

SIDELETTER NO. 2

As of July 1, 2017

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

Re: Over-The-Top Delivery of Pay Television Services

Dear Mr. Hollander:

The parties confirmed that when a pay television service (such as HBO, Showtime or Starz) is delivered to subscribers over-the-top ("OTT") without an additional subscription fee (such as HBO Go, Showtime Anytime or Starz Play), the OTT service is treated as part of the linear pay television service for all purposes under the DGA Basic Agreement (and FLTTA). It is understood that foreign sales of traditional pay television will be combined with foreign sales of OTT pay television for purposes of applying the two percent (2%) formula set forth in Paragraph 20-403.

When a subscription fee is charged for the over-the-top ("OTT") delivery of a pay television service (such as for HBO Now and the stand-alone New Media subscription services of Showtime and Starz), the OTT service shall be treated as part of the linear pay television service for all purposes under the DGA Basic Agreement (and FLTTA). It is understood that foreign sales of traditional pay television will be combined with foreign sales of OTT pay television for purposes of applying the two percent (2%) formula set forth in Paragraph 20-403.

For example, during the first exhibition year on HBO and HBO Now of a pay television program produced for HBO, the subscriber residual payment is based on the total number of subscribers to HBO and HBO Now. In the event that an HBO program is available on HBO Now and not HBO during a subsequent exhibition year, the subscriber residual payment for the particular exhibition year is based on the cumulative subscribers to HBO Now and HBO, even if the exhibition is solely on HBO Now.

Sincerely,



Carol A. Lombardini

AGREED:



Russell Hollander