SUMMARY OF THE 2008 WGA MBA

The following is a summary of the 2008 WGA Theatrical and Television Basic Agreement (“MBA”). Unless amended in the 2008 negotiations, the provisions of the 2004 MBA are unchanged. This summary is not in contract language. It is a simplified version of the language of the Memorandum of Agreement.

There will continue to be two MBAs: the Network MBA and the AMPTP MBA. The differences between the two agreements remained unchanged in the most recent negotiations, and involve three areas affecting primarily long-form television. Each company that signs a WGA letter of adherence will be required to choose between the two 2008 MBAs. The differences are described in the Addendum to this summary.

Companies that were signatory to the 2004 MBA will also be required to sign a Strike Termination Agreement, addressing certain legal issues resulting from the recent work stoppage. The terms of the Strike Termination Agreement are described in the final section of this summary.

Term of Agreement

From February 13, 2008 through May 1, 2011.

Minimums

Minimum rates generally increase 3.5% each year. The exceptions are: network prime time rates and daytime serial script fees increase 3.0% each period; program fees and the upset price increase once by 3% in the second year; and clip fees increase once by 5% in the third year.

Writing for Made-for New Media

Coverage: The WGA is recognized as the exclusive bargaining representative for writing for new media (such as Internet or cellular technology). Writing for new media is covered by the MBA if:

(1) it is written by a “professional writer” (anyone with a single TV or screen credit, 13 weeks of employment in TV, film or radio, a professionally produced stage play credit or a published novel) or

(2) the program is derivative of an MBA-covered program or

(3) if the budget is above any of three thresholds: $15,000 per minute; $300,000 per program; or $500,000 per series order. If initially not covered due to the projected budget but later costs exceed a threshold, the program/series is covered retroactively.

Compensation: If a new media program is derivative of an MBA-covered program, minimums for initial compensation apply. The minimum for derivative dramatic programs is $618 for programs up to two minutes, plus $309 for each additional minute. The minimum for derivative comedy-variety and daytime serials is $360 for programs up to two minutes, plus $180 for each additional minute. The minimum for all other types of derivative programs is $309 for programs up to two minutes, plus $155 for each additional minute. Regardless of the length of the program initial compensation can be no less than the two minute rate. For original programs initial compensation is negotiable.

Pension and Health Insurance: MBA pension and health provisions apply to all covered writing for new media programs.

Credits: The Guild shall determine credits on all covered new media programs. Credits must appear on-screen (or on a link to the program) if anyone else receives such credit.

Television Reuse: If a covered new media program is reused in traditional media, the usual residuals for a television program apply with minor modifications.

Separated Rights: Creators of original new media material are protected as follows:

(1) If you create an Internet program that becomes a TV series or feature film which you write, traditional separated rights apply.

(2) If you write original material for an Internet program and the Company wants to use it for a TV series or feature film to be written by someone else, the Company must purchase rights from you. The Company may acquire the rights at any time, but separate compensation must be paid. If you want to sell those rights to another studio, the Company has a right of first refusal.

(3) If you create an Internet program that is the equivalent of a traditional TV series (over $25,000 per minute and 20 minutes in length) you are entitled to the same rights as in (2) above, plus sequel payments for each Internet episode based on your program.

Internet Residuals: Initial compensation covers writing services and 13 weeks of availability in new media when the viewer does not pay, and 26 weeks of availability in new media when the viewer pays. After those periods, certain residuals are payable: (i) if a new media program derived from an MBA-covered program or an original new media program with a budget higher than $25,000 per minute is reused in new media, the new media reuse provisions described below apply, except that electronic sell-through is paid at 1.2% of distributor's gross receipts; and (ii) for original new media programs, the residual for ad-supported streaming is negotiable, while reuse where the viewer pays is compensated at 1.2% of distributor's gross receipts.

Other Guild Provisions: A number of standard guild provisions apply to all covered new media programs: Guild shop (writers must join the WGA), no-strike/no-lockout, grievance and arbitration, and timely payment.

<u>Reuse in New Media</u>

Distributor's Gross Receipts: All revenue-based residuals in new media employ a definition of "distributor's gross" which eliminates the accounting uncertainty inherent in the concept of "producer's gross" as found in the home video/DVD formula.

Download Rentals: If the viewer pays for limited new media access to a program, residuals are paid at the rate of 1.2% of distributor's gross receipts.

Download Sales (Electronic Sell-Through): If the viewer pays for permanent use of the program, residuals are paid at 0.36% of distributor's gross receipts for the first 100,000 downloads of a television program and the first 50,000 downloads of a feature. After that, residuals are paid at 0.7% of distributor's gross receipts for television programs and 0.65% for feature films.

Theatrical Ad-Supported Streaming: Ad-supported streaming of feature films produced after July 1, 1971 is payable at 1.2% of distributor's gross receipts.

Television Ad-Supported Streaming (Library): Ad-supported streaming of television programs produced after 1977 (and a small number produced prior to 1977) are payable at 2% of distributor's gross receipts.

Television Ad-Supported Streaming (New Programs): Ad-supported streaming of television programs is payable at 2% of distributor's gross receipts one year from the end of an initial streaming window.

> **Initial Streaming Window:** There is an initial window of 17 days (24 days for episodes of the first season of a series, one-off television programs, and MOWs) with no residual. This window must include or occur contiguous to the initial television exhibition.
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> **Residual Payment (Network Prime Time):** In the first and second years of this contract, after the initial window, for network prime time television programs, a fixed residual of 3% of the residual base ("applicable minimum") is paid for each of up to two 26-week periods. For an hour program, this fee is $654 per period in the first year of the contract; $677 per period in the second year. For a half-hour the figures are $360 and $373. In the third year of this contract, the 2% of distributor's gross formula is applied immediately after the initial streaming window. The contract sets an imputed value for up to 26 weeks of such distributor's gross at $40,000 for an hour program and $20,000 for a half hour program. So, for the third year the formula pays a residual of $800 for an hour program and $400 for a half hour program for each potential 26-week period in the year after the initial streaming window. If the Network's exclusivity expires prior to one year after the end of the initial window, the 2% of distributor's gross receipts begins without the imputed value. In the case of a 26-week period being truncated by the end of the year after the end of the initial streaming window, the payment is prorated.
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> **Residual Payment (All Other Programs):** After the initial streaming window, a fixed residual of 3% of the residual base (the "applicable minimum") is paid for each of up to two 26-week periods in the first two years of this contract. In the third year of this contract, the payment rate rises to 3.5% of the residual base.

Fair Market Value: New media residuals based on transactions between related parties are subject to a test of reasonableness when compared to transactions between unrelated parties.

Access to Information: The companies agree to provide the Guild with access to new media deals and distribution statements, without redaction, and usage data during the term of the contract.

Clips: Clips are defined as excerpts of less than five minutes for episodic TV or ten minutes for features or long-form TV. A company can use a clip for a promotional purpose without payment. Where a clip is not promotional and the viewer does not pay, the fee for the clip in new media is paid at the rate of the lesser of $50 or the residual payable under the Reuse Sideletter for a clip under two minutes; the lesser of $150 or the residual payable the Reuse Sideletter for a clip between two and four minutes; and for a clip longer than four minutes, the residual payable under the Reuse Sideletter. Where the viewer pays, the fee for use of a clip is 1.2% of distributor's gross receipts.

Promotion: A clip can be used without payment to promote theatrical, television or new media exhibition if the clip contains "tune-in", rental or purchase information. No payment is due for non-commercial "viral" release of clips from a theatrical or television motion picture. Promotion does not include the use of clips if the primary purpose of the exhibition is to permit viewing of archived or aggregated clips on a new media site (e.g., dailyshow.com).

Pension and Health Fund Provisions

Health Fund: The contribution rate shall continue to be 8 1/2% from the start of the contract through September 30, 2008. The contribution rate shall be 8% for the period of October 1, 2008 through March 31, 2009. Thereafter the rate shall return to 8 1/2%. A sideletter resolves a pending dispute about the Health Fund contribution rate.

Pension Fund: The contribution rate remains at 6% for this contract.

Contribution Caps: For theatrical motion pictures and long-form television motion pictures, the ceiling on which Pension Plan contributions are based is increased to $225,000 ($450,000 for team of 3). For long-form television motion pictures, the ceiling on which Health Fund contributions are based is increased to $250,000 ($500,000 for a team of 3). A cap of $350,000 ($700,000 for a team of 3) is established as the ceiling on which Pension Plan and Health Fund contributions are based for daytime serial writers.

Other: The Guild and the Companies will jointly fund a study of new IRS regulations. We agreed how contributions will be paid when a writer is employed on a development deal under Article 14.E.2. and, under the same contract, is employed to perform Article 14.K. services on a series for which the writer receives additional money which is not creditable.

Other Provisions

Made-for Pay TV Residuals: The annual residual payments increase from $3,000 to $3,500 for a half-hour program and from $5,000 to $6,000 for an hour program.

Product Integration: The company will consult with the showrunner when a commercial product is to be integrated into the storyline of an episode of a dramatic series.

Showrunner Training Program: The AMPTP and Networks will increase funding for this program to: $225,000 for year 1 of the MBA; $150,000 for year 2; and $150,000 for year 3.

Television Recap Clips: The total length of clips that can be used to recap the story in a 60- minute or longer program is extended from 90 seconds to 3 minutes before requiring payment.

Tri-Guild Audit Fund: The companies renew the funding of the Tri-Guild Audit Fund.

Residuals Reporting/Electronic Data Transfer: Each company shall meet with the Guild to establish a method of transfer for electronic reporting of residuals information.

Lists of Arbitrators: Arbitrators were added to the lists by both the Guild and the companies.

Foreign Remakes: Alternative terms were agreed for foreign remakes of MBA-covered scripts.

Limited Syndication of Half-Hour Programs: A little-used sideletter specifying a discounted residual for half hour series in limited syndication was renewed.

Television Separated Rights for a Derivative Theatrical Film: The company has an opportunity to match an offer to purchase feature film rights from the separated rights holder.

Committee on Alternative Digital Broadcast Channels: The Guild agreed to participate in a committee to explore the use of alternative digital broadcast channels.

Strike Settlement Agreement

Return to Work: A striking writer who prior to the strike was employed by a Company on a project or show ("show") will be returned to the show upon termination of the strike, if the show hasn't been abandoned or cancelled, and writing services will be performed. If the size of the writing staff for a show has been reduced for business reasons, the Company may choose which writers to bring back, subject to the terms of the writers' individual deals. However, the Company may not retain a replacement writer hired during the strike period ahead of a striking writer who offers to return to work on the show on which he or she was employed when the strike began. A Company is not required to reinstate a writer working under an overall deal, except that if the writer has been assigned to perform writing services on a particular show, the writer will be returned to the show.

Suspension and Extension of Contracts: Writing contracts in effect at the beginning of the strike have been suspended during the strike period. After the strike, a Company must extend a striking writer's contract if: (1) the writer was working on a show when the strike began; (2) the show remains in production after the strike; and (3) the writer's contact expired by its terms during the strike. A Company must also extend a writer's contract if a notice or option date occurred during the strike and the Company exercised its right of termination. In both circumstances, the Company must extend the writer's contract for a period equal to the portion of the contract term that elapsed during the strike.

Withdrawal of Certain Claims: The Guild and the Companies agree mutually to withdraw all pending legal claims arising out of the strike, though the Guild reserves its right to file future charges under the National Labor Relations Act claiming discrimination by a Company with respect to termination or reinstatement decisions. Disputes regarding terminations are not arbitrable under the MBA, but a writer may bring a claim under his or her individual contract challenging a termination.

Health Fund Eligibility: The Guild and Companies will jointly recommend to the Health Fund trustees that participants who would otherwise lose eligibility following an earnings cycle that included all or a portion of the strike period will be provided with (1) an additional three months of coverage; and (2) a three-month extension of their earnings cycle. The parties will also recommend that the self-pay ("COBRA") entitlement will be extended for three months for writers who exhausted or will exhaust their COBRA rights in 2008.

ADDENDUM – SUMMARY OF DIFFERENCES BETWEEN THE 2008 AMPTP AND NETWORK MBAS

A. Possessive Credits – Television

In the Network Agreement, each Company agrees to continue its policies regarding possessive credits in a manner consistent with its past practices. There is no such provision in the AMPTP Agreement, but this subject and others are to be addressed in the Committee on the Professional Status of Writers.

B. "Free Rewrites" – Long-Form Television

In the Network Agreement, the Producer must notify the Network when the first draft teleplay is received. In the AMPTP MBA, there is a "Special Company Affirmative Covenant" of timely payment.

Traditionally, the network reviews all drafts for which it issues payment. In the Network MBA, if the employing Company wants to ask for an additional draft without showing it to the Network, it must make an arrangement with the Network that the Network will pay for a draft it does not review. In the AMPTP MBA, it is presumed the Network will pay for a producer's draft commissioned by the employing Company, whether or not the Network receives such draft.

C. Replacing the Writer of Original Material – Theatrical and Long-Form Television

In the Network Agreement, for both theatrical and long-form TV pictures, and in the AMPTP Agreement for screen only, if the Company contemplates replacing a writer who sells, licenses or is employed to write original material, then a production executive who has read the material must meet with the writer, discuss the Company's view, and give the writer a reasonable opportunity to discuss continuing with the project. In the AMPTP Agreement, this provision does not apply to the sale of original material for long-form television and, with respect to employment to write an original long-form teleplay, if the Company desires to engage another writer to rewrite the teleplay, it will discuss with the first writer its reason(s) for not continuing that writer on the project after his or her first draft.