

SIDELETTER NO. 35

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

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:

The parties mutually recognize that the economics of New Media production are presently uncertain and that greater flexibility in terms and conditions of employment is therefore mutually beneficial. If one or more business models develop such that New Media production becomes an economically viable medium, then the parties mutually recognize that future agreements should reflect that fact.

During the 2014 negotiations, in recognition of the development of a demand for high budget dramatic productions made for subscription video-on-demand services, such as Netflix's *House of Cards* and *Orange is the New Black*, the parties agreed to add 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

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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) if no First Assistant Director is employed, the meeting described in Section 17-500 may instead be called by the person who is designated as the safety officer.

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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

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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. Article 17, Miscellaneous Provisions, except that (1) the second, third, and fourth sentences of Paragraph 17-201 shall not apply, and (2), if no First Assistant Director is employed, the meeting described in Section 17-500 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. 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”):

Length of Program as Initially Exhibited*	“High Budget” Threshold
20-35 minutes	\$1,300,000 and above
36-65 minutes	\$2,500,000 and above
66 minutes or more	\$3,000,000 and above
* Programs less than 20 minutes are not considered “high budget” for purposes of this sideletter.	

Note that the terms and conditions set forth in this Section D. shall be applicable prospectively only. They shall not apply to:

(a) any program or series that would otherwise qualify as a “High Budget SVOD Program” within the meaning of this sideletter, for which the principal photography of the program, in the case of a one-time program, or the principal photography of the first episode, in the case of a series, commenced prior to July 1, 2014; or

(b) any program or series that would otherwise qualify as a “High Budget SVOD Program” within the meaning of this Sideletter for which the principal photography of the program or the first episode of the series commenced after July 1, 2014, if such program or series was produced pursuant to the terms of a *bona fide* license agreement with

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fixed and definite terms entered into by the Employer prior to July 1, 2014.¹ However, if such license agreement is entered into subject to conditions precedent, then all such conditions must be satisfied prior to July 1, 2014.

Any program or series described in subparagraph (a) or (b) above shall continue to be subject to the terms of Sideletter No. 35 of the 2011 DGA Basic Agreement. However, with respect to any such program or series described in subparagraph (a) or (b) above, if the licensee orders additional programs or episodes pursuant to the terms of the license agreement after July 1, 2014 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 such additional programs or episodes shall be subject to the terms of this sideletter.

Notwithstanding the foregoing, the Employer shall not reduce the terms and conditions of employment previously provided to DGA-represented employees on programs or series covered by subparagraphs (a) or (b) above.

¹ The Employer shall notify the DGA of any such license agreement that it enters into prior to July 1, 2014. 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.

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2. Minimum Compensation.

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 15 million or more subscribers in the United States and Canada shall be as follows:

Program Length	Budget Tier	7/1/14[†]	7/1/15	7/1/16	Guaranteed Days (Shooting/ Prep)
20-35 minutes	(1) \$2,000,000 or more (\$2,100,000 or more effective July 1, 2016)	\$25,145	\$25,899	\$26,676	7 (4/3)
	(2) \$1,300,000 or more but less than \$2,000,000 (\$2,100,000 effective July 1, 2016)	13,703	14,114	14,537	7 (4/3)
36-65 minutes	(1) \$3,700,000 or more (\$3,800,000 or more effective July 1, 2016)	\$42,701	\$43,982	\$45,301	15 (8/7)
	(2) \$2,500,000 or more but less than \$3,700,000 (\$3,800,000 effective July 1, 2016)	27,405	28,227	29,074	14 (7/7)
66-95 minutes	(1) \$4,000,000 or more	71,169	73,304	75,503	25 (13/12)
	(2) \$3,000,000 or more but less than \$4,000,000	32,587	33,565	34,572	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	119,559	123,146	126,840	42 (27/15)

(continued)

[†] See text of footnote 3 on page 39.

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Program Length	Budget Tier	7/1/14[†]	7/1/15	7/1/16	Guaranteed Days (Shooting/ Prep)
96 minutes or more	(2) \$3,000,000 or more but less than \$4,500,000 (plus \$2,250,000 for each additional 35 minutes or portion thereof)	77,875	80,211	82,617	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 15 million subscribers in the United States and Canada shall be as follows:

Program Length	Budget Tier	7/1/14[†]	7/1/15	7/1/16	Guaranteed Days (Shooting/ Prep)
20-35 minutes	(1) \$2,000,000 or more (\$2,100,000 or more effective July 1, 2016)	\$15,996	\$16,476	\$16,970	7 (4/3)
	(2) \$1,300,000 or more but less than \$2,000,000 (\$2,100,000 effective July 1, 2016)	13,703	14,114	14,537	7 (4/3)
36-65 minutes	(1) \$3,700,000 or more (\$3,800,000 or more effective July 1, 2016)	31,991	32,951	33,940	14 (7/7)
	(2) \$2,500,000 or more but less than \$3,700,000 (\$3,800,000 effective July 1, 2016)	27,405	28,227	29,074	14 (7/7)

(continued)

[†] See text of footnote 3 on page 39.

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Program Length	Budget Tier	7/1/14[†]	7/1/15	7/1/16	Guaranteed Days (Shooting/ Prep)
66-95 minutes	\$3,000,000 or more	32,587	33,565	34,572	18 (9/9)
96 minutes or more	\$3,000,000 or more	77,875	80,211	82,617	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 (see Paragraph 23-103 of the BA).^{††} 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.

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 15 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

[†] See text of footnote 3 on page 39.

^{††} 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 2014 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, 2013.

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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 of the BA shall not apply to any High Budget SVOD Program.

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 1(C) and (D) attached to this sideletter no later than the start of principal photography.

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.

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.

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- 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 (\$2,753 as of July 1, 2014) 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.

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- 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.

- (1) Free Television Exhibition.

- (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, residual payments for free television exhibition of Derivative New Media Productions shall be computed as follows:

The New Media exhibition of the Derivative New Media Production shall constitute the first run for purposes of calculating residual payments in free television. 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 (\$2,753 as of July 1, 2014). That figure will be

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multiplied by 50%, the percentage applicable to a second run on a network, for a residual payment of \$1,377 (as of July 1, 2014).

(ii) If the same Derivative New Media Production were exhibited a second time on the network, that run would generate a residual payment of \$1,101 ($\$2,753 \times 40\%$) as of July 1, 2014.

(b) The 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 residual payments for use on free television. The 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 \$12,739 (as of July 1, 2014), 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 \$23,994 (as of July 1, 2014), 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.

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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.

(1) Free Television Exhibition.

(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, residual payments for free television exhibition of Original New Media Productions shall be computed as follows:

The New Media exhibition of the Original New Media Production shall constitute the first run for purposes of calculating residual payments in free television. 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

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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 (\$2,753 as of July 1, 2014). That figure is multiplied by 50%, the percentage applicable to a second run on a network, for a residual payment of \$1,377 (as of July 1, 2014).

(ii) If the same Original New Media Production is exhibited a second time on the network, that run would generate a residual payment of \$1,101 (\$2,753 x 40%) (as of July 1, 2014).

(b) The 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 residual payments for use on free television. The 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 \$12,739 (as of July 1, 2014), 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 (\$12,739) 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 \$23,994 (as of July 1, 2014), 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 (\$23,994) 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.

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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 as defined in Section D.1. 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 one year 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 Subscription Consumer Pay Platform on Which the High Budget SVOD Program Was Initially Exhibited.

i. For each year of use of a High Budget SVOD Program on a subscription consumer pay platform with 15 million or more subscribers in the United States and Canada (including on any related or affiliated foreign subscription consumer pay platform) beyond the initial one-year use period described in subparagraph a. above, the Employer shall make a fixed residual payment based on the applicable network prime time residual base, according to the following schedule:

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Exhibition Year[†]	Percentage of Applicable Network Prime Time Residual Base
Year 2	30.0%
Year 3	30.0%
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%

ii. For each year of use of a High Budget SVOD Program on a subscription consumer pay platform with fewer than 15 million subscribers in the United States and Canada (including on any related or affiliated foreign subscription consumer pay platform) beyond the initial one-year use period described in subparagraph a. above, the Employer shall make a fixed residual payment for each subsequent one-year period according to the schedule set forth in subparagraph b.i. above, but the residual base shall be 65% of the applicable network prime time residual base.

c. Use on a Subscription Consumer Pay Platform Other Than the Platform on Which the High Budget SVOD Program Was Initially Exhibited.

For exhibition of a High Budget SVOD Program on any subscription consumer pay platform other than the subscription consumer pay platform on which the program was initially exhibited and any of 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.

[†]Each Year 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.

SIDELETTER NO. 35 (continued)

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

e. Use on Advertiser-Supported Platforms.

Except as provided in the next paragraph, 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.

Notwithstanding the foregoing, 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.

f. Use in Traditional Media.

The Employer shall pay residuals for the use of a High Budget SVOD Program in “traditional media” (*e.g.*, free television, basic cable, pay television, home video) under existing BA formulas.

F. 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. of this Sideletter expire on the termination date of the 2014 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 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.

SIDELETTER NO. 35 (continued)

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,



Jay D. Roth
National Executive Director

AGREED AND ACCEPTED:



Carol A. Lombardini

EXHIBIT "1-A"

**MADE FOR NEW MEDIA
DIRECTOR DEAL MEMORANDUM**

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)

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:

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: _____

EXHIBIT 1(C)

HIGH BUDGET SUBSCRIPTION VIDEO ON DEMAND (“SVOD”) PROGRAMS

DIRECTOR DEAL MEMORANDUM

This confirms our agreement to employ you to direct the High Budget SVOD Program 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: _____

START DATE ON OR ABOUT: _____

(optional) If this is the employee’s first DGA-covered employment, check here: Yes

PROJECT INFORMATION

Current Title of Project: _____

Episodic Series – Episode/Segment Title _____ Episode ID# _____

Single Project – Total run time (minutes) (approximately, if known): _____

Length of Program: 20-35 minutes 36-65 minutes

66-95 minutes 96 minutes or more

Name of subscription consumer pay New Media platform for which program is made: _____

EXHIBIT 1(D)

**HIGH BUDGET SUBSCRIPTION VIDEO ON DEMAND (“SVOD”) PROGRAMS
UNIT PRODUCTION MANAGER, ASSISTANT DIRECTOR, ASSOCIATE DIRECTOR
DEAL MEMORANDUM**

This confirms our agreement to employ you on the High Budget SVOD Program described as follows:

NAME: _____ LAST 4 DIGITS OF SSN: _____

LOAN-OUT: _____ FID #: _____

ADDRESS: _____

PHONE: _____ EMAIL: _____

CATEGORY:

- Unit Production Manager Second Second Assistant Director
 First Assistant Director Additional Second Assistant Director
 Key Second Assistant Director Associate Director

Salary (U.S.): \$ _____ (Studio) \$ _____ (Distant Location)
 per Day per 3 Days per Week, and shall be prorated thereafter

Start Date (on or about): _____

Guaranteed Period: One Day Three Days One Week

PROJECT INFORMATION

Series or Project Title: _____

Episode/Segment Title: _____ Episode ID # _____

Length of Program: 20-35 minutes 36-65 minutes
 66-95 minutes 96 minutes or more

EXHIBIT 1(D) continued

Name of subscription consumer pay New Media platform for which program is made: _____

Budget (check one):

20-35 minutes: ≥ \$1,300,000 and < \$2,000,000 (\$2,100,000 effective July 1, 2016)
 ≥ \$2,000,000 (\$2,100,000 effective July 1, 2016)

36-65 minutes: ≥ \$2,500,000 and < \$3,700,000 (\$3,800,000 effective July 1, 2016)
 ≥ \$3,700,000 (\$3,800,000 effective July 1, 2016)

66-95 minutes: ≥ \$3,000,000 and < \$4,000,000
 ≥ \$4,000,000

96 minutes or more: ≥ \$3,000,000 and < \$4,500,000 (plus \$2,250,000 for each additional 35 minutes or portion thereof)
 ≥ \$4,500,000 (plus \$2,250,000 for each additional 35 minutes or portion thereof)

Location: Studio Distant Location: _____ Both: _____

Other conditions:

This employment is subject to the provisions of the Directors Guild of America, Inc. Basic Agreement.

Accepted and Agreed:

Employee: _____

Signatory Employer (print): _____

By: _____

Date: _____

Date: _____