

SIDELETTER NO. 7

As of July 1, 2017

Russell Hollander
National Executive Director
Directors Guild of America, Inc.
7920 Sunset Boulevard
Los Angeles, California 90046

Re: Second or Subsequent License of High Budget Dramatic Programs Made for Basic Cable to the Same or Different Basic Cable Service

Dear Mr. Hollander:

Reference is made to the provisions of Paragraph 23-104 of the 2017 DGA Basic Agreement.

During the 2017 negotiations, the parties agreed that residuals for any second or subsequent license of a high budget dramatic program or series made for basic cable to any basic cable service shall be paid in accordance with the terms of this Sideletter, rather than pursuant to Paragraph 23-104, when the program or series is no longer in production. Specifically, with respect to any such license, the Employer shall pay two percent (2%) of “Employer’s gross receipts” (as defined in Paragraph 11-108), provided that for a second or subsequent sale to the same basic cable service to which the program or series was originally licensed, all runs licensed under the license agreement for the initial basic cable exhibition subject to a fixed residual have been exhausted. Employer shall be deemed to have exhausted all unused runs under the initial license agreement upon payment under the run-based residual formula of a number of runs under the second license to the same basic cable service equal to the number of all unused runs under the initial license.

When the “Employer’s gross” derived from such 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 series, or, if none, a comparable Distributor/exhibitor’s payments to comparable unrelated and unaffiliated entities in arms’ length transactions for comparable programs or series.

Notwithstanding any of the foregoing, the minimum payment pursuant to this Sideletter for any program licensed to a related or affiliated entity shall be \$100.00 for a 30-minute program, \$200.00 for a 60-minute program, \$300.00 for a 90-minute program, or \$400.00 for a 120-minute program, as applicable.

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The foregoing applies to motion pictures, whether produced under the 2017 Basic Agreement or any prior Basic Agreement, as to which residuals otherwise would be payable. For purposes of this Sideletter, a "high budget" dramatic program or series made for basic cable means any program or series made for basic cable before July 1, 1999 or a program or series made for basic cable on or after July 1, 1999 that meets the high budget test in effect at the time the basic cable program or series was produced.

Sincerely,



Carol A. Lombardini

ACCEPTED AND AGREED:



Russell Hollander
National Executive Director