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DGA AND AMPTP REACH TENTATIVE AGREEMENT ON TERMS OF NEW CONTRACT

*DGA Gains Solid Wage Increases with No Rollbacks
Plus Precedent-Setting Jurisdiction Over New-Media and a Doubling of EST Residuals Rate*

LOS ANGELES – The Directors Guild of America (DGA) announced today that it has concluded a tentative agreement on the terms of a new 3-year collective bargaining agreement with the Alliance of Motion Picture and Television Producers (AMPTP).

Highlights of the new agreement include:

- Increases both wages and residual bases for each year of the contract.
- Establishes DGA jurisdiction over programs produced for distribution on the Internet.
- Establishes new residuals formula for paid Internet downloads (electronic sell-through) that essentially doubles the rate currently paid by employers.
- Establishes residual rates for ad-supported streaming and use of clips on the Internet.

“Two words describe this agreement - groundbreaking and substantial,” said Gil Cates, chair of the DGA's Negotiations Committee, in announcing the terms of the new agreement. “The gains in this contract for directors and their teams are extraordinary – and there are no rollbacks of any kind.”

Formal negotiations between the DGA’s 50-member Negotiations Committee and the AMPTP began Saturday, January 12, and were concluded today. Talks were led by Cates and DGA National Executive Director Jay D. Roth. They were preceded by months of informal discussions and nearly two years of preparation and research by Guild staff and consultants.

“This was a very difficult negotiation that required real give and take on both sides,” said DGA president Michael Apted. “Nonetheless, we managed to produce an agreement that enshrines the two fundamental principles we regard as absolutely crucial to any employment and compensation agreement in this digital age: First, jurisdiction is essential. Without secure jurisdiction over new-media production—both derivative and original—compensation formulas

are meaningless. Second, the Internet is not free. We must receive fair compensation for the use and reuse of our work on the Internet, whether it was originally created for other media platforms or expressly for online distribution.”

The agreement includes the following gains in New Media:

- **Jurisdiction:** The new agreement ensures that programming produced for the Internet (both original and derivative) will be directed by DGA members and their teams. The only exceptions are low-budget original shows on which production costs are less than \$15,000 per minute, \$300,000 per program, or \$500,000 per series—whichever is lowest.
- **Electronic Sell-Through:** EST is the paid download of features and TV programming. The agreement more than doubles the EST residual for television and increases the feature film residual by 80% over the rate currently paid by the employers.

Specifically, the EST residual rates will be .70% for television downloads and .65% for film downloads, above a certain number of units downloaded. Below that, residuals will be based on formula employers currently pay.

Payments for EST will be based on distributor’s gross, which is the amount received by the entity responsible for distributing the film or television program on the Internet. Having distributor’s gross as the residuals basis was a key point in our negotiations.

The companies are now contractually obligated to give us unfettered access to their deals and data. This access is new and unprecedented and creates a transparency that has never existed before. Additionally, if the exhibitor or retailer is part of the producer’s corporate family, we have improved provisions for challenging any suspect transactions.

- **Ad-Supported Streaming:** After an initial 17-day window for free promotional streaming of Internet programs, companies must pay 3% of the residual base (approximately \$600 for network prime time 1-hour drama) for 26 weeks of streaming. They can continue to stream for an additional 26-week period by paying an additional 3% -- or a total of \$1,200 for one year’s worth of streaming. (During a program’s first season, the 17-day window is expanded to 24 days to help build audience.)
- **Sunset Provision:** Allows both sides to revisit new media when agreement expires.

“Our fundamental goal in these negotiations was to protect our interests in the present while laying the groundwork for a future whose outlines are not yet clear,” said Cates. “We knew that gaining jurisdiction over new-media production and winning fair compensation for the reuse of our work on the Internet were the key issues for setting a framework for the future, but we also had to secure real gains for our members in today’s world.”

The new tentative agreement includes the following:

- Annual wage increases of 3% for primetime dramatic shows and daytime serials and 3.5% for all other covered programming.
- Outsized increase in director's compensation on high-budget basic cable for series in the second and subsequent seasons.
- Annual residual increases of 3% for primetime shows and 3.5% for all other covered programming.
- Specific advances that pertain to members of the director's team.

PLEASE SEE FACT SHEET BELOW FOR MORE DETAILS

Details of the new agreement will be submitted to the Guild's National Board for approval at its regularly scheduled meeting on Saturday, January 26, 2008. The DGA's current contracts expire on June 30, 2008.

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**FACT SHEET
DGA Tentative Agreement
January 17, 2008**

Basic Agreement

Wage Increases

- Compensation for all categories except directors of network prime time dramatic programs and daytime serials increases by 3.5%, each year of the contract.
- Compensation for directors of network prime time dramatic programs and daytime serials increases by 3%, each year of the contract.
- Outsized increase in director's compensation on high budget basic cable dramatic programs for series in the second and subsequent seasons:
 - For ½ hour programs: 12% increase in daily rate and increase in guaranteed number of days to 7 days.
 - Results in show rate increasing from \$9,009 to \$11,760.
 - For 1-hour programs: 12% increase in daily rate and increase in guaranteed number of days to 14 days.
 - Results in show rate increasing from \$18,010 to \$23,520.

Residual Increases

- Residual bases increase by 3.5%, each year of the contract, except for reruns in network prime time.
- Residuals for reruns in network prime time increase by 3%, each year of the contract.

Healthcare

- Employers continue to make health care contributions at specially negotiated rate of 8.5%, secured in the 2005 Basic Agreement to address the impact of the growing cost of health care on the DGA Plan. Provisions permitting decrease in contribution rate by employers removed.

Other Provisions

- Second Assistant Directors to manage locations in New York and Chicago.
- Establishes a wrap supervision allowance of \$50/day for the Second Assistant Director who supervises wrap on local and distant locations.
- Increases incidental fees and dinner allowances for Unit Production Managers and Assistant Directors.

New Media

Jurisdiction over:

- All new media content that is derivative of product already covered under current contracts.
- Original content:
 - All original content above \$15,000/minute or \$300,000/program or \$500,000/series, whichever is lowest.
 - Original content below the threshold will be covered when a DGA member is employed in the production.

Electronic Sell-Through (Paid Downloads)

- More than doubles the rate currently paid by the employers on television programming to .70% above 100,000 units downloaded.
 - Below 100,000 breakpoint: rate will be paid at the current rates of .30% until worldwide gross receipts reach \$1 million and .36% thereafter.
- Increases rate paid on feature films by 80% to .65% above 50,000 units downloaded
 - Below 50,000 breakpoint: rate will be paid at the current rates of .30% until worldwide gross receipts reach \$1 million and .36% thereafter.

Distributor's Gross

- Payments for EST will be based on distributor's gross instead of producer's gross, a key point in our negotiations. Distributor's gross is the amount received by the entity responsible for distributing the film or television program on the Internet. We would not have entered the agreement on any other basis.
- Companies will be contractually obligated to give us access to their deals and data, enabling us to monitor this provision and prepare for our next negotiation. This access is new and unprecedented.

- If the exhibitor or retailer is part of the producer's corporate family, we have improved provisions for challenging any suspect transactions.

Ad-Supported Streaming:

- 17-day window (24-day window for series in their first season).
- Pays 3% of the residual base, approximately \$600 (for network prime time 1-hour dramas), for each 26-week period following 17-day window, within first year after initial broadcast.
- Pays 2% of distributor's gross for streaming that occurs more than one year after initial broadcast.

Clips

- Provides the companies with limited windows where they can distribute clips of feature films and television programs in new media to promote a program. Provides for payment for all other uses in New Media.

Sunset Provision

- Allows both sides to revisit new media when the agreement expires.

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