

Sideletter No. 18

As of July 1, 2014;
Revised as of July 1, 2017

Russell Hollander
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 or Motion Pictures Made for Home Video to Secondary Digital Channels

Dear Mr. Hollander:

During the 2017 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, non-dramatic program, motion picture made for home video or any basic cable program not subject to FLTTA Article 31.A.4.(b), as to which a fixed residual otherwise would be payable and that is out of production.

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.

Notwithstanding any of the foregoing, the minimum payment pursuant to this Sideletter for any program, except non-dramatic programs, licensed to a related or affiliated entity shall be \$75.00 for a 30-minute program, \$150.00 for a 60-minute program, \$200.00 for a 90-minute program, or \$250.00 for a 120-minute program, as applicable; and the minimum payment pursuant to this Sideletter for any non-dramatic 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.

Sideletter No. 18 (continued)

The foregoing applies to motion pictures, whether produced under the 2017 FLTTA or any prior FLTTA as to which residuals otherwise would be payable.

Sincerely,

Carol A. Lombardini

ACCEPTED AND AGREED:

Russell Hollander
National Executive Director