1. **High Budget Dramatic Programs Made for Subscription Video on Demand ("SVOD") Residuals**

The DGA accomplished its major priority in this negotiation by obtaining unprecedented gains in residuals for dramatic programs including features made for high budget subscription video on demand ("High Budget SVOD"), such as Amazon Prime Video, Hulu and Netflix. High Budget SVOD has grown from 55 episodes in 2013 to 597 episodes in 2016 (a growth rate of 985%). In anticipation of its continued growth, the Guild made SVOD its highest priority, and successfully obtained historic gains, including a more than threefold increase in the residual payments for one-hour programs on the largest SVOD platforms, from approximately $15,000 to over $50,000 for the first three years of use. Additionally, Unit Production Managers and Assistant Directors now for the first time share in 1/6th of the new residual.

A. A fixed residual payment will now be payable for the first year of use on the originating SVOD platform. Under the current agreement, the first year was free.

B. For each subsequent year of domestic exhibition, the Employer will make a fixed residual payment for use on the original SVOD platform. Similar to our approach in Pay TV, the fixed residual is based on the number of subscribers to the SVOD service so that larger services pay more residuals than smaller services.

C. Under the current agreement, foreign use is not paid as it is included in the domestic payment. Under the new agreement, Employers will be required to pay a separate and additional residual for foreign use payable either as a fixed percentage of the domestic residual or as a percentage of the license fee.

D. The DGA also established that the theatrical minimum should be the base for feature length SVOD projects with a budget of at least $13 million made for a service with 20 million or more domestic subscribers. The prior agreement used the lower movies for television base. This change results in an increase of 294% for feature length projects over $13 million made for the largest SVOD platforms. For pictures over $30 million, the DGA has the right to negotiate with the Employer to seek better terms and conditions, including residuals and creative rights.

E. The parties agreed that when a consumer directly subscribes to a Pay Television service’s over-the-top New Media service (e.g., HBO Now, SHOWTIME Now), the subscribers to that Over The Top ("OTT") Service will be added to the subscriber count, and thus included in the residual calculation, for that pay television service. It was also agreed that a separate residual is not owed when a
DGA-covered program is exhibited on a pay television service’s OTT service that is included as part of the subscription to the pay television service (e.g., HBO Go, Showtime Anytime).

2. **Pension and Health Plan Contributions**

Although the Basic Pension Plan is well funded on a current basis and remains the best funded retirement plan in the industry, it has not been immune to the risk of lower investment returns, market volatility or reduced residual payments (upon which the Plan is dependent). As such, another major priority in this negotiation was to obtain additional income to further secure the Plan from potential downturns in the market or reductions in Employer residual contributions in the future. The new agreement provides this greater security. The Employer Pension Plan contribution rate will permanently increase by 0.5% in the first year of the agreement, from 5.5% to 6%. In the second and third years of the agreement, the DGA has the right to divert up to 0.5% of the wage increases to the Employer contribution rate to either the DGA Pension Plan or the DGA Health Plan.

3. **Compensation and Residuals Increases**

Another priority in the negotiations was to obtain a healthy general wage and residual increase.

A. Minimum salaries will increase by 2.5% in the first year of the agreement and by 3% in the second and third years of the agreement, except for Directors of dramatic network prime time programs, pay television programs, the highest budget SVOD Programs and non-network, and non-prime time strip dramatic programs, which will increase 1.5% in each year of the agreement. Lesser increases in these areas was part of the agreement for the historical increase in SVOD residuals.

B. Directors of one-hour basic cable dramatic programs in their first season with budgets of $2.7 million or more will receive an outsized wage increase of 5.5% in the first year of the agreement, and standard wage increases in the second and third years.

C. Residuals for foreign free television and free to the consumer ad-supported video on demand (“AVOD”) – the largest growth areas – will increase 2.5% in the first year of the agreement and then 3% in the second and third years. Additionally, the DGA resolved a dispute over the residual base for AVOD. Going forward, residuals will be paid on the higher syndication residual base (not the network prime time rerun fee). Further, the Guild obtained an increase in the percentage of the base payable for each six months of AVOD use by 0.5% in the second year of the agreement (from 5% to 5.5% of the syndication residual base). Combined, these two gains will result in a 27% increase in the AVOD residual payment for one-hour programs.
As with wages, the DGA accepted lesser or no increases in other areas in exchange for the increase in High Budget SVOD residuals. The residual bases for network non-prime time, syndication, and basic cable will increase 1% in each year of the agreement. Network prime time rerun fees will not increase during the term of the agreement.

4. **Residuals for Secondary Licensing of Television Programs**

A. **Diginets**

In the last negotiation, the Producers sought relief from certain residual formulas that would allow them to license “library product” television programs to secondary digital channels (“Diginets”) that could not be sold due to the high run-based residuals formula that applied to such programs. The DGA agreed to substitute the run-based formula with a residual payment equal to 2% of Employer’s gross, subject to a number of limitations or “fences” on when the product could be available for sale under the lower formula. As a result of those changes, the Producers were able to license many “older” television programs from the 1970s, 1980s and 1990s to Diginets, which resulted in additional residual payments to Guild members. In this round of negotiations, the Producers asked for further relief to allow them to sell more recent programs, which are more valuable and will result in higher residual payments for DGA members. To address the Producers’ concerns, the DGA agreed to remove those fences.

B. **Basic Cable Second Sales**

The Producers also sought relief in the last round from the run-based residuals formula with respect to basic cable programs so they could re-license them to basic cable after the initial license expired. As with Diginets, the DGA agreed to substitute a percentage residual, subject to certain fences. Those fences, however, effectively foreclosed such sales. In this round, the DGA agreed to remove the fences provided all fixed payment runs under the original license agreement have been exhausted.

On balance, these changes will achieve more residuals for members as older product previously “on the shelf” is further exploited in these outlets.

C. **Limited Theatrical Release of Television Programs**

The DGA further agreed to modifications to allow for very limited theatrical releases of television programs. Under the current agreement, the payment for the theatrical release of a television program is so high that only one television program has ever been released theatrically on a commercial basis. The Employers and DGA agreed to modify the agreement to allow a very limited theatrical release in connection with series launches, series finales and some other
event driven programming. To develop another source of residual income for television directors, the Guild agreed to substitute a payment of 3% of the Employer’s gross receipts (which is expressly defined to include anything of value) for the current payment under certain very limited circumstances, most notably restrictions on the length of time a program may be exhibited. In connection with such use, the DGA obtained enhanced creative rights for the Director, including additional cutting time if the program is exhibited theatrically before or simultaneous with its initial telecast (or SVOD availability).

D. Foreign Language Basic Cable Service

The DGA also agreed to changes in the agreement to permit the sale of basic cable programs dubbed into foreign languages. As with Diginets and Basic Cable Second Sales, the Producers are unable to enter this business because of the high cost of the run-based formula, which in most cases is higher than the license fee. To open this market, the DGA agreed to substitute the run-based formula with a residual payment equal to 2% of Employer’s gross with respect to English language “high budget” dramatic programs made for basic cable that are subsequently exhibited in a language other than English on a foreign language basic cable channel in the United States or Canada.

E. Radio Broadcast

The parties agreed to a residual of 2% of Employer’s gross for the radio transmission and associated podcasts of FLT TA programs made for free television, pay television or basic cable, rather than a residual payment of an additional one-third of compensation. As with Diginets, Basic Cable Second Sales, Foreign Language Basic Cable Service and Limited Theatrical Release of Television Programs, this change will result in additional income for our members as new markets for the exploitation of television programs are opened.

5. First Time Directors

Another important focus of the DGA was to address the lack of opportunities for those who wish to become career Directors by seeking to curb the frequent practice of distributing many of those precious first time directing opportunities (approximately 150 jobs per year) to individuals who are not primarily focused on a career in directing. To address this concern, the DGA obtained a provision that requires all first-time dramatic television Directors who are not enrolled in or who have not completed a studio-sponsored Television Director Development Program to attend a one day orientation program provided by the DGA before their employment begins. For the purposes of this requirement, a “first-time Director” is an individual who has not previously directed a theatrical motion picture, a television episode or made for new media episode of a dramatic series (including
a mini-series), a long form television motion picture, or a made-for-home video project.

6. **Unit Production Managers and Assistant Directors**

   A. **Low Budget Basic Cable**

   Salaries for Unit Production Managers and Assistant Directors on lower budget dramatic basic cable programs will be increased from the current rate of 83.5% of the applicable minimums to 85% in the first season, 90% in the second and third seasons, and 100% of the minimums in the fourth season. In exchange, the DGA agreed to grandfather certain programs and to increase the basic cable budget tiers.

   B. **Hold Harmless**

   The parties agreed to revise the Hold Harmless language in the Basic Agreement and FLTTA to provide greater protections for DGA members in the event of an accident. While this provision applies to all members of the DGA team, this was a priority for the AD/UPMs in this negotiation.

   C. **Continuity of Employment**

   In order to maintain the continuity of the DGA team, under certain limited circumstances, the DGA will permit Unit Production Managers and Assistant Directors employed on projects outside of Southern California who are not on the applicable Southern California Qualifications List to prep and shoot for a limited number of days in Southern California.

   D. **Safety Training**

   The parties agreed to require mandatory safety training for all Unit Production Managers, Assistant Directors, Associate Directors and Stage Managers employed in the United States. This training will now be made available online.

7. **High Budget Basic Cable Variety Programs**

   A. **Residuals**

   For the first time, Employers will be required to pay residuals for reuse of high budget basic cable variety programs. The residual is a run-based, fixed payment equal to a declining percentage of the applicable non-network or non-prime time program residual base. Reuse in New Media will be paid in accordance with FLTTA Sideletter 14 (Exhibition of Motion Pictures Transmitted via New Media). These residuals will be phased in over the term of the agreement and will apply to new strip variety programs, and all variety specials and series.
B. **Production Fee and Vacation Pay**

Unless otherwise indicated on an Employee’s deal memo, Associate Directors and Stage Managers working on high budget basic cable variety programs will receive a production fee and vacation pay in addition to their negotiated salary.

8. **Other Non-Dramatic Terms**

A. **Directors of a Live Television Program Employed on Scenes for a Dramatic Television Motion Picture**

The parties extended an existing provision requiring payment (less a credit equal to the FLTTA scale payment) to a “specially skilled” director of a live news, strip quiz and game, strip variety, or “all other” television program employed to direct scenes for a dramatic television program to include all non-dramatic directors and to apply to feature films as well dramatic television programs.

B. **Low Budget Syndicated “All Other” Programs**

The Guild agreed to provide Employers with relief in the residuals for the first two years of low budget syndicated “all other” series to encourage more production of such shows.

C. **Fifth Episode of a Four per Week Strip Program**

The DGA agreed to extend the exception to the compilation program fee provisions of the FLTTA applicable to the sixth episode of a five-day-a-week strip program consisting of material excerpted from that week’s programs to the fifth episode of a four-day-a-week strip program. The Employer will be required to pay the Director(s) of the excerpted material and any new material an aggregate sum equal to the applicable minimum salary for an episode of the program.

D. **West Coast Rerun of Awards Programs**

The DGA agreed to the Producers’ proposal to reduce the residual payment for a limited West Coast rerun of an awards program which is aired live and then rerun on the same day of the live broadcast to one-third of the residual that would otherwise be payable.

E. **“Behind the Scenes” Camera Placement**

The Producers agreed to require Employers to make good faith efforts to notify the first assigned Associate Director and first assigned Stage Manager of the placement of all camera/audio plots for “behind the scenes” and related material for awards programs.
9. **Safety**

   The parties agreed to form a joint committee regarding safety issues and responsibilities related to the production of theatrical and television motion pictures. This committee will meet in 2017.

10. **Term**

    Three years, July 1, 2017 through June 30, 2020.