

SIDELETTER NO. 35

As of July 1, 2008;  
Renewed as of July 1, 2011;  
Revised as of July 1, 2014;  
Revised as of July 1, 2017;  
Revised as of July 1, 2020

Ms. Carol A. Lombardini  
Alliance of Motion Picture and Television Producers, Inc.  
15301 Ventura Boulevard, Building E  
Sherman Oaks, California 91403-5885

**Re: Programs Produced for New Media**

Dear Ms. Lombardini:

When the parties entered into the 2014 negotiations, they mutually understood that the economics of New Media production were uncertain and that greater flexibility in terms and conditions of employment was beneficial. The parties understood that if one or more business models developed such that New Media production became an economically viable medium, then the parties would mutually recognize that fact in future agreements.

During the 2020 negotiations, in recognition of emerging subscription video-on-demand services exhibiting high budget dramatic productions, the parties agreed to modify the terms and conditions for “high budget” dramatic productions made for subscription consumer pay New Media platforms (hereinafter “subscription consumer pay platforms”) as provided in Sections D. and E.3. below.

**A. Terms and Conditions for “Derivative New Media Productions” (Other Than “High Budget” Dramatic Productions Made For a Subscription Consumer Pay Platform).**

A “Derivative New Media Production” hereunder is a production for New Media based on an existing television motion picture or program that was produced under the Basic Agreement for “traditional” media – *e.g.*, a free television, basic cable, or pay television motion picture or program (the “Original Production”).

1. A Director must be employed. The Employer shall pay the Director a salary for a Derivative New Media Production separate from any directing salary for the Original Production, which shall be subject to negotiation between the individual Employee and the Employer, and which must be reported to the Guild in a deal memorandum specifying the salary and terms of employment no later than the start of principal photography.

2. UPMs and Assistant Directors employed on the Original Production may be assigned to the Derivative New Media Production as part of their regular workday on the Original Production. The work for the Derivative New Media Production shall be considered part of the workday for the UPMs and ADs on the Original Production and shall trigger extended workday payments or overtime if work on the Derivative New Media Production extends the workday on the Original Production past the contractually defined regular workday. If an Employee who is not employed on the Original Production is employed to perform UPM or Assistant Director duties exclusively for a Derivative New Media Production, then the terms and conditions set forth below govern.

3. All terms and conditions of employment, including initial compensation and deferred compensation, if any, will be subject to negotiation between the Employer and the individual Employee, except for Director's credit and residuals as set forth in Paragraphs c. and d. below and those provisions of the BA incorporated herein by reference in Paragraph a. below. DGA agrees that it will not interfere in any such negotiations between the Employee and the Employer.

a. The following provisions of the BA are incorporated herein. To the extent the provisions herein are inconsistent with the BA, the provisions of this sideletter control.

(1) Article 1, Recognition and Guild Shop.

Notwithstanding the Guild Shop provisions set forth in Paragraph 1-401 of the Basic Agreement, an individual engaged as the Director of a Derivative New Media Production shall not be required to become a "member of the Guild in good standing" until he or she completes production of 120 total minutes of programming, as edited for exhibition. The 120 minutes of programming applies per Director, regardless of the number of Employers for which the Director works. The above provision applies only to Directors who are not, and have not previously been, members of the DGA and only to work performed on covered New Media productions.

(2) Article 2, Grievance and Arbitration.

(3) Article 12, Pension and Health Plans.

(4) Although the provisions of Section 1-300 are not applicable, it is understood that the Employer may not assign any of the duties described therein to persons outside the bargaining unit. The Employer shall not be required to assign work to an Employee hereunder when the Employer would not be required to do so under the BA.

(5) Article 17, Miscellaneous Provisions, except that (1) the second, third, and fourth sentences of Paragraph 17-201 shall not apply, and (2) Paragraph 17-501

shall not apply, and if no First Assistant Director is employed, the meeting described in Paragraph 17-502 may instead be called by the person who is designated as the safety officer.

b. The Employer shall advise the DGA of the employment of any Employee by forwarding to the DGA a copy of a deal memorandum, signed by both the Employer and the Employee, which shall set forth at least the information required by Exhibits 1(A) and (B) attached to this sideletter no later than the start of principal photography.

c. The Employer is required to accord screen credit to the Director if anyone else receives screen credit on the New Media production. The Director's credit shall be in the form "Directed by" and must be in the same size and style of type as any other such credit. Credits may appear in the corner of the screen. "Click-through" credits may be used.

d. Reuse - Refer to Section E. below.

e. DGA agrees to make appropriate accommodations in its initiation fees in recognition of the economics of Made for New Media Productions.

**B. Terms and Conditions for "Experimental New Media Productions" (Original Productions Only).**

Coverage shall be at the Employer's option with respect to "Experimental New Media Productions." An "Experimental New Media Production" is defined as any Original New Media Production (1) for which the actual cost of production does not exceed: (a) \$15,000 per minute of program material as exhibited, and (b) \$300,000 per single production as exhibited, and (c) \$500,000 per series of programs produced for a single order; and (2) does not utilize an employee in any DGA-covered category who has previously been employed under a DGA collective bargaining agreement.

The actual cost of the Experimental New Media Production shall consist of all direct costs actually incurred in connection with the Production. The only costs excluded in determining the actual cost of production shall be development costs, overhead charges, financing costs (*i.e.*, loan origination fees, gap fees, legal fees, and interest), contingency of up to ten percent (10%), essential elements insurance costs, the cost of the completion bond, marketing expenses, contingent payments to talent or other parties, and delivery items required by sales agents, distributors or sub-distributors (*i.e.* delivery materials beyond the answer print, NTSC Video Master if the Production is delivered on videotape, or the digital equivalent if the Production is delivered in a digital format).

**C. Terms and Conditions for Original “Made for New Media” Dramatic Motion Pictures and Dramatic Series Productions (Other Than “High Budget” Dramatic Productions Made For a Subscription Consumer Pay Platform).**

A Director must be employed. All terms and conditions of employment, including initial compensation and deferred compensation, if any, will be subject to negotiation between the Employer and the individual Employee, except for Director’s credit and residuals as set forth in Paragraphs 3. and 4. below and those provisions of the BA incorporated herein by reference in Paragraph 1. below. DGA agrees it will not interfere in any such negotiations between the Employee and the Employer.

1. The following provisions of the BA are incorporated herein. To the extent the provisions herein are inconsistent with the BA, the provisions of this sideletter control.

a. Article 1, Recognition and Guild Shop.

Notwithstanding the Guild Shop provisions set forth in Paragraph 1-401 of the Basic Agreement, an individual engaged as the Director of an Original New Media Production shall not be required to become a “member of the Guild in good standing” until he or she completes production of 120 total minutes of programming, as edited for exhibition. The 120 minutes of programming applies per Director, regardless of the number of Employers for which the Director works. The above provision applies only to Directors who are not, and have not previously been, members of the DGA and only to work performed on covered New Media productions.

b. Article 2, Grievance and Arbitration.

c. Article 12, Pension and Health Plans.

d. Although the provisions of Section 1-300 are not applicable, it is understood that the Employer may not assign any of the duties described therein to persons outside the bargaining unit. The Employer shall not be required to assign work to an Employee hereunder when the Employer would not be required to do so under the BA.

e. Subparagraph 14-114(d).

f. Article 17, Miscellaneous Provisions, except that (1) the second, third, and fourth sentences of Paragraph 17-201 shall not apply, and (2) Paragraph 17-501 shall not apply, and if no First Assistant Director is employed, the meeting described in Paragraph 17-502 may instead be called by the person who is designated as the safety officer.

2. The Employer shall advise DGA of the employment of any Employee by forwarding to DGA a copy of a deal memorandum, signed by both the Employer and the

Employee, which shall set forth at least the information required by Exhibits 1(A) and (B) attached to this agreement no later than the start of principal photography.

3. The Employer is required to accord screen credit to the Director if anyone else receives screen credit on the New Media Production. The Director's credit shall be in the form "Directed by" and must be in the same size and style of type as any other such credit. Credits may appear in the corner of the screen. "Click-through" credits may be used.

4. Reuse - Refer to Section E. below.

5. DGA agrees to make appropriate accommodations in its initiation fees in recognition of the economics of Made for New Media Productions.

**D. Terms and Conditions for "High Budget" Original and Derivative Dramatic Productions Made For a Subscription Consumer Pay Platform.**

1. "High Budget SVOD Programs" Defined.

The terms and conditions set forth in Section D.2. and the reuse provisions set forth in Section E.3. of this Sideletter shall be applicable only to original and derivative dramatic New Media productions made for initial exhibition on a subscription consumer pay platform which meet the following "high budget" criteria (hereinafter "High Budget SVOD Programs") and are not "grandfathered" as provided in Sections D.1.a. through c. below:

<b>Length of Program as Initially Exhibited*</b>	<b>"High Budget" Threshold</b>
20-35 minutes	\$1,000,000 and above (\$1,030,000 and above effective July 1, 2022) (See Section D.1.a. for certain programs or series budgeted at less than \$1,300,000 as of June 30, 2020)
36-65 minutes	\$1,700,000 and above (\$1,750,000 and above effective July 1, 2022) (See Section D.1.a. for certain programs or series budgeted at less than \$2,500,000 as of June 30, 2020)
66 minutes or more	\$3,000,000 and above
* Programs less than 20 minutes are not considered "high budget" for purposes of this Sideletter.	

a. The terms and conditions set forth in Section D.2. and the reuse provisions set forth in Section E.3. of this Sideletter shall not apply to any program or series

budgeted at less than \$1,300,000 for a 20-35 minute program or less than \$2,500,000 for a 36-65 minutes program as of June 30, 2020 that would otherwise qualify as a “High Budget SVOD Program” under the 2020 Basic Agreement, and, instead, shall be subject to Sections A. and E.1. of Sideletter No. 35 of the 2020 BA if a “Derivative New Media Production (other than a ‘High Budget SVOD Program’)” or Sections C. and E.2. of Sideletter No. 35 of the 2020 BA if an “Original New Media Production (other than a ‘High Budget SVOD Program’),” if:

(1) principal photography of the program, or the first episode in the case of a series, commences prior to July 1, 2020; or

(2) principal photography of the program, or the first episode in the case of a series, commences on or after July 1, 2020 pursuant to a license agreement entered into prior to July 1, 2020.<sup>1, 2</sup>

b. The terms and conditions set forth in Section D.2. and the reuse provisions set forth in Section E.3. of this Sideletter also shall not apply to a High Budget SVOD series that continues in production on or after July 1, 2020 and was grandfathered, and continues to be grandfathered, pursuant to Section D.1. of Sideletter No. 35 of the 2017 Basic Agreement (*i.e.*, it is subject to Sideletter No. 35 of the 2014 Basic Agreement or 2011 Basic Agreement, as applicable). Such High Budget SVOD series shall not be subject to Sideletter No. 35 of the 2020 Basic Agreement, except that the minimum salary rates for Directors shall be as set forth in

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<sup>1</sup> If the licensee orders additional programs or episodes of the series, the principal photography of which will commence on or after July 1, 2020, pursuant to a license agreement entered into prior to July 1, 2020, and the Employer has the right to negotiate with respect to the material terms and conditions of the license for the additional programs or episodes, then the program or episodes of the series shall be subject to the terms and conditions set forth in Section D.2. and the reuse provisions set forth in Section E.3. of this Sideletter No. 35 to the 2020 Basic Agreement.

<sup>2</sup> The Employer shall notify the DGA of any such license agreement that it enters into prior to July 1, 2020. The notice shall include the name of the licensee, the term of the license agreement, the license fee, the number of programs or the number of minutes of programming to be produced under the license agreement, the anticipated start date of principal photography, the anticipated date of delivery of the program or series, and whether the licensee has an option to order additional programs or series under the license agreement and, if so, whether the material terms and conditions applicable to such additional programs or series are fixed in the license agreement or are subject to negotiation. At the DGA's request, the Employer must make an unredacted license agreement available for inspection at the Employer's office in Los Angeles subject to a confidentiality agreement equivalent to those governing new media license agreement inspections as described in Sideletter No. 15 re Exhibition of Motion Pictures Transmitted via New Media.

Section D.1.d.(1) and (2) below; the minimum salary rates for Employees other than Directors shall be as set forth in Section D.2.b. below and the fringe rates shall be as set forth in the 2020 Basic Agreement.

c. Subject to the next paragraph, any High Budget SVOD Program which commences principal photography on or after July 1, 2020 and any episodes of a High Budget SVOD series (other than those referred to in Sections D.1.a. or b. above) which commence principal photography on or after July 1, 2020 pursuant to a license agreement entered into prior to July 1, 2020<sup>3,4</sup> shall be subject to grandfathering (*i.e.*, Sideletter No. 35 to the 2017 Basic Agreement shall apply instead of Sideletter No. 35 to the 2020 Basic Agreement), except that (1) the minimum salary rates for Directors shall be as set forth in Section D.1.e.(1) and (2) below, (2) the minimum salary rates for Employees other than Directors shall be as set forth in Section D.2.b. below and (3) the fringe rates shall be as set forth in the 2020 Basic Agreement.

“Grandfathering” as set forth in Section D.1.c. above is eliminated for any new season of a High Budget SVOD series for which principal photography of the first episode of the season commences on or after July 1, 2021. All episodes of that season and any subsequent seasons of the series shall be subject to the terms and conditions applicable during the contract year in which they were produced (*i.e.*, the terms and conditions set forth in Section D.2. and 3. below and the reuse provisions set forth in Section E.3. of this Sideletter). Examples of “grandfathering” scenarios are set forth below:

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<sup>3</sup> If the licensee orders additional High Budget SVOD Programs or episodes of a High Budget SVOD series, the principal photography of which will commence on or after July 1, 2020, pursuant to a license agreement entered into prior to July 1, 2020, and the Employer has the right to negotiate with respect to the material terms and conditions of the license for the additional programs or episodes, then the High Budget SVOD Program or episodes of the High Budget SVOD series shall be subject to the terms of this Sideletter No. 35 to the 2020 Basic Agreement.

<sup>4</sup> The Employer shall notify the DGA of any such license agreement that it enters into prior to July 1, 2020. The notice shall include the name of the licensee, the term of the license agreement, the license fee, the number of programs or the number of minutes of programming to be produced under the license agreement, the anticipated start date of principal photography, the anticipated date of delivery of the program or series, and whether the licensee has an option to order additional programs or series under the license agreement and, if so, whether the material terms and conditions applicable to such additional programs or series are fixed in the license agreement or are subject to negotiation. At the DGA's request, the Employer must make an unredacted license agreement available for inspection at the Employer's office in Los Angeles subject to a confidentiality agreement equivalent to those governing new media license agreement inspections as described in Sideletter No. 15 re Exhibition of Motion Pictures Transmitted via New Media.

**Examples of High Budget SVOD “Grandfathering”**

**Example 1:**

A license for a High Budget SVOD series is first entered into on June 1, 2016.

- Season 1 is produced between July 1, 2016 and June 30, 2017;
- Season 2 is produced between July 1, 2017 and June 30, 2018;
- Season 3 is produced between July 1, 2018 and June 30, 2019;
- Season 4 is produced between July 1, 2019 and June 30, 2020;
- Season 5 is produced between July 1, 2020 and June 30, 2021; and
- Season 6 is produced between July 1, 2021 and June 30, 2022.

In this example, the entire series would remain grandfathered and subject to the terms of Sideletter 35 of the 2014 Basic Agreement, and not subject to Sideletter No. 35 of the 2020 Basic Agreement, except that the minimum salary rates and fringe rates would be as set forth in the 2020 Basic Agreement.

**Example 2:**

A license for a High Budget SVOD series is first entered into on June 1, 2018.

- Season 1 is produced between July 1, 2018 and June 30, 2019;
- Season 2 is produced between July 1, 2019 and June 30, 2020;
- Season 3 is produced between July 1, 2020 and June 30, 2021; and
- Season 4 is produced between July 1, 2021 and June 30, 2022.

Seasons 1 and 2 were produced under the terms of the 2017 Basic Agreement, and those terms would remain applicable. Season 3 would be grandfathered, and would be subject to Sideletter No. 35 of the 2017 Basic Agreement, except that the minimum salary rates and fringe rates would be as set forth in the 2020 Basic Agreement. Season 4 would not be grandfathered, and would be subject to Sideletter No. 35 of the 2020 Basic Agreement.

**Example 3:**

A license for a High Budget SVOD series is first entered into on March 1, 2020.

- The pilot is produced in March 2020.
- Season 1 is produced between July 1, 2020 and June 30, 2021; and
- Season 2 is produced between July 1, 2021 and June 30, 2022.

The pilot was produced under the terms of the 2017 Basic Agreement, and those terms would remain applicable. Season 1 would be grandfathered, and would be subject to Sideletter No. 35 of the 2017 Basic Agreement, except that the minimum salary rates and fringe rates would be as

set forth in the 2020 Basic Agreement. Season 2 would not be grandfathered, and would be subject to Sideletter No. 35 of the 2020 Basic Agreement.

d. (1) The minimum salary shall be as follows for a Director employed on a grandfathered High Budget SVOD Program under Section D.1.b. that is intended for initial exhibition on a subscription consumer pay platform with 15 million or more subscribers in the United States and Canada:

<b>Program Length</b>	<b>Budget Tier</b>	<b>7/1/20</b>	<b>7/1/21</b>	<b>7/1/22<sup>†</sup></b>	<b>Guaranteed Days (Shooting/ Prep)</b>
20-35 minutes	(1) \$2,100,000 or more	\$ 29,446	\$ 30,182	\$ 31,087	7 (4/3)
	(2) \$1,300,000 or more but less than \$2,100,000	\$ 16,046	\$ 16,447	\$ 16,940	7 (4/3)
36-65 minutes	(1) \$3,800,000 or more	\$ 50,005	\$ 51,255	\$ 52,793	15 (8/7)
	(2) \$2,500,000 or more but less than \$3,800,000	\$ 32,093	\$ 32,895	\$ 33,882	14 (7/7)
66-95 minutes	(1) \$4,000,000 or more	\$ 83,342	\$ 85,426	\$ 87,989	25 (13/12)
	(2) \$3,000,000 or more but less than \$4,000,000	\$ 38,161	\$ 39,115	\$ 40,288	18 (9/9)
96 minutes or more	(1) \$4,500,000 (plus \$2,250,000 for each additional 35 minutes or portion thereof) or more	\$140,008	\$143,508	\$147,813	42 (27/15)
	(2) \$3,000,000 or more but less than \$4,500,000 (plus \$2,250,000 for each additional 35 minutes or portion thereof)	\$ 91,193	\$ 93,473	\$ 96,277	42 (27/15)

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<sup>†</sup> See text of footnote 3 on page 39.

(2) The minimum salary shall be as follows for a Director employed on a grandfathered High Budget SVOD Program under Section D.1.b. that is intended for initial exhibition on a subscription consumer pay platform with fewer than 15 million subscribers in the United States and Canada:

<b>Program Length</b>	<b>Budget Tier</b>	<b>7/1/20</b>	<b>7/1/21</b>	<b>7/1/22<sup>†</sup></b>	<b>Guaranteed Days (Shooting/ Prep)</b>
20-35 minutes	(1) \$2,100,000 or more	\$18,732	\$19,200	\$19,776	7 (4/3)
	(2) \$1,300,000 or more but less than \$2,100,000	\$16,046	\$16,447	\$16,940	7 (4/3)
36-65 minutes	(1) \$3,800,000 or more	\$37,464	\$38,401	\$39,553	14 (7/7)
	(2) \$2,500,000 or more but less than \$3,800,000	\$32,093	\$32,895	\$33,882	14 (7/7)
66-95 minutes	(1) \$4,000,000 or more	\$38,161	\$39,115	\$40,288	18 (9/9)
	(2) \$3,000,000 or more but less than \$4,000,000	\$38,161	\$39,115	\$40,288	18 (9/9)
96 minutes or more	(1) \$4,500,000 (plus \$2,250,000 for each additional 35 minutes or portion thereof) or more	\$91,193	\$93,473	\$96,277	42 (27/15)
	(2) \$3,000,000 or more but less than \$4,500,000 (plus \$2,250,000 for each additional 35 minutes or portion thereof)	\$91,193	\$93,473	\$96,277	42 (27/15)

<sup>†</sup> See text of footnote 3 on page 39.

e. (1) The minimum salary shall be as follows for a Director employed on a grandfathered High Budget SVOD Program under Section D.1.c. that is intended for initial exhibition on a subscription consumer pay platform with 20 million or more subscribers in the United States and Canada:

<b>Program Length</b>	<b>Budget Tier</b>	<b>7/1/20</b>	<b>7/1/21</b>	<b>7/1/22</b>	<b>Guaranteed Days (Shooting/ Prep)</b>
20-35 minutes	(1) \$2,100,000 or more	\$ 28,452	\$ 29,163	\$ 29,892	7 (4/3)
	(2) \$1,300,000 or more but less than \$2,100,000	\$ 16,046	\$ 16,447	\$ 16,940	7 (4/3)
36-65 minutes	(1) \$3,800,000 or more	\$ 48,318	\$ 49,526	\$ 50,764	15 (8/7)
	(2) \$2,500,000 or more but less than \$3,800,000	\$ 32,093	\$ 32,895	\$ 33,882	14 (7/7)
66-95 minutes	(1) \$4,000,000 or more	\$ 80,532	\$ 82,545	\$ 84,609	25 (13/12)
	(2) \$3,000,000 or more but less than \$4,000,000	\$ 38,161	\$ 39,115	\$ 40,288	18 (9/9)
96 minutes or more	(1) \$4,500,000 (plus \$2,250,000 for each additional 35 minutes or portion thereof) or more	\$135,287	\$138,669	\$142,136	42 (27/15)
	(2) \$3,000,000 or more but less than \$4,500,000 (plus \$2,250,000 for each additional 35 minutes or portion thereof)	\$ 91,193	\$ 93,473	\$ 96,277	42 (27/15)

(2) The minimum salary shall be as follows for a Director employed on a grandfathered High Budget SVOD Program under Section D.1.c. that is intended for initial exhibition on a subscription consumer pay platform with fewer than 20 million subscribers in the United States and Canada:

<b>Program Length</b>	<b>Budget Tier</b>	<b>7/1/20</b>	<b>7/1/21</b>	<b>7/1/22<sup>†</sup></b>	<b>Guaranteed Days (Shooting/ Prep)</b>
20-35 minutes	(1) \$2,100,000 or more	\$18,732	\$19,200	\$19,776	7 (4/3)
	(2) \$1,300,000 or more but less than \$2,100,000	\$16,046	\$16,447	\$16,940	7 (4/3)
36-65 minutes	(1) \$3,800,000 or more	\$37,464	\$38,401	\$39,553	14 (7/7)
	(2) \$2,500,000 or more but less than \$3,800,000	\$32,093	\$32,895	\$33,882	14 (7/7)
66-95 minutes	(1) \$4,000,000 or more	\$38,161	\$39,115	\$40,288	18 (9/9)
	(2) \$3,000,000 or more but less than \$4,000,000	\$38,161	\$39,115	\$40,288	18 (9/9)
96 minutes or more	(1) \$4,500,000 (plus \$2,250,000 for each additional 35 minutes or portion thereof) or more	\$91,193	\$93,473	\$96,277	42 (27/15)
	(2) \$3,000,000 or more but less than \$4,500,000 (plus \$2,250,000 for each additional 35 minutes or portion thereof)	\$91,193	\$93,473	\$96,277	42 (27/15)

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<sup>†</sup> See text of footnote 3 on page 39.

2. Minimum Compensation.<sup>5</sup>

a. Directors.

(1) The minimum salary for a Director employed on a High Budget SVOD Program intended for initial exhibition on a subscription consumer pay platform with 20 million or more subscribers in the United States and Canada shall be as follows:

<b>Program Length</b>	<b>Budget Tier</b>	<b>7/1/20</b>	<b>7/1/21</b>	<b>7/1/22</b>	<b>Guaranteed Days (Shooting/ Prep)</b>
20-35 minutes	(1) \$2,100,000 or more	\$ 28,452	\$ 29,163	\$ 29,892	7 (4/3)
	(2) \$1,000,000 or more (\$1,030,000 or more effective July 1, 2022) but less than \$2,100,000	\$ 16,046	\$ 16,447	\$ 16,940	7 (4/3)
36-65 minutes	(1) \$3,800,000 or more	\$ 48,318	\$ 49,526	\$ 50,764	15 (8/7)
	(2) \$1,700,000 or more (\$1,750,000 or more effective July 1, 2022) but less than \$3,800,000	\$ 32,093	\$ 32,895	\$ 33,882	14 (7/7)
66-95 minutes	(1) \$4,000,000 or more	\$ 80,532	\$ 82,545	\$ 84,609	25 (13/12)
	(2) \$3,000,000 or more but less than \$4,000,000	\$ 38,161	\$ 39,115	\$ 40,288	18 (9/9)

(Continued)

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<sup>5</sup> For purposes of determining the applicable compensation and other terms and conditions under Sections D.2. and D.3. of the Sideletter, the parties agree that an episode of a High Budget SVOD series may exceed the “program length” which applies to a typical episode of the series by up to three (3) minutes without becoming subject to the terms and conditions applicable to the next highest program length. (For example, if a typical episode of a High Budget SVOD series is between 20 and 35 minutes, a given episode of such series which is 38 minutes in length will still be subject to the compensation and terms and conditions applicable to a program between 20 and 35 minutes in length.) The parties further confirm that this applies to High Budget SVOD Programs produced under Sideletter No. 35 to the 2014 and 2017 DGA Basic Agreements.

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<b>Program Length</b>	<b>Budget Tier</b>	<b>7/1/20</b>	<b>7/1/21</b>	<b>7/1/22</b>	<b>Guaranteed Days (Shooting/ Prep)</b>
96 minutes or more	(1) \$4,500,000 (plus \$2,250,000 for each additional 35 minutes or portion thereof) or more	\$135,287	\$138,669	\$142,136	42 (27/15)
	(2) \$3,000,000 or more but less than \$4,500,000 (plus \$2,250,000 for each additional 35 minutes or portion thereof)	\$ 91,193	\$ 93,473	\$ 96,277	42 (27/15)

(2) The minimum salary for a Director employed on a High Budget SVOD Program intended for initial exhibition on a subscription consumer pay platform with fewer than 20 million subscribers in the United States and Canada shall be as follows:

<b>Program Length</b>	<b>Budget Tier</b>	<b>7/1/20</b>	<b>7/1/21</b>	<b>7/1/22<sup>†</sup></b>	<b>Guaranteed Days (Shooting/ Prep)</b>
20-35 minutes	(1) \$2,100,000 or more	\$18,732	\$19,200	\$19,776	7 (4/3)
	(2) \$1,000,000 or more (\$1,030,000 or more effective July 1, 2022) but less than \$2,100,000	\$16,046	\$16,447	\$16,940	7 (4/3)
36-65 minutes	(1) \$3,800,000 or more	\$37,464	\$38,401	\$39,553	14 (7/7)
	(2) \$1,700,000 or more (\$1,750,000 or more effective July 1, 2022) but less than \$3,800,000	\$32,093	\$32,895	\$33,882	14 (7/7)

(Continued)

<sup>†</sup> See text of footnote 3 on page 39.

(Continued)

<b>Program Length</b>	<b>Budget Tier</b>	<b>7/1/20</b>	<b>7/1/21</b>	<b>7/1/22<sup>†</sup></b>	<b>Guaranteed Days (Shooting/ Prep)</b>
66-95 minutes	(1) \$4,000,000 or more	\$38,161	\$39,115	\$40,288	18 (9/9)
	(2) \$3,000,000 or more but less than \$4,000,000	\$38,161	\$39,115	\$40,288	18 (9/9)
96 minutes or more	(1) \$4,500,000 (plus \$2,250,000 for each additional 35 minutes or portion thereof) or more	\$91,193	\$93,473	\$96,277	42 (27/15)
	(2) \$3,000,000 or more but less than \$4,500,000 (plus \$2,250,000 for each additional 35 minutes or portion thereof)	\$91,193	\$93,473	\$96,277	42 (27/15)

b. Other Employees.

Compensation for Employees employed on a High Budget SVOD Program other than the Director shall be at the rates applicable to programs made for basic cable.<sup>6</sup> For purposes of determining applicable minimum compensation for such Employees, a High Budget SVOD Program between 20 and 35 minutes in length shall be treated as a 30-minute program; a High Budget SVOD Program between 36 and 65 minutes in length shall be treated as a 60-minute program; a High Budget SVOD Program between 66 and 95 minutes in length shall be treated as a 90-minute program; and a High Budget SVOD Program 96 minutes or longer shall be treated as a 120-minute program.

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<sup>†</sup> See text of footnote 3 on page 39.

<sup>6</sup> For purposes of applying Sideletter No. 21 re Special Conditions for Pilots and New One Hour and New Single Camera Half-Hour Series to High Budget SVOD Programs in the first year of the 2020 Basic Agreement, the phrase “the applicable rates and production fees shall be those in effect a year previously” means the rates and production fees applicable to programs made for basic cable in effect on July 1, 2019.

3. Other Terms and Conditions.

Except as otherwise provided herein, the terms and conditions applicable to High Budget SVOD Programs in Budget Tier (1) intended for initial exhibition on a subscription consumer pay platform with 20 million or more subscribers in the United States and Canada shall be those applicable to programs made for network prime time, and the terms and conditions applicable to all other High Budget SVOD Programs shall be those applicable to programs made for basic cable, subject to the following clarifications and modifications:

a. For purposes of the provisions applicable to programs made for basic cable, a High Budget SVOD Program between 20 and 35 minutes in length shall be treated as a 30-minute program; a High Budget SVOD Program between 36 and 65 minutes in length shall be treated as a 60-minute program; a High Budget SVOD Program between 66 and 95 minutes in length shall be treated as a 90-minute program; and a High Budget SVOD Program 96 minutes or longer shall be treated as a 120-minute program.

b. Paragraph 7-304 of the BA shall not apply to any High Budget SVOD Program in Budget Tier (2).

c. Paragraph 10-103 shall apply to High Budget SVOD pilots, *de facto* pilots, spinoffs, presentations and the first produced High Budget SVOD Program of an open-ended series without a pilot. The rates in Paragraph 10-103 applicable to pilots or spinoff episodes for network prime time shall apply to High Budget SVOD pilots or spinoff episodes in Budget Tier (1) intended for initial exhibition on a subscription consumer pay platform with 20 million or more domestic subscribers. The rates in Paragraph 10-103 applicable to pilots or spinoff episodes for non-network or network other than prime time shall apply to High Budget SVOD pilots or spinoff episodes in Budget Tier (2) that are intended for initial exhibition on a subscription consumer pay platform with 20 million or more domestic subscribers, as well as High Budget SVOD pilots or spinoffs intended for initial exhibition on a subscription consumer pay platform with fewer than 20 million domestic subscribers.

d. In recognition that programs made for New Media may involve a new and evolving form of production and may not be subject to the same production model and delivery requirements as apply to traditional television motion pictures, thereby rendering possible the use of alternative preparation, shooting and post-production methods and schedules, the DGA agrees to consider in good faith requests for waivers to facilitate the use of such alternative methods and schedules on High Budget SVOD Programs when appropriate.

e. The Employer shall advise the DGA of the employment of any Employee by forwarding to the DGA a copy of a deal memorandum, signed by both the Employer and the Employee, which shall set forth at least the information required by Exhibits C-2 and C-4 of the 2020 Basic Agreement no later than the start of principal photography.

4. Feature-Length High Budget SVOD Program Budgeted at \$30 Million or More on Subscription Consumer Pay Platform with 20 Million or More Domestic Subscribers.

The Guild shall have the right to negotiate with the Employer over terms and conditions, including residuals, for a High Budget SVOD Program that is 85 minutes or longer with a budget of \$30 million or more and made for a subscription consumer pay platform with 20 million or more domestic subscribers, in accordance with the following procedure:

a. Employer shall notify the Guild of its intention to produce a High Budget SVOD Program 85 minutes or longer with a budget of \$30 million or more that is made for a subscription pay platform with 20 million or more domestic subscribers at least thirty (30) days prior to commencement of production.

b. The Guild may, at any time, notify the Employer that it wishes to bargain concerning different rates and other conditions of employment, including residuals, to be applicable to such High Budget SVOD Program. The parties agree to commence such negotiations within fifteen (15) days of receipt of such notice.

c. If no agreement is reached within fifteen (15) days after bargaining has commenced, the Guild may, upon written notice to Employer, instruct its members to refuse to render services with respect to such High Budget SVOD Program. If no agreement is reached, Employer shall not be bound by this Basic Agreement with respect to that Program.

d. If an Employer fails to provide timely notice of its intention to produce such a High Budget SVOD Program as provided herein, then subparagraph c. above shall not apply and the Guild may, not earlier than twenty-four (24) hours after written notice to the Employer, instruct its members to refuse to render services with respect to such High Budget SVOD Program.

**E. Reuse of Productions Made for New Media.**

1. Derivative New Media Productions (Other Than High Budget SVOD Programs).

The provisions below apply to the reuse of Derivative New Media Productions which do not satisfy the definition of a “High Budget SVOD Program” set forth in Section D.1. above and which are not grandfathered as set forth in Section D.1. above.

a. What Initial Compensation Covers.

Initial compensation for a Derivative New Media Production shall constitute payment for thirteen (13) consecutive weeks of use on all free-to-the-consumer, advertiser-supported platforms transmitted via the Internet or mobile devices (hereinafter

“advertiser-supported platforms”), commencing with the first day that the Derivative New Media Production is available for exhibition on any advertiser-supported platform, and for a separate twenty-six (26) consecutive week period of use on any consumer pay New Media platform (hereinafter “consumer pay platform”), commencing with the first day that the Derivative New Media Production is available for exhibition on any consumer pay platform.

b. Use on Advertiser-Supported Platforms Within One (1) Year Following Expiration of the Thirteen (13) Consecutive Week Period.

(1) If the Employer desires to use the Derivative New Media Production on advertiser-supported platforms beyond the thirteen (13) consecutive week period, but within one (1) year after expiration of the thirteen (13) consecutive week period, then the Employer shall make a residual payment equal to three and one-half percent (3.5%) of the following “residual base for syndication” as consideration for a twenty-six (26) consecutive week period of use, commencing with the first day that the Derivative New Media Production is available for use on any advertiser-supported platform following the expiration of the thirteen (13) consecutive week period:

For a Derivative New Media Production that is derivative of a dramatic television motion picture or program of the type covered by the BA, the “residual base for syndication” is the residual base used under the BA to pay runs in syndication for a dramatic free television motion picture of the same length as the Derivative New Media Production.

For example, for a Derivative New Media Production five (5) minutes in length that is derivative of a network prime time dramatic television motion picture, the residual payment is calculated by multiplying the residual base for syndication in the BA for a dramatic program 7 minutes and under in length (\$3,070 as of July 1, 2020) by 3.5%.

(2) If the Employer desires to use the Derivative New Media Production on advertiser-supported platforms for all or any part of the twenty-six (26) consecutive week period immediately following the twenty-six (26) consecutive week period described in Section E.1.b.(1) above, but within one (1) year after expiration of the thirteen (13) consecutive week period, then the Employer shall make a residual payment equal to three and one-half percent (3.5%) of the “residual base for syndication,” as that term is defined in Section E.1.b.(1) above, as consideration for a twenty-six (26) consecutive week period of use, commencing with the first day that the Derivative New Media Production is available for use during such twenty-six (26) consecutive week period.

(3) None of the aforementioned twenty-six (26) consecutive week periods shall cover a period that is more than one (1) year after the expiration of the thirteen (13) consecutive week period. In the event that use of the television motion picture on

advertiser-supported platforms is commenced on a date that does not allow for the full twenty-six (26) consecutive week period of use within one (1) year of the expiration of the thirteen (13) consecutive week period, then the payment for that period shall be prorated in weekly units to cover the shorter use period.

- c. Use on Advertiser-Supported Platforms More Than One (1) Year Following Expiration of the Thirteen (13) Consecutive Week Period.

Upon expiration of the one (1) year period following expiration of the thirteen (13) consecutive week period, if the Employer desires to use the Derivative New Media Production on advertiser-supported platforms, then it shall pay residuals at the rate of two percent (2%) of “Employer’s gross,” as defined in Section 5 of Sideletter No. 15 re Exhibition of Motion Pictures Transmitted via New Media.

- d. Use on Consumer Pay Platforms.

For use of a Derivative New Media Production on New Media platforms for which the consumer pays (*e.g.*, download-to-own, download-to-rent, paid streaming), the Employer shall pay a residual equal to 1.2% of the “Employer’s gross,” as defined in Section 5 of Sideletter No. 15 re Exhibition of Motion Pictures Transmitted Via New Media, attributable to the period beyond the twenty-six (26) consecutive week period of use.

- e. Use in Traditional Media.

The Employer shall pay residuals for the use of a Derivative New Media Production in “traditional media” (*e.g.*, free television, basic cable, pay television, home video) under existing BA formulas, including Paragraph 11-101(b)(6) concerning broadcast syndication sales under a license agreement entered into on or after July 1, 2020.

- (1) Free Television Exhibition Under Fixed Residual Formula.

- (a) Except with respect to exhibition of Derivative New Media Productions that are more than fifteen (15) minutes in length as exhibited in network prime time, the fixed residual payments for free television exhibition of Derivative New Media Productions under Paragraph 11-101(b) shall be computed as follows:

The New Media exhibition of the Derivative New Media Production shall constitute the first run for purposes of calculating the fixed residual payments in free television under Paragraph 11-101(b). The residual base used to compute the payment shall be the residual base used to pay runs in syndication for a free television motion picture or program of the same category and length as the Derivative New Media Production.

The residual base shall be multiplied by the percentage applicable to the run in question and the resulting product shall be the residual payment.

(i) As an example, suppose that a five (5) minute dramatic Derivative New Media Production is exhibited for the first time in network prime time. The applicable residual base is the residual base used for dramatic programs seven (7) minutes and under in length exhibited in syndication (\$3,070 as of July 1, 2020). That figure will be multiplied by 50%, the percentage applicable to a second run on a network, for a residual payment of \$1,535 (as of July 1, 2020).

(ii) If the same Derivative New Media Production were exhibited a second time on the network, that run would generate a residual payment of \$1,228 (\$3,070 x 40%) as of July 1, 2020.

(b) The fixed residual formula for reruns in network prime time of Derivative New Media Productions more than fifteen (15) minutes in length as exhibited is as follows: The New Media exhibition of the Derivative New Media Production shall constitute the first run for purposes of calculating the fixed residual payments for use in free television under Paragraph 11-101(b). The fixed residual payment shall be the amount payable under the BA for a rerun in network prime time of a free television motion picture or program of the same type and length as the Derivative New Media Production.

(i) For example, if a dramatic Derivative New Media Production twenty (20) minutes in length is exhibited in network prime time, the residual payment is \$13,254 (as of July 1, 2020), the same payment applicable to the rerun of a 30 minute dramatic program in network prime time.

(ii) As another example, if a dramatic Derivative New Media Production forty-three (43) minutes in length is exhibited in network prime time, the residual payment is \$24,963 (as of July 1, 2020), the same payment applicable to the rerun of a 60 minute dramatic program in network prime time.

(2) Exhibition on Pay Television, on Home Video and on Basic Cable.

For exhibition on pay television, the Employer shall pay residuals equal to 1.2% of "Employer's gross" pursuant to Paragraph 18-103 of the BA. For home video exploitation, the Employer shall pay residuals pursuant to Paragraph 18-104 of the BA. For exhibition on basic cable, the Employer shall pay residuals pursuant to Paragraph 11-108 of the BA.

2. Original New Media Productions (Other Than High Budget SVOD Programs).

The provisions below apply to the reuse of Original New Media Productions which do not satisfy the definition of a “High Budget SVOD Program” set forth in Section D.1. above.

a. What Initial Compensation Covers.

Initial compensation for an Original New Media Production shall constitute payment for a twenty-six (26) consecutive week period of use on any consumer pay platform, commencing with the first day that the Original New Media Production is available on any consumer pay platform, and all uses on advertiser-supported platforms.

b. Use on Consumer Pay Platforms.

(1) No payment shall be due for any use on consumer pay platforms for an Original New Media Production budgeted below \$25,000 per minute of actual program material as exhibited.

(2) For all uses of an Original New Media Production budgeted at or above \$25,000 per minute of actual program material as exhibited on consumer pay platforms (*e.g.*, download-to-own, download-to-rent, paid streaming) beyond the twenty-six (26) consecutive week period, the Employer shall pay a residual equal to 1.2% of the “Employer’s gross,” as defined in Section 5 of Sideletter No. 15 re Exhibition of Motion Pictures Transmitted via New Media, attributable to the period beyond the twenty-six (26) consecutive week use period.

(3) Paragraph 2.a. above shall apply to an Original New Media Production initially released on a consumer pay platform which is subsequently released on an advertiser-supported platform or vice versa.

c. Use in Traditional Media.

The Employer shall pay residuals for the use of an Original New Media Production in “traditional media” (*e.g.*, free television, basic cable, pay television, home video) under existing BA formulas, including Paragraph 11-101(b)(6) concerning broadcast syndication sales under a license agreement entered into on or after July 1, 2020.

(1) Free Television Exhibition Under Fixed Residual Formula.

(a) Except with respect to exhibition of Original New Media Productions that are more than fifteen (15) minutes in length as exhibited in network

prime time, the fixed residual payments for free television exhibition of Original New Media Productions under Paragraph 11-101(b) shall be computed as follows:

The New Media exhibition of the Original New Media Production shall constitute the first run for purposes of calculating the fixed residual payments in free television under Paragraph 11-101(b). The residual base used to compute the payment shall be the residual base used to pay runs in syndication for a free television motion picture or program produced for non-network or network non-prime time of the same category and length as the Original New Media Production. If the program category has both a high budget rate and a low budget rate, then the residual base shall be the base applicable to the low budget category. The residual base shall be multiplied by the percentage applicable to the run in question and the resulting product shall be the residual payment.

(i) As an example, suppose that a five (5) minute dramatic Original New Media Production is exhibited for the first time in network prime time. The applicable residual base is the residual base used for network non-prime time dramatic programs seven (7) minutes and under in length exhibited in syndication (\$3,070 as of July 1, 2020). That figure is multiplied by 50%, the percentage applicable to a second run on a network, for a residual payment of \$1,535 (as of July 1, 2020).

(ii) If the same Original New Media Production is exhibited a second time on the network, that run would generate a residual payment of \$1,228 ( $3,070 \times 40\%$ ) (as of July 1, 2020).

(b) The fixed residual formula for reruns in network prime time of Original New Media Productions more than fifteen (15) minutes in length as exhibited is as follows:

The New Media exhibition of the Original New Media Production shall constitute the first run for purposes of calculating the fixed residual payments for use on free television under Paragraph 11-101(b). The fixed residual payment shall be the amount payable for a rerun in network prime time of a free television motion picture or program produced for non-network or network non-prime time of the same category and length as the Original New Media Production. If the program category has both a high budget and a low budget rate, then the residual base shall be the base applicable to the low budget category.

(i) For example, if a dramatic Original New Media Production twenty (20) minutes in length is exhibited in network prime time, the residual payment is \$13,254 (as of July 1, 2020), the same payment applicable to the rerun of a thirty (30) minute dramatic non-network or network non-prime time program in network prime time under the BA. If the Original New Media Production is run a second time in network prime time, the same payment (\$13,254) would be due.

(ii) As another example, if a dramatic Original New Media Production 43 minutes in length is exhibited in network prime time, the residual payment is \$24,963 (as of July 1, 2020), the same payment applicable to the rerun of a sixty (60) minute dramatic non-network or network non-prime time program in network prime time under the BA. If the Original New Media Production is run a second time in network prime time, the same payment (\$24,963) would be due.

(2) For exhibition on pay television, the Employer shall pay residuals equal to 1.2% of “Employer’s gross” pursuant to Paragraph 18-103 of the BA. For home video exploitation, the Employer shall pay residuals pursuant to Paragraph 18-104 of the BA. For exhibition on basic cable, the Employer shall pay residuals pursuant to Paragraph 11-108 of the BA.

3. High Budget SVOD Programs.

The provisions below apply to the reuse of High Budget SVOD Programs subject to the 2020 Basic Agreement, as defined in Section D.1. above and not grandfathered as provided in Section D.1.a. through c. above.

a. What Initial Compensation Covers.

Initial compensation paid to the Director of a High Budget SVOD Program intended for initial exhibition on a subscription consumer pay platform constitutes payment for ninety (90) days of use worldwide on such platform (including any related or affiliated foreign subscription consumer pay platform), commencing with the first day that the High Budget SVOD Program is available on such subscription consumer pay platform(s).

b. Subsequent Use on the Domestic Subscription Consumer Pay Platform on Which the High Budget SVOD Program Was Initially Exhibited.

For use on the subscription consumer pay platform in the United States and Canada on which the High Budget SVOD Program is initially exhibited during the first Exhibition Year after the ninety (90) day period following the initial availability of the Program on such platform, and for each year of domestic use thereafter, the Employer shall pay residuals calculated by multiplying the applicable residual base set forth in subparagraph (1) below by the applicable percentage for the period of use set forth in subparagraph (2) below and by the subscriber factor set forth in subparagraph (3) below.

(1) Base for High Budget SVOD Program Residual.

(a) The following residual base is applicable at the start of principal photography of a one-time High Budget SVOD Program or an episode of a High Budget SVOD series and shall apply in perpetuity to that program or episode:

<b>Length</b>	<b>Effective 7/1/20</b>	<b>Effective 7/1/21</b>
20-35 minutes	\$14,961	\$16,083
36-65 minutes	28,177	30,290
66-95 minutes*	42,256	45,245
96 minutes or more*	55,809	59,995

\* See subparagraph (b) below for base applicable to High Budget SVOD Program that is 85 minutes or longer with a budget of \$13 million or more on a subscription consumer pay platform with 20 million or more domestic subscribers.

(b) The residual base for a High Budget SVOD Program that is 85 minutes or longer with a budget of \$13 million or more but less than \$30 million and made for a subscription consumer pay platform with 20 million or more domestic subscribers shall be \$67,002 (\$68,676 effective July 1, 2021 and \$70,736<sup>†</sup> effective July 1, 2022), which amount equals twenty five (25%) of the theatrical minimum set forth in Paragraph 3-101 of this Agreement. The residual base for a High Budget SVOD Program that is 85 minutes or longer with a budget of \$13 million or more and made for a subscription consumer pay platform with fewer than 20 million domestic subscribers shall be as provided in the chart above in this subparagraph 3.b.(1)(a) of Section E.

As provided in Section D.4. above, the Guild shall have the right to negotiate with Employer over terms and conditions, including residuals, for a High Budget SVOD Program that is 85 minutes or longer with a budget of \$30 million or more and made for a subscription consumer pay platform with 20 million or more domestic subscribers.

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<sup>†</sup> See text of footnote 3 on page 39.

(2) Percentage of Above Base Rate Payable for Residuals.

<b>Exhibition Year*</b>	<b>Percentage of Applicable High Budget SVOD Program Residual Base</b>
Year 1*	45.0%
Year 2	40.0%
Year 3	35.0%
Year 4	25.0%
Year 5	20.0%
Year 6	15.0%
Year 7	10.0%
Year 8	8.0%
Year 9	5.0%
Year 10	4.5%
Year 11	3.0%
Year 12	2.5%
Each Year thereafter	1.5%

\* Exhibition Year 1 shall commence on the first day that the High Budget SVOD Program is made available for exhibition on the subscription pay platform following ninety (90) days after the initial exhibition date. Each Exhibition Year thereafter shall commence with the first day that the High Budget SVOD Program is made available for exhibition on the subscription consumer pay platform following the conclusion of the prior one-year use period.

(3) Subscriber Factor

<b><u>Subscriber Tier</u></b>	<b><u>Domestic Subscribers</u></b>	<b><u>Subscriber Factor</u></b>
1	Under 1 million	20%*
2	1 million to 5 million	40.0%
3	Over 5 million but fewer than 20 million	65.0%
4	20 million to 45 million	100.0%
5	Over 45 million	150.0%

\* No residual shall be owed for the first year of exhibition of a High Budget SVOD Program or series produced for initial exhibition on a subscription consumer pay platform with fewer than 1,000,000 domestic subscribers.

(4) Allocation of High Budget SVOD Program Residuals.

The residual payments provided in subparagraphs E.3.b. above and c. and d. below are to be allocated as follows: five-sixths (5/6) of such amount is to be paid to the Director and a *pro rata* share of one-sixth (1/6) of such amount is to be paid to the Unit Production Manager, First Assistant Director and Key Second Assistant Director employed on the High Budget SVOD Program (such portion of such one-sixth (1/6) *pro rata* share to be based upon their respective minimum wage rate hereunder).

(5) Payment

Payment for each Exhibition Year shall be due sixty (60) days after the end of the calendar quarter in which the High Budget SVOD Program was first made available in that Exhibition Year.

c. Use on a Foreign Subscription Consumer Pay Platform Related to or Affiliated with the Domestic Subscription Consumer Pay Platform.<sup>7, 8</sup>

(1) Foreign Subscription Consumer Pay Platforms Related to or Affiliated with a Domestic Subscription Consumer Pay Platform with Over 45 Million Subscribers.

(a) When an Employer licenses the right to exhibit a High Budget SVOD Program to a domestic subscription consumer pay platform with over 45 million subscribers and also licenses SVOD rights for use on its related or affiliated foreign subscription consumer pay platform(s), the Employer shall pay a fixed residual for each Exhibition Year of use in foreign markets (after an initial ninety (90) consecutive day window measured from initial availability on the domestic subscription consumer pay platform) that is thirty-five percent (35%) of the domestic residual set forth in Section E.3.b. above. Payment of the additional fixed residual above shall cover worldwide use of the High Budget SVOD Program on all foreign subscription consumer pay platforms for the applicable Exhibition Year.

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<sup>7</sup> Residuals shall also be payable under this provision when the Employer is related to or affiliated with the domestic subscription consumer pay platform that is related to or affiliated with the foreign subscription consumer pay platform.

<sup>8</sup> It is understood that this provision also applies when a subscription consumer pay platform that holds foreign exhibition rights sublicenses those rights.

(b) However, when the Employer's license includes the SVOD rights for use on the related or affiliated foreign subscription consumer pay platform(s) of such domestic subscription consumer pay platform only in foreign territories which constitute fifteen percent (15%) or less of the value of all foreign markets (*i.e.*, outside the United States and Canada),<sup>9</sup> then gross receipts-based residuals for such foreign SVOD licensing shall be paid pursuant to subparagraph (2)(b) below in lieu of the foreign fixed residual in subparagraph (1)(a) above. In that case, the Employer shall allocate a fair and reasonable portion of the license fee to the foreign territories for which related or affiliated foreign subscription consumer pay platform(s) have exhibition rights, and make a residual payment equal to 1.2% of such allocated amount.<sup>10, 11</sup> If the Guild contends that the amount so allocated was not fair and reasonable, such claim may be submitted to arbitration. In the event the arbitrator finds that such allocation was not fair and reasonable, he or she shall determine the fair and reasonable amount to be allocated.

(2) Foreign Subscription Consumer Pay Platforms Related to or Affiliated with a Domestic Subscription Consumer Pay Platform with 45 Million or Fewer Subscribers.

(a) When an Employer licenses the right to exhibit a High Budget SVOD Program to a domestic subscription consumer pay platform with 45 million or fewer subscribers and also licenses "worldwide" SVOD rights to its related or affiliated foreign subscription consumer pay platform(s), the Employer shall pay a fixed residual for each Exhibition Year of use in foreign markets (after an initial ninety (90) consecutive day window measured from initial exhibition on the domestic subscription consumer pay platform) that is an additional percentage of the domestic residual set forth in Section E.3.b. above according to the schedule in subparagraph (1)(a) above.

(b) When an Employer licenses the right to exhibit a High Budget SVOD Program to a domestic subscription consumer pay platform with 45 million or fewer subscribers and also licenses foreign SVOD rights other than "worldwide" to its related

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<sup>9</sup> The parties shall meet promptly to discuss how to measure the fifteen percent (15%) valuation set forth in this subparagraph (2)(b).

<sup>10</sup> If the Employer is related to or affiliated with the domestic subscription consumer pay platform that is related to or affiliated with the foreign subscription consumer pay platform, the allocation shall be measured by the exhibitor's payments to unrelated or unaffiliated entities in arms' length transactions for comparable programs, or, if none, then the amounts received by the Employer from unrelated and unaffiliated exhibitors in arms' length transactions, or, if none, a comparable exhibitor's payments to comparable unrelated and unaffiliated entities in arms' length transactions for comparable programs.

<sup>11</sup> At the DGA's request, the Employer must make an unredacted license agreement available for inspection at the Employer's office subject to a confidentiality agreement equivalent to those governing new media license agreement inspections as described in Sideletter No. 15 re Exhibition of Motion Pictures Transmitted via New Media.

or affiliated foreign subscription consumer pay platform(s), the Employer shall make a residual payment equal to 1.2% of “Employer’s gross” as defined in Section 5 of Sideletter No. 15 re Exhibition of Motion Pictures Transmitted via New Media. For purposes of this provision, when the license includes both the right to exhibit a High Budget SVOD Program on a domestic subscription consumer pay platform and on its related or affiliated foreign consumer pay platform(s), the Employer shall allocate a fair and reasonable portion of the license fee to the foreign territories for which related or affiliated foreign subscription consumer pay platform(s) have exhibition rights, and then make the residual payment provided herein of such allocated amount.<sup>12, 13</sup> If the Guild contends that the amount so allocated was not fair and reasonable, such claim may be submitted to arbitration. In the event the arbitrator finds that such allocation was not fair and reasonable, he or she shall determine the fair and reasonable amount to be allocated.

- d. Use on a Subscription Consumer Pay Platform Other Than the Domestic Platform on Which the High Budget SVOD Program Was Initially Exhibited and its Related or Affiliated Foreign Platforms.

For exhibition of a High Budget SVOD Program on any subscription consumer pay platform other than the domestic subscription consumer pay platform on which the program was initially exhibited and its related or affiliated foreign subscription consumer pay platform(s), the Employer shall make a residual payment equal to 1.2% of the “Employer’s gross” as defined in Section 5 of Sideletter No. 15 re Exhibition of Motion Pictures Transmitted via New Media.

- e. Use on Other Consumer Pay Platforms (*i.e.*, Transactional VOD).

For exhibition of a High Budget SVOD Program on any consumer pay platform other than a subscription consumer pay platform (*i.e.*, for exhibition on a transactional consumer pay platform involving download-to-own or download-to-rent transactions), the Employer shall make a residual payment equal to 1.2% of the “Employer’s

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<sup>12</sup> If the Employer is related to or affiliated with the domestic subscription consumer pay platform that is related to or affiliated with the foreign subscription consumer pay platform, the allocation shall be measured by the exhibitor’s payments to unrelated or unaffiliated entities in arms’ length transactions for comparable programs, or, if none, then the amounts received by the Employer from unrelated and unaffiliated exhibitors in arms’ length transactions, or, if none, a comparable exhibitor’s payments to comparable unrelated and unaffiliated entities in arms’ length transactions for comparable programs.

<sup>13</sup> At the DGA’s request, the Employer must make an unredacted license agreement available for inspection at the Employer’s office subject to a confidentiality agreement equivalent to those governing new media license agreement inspections as described in Sideletter No. 15 re Exhibition of Motion Pictures Transmitted via New Media.

gross” as defined in Section 5 of Sideletter No. 15 re Exhibition of Motion Pictures Transmitted via New Media.

f. Use on Advertiser-Supported Platforms.

(1) Except as provided in subparagraphs (2) and (3) below, for exhibition of a High Budget SVOD Program on any free-to-the-consumer advertiser-supported platform, the Employer shall make a residual payment equal to 2% of the “Employer’s gross” as defined in Section 5 of Sideletter No. 15 re Exhibition of Motion Pictures Transmitted via New Media.

(2) Except as provided in subparagraph (3) below, for exhibition of a High Budget SVOD Program on any free-to-the-consumer advertiser-supported platform that is related to or affiliated with the SVOD platform for which the Program was originally made, the Employer shall make a residual payment pursuant to Paragraph 3.A.(4)(b) of Sideletter No. 15 of this Basic Agreement as if such High Budget SVOD Program were a television motion picture, except that:

(a) The twenty-six (26) consecutive week periods described in Paragraph 3.A.(4)(b)(i) of Sideletter No. 15 shall be measured from the date the High Budget SVOD Program is first made available on the SVOD platform.

Likewise, the one (1) year period described in Paragraph 3.A.(4)(b)(i) shall be measured from the date the High Budget SVOD Program is first made available on the related/affiliated SVOD platform.

(b) The residual base for calculating the fixed residual under Paragraph 3.A.(4)(b)(i) shall be the applicable “Base for High Budget SVOD Program Residual” under Paragraph E.3.b.(1) of Sideletter No. 35 to this Basic Agreement.

(c) The residual described in Paragraph 3.A.(4)(b)(ii) (*i.e.*, two percent (2%) of “Employer’s gross”) shall be payable if the High Budget SVOD Program is made available on the related/affiliated AVOD platform after the expiration of the one (1) year period following the date the High Budget SVOD Program is first made available on the related/affiliated SVOD platform.

(3) Notwithstanding subparagraphs (1) and (2) above, the Employer shall have the right to exhibit a High Budget SVOD Program (including any one-time program or the first three (3) episodes of a new series), without any additional payment, on free-to-the-consumer advertiser-supported platforms for a period of seven (7) consecutive days for the purpose of promoting the High Budget SVOD Program.

g. Use in Traditional Media.

The Employer shall pay residuals for the use of a High Budget SVOD Program in “traditional media” (*e.g.*, theatrical exhibition, free television, basic cable, pay television, home video) under existing BA formulas, including Paragraph 11-101(b)(6) concerning broadcast syndication sales of a High Budget SVOD Program under a license agreement entered into on or after July 1, 2020.

**F. Subscriber Count for High Budget SVOD Programs.**

1. The number of domestic subscribers shall be determined as of July 1st of each year of the Agreement and shall apply for all purposes under Sections D. and E.3. of this Sideletter to a High Budget SVOD Program or episode of a High Budget SVOD series, the principal photography of which commences on or after July 1st of the measuring year but not later than June 30th of the following year. The number of domestic subscribers so determined shall apply to the Program or the episode of the High Budget SVOD series in perpetuity.

2. The parties shall agree upon a methodology to determine the number of domestic subscribers whose subscription includes a video-on-demand platform for which a High Budget SVOD Program is made and other services, such as gaming, music or free shipping.

3. In addition to any other exclusion agreed to by the parties, the subscriber count for any subscription consumer pay platform shall exclude subscribers during any ‘free trial period’ of no more than thirty (30) days.

4. The following shall apply to a new subscription consumer pay platform that launches on or after July 1, 2020:

a. Such platform is encouraged to enter into good faith discussions with the Guild prior to launch to reach agreement on the number of domestic subscribers to be attributed to that platform for purposes of applying the provisions of Sideletter No. 35 of the 2020 Basic Agreement pertaining to High Budget SVOD Programs.

b. The number of domestic subscribers to a new subscription consumer pay platform shall be determined ninety (90) days after launch, and shall apply for the remainder of the measuring year (*i.e.*, until the July 1st immediately following launch). Thereafter, the number of domestic subscribers shall be determined as of July 1st of each year of the Agreement as provided in subparagraph F.1. above.

c. Absent any agreement to the contrary between the new subscription consumer pay platform and the Guild:

(1) Initial compensation and other terms and conditions for a High Budget SVOD Program that commences principal photography prior to the ninetieth (90th) day after the launch of a new subscription consumer pay platform shall be those that are applicable to a High Budget SVOD Program made for a subscription consumer pay platform with fewer than 20 million domestic subscribers.

(2) Residuals for High Budget SVOD Programs that commence principal photography prior to the ninetieth (90th) day after launch shall be calculated according to the number of domestic subscribers to the subscription consumer pay platform as of ninety (90) days after launch.

#### **G. Agreements.**

On a semi-annual basis, within ten (10) business days after such request, the Employer shall provide for inspection by DGA's designated employee or auditor, at Employer's premises in Los Angeles, full access<sup>14</sup> to all unredacted license, distribution, and other agreements pertaining to exploitation of covered motion pictures on domestic and foreign New Media platforms that were entered into during the immediately preceding inspection period. In any subsequent semi-annual inspection, the DGA's designated employee or auditor may re-inspect any agreements previously inspected and inspect any agreements not previously inspected.

The provisions of this Section G. do not apply to agreements relating to a multichannel video programming distributor ("MVPD") or any similar service that currently exists or may hereafter be developed.

#### **H. Sunset Clause.**

The parties recognize that this Sideletter is being negotiated at a time when the business models and patterns of usage of productions made for New Media are in the process of exploration, experimentation and innovation. Therefore, the provisions of Sections E.1. and 2. and E.3.c. of this Sideletter expire on the termination date of the 2020 BA and will be of no force and effect thereafter. No later than sixty (60) days before that expiration date, the parties will meet to negotiate new terms and conditions for reuse of such New Media Productions to be in effect thereafter. The parties further acknowledge that conditions in this area are changing

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<sup>14</sup> Full access includes access to all agreements, notwithstanding any confidentiality clause contained therein, and access to all sideletters, exhibits, addenda, and other ancillary documents.

rapidly and that the negotiation for the successor agreement will be based on the conditions that exist and reasonably can be forecast at that time.

The terms and conditions herein applicable to High Budget SVOD Programs shall apply and remain in full force and effect, and without change, to High Budget SVOD Programs produced by the Employer hereunder, regardless of the terms or provisions of any agreement which is a modification, extension or renewal of, or substitution for, this Sideletter.

Sincerely,



Russell Hollander  
National Executive Director

AGREED AND ACCEPTED:



Carol A. Lombardini

**EXHIBIT "1-A"**

**MADE FOR NEW MEDIA  
DIRECTOR DEAL MEMORANDUM**

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This will confirm our agreement to employ you to direct a covered made-for-New Media project described as follows:

NAME: \_\_\_\_\_ LAST 4 DIGITS OF SSN: \_\_\_\_\_

LOAN-OUT: \_\_\_\_\_ FID #: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

PHONE: \_\_\_\_\_ EMAIL: \_\_\_\_\_

Your SALARY shall be \$ \_\_\_\_\_  per project  per episode  per week  per day

GUARANTEED PERIOD OF EMPLOYMENT (if any): \_\_\_\_\_

START DATE ON OR ABOUT: \_\_\_\_\_

CURRENT TITLE OF PROJECT: \_\_\_\_\_

EPISODIC SERIES – Title/ID of Episodes Directed: \_\_\_\_\_  
\_\_\_\_\_

SINGLE PROJECT – Total run time (minutes) (approximately, if known): \_\_\_\_\_

PROJECT TYPE:

Dramatic     Variety     Quiz/Game Show     "All Other"

Other (specify) \_\_\_\_\_

Other conditions (including credit above minimum):  
\_\_\_\_\_  
\_\_\_\_\_

You hereby authorize Employer to deduct from the salary payable to you the amount specified in the Directors Guild of America Basic Agreement and/or Freelance Live and Tape Television Agreement as the employee's contribution to the Directors Guild of America-Producer Pension Plan. The Employer will pay the amount so deducted directly to the Pension Plan on your behalf.

Exhibit 1-A continued

Accepted and Agreed:

Employee: \_\_\_\_\_

Signatory Employer (print): \_\_\_\_\_

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT "1-B"**

**MADE FOR NEW MEDIA**

**DEAL MEMORANDUM**

(UNIT PRODUCTION MANAGER, ASSISTANT DIRECTOR,  
ASSOCIATE DIRECTOR, STAGE MANAGER)

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This will confirm our agreement to employ you for a covered made-for-New Media project described as follows:

NAME: \_\_\_\_\_ LAST 4 DIGITS OF SSN: \_\_\_\_\_

LOAN-OUT: \_\_\_\_\_ FID #: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

PHONE: \_\_\_\_\_ EMAIL: \_\_\_\_\_

POSITION:

- Unit Production Manager     First Assistant Director     Key Second Assistant Director  
 Second Second Assistant Director     Additional Second Assistant Director  
 Associate Director     Stage Manager     Other \_\_\_\_\_

Your STARTING DATE for such employment shall be \_\_\_\_\_

Your SALARY shall be \$ \_\_\_\_\_

- per project     per episode     per week     per day     per hour

CURRENT TITLE OF PROJECT: \_\_\_\_\_

EPISODIC SERIES

Number of Episodes (if known): \_\_\_\_\_

Run Time per Episode (approximately, if known): \_\_\_\_\_

SINGLE PROJECT — Total run time (minutes) (approximately, if known): \_\_\_\_\_

Other conditions:

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Exhibit 1-B continued

You hereby authorize Employer to deduct from the salary payable to you the amount specified in the Directors Guild of America Basic Agreement and/or Freelance Live and Tape Television Agreement as the employee's contribution to the Directors Guild of America-Producer Pension Plan. The Employer will pay the amount so deducted directly to the Pension Plan on your behalf.

Accepted and Agreed:

Employee: \_\_\_\_\_

Signatory Employer (print): \_\_\_\_\_

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_