

Sideletter No. 18

As of July 1, 2014

Jay D. Roth  
National Executive Director  
Directors Guild of America, Inc.  
7920 Sunset Boulevard  
Los Angeles, California 90046

**Re: License of Free Television, Basic Cable or Pay Television Motion Pictures to Secondary Digital Channels**

Dear Jay:

During the 2014 negotiations, the parties discussed the residual formula for exhibition of television motion pictures on secondary digital channels. The parties agreed that instead of a fixed residual formula, an Employer shall pay a percentage residual formula of two percent (2%) of “Employer’s gross receipts” (as defined in Article 7.E.1.) for any license to a secondary digital channel of any free television or pay television dramatic motion picture, or any basic cable program not subject to FLTTA Article 31.A.4.(b), as to which a fixed residual otherwise would be payable that (i) has been out of production for at least three years and (ii) has not been exhibited under a fixed residual formula in syndication (except in the non-lead market) or pay television for at least three years in the case of a free television or pay television program or has not been exhibited under a fixed residual formula in syndication (except in the non-lead market), pay television or basic cable for at least three years in the case of a basic cable program. However, for any free television series consisting of sixty-eight (68) or fewer episodes or any basic cable or pay television series consisting of forty (40) or fewer episodes, the series need only have been out of production for at least two years and not been exhibited under a fixed residual formula on basic cable, pay or free television (except syndication in the non-lead market) for at least one year.

When the “Employer’s gross” derived from this exploitation is received from a related or affiliated entity that acts as the Distributor or exhibitor of the program, then the “Employer’s gross” received by the Employer from the licensing of such rights shall be measured by the Distributor/exhibitor’s payments to unrelated and unaffiliated entities in arms’ length transactions for comparable programs, or, if none, then the amounts received by the Employer from unrelated and unaffiliated Distributors/exhibitors in arms’ length transactions for comparable programs, or, if none, a comparable Distributor/exhibitor’s payments to comparable unrelated and unaffiliated entities in arms’ length transactions for comparable programs.

Sideletter No. 18 (continued)

Notwithstanding any of the foregoing, the minimum payment pursuant to this Sideletter for any program licensed to a related or affiliated entity shall be \$50.00 for a 30-minute program, \$100.00 for a 60-minute program, \$150.00 for a 90-minute program, or \$200.00 for a 120-minute program, as applicable.

The foregoing applies to motion pictures, whether produced under the 2014 FLTTA or any prior FLTTA as to which residuals otherwise would be payable.

Sincerely,

Carol A. Lombardini

ACCEPTED AND AGREED:

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Jay D. Roth  
National Executive Director