with respect to which such foreign distributor or producer is not obligated to account to such Distributor.

**Section 22-300      RESPONSIBILITY FOR PAYMENT OF RESIDUALS -  
DISTRIBUTOR'S LIABILITY AND EMPLOYER'S  
LIABILITY**

With respect to all television motion pictures, the principal photography of which commences on or after July 1, 2014, produced under the

Directors Guild of America Basic Agreement (hereinafter referred to as the "DGA BA" or the "BA"), which are rerun on free television or which are released to basic cable, in Supplemental Markets or New Media, for foreign telecasting or for theatrical exhibition, the following provisions shall be applicable:

**22-301 Television Distributor's Assumption Agreement -- Television Reruns, Basic Cable Exhibition, Foreign Television Exhibition, Theatrical Exhibition, Supplemental Markets Use and New Media Use**

- (a) Prior to the commencement of principal photography of each such television motion picture in which one (1) or more Employees covered by this Agreement renders services, if the Employer is not also the Distributor of such motion picture for free television, basic cable, foreign television exhibition, theatrical exhibition or in Supplemental Markets or New Media (as applicable), Employer shall obtain from the Distributor having such distribution rights and deliver to the Guild a separate written agreement herein called "Television Distributor's Assumption Agreement," made expressly for the benefit of the Guild as representative of the Employees involved and, insofar as Supplemental Markets rights are concerned, for the benefit of the Directors Guild of America – Producer Pension Plan (hereinafter "the Pension Plan"), by which such Distributor agrees to assume and pay the amounts payable hereunder by reason of the exhibition of such motion picture on free television, basic cable, foreign television, theatrically or in Supplemental Markets or New Media (as applicable), including applicable pension and health contributions (all such payments are collectively referred to as "Residuals"), when and as the same become due.

In the event such Distributor is a signatory Employer, it shall be deemed automatically bound to such Distributor's Assumption Agreement and delivery and execution of the Assumption Agreement shall not be necessary.

Such agreement shall be substantially in the following form:

## Exhibit "B"

### TELEVISION DISTRIBUTOR'S ASSUMPTION AGREEMENT

In consideration of the execution of a DISTRIBUTION AGREEMENT between \_\_\_\_\_ ("Employer") and the undersigned Distributor, Distributor agrees that the motion picture presently entitled \_\_\_\_\_ (the "Picture") is subject to the Directors Guild of America Basic Agreement of 2014 covering television motion pictures and particularly to the provisions of Articles 11, 18, 20, 23 or 24 or Sideletter No. 15 (strike those of the following clauses (1), (2), (3), (4), (5), (6), (7) or (8) which are not applicable):

- (1) Paragraph 11-101 thereof, pertaining to additional compensation payable to Directors when television motion pictures are rerun on free television in the United States and Canada (including as modified in Section 24-300 thereof) and Article 12 thereof, pertaining to applicable pension and health contributions, if any are required;
- (2) Paragraph 11-102 thereof, pertaining to additional compensation payable to Directors when television motion pictures are telecast outside the United States and Canada and Article 12 thereof, pertaining to applicable pension and health contributions, if any are required;
- (3) Paragraph 11-108 thereof, pertaining to additional compensation payable to Directors when television motion pictures are released to basic cable and Article 12 thereof, pertaining to applicable pension and health contributions, if any are required;
- (4) Paragraph 11-201 thereof, pertaining to additional compensation payable to Directors when television motion pictures are exhibited theatrically and Article 12 thereof, pertaining to applicable pension and health contributions, if any are required; and

- (5) Article 18 thereof, pertaining to additional payments to Employees and the Pension Plan when television motion pictures are released in Supplemental Markets;
- (6) Article 20 thereof, pertaining to additional compensation payable to Employees when motion pictures produced mainly for the pay television and videodisc/videocassette market are exhibited as provided in Sections 20-300, 20-400, 20-500, 20-600, 20-700 and 20-800 thereof; and
- (7) Paragraph 23-104 thereof, pertaining to additional compensation payable to Directors when high budget dramatic programs one-half hour or more in length made primarily for the basic cable market are exhibited as provided therein and Article 12 thereof, pertaining to applicable pension and health contributions, if any are required.
- (8) Sideletter No. 15 thereof, pertaining to additional payments to Employees and the Pension Plan when motion pictures are released in New Media.

Distributor is distributing or licensing the Picture for distribution (select one)

\_\_\_\_\_ in perpetuity (*i.e.*, for the period of copyright and any renewals thereof)

\_\_\_\_\_ for a limited term of \_\_\_\_\_ years

in the following territories and media (indicate those that are applicable):

**Territory:**

\_\_\_\_\_ Domestic (the U.S. and Canada, and their respective possessions and territories)

\_\_\_\_\_ Foreign (the world excluding the U.S. and Canada and their respective possessions and territories)

\_\_\_\_ Other (please describe):

**Media:**

\_\_\_\_ All

\_\_\_\_ Theatrical

\_\_\_\_ Home Video

\_\_\_\_ Pay Television

\_\_\_\_ Free Television (Domestic)

\_\_\_\_ Foreign Free Television

\_\_\_\_ Basic Cable

\_\_\_\_ New Media

\_\_\_\_ Other (please describe):

\_\_\_\_ See description, attached hereto as Exhibit "A" and incorporated herein by reference.

Distributor hereby agrees, expressly for the benefit of the Directors Guild of America, herein called "the Guild" or "the DGA," as representative of the Employees who rendered services on the Picture and, insofar as Supplemental Markets rights are concerned, for the benefit of the Directors Guild of America – Producer Pension Plan (hereinafter "the Pension Plan"), when the Picture is exhibited on free television, foreign television, basic cable or theatrically or in Supplemental Markets or New Media (as applicable), to make the additional payments required thereby, if any, and the pension and health contributions required thereby, if any, with respect to the territories, media and term referred to above as provided in the applicable Paragraphs, Sections, Articles and/or Sideletter referred to hereinabove (all such payments are collectively hereinafter referred to as "Residuals"). Distributor, for and on behalf of the Employer, shall make all Social Security, withholding, unemployment insurance and disability

insurance payments required by law with respect to the additional compensation referred to in the preceding sentence.

It is expressly understood that the right of Distributor to license the Picture for exhibition on free television, foreign television, basic cable, theatrically or in Supplemental Markets or New Media (as applicable), or to exhibit or cause or permit the Picture to be exhibited on free television, foreign television, basic cable, theatrically or in Supplemental Markets or New Media (as applicable), shall be subject to and conditioned upon the prompt payment of Residuals with respect to the territories, media and term referred to above in accordance with said applicable Articles. It is agreed that the Guild, in addition to all other remedies, shall be entitled to injunctive relief against Distributor in the event such payments are not made.

To the extent that Employer has executed a security agreement and financing statement in the Guild's favor in the Picture and related collateral as defined in the DGA – Employer Security Agreement ("DGA Security Interest"), Distributor agrees and acknowledges that Distributor's rights in the Picture acquired pursuant to the Distribution Agreement (to the extent those rights are included in the collateral covered by the Security Agreement) are subject and subordinate to the DGA Security Interest.

The Guild agrees that, so long as Residuals with respect to the Picture for the territories, media and term referred to above are timely paid in accordance with said applicable Paragraphs, Sections, Articles and/or Sideletter, the Guild will not exercise any rights under the DGA Security Interest which would in any way interfere with the rights of the Distributor to distribute the Picture and receive all revenues from such distribution.

The Guild further agrees that if it exercises its rights as a secured party, it will dispose of collateral which encompasses any of Distributor's rights or interests in, or physical items relating to, the Picture, only to a transferee which agrees in writing to be bound by the Guild's obligations under this Assumption Agreement.

Distributor agrees to keep (i) complete records showing all cities in the United States in which the Pictures have been telecast and the

number of telecasts in each such city, the television stations on which telecast, and the dates thereof; (ii) complete records showing Distributor's Foreign Gross for the Picture(s) to the extent that such records are pertinent to the computation of payments for foreign telecasting; (iii) records showing the date on which each such Picture is first exhibited in theatrical exhibition anywhere in the world and the place of such exhibition; and (iv) complete records showing Employer's gross receipts from basic cable exhibition and from the distribution of such Picture in Supplemental Markets or New Media. The undersigned Distributor shall also keep such records as are necessary for the computation of Residuals for reruns, foreign telecasting, basic cable exhibition, theatrical exhibition, Supplemental Market use and New Media use for so long as such Residuals may be due or payable. The Guild shall have the right, at all reasonable times, to inspect any and all such records. If Distributor shall fail to make such payments as and when due and payable, Distributor shall pay late payment damages as specified in the applicable provision of the Basic Agreement, if any.

With respect to motion pictures produced mainly for the pay television and videodisc/videocassette market, Distributor shall comply with Paragraphs 20-903 and 20-904 to the extent they apply to Distributor's distribution of the motion picture.

If Distributor has acquired the rights to distribute the Picture on free television, Distributor shall give the Guild prompt written notice of the date on which the Picture is first telecast in any city in the United States for the second run and for each subsequent run thereafter. If the second or third run is on a network or run in network prime time, the notice shall state that fact.

If the Picture is distributed for foreign telecasting and if Distributor has acquired the rights to distribute the Picture for foreign telecasting, Distributor shall furnish reports to the Guild showing Distributor's Foreign Gross derived from the Picture until (i) the Picture has been withdrawn from distribution for foreign telecasting; or (ii) the Director(s) of the Picture has (have) received the full additional payments for such foreign telecasting to which they are entitled pursuant to the Basic Agreement. Such reports shall be rendered to the Guild on a quarterly basis during the first three (3) years in which the

Picture is distributed for foreign telecasting, on a semi-annual basis for the next following two (2) years, and on an annual basis thereafter.

If the Picture is distributed in Supplemental Markets and if Distributor has acquired the rights to distribute the Picture in Supplemental Markets, Distributor shall furnish reports to the Guild, quarterly during each calendar year, showing Distributor's gross receipts derived from such Supplemental Market use for as long as Distributor receives any such gross receipts.

If the Picture is distributed theatrically and if Distributor has acquired the rights to exhibit the Picture theatrically, the Distributor shall give prompt written notice to the Guild of the date on which the Picture is first exhibited theatrically (i) in the United States, its commonwealths, territories and possessions and Canada and/or (ii) in all other countries.

If the Picture is distributed on basic cable and if Distributor has acquired the rights to distribute the Picture on basic cable, the Distributor shall furnish reports to the Guild, quarterly during each calendar year, showing Distributor's gross receipts derived from such distribution for so long as Distributor receives any such gross receipts.

Distributor agrees to cooperate in responding to reasonable requests from the Guild as to whether the Picture is currently being rerun on television, distributed for foreign telecasting, on basic cable, theatrically or in Supplemental Markets or New Media. An inadvertent failure to comply with any of the notice or reporting provisions hereof shall not constitute a default by Distributor hereunder, provided said failure is cured promptly after written notice thereof from the Guild.

In the event of any sale, assignment or transfer of Distributor's distribution or exhibition rights in the Picture, Distributor shall remain liable for the Residuals unless Distributor obtains an executed Television Distributor's Assumption Agreement from such purchaser, assignee or transferee and the Guild approves in writing the financial responsibility of the party obtaining such rights. The Guild agrees that it will not unreasonably withhold its approval of the financial responsibility of any such purchaser, assignee or transferee. In the event that such purchaser, assignee or transferee is a Qualified Residual

Payor, the financial responsibility of such purchaser, assignee or transferee shall be deemed automatically approved on the date the Guild receives written notice of the assumption of obligations hereunder by the Qualified Residual Payor. Nothing herein shall release Employer of its obligations under the Basic Agreement or any other agreement between Employer and the Guild.

If the Guild does not approve in writing the financial responsibility of the party obtaining such rights, this TELEVISION DISTRIBUTOR'S ASSUMPTION AGREEMENT shall remain effective and binding upon Distributor, and Distributor shall be obligated to pay Residuals which accrue during the term for those territories and media for which it was granted distribution rights and all extensions and renewals. The Distributor shall have the right, at its election, to cause to be immediately submitted to arbitration, pursuant to the provisions of Article 2 hereof, the issue of whether the Guild has unreasonably withheld the approval of the financial responsibility of such purchaser, assignee or transferee for payments due hereunder.

Distributor and the Guild hereby agree that all disputes based upon, arising out of or relating to this Assumption Agreement, other than the Guild's entitlement to injunctive or other equitable relief, shall be submitted to final and binding arbitration in accordance with the arbitration provisions contained in the Basic Agreement. Notwithstanding the foregoing, Distributor agrees and acknowledges that the Guild is not precluded by this or any other provision of this Assumption Agreement from obtaining from a court injunctive relief or any other legal remedy at any time prior to arbitration or issuance of an arbitration award. The right to obtain injunctive relief from a court shall be applicable whether an arbitration proceeding has or has not been initiated and, further, without limitation, shall be applicable in conjunction with a proceeding to confirm and enforce an arbitration award against Distributor.

**THIS TELEVISION DISTRIBUTOR'S ASSUMPTION AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA AND THE UNITED STATES, AS THE SAME WOULD BE APPLIED BY A FEDERAL COURT IN CALIFORNIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.**

The Guild and Distributor agree that any arbitration or legal action or proceeding brought to interpret or enforce the provisions of this Television Distributor's Assumption Agreement (including an action to compel arbitration or a petition to vacate an arbitration award) shall be held or brought in Los Angeles County, California, and Distributor irrevocably submits to the jurisdiction of the federal and state courts therein. Notwithstanding the foregoing, the Guild at its option may bring a legal action or proceeding outside California under the following circumstances: (i) if Distributor has no principal place of business in California; or (ii) whether or not Distributor has a principal place of business in California, to enforce or execute upon an arbitration award or court order or judgment, in any jurisdiction in which Distributor's assets are located (and Distributor irrevocably submits to the jurisdiction of the courts of such places for purposes of such execution or enforcement). Distributor consents to service of process by personal delivery or by certified or registered mail, return receipt requested, to Distributor's general counsel or to Distributor's representative identified below or by first class mail to Distributor when Distributor has not designated a representative or a general counsel, or by any other method permitted by law.

Date \_\_\_\_\_  
\_\_\_\_\_ ("Distributor")

Address: \_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
\_\_\_\_\_  
Please print name

Title: \_\_\_\_\_

Distributor's Representative or General  
Counsel:  
\_\_\_\_\_

- (b) An inadvertent failure on the part of any such Distributor to comply with any of the reporting provisions of this Paragraph 22-301(a) shall in no event constitute a default by the Employer or such Distributor or a breach of this Agreement, provided that such failure is cured promptly after notice in writing thereof from the Directors Guild of America.
- (c) In the event of the expiration or termination of any distribution agreement, the obligation of Employer to obtain and deliver to the Guild such Television Distributor's Assumption Agreement shall apply as well to any subsequent distribution agreement entered into by Employer, and Employer shall obtain and deliver an executed Television Distributor's Assumption Agreement within ten (10) days after the execution of each such subsequent distribution agreement.

**22-302      Financial Assurances**

With respect to any such motion picture produced hereunder, the Guild, prior to the commencement of principal photography of such motion picture, may require such financial assurances from Employer as it deems advisable to insure performance of Employer's obligations to pay the Residuals, including, without limitation, the execution of security agreements, guarantees or other protective agreements, subject, however, to the following:

- (a) If the Guild shall require financial assurances from the Employer in the form of a security agreement for a security interest in the Picture, so long as the Residuals are timely paid with respect to all territories, media and term acquired by the Distributor in accordance with Articles 11, 18, 20, 23, 24 and/or Sideletter No. 15 of the Basic Agreement, as applicable, the Guild shall not exercise any rights under such security agreement which would in any way interfere with the rights of the Distributor to distribute the Picture and receive all revenues from such distribution, provided that such Distributor has executed and delivered a Television Distributor's Assumption Agreement to the Guild and is in compliance with the terms thereof.

- (b) If any "Qualified Residual Payor," as that term is defined in Paragraph 22-303, assumes in perpetuity under the Television Distributor's Assumption Agreement the obligation to pay the Residuals for all territories and media with respect to the Picture or guarantees in a written form satisfactory to the Guild (which shall include the Standard Letter of Guaranty set forth in Exhibit "B-2" of this Agreement) all of such obligations thereunder, the Guild will release and cause to be discharged of record all such security interests, liens, charges or encumbrances entered into by or obtained from such Employer and will not require further financial assurances from such Employer; provided, however, the Employer's primary liability as a Employer shall not be released thereby.
  
- (c) If any "Qualified Residual Payor" acquires rights to distribute the Picture in specific territories and media (but not all territories and media) in perpetuity, and has assumed responsibility for the payment of Residuals for such territories and media so acquired pursuant to the Television Distributor's Assumption Agreement or guarantees in a written form satisfactory to the Guild (which shall include the Standard Letter of Guaranty set forth in Exhibit "B-2" of this Agreement) all of such obligations thereunder, then if the Employer has granted or thereafter grants a security interest in favor of the Guild in the Picture and related collateral as defined in the DGA Security Agreement, the Guild: (1) agrees to modify the definition of the collateral in the DGA Security Agreement to exclude those territories and media acquired by such Qualified Residual Payor; and (2) acknowledges Qualified Residual Payor's continuing rights of full, unlimited but non-exclusive access to and use of any and all physical items and elements relating to the Picture.
  
- (d) If any "Qualified Residual Payor" acquires rights to distribute the Picture in specific territories and media for a limited period of time, and has assumed responsibility for the payment of Residuals for such term and in such territories and media pursuant to the Television Distributor's Assumption Agreement or guarantees in a written form satisfactory to the Guild (which shall include the Standard Letter of Guaranty set forth in Exhibit "B-2" of this Agreement) all of such obligations thereunder, then any security

agreement or security interest obtained by the Guild from the Employer in connection with the Picture shall remain in effect, but the Guild agrees: (1) to modify the definition of the collateral in the DGA Security Agreement to exclude those territories and media for the term of the rights acquired by the Qualified Residual Payor, including renewals and extensions; and (2) acknowledges the Qualified Residual Payor's continuing rights of full, unlimited but non-exclusive access to and use of any and all physical items and elements relating to the Picture.

**22-303      Qualified Residual Payor**

- (a) In addition to those distributors who have been deemed "Qualified Residual Payors" by the Guild due to their past bargaining relationship and/or Residuals payment history, the term "Qualified Residual Payor" shall mean a Distributor who satisfies the requirements set forth in subparagraphs (1) and (2) below:
  - (1) Distributor has the financial history, liquidity, net earnings before interest, taxes and amortization, assets, and net worth to establish its present and future ability to pay Residuals arising from the exploitation of the Guild Pictures being distributed.
  - (2) The Distributor has been in business for five (5) or more years and has a history of prompt and proper payment of Residuals pursuant to the Guild contracts in five (5) consecutive years immediately prior to seeking Qualified Distributor status.
  
- (b) A Qualified Residual Payor shall have the right to elect, with respect to each DGA Picture for which it has distribution rights, whether or not to assume Residuals obligations or guarantee the payment of Residuals in accordance with the Qualified Residual Payor's Letter of Agreement, as set forth in Exhibit "A-2" of this Agreement, for the territories, media and term for which it has distribution rights. However, the Qualified Residual Payor shall be entitled to the rights of a Qualified Residual Payor hereunder

only when it elects to so assume such obligations or so guarantee the payment of Residuals.

- (c) In the event of a dispute as to qualifications of an applicant for Qualified Residual Payor status, Employer shall provide such financial assurances as the Guild may deem appropriate, which may include, but are not limited to, a security interest in the Picture and related collateral, in which case Distributor shall acknowledge same. Said security interest shall remain effective unless and until it is established by agreement or in an arbitration, pursuant to the arbitration provisions contained in the Basic Agreement, that the applicant Distributor meets the aforementioned requirements for qualification. Such applicant shall have the burden of proof that it satisfies the aforementioned requirements for qualification in any arbitration and shall, upon the Guild's request, furnish to the Guild all relevant financial or corporate information relating thereto as the Guild may reasonably require.
- (d) Any information submitted to the Guild in order to determine whether a distributor is entitled to status as a Qualified Residual Payor shall, at the Distributor's discretion, be subject to reasonable confidentiality arrangements.
- (e) In the event that a Qualified Residual Payor, after notice and a reasonable opportunity to cure, generally fails to report and/or pay Residuals when they are due or generally fails to pay obligations to creditors when they become due or in the event a petition is filed under the Bankruptcy Code by or against a Qualified Residual Payor, the Guild shall have the right to terminate the Distributor's Qualified Residual Payor status. The Distributor shall have the right to invoke the arbitration procedures described above to challenge such termination. Pending the resolution of such challenge, the Qualified Residual Payor's status shall be considered terminated. The Guild agrees that it will not terminate a Qualified Residual Payor's status when there is a *bona fide* dispute as to whether Residuals are due, or a *bona fide* dispute as to the amount of Residuals due to the Guild, if the Distributor has otherwise timely reported and paid Residuals. In addition to the above, if a Guild audit conducted

pursuant to the Basic Agreement or other financial information discloses that the Qualified Residual Payor no longer meets the aforementioned standards for qualification, the Guild may initiate an arbitration pursuant to the Basic Agreement to terminate the Qualified Residual Payor's status.

**22-304      Television Buyer's Assumption Agreement**

- (a) If the Employer shall sell, transfer or assign its rights to exhibit on free television, basic cable or foreign television any of the motion pictures produced hereunder, or its rights to distribute theatrically or in Supplemental Markets or New Media any of the motion pictures produced hereunder in which one (1) or more Employees covered by the Agreement renders services, it shall obtain from such buyer, transferee or assignee a separate agreement, made expressly for the benefit of the Directors Guild of America as representative of the Employees involved and, insofar as Supplemental Markets rights are concerned, for the benefit of the Directors Guild of America – Producer Pension Plan (hereinafter "the Pension Plan"), requiring such buyer, transferee or assignee to comply with the provisions of this Agreement with respect to additional payments to Employees and/or the Pension Plan, and pension and health contributions, if any are required, by reason of the exhibition of such motion pictures on free television, basic cable or foreign television or the distribution of such motion pictures theatrically or in Supplemental Markets or New Media (as applicable), when and as the same become due. Such agreement shall be substantially in the following form:

## TELEVISION BUYER'S ASSUMPTION AGREEMENT

For valuable consideration, the undersigned \_\_\_\_\_

\_\_\_\_\_  
(INSERT NAME OF BUYER, TRANSFEREE OR ASSIGNEE)  
(hereinafter referred to as "Buyer") hereby agrees with

\_\_\_\_\_  
(INSERT NAME OF EMPLOYER)

that each motion picture covered by this agreement ("the Picture") (identified in the attached Exhibit "A") is subject to the Directors Guild of America Basic Agreement of 2014 covering television motion pictures and particularly to the provisions of Articles 11, 18, 20, 23, 24 and/or Sideletter No. 15 thereof (strike those of the following clauses (1), (2), (3), (4), (5), (6), (7) or (8) which are not applicable):

- (1) Paragraph 11-101 thereof, pertaining to additional compensation payable to Directors when television motion pictures are rerun on free television in the United States and Canada (including as modified in Section 24-300 thereof) and Article 12 thereof, pertaining to applicable pension and health contributions, if any are required;
- (2) Paragraph 11-102 thereof, pertaining to additional compensation payable to Directors when television motion pictures are telecast outside the United States and Canada and Article 12 thereof, pertaining to applicable pension and health contributions, if any are required;
- (3) Paragraph 11-108 thereof, pertaining to additional compensation payable to Directors when television motion pictures are released to basic cable and Article 12 thereof, pertaining to applicable pension and health contributions, if any are required;
- (4) Paragraph 11-201 thereof, pertaining to additional compensation payable to Directors when television motion

pictures are exhibited theatrically and Article 12 thereof, pertaining to applicable pension and health contributions, if any are required; and

- (5) Article 18 thereof, pertaining to additional payments to Employees and the Pension Plan when television motion pictures are released in Supplemental Markets;
- (6) Article 20 thereof, pertaining to additional compensation payable to Employees when motion pictures produced mainly for the pay television and videodisc/videocassette market are exhibited as provided in Sections 20-300, 20-400, 20-500, 20-600, 20-700 and 20-800 thereof; and
- (7) Paragraph 23-104 thereof, pertaining to additional compensation payable to Directors when high budget dramatic programs one-half hour or more in length made primarily for the basic cable market and exhibited as provided therein and Article 12 thereof, pertaining to applicable pension and health contributions, if any are required.
- (8) Sideletter No. 15 thereof, pertaining to additional payments to Employees and the Pension Plan when television motion pictures are released in New Media.

Buyer is purchasing rights in the following territories and media (indicate those that are applicable):

**Territory:**

\_\_\_\_\_ Domestic (the U.S. and Canada, and their respective possessions and territories)

\_\_\_\_\_ Foreign (the world excluding the U.S. and Canada and their respective possessions and territories)

\_\_\_\_\_ Other (please describe):

**Media:**

\_\_\_\_\_All

\_\_\_\_\_Theatrical

\_\_\_\_\_Home Video

\_\_\_\_\_Pay Television

\_\_\_\_\_Free Television (Domestic)

\_\_\_\_\_Foreign Free Television

\_\_\_\_\_Basic Cable

\_\_\_\_\_New Media

\_\_\_\_\_Other (please describe):

\_\_\_\_\_See description, attached hereto as Exhibit "A" and incorporated herein by reference.

Buyer hereby agrees, expressly for the benefit of the Directors Guild of America, hereinafter called "the DGA" or "the Guild," as representative of the Employees who rendered services on the Picture and, insofar as Supplemental Markets rights are concerned, for the benefit of the Directors Guild of America – Producer Pension Plan (hereinafter "the Pension Plan"), when exhibited on free television, foreign television, basic cable or exhibited theatrically or in Supplemental Markets or New Media (as applicable), to assume and be bound by Employer's obligation thereunder to make the additional payments required thereby, if any, with respect to the territories and media referred to above and the pension and health contributions required thereby, if any, as provided in the applicable Paragraphs, Sections, Articles and/or Sideletter referred to hereinabove (all such payments are collectively hereinafter referred to as "Residuals"). Buyer, for and on behalf of the Employer, shall make all Social Security, withholding, unemployment insurance and disability insurance

payments required by law with respect to the additional compensation referred to in the preceding sentence.

It is expressly understood that the right of Buyer to license the Picture for exhibition on free television, foreign television, basic cable, theatrically or in Supplemental Markets or New Media (as applicable), or to exhibit or cause or permit the Picture to be exhibited on free television, foreign television, basic cable, theatrically or in Supplemental Markets or New Media (as applicable), shall be subject to and conditioned upon the prompt payment of Residuals with respect to the territories and media referred to above in accordance with said applicable Section(s). It is agreed that the Guild, in addition to all other remedies, shall be entitled to injunctive relief against Buyer in the event such payments are not made.

To the extent that Employer has executed a security agreement and financing statement in the Guild's favor in the Picture and related collateral as defined in the DGA – Employer Security Agreement ("DGA Security Interest"), Buyer agrees and acknowledges that Buyer's rights to the Picture acquired pursuant to the Purchase Agreement (to the extent those rights are included in the collateral covered by the Security Agreement) are subject and subordinate to the DGA Security Interest. Buyer further agrees to execute a security agreement, mortgage of copyright, UCC-1, and other UCC documentation and any other document required under the Basic Agreement or necessary or desirable in the Guild's discretion to continue the DGA Security Interest. The Guild agrees that, so long as Residuals with respect to the Picture for all the territories and media referred to above are timely paid in accordance with said applicable Paragraphs, Sections, Articles and/or Sideletter, the Guild will not exercise any rights under the DGA Security Interest which would in any way interfere with the rights of the Buyer to distribute the Picture and receive all revenues from such distribution.

The Guild further agrees that if it exercises its rights as a secured party, it will dispose of collateral which encompasses any of Buyer's rights or interests in, or physical items relating to, the

Picture, only to a transferee which agrees in writing to be bound by the Guild's obligations under this Assumption Agreement.

Buyer agrees to keep (i) complete records showing all cities in the United States in which the Pictures have been telecast and the number of telecasts in each such city, the television stations on which telecast, and the dates thereof; (ii) complete records showing Distributor's Foreign Gross for the Picture(s) to the extent that such records are pertinent to the computation of payments for foreign telecasting; (iii) records showing the date on which each such Picture is first exhibited in theatrical exhibition anywhere in the world and the place of such exhibition; and (iv) complete records showing Employer's gross receipts from basic cable exhibition and from the distribution of such Picture in Supplemental Markets and New Media. The undersigned Buyer shall also keep such records as are necessary for the computation of Residuals for reruns, foreign telecasting, basic cable exhibition, theatrical exhibition, Supplemental Market and New Media use for so long as such Residuals may be due or payable. With respect to motion pictures produced mainly for the pay television and videodisc/videocassette market, Buyer shall comply with Paragraphs 20-903 and 20-904 to the extent they apply to Buyer's distribution of the motion picture. The Guild shall have the right, at all reasonable times, to inspect any and all such records. If Buyer shall fail to make such payments as and when due and payable, Buyer shall pay late payment damages as specified in the applicable provision of the Basic Agreement, if any.

In the event of any sale, assignment or transfer of Buyer's distribution or exhibition rights in the Picture, Buyer shall remain liable for the Residuals, with respect to the territories, media and term referred to above, unless Buyer obtains an executed Television Buyer's Assumption Agreement and other documents required by the Guild from such purchaser, assignee or transferee and the Guild approves in writing the financial responsibility of the party obtaining such rights. The Guild agrees that it will not unreasonably withhold its approval of the financial responsibility of any such purchaser, assignee or transferee. Nothing herein shall release the Employer of its obligations under the Basic

Agreement or any other agreement between Employer and the Guild relating to the Picture, unless the Employer has been relieved of liability pursuant to the provisions of this Paragraph 22-304.

If the Guild does not approve in writing the financial responsibility of the party obtaining such rights, this Television Buyer's Assumption Agreement shall remain effective and binding upon Buyer.

Buyer and the Guild hereby agree that all disputes based upon, arising out of or relating to this Assumption Agreement, other than the Guild's entitlement to injunctive or other equitable relief, shall be submitted to final and binding arbitration in accordance with the arbitration provisions contained in Article 2 of the Basic Agreement. Notwithstanding the foregoing, Buyer agrees and acknowledges that the Guild is not precluded by this or any other provision of this Assumption Agreement from obtaining from a court injunctive relief or any other legal remedy at any time prior to arbitration or issuance of an arbitration award. The right to obtain injunctive relief from a court shall be applicable whether an arbitration proceeding has or has not been initiated and, further, without limitation, shall be applicable in conjunction with a proceeding to confirm and enforce an arbitration award against Buyer.

If Buyer has acquired the rights to distribute the Picture on free television, Buyer shall give the Guild prompt written notice of the date on which the Picture is first telecast in any city in the United States for the second run and for each subsequent run thereafter. If the second or third run is on a network or the run is in network prime time, the notice shall state that fact.

If the Picture is distributed for foreign telecasting and if Buyer has acquired the rights to distribute the Picture for foreign telecasting, Buyer shall furnish reports to the Guild showing "Buyer's Foreign Gross" derived from the Picture until the Picture has been withdrawn from distribution for foreign telecasting. Such reports shall be rendered to the Guild on a quarterly basis during the first three (3) years in which the Picture is distributed

for foreign telecasting, on a semi-annual basis for the next following two (2) years, and on an annual basis thereafter.

If the Picture is distributed in Supplemental Markets and if Buyer has acquired the rights to distribute the Picture in Supplemental Markets, Buyer shall furnish reports to the Guild, quarterly during each calendar year, showing Buyer's gross receipts derived from such Supplemental Market use for as long as Buyer receives any such gross receipts.

If the Picture is distributed theatrically and if Buyer has acquired the rights to exhibit the Picture theatrically, the Buyer shall give prompt written notice to the Guild of the date on which the Picture is first exhibited theatrically (i) in the United States, its commonwealths, territories and possessions and Canada and/or (ii) in all other countries.

If the Picture is distributed on basic cable and if Buyer has acquired the rights to distribute the Picture on basic cable, the Buyer shall furnish reports to the Guild, quarterly during each calendar year, showing Buyer's gross receipts derived from such distribution for so long as Buyer receives any such gross receipts.

Buyer agrees to cooperate in responding to reasonable requests from the Guild as to whether the Picture is currently being rerun on television, distributed for foreign telecasting, on basic cable, theatrically or in Supplemental Markets or New Media. An inadvertent failure to comply with any of the notice or reporting provisions hereof shall not constitute a default by Buyer hereunder, provided said failure is cured promptly after written notice thereof from the Guild.

**THIS TELEVISION BUYER'S ASSUMPTION AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA AND THE UNITED STATES, AS THE SAME WOULD BE APPLIED BY A FEDERAL COURT IN CALIFORNIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. The Guild and Buyer agree that any arbitration or legal action or proceeding brought to interpret or**

enforce the provisions of this Television Buyer's Assumption Agreement (including an action to compel arbitration or a petition to vacate an arbitration award) shall be held or brought in Los Angeles County, California, and Buyer irrevocably submits to the jurisdiction of the federal and state courts therein.

Notwithstanding the foregoing, the Guild, at its option, may bring a legal action or proceeding outside California under the following circumstances: (i) if Buyer has no principal place of business in California; or (ii) whether or not Buyer has a principal place of business in California, to enforce or execute upon an arbitration award or court order or judgment, in any jurisdiction in which Buyer's assets are located (and Buyer irrevocably submits to the jurisdiction of the courts of such places for purposes of such execution or enforcement). Buyer consents to service of process by personal delivery or by certified or registered mail, return receipt requested, to Buyer's general counsel or to Buyer's representative identified below or by first class mail to Buyer when Buyer has not designated a representative or a general counsel, or by any other method permitted by law.

DATE \_\_\_\_\_

BUYER \_\_\_\_\_

ADDRESS \_\_\_\_\_

BY \_\_\_\_\_

BUYER'S REPRESENTATIVE OR GENERAL COUNSEL  
\_\_\_\_\_

- (b) The Employer agrees to deliver to the Guild an executed copy of the above referred to Television Buyer's Assumption Agreement within thirty (30) days after the sale, assignment or transfer of such motion picture, with the name and address of the purchaser or assignee.
- (c) Any inadvertent failure on the part of the Buyer to comply with any of the reporting provisions of this Paragraph 22-304(a) shall

in no event constitute a default by the Employer or such Buyer or a breach of this Agreement, provided that such failure is cured promptly after notice in writing thereof from the Directors Guild of America.

- (d) Upon delivery of such Television Buyer's Assumption Agreement and other documents from Buyer required under this Assumption Agreement and on condition that the Guild approves in writing the financial responsibility of the purchaser, assignee or transferee, Employer shall not be further liable for the keeping of any such records, or for the payment of Residuals in accordance with said applicable Section, it being agreed that the purchaser, assignee or transferee shall solely be liable therefor.

The Guild agrees that it will not unreasonably withhold its approval of the financial responsibility of any such purchaser, assignee or transferee, it being further agreed that if the Guild, within twenty-one (21) days of receipt of written notice of any such sale, assignment or transfer, has not advised the Employer that it disapproves the financial responsibility of such purchaser, assignee or transferee, the Guild will be deemed to have approved the financial responsibility thereof. If any such purchaser, assignee or transferee is a Qualified Residual Payor, then the financial responsibility of such purchaser, assignee or transferee shall be deemed automatically approved. In the event the Guild advises the Employer within such twenty-one (21) day period that it disapproves the financial responsibility of any such purchaser, assignee or transferee and Employer disputes such disapproval, the Employer shall have the right, at its election, to cause to be immediately submitted to arbitration pursuant to the provisions of Article 2 hereof, the issue of whether the Guild has unreasonably withheld the approval of the financial responsibility of such purchaser, assignee or transferee for payments due hereunder.

**22-305      Financial Security**

To the extent that Employer has granted a security interest in favor of the Guild in the Picture and related collateral as defined in any DGA Security Agreement, Buyer's rights in the Picture acquired pursuant to the Purchase Agreement shall be subject to the following:

- (a) So long as the Buyer timely pays Residuals for the Picture with respect to all territories and media in which Buyer has distribution rights in accordance with Articles 11, 18, 20, 23, 24 and/or Sideletter No. 15 of this Basic Agreement, as applicable, the Guild shall not exercise any rights under such security agreement which would in any way interfere with the rights of the Buyer to distribute the Picture and receive all revenues from such distribution, provided that such Buyer has executed and delivered a Television Buyer's Assumption Agreement to the Guild and is in compliance with the terms thereof.
- (b) If any "Qualified Residual Payor," as that term is defined in Paragraph 22-306, assumes in perpetuity under the Television Buyer's Assumption Agreement the obligation to pay the Residuals for all territories and media with respect to the Picture or guarantees in a written form satisfactory to the Guild (which shall include the Standard Letter of Guaranty set forth in Exhibit "B-2" of this Agreement) all of such obligations thereunder, the Guild will release and cause to be discharged of record all such security interests, liens, charges or encumbrances entered into or obtained from such Employer and will not require further financial assurances from such Employer.
- (c) If any "Qualified Residual Payor" acquires rights to distribute the Picture in specific territories and media (but not all territories and media) in perpetuity, and has assumed responsibility for the payment of Residuals for such territories and media so acquired pursuant to the Television Buyer's Assumption Agreement or guarantees in a written form satisfactory to the Guild (which shall include the Standard Letter of Guaranty set forth as Exhibit "B-2" of this Agreement) all of such obligations thereunder, then if the Employer has granted a security interest in favor of the Guild in the Picture and related collateral as defined in the DGA Security Agreement, the Guild: (1) agrees to modify the definition of the collateral in the DGA Security Agreement to exclude those territories and media acquired by such Qualified Residual Payor; and (2) acknowledges Qualified Residual Payor's continuing rights of full, unlimited but non-exclusive access to and use of any and all physical items and elements relating to the Picture.

**Qualified Residual Payor**

- (a) In addition to those buyers who have been deemed "Qualified" by the Guild due to their past bargaining relationship and/or Residuals payment history, the term "Qualified Residual Payor" shall mean a Buyer who satisfies the requirements set forth in subparagraphs (1) and (2) below:
- (1) Buyer has the financial history, liquidity, net earnings before interest, taxes and amortization, assets, and net worth to establish its present and future ability to pay all Residuals arising from the exploitation of the Guild Pictures being distributed.
  - (2) The Buyer has been in business for five (5) or more years and has a history of prompt and proper payment of Residuals pursuant to the Guild contracts in five (5) consecutive years immediately prior to seeking Qualified Buyer status.
- (b) A Qualified Residual Payor shall have the right to elect, with respect to each DGA Picture for which it has distribution rights, whether or not to assume Residuals obligations or guarantee the payment of Residuals in accordance with the Qualified Residual Payor's Letter of Agreement, for the territories and media for which it has distribution rights. However, the Qualified Residual Payor shall be entitled to the rights of a Qualified Residual Payor hereunder only when it elects to so assume such obligations or so guarantee the payment of Residuals.
- (c) In the event of a dispute as to qualifications of an applicant for Qualified Residual Payor status, Employer shall provide such financial assurances as the Guild may deem appropriate, which may include, but are not limited to, a security interest in the Picture and related collateral, in which case Buyer shall acknowledge same. Said security interest shall remain effective unless and until it is established by agreement or in an arbitration, pursuant to the arbitration provisions contained in the Basic Agreement, that the applicant Buyer meets the aforementioned requirements for qualification. Such applicant shall have the

burden of proof that it satisfies the aforementioned requirements for qualification in any arbitration and shall, upon the Guild's request, furnish to the Guild all relevant financial or corporate information relating thereto as the Guild may reasonably require.

- (d) Any information submitted to the Guild in order to determine whether a Buyer is entitled to status as a Qualified Residual Payor shall, at the Buyer's discretion, be subject to reasonable confidentiality arrangements.
- (e) In the event a Qualified Residual Payor, after notice and a reasonable opportunity to cure, generally fails to report and/or pay Residuals when they are due or generally fails to pay obligations to creditors when they become due or in the event a petition is filed under the Bankruptcy Code by or against a Qualified Residual Payor, the Guild shall have the right to terminate such Qualified Residual Payor status. The Qualified Residual Payor shall have the right to invoke the arbitration procedures described above to challenge such termination. Pending the resolution of such challenge, the Qualified Residual Payor's status shall be considered terminated. The Guild agrees that it will not terminate a Qualified Residual Payor's status when there is a *bona fide* dispute over whether Residuals are due to the Guild, or a *bona fide* dispute as to the amount of Residuals due to the Guild, if the Distributor has otherwise timely reported and paid Residuals. In addition to the above, if a Guild audit conducted pursuant to the Basic Agreement or other financial information discloses that the Qualified Residual Payor no longer meets the aforementioned standards for qualification, the Guild may initiate an arbitration pursuant to the Television Agreement to terminate the Qualified Residual Payor's status.

## **Section 22-400    EMPLOYER'S DISSOLUTION**

If Employer dissolves and if a Distributor assumes all of the obligations of the Employer for the payment of Residuals, and the financial responsibility of the Distributor is approved by the Guild in its discretion, then Employer shall thereupon be released of any obligation with respect to any payments due hereunder.

**Section 22-500    ASSUMPTION AGREEMENT NOT REQUIRED**

No television network, station, sponsor or advertising agency shall be required to execute any Television Distributor's Assumption Agreement or Television Buyer's Assumption Agreement, unless it is the distributor of such television motion picture or the buyer of the Employer's television rights in such motion picture, as the case may be.