

**LOW BUDGET SIDELETTER TO THE DIRECTORS GUILD OF AMERICA
BASIC AGREEMENT OF 2008
SINGLE PROJECT AGREEMENT**

_____ (“Employer”) enters into this sideletter (the “Sideletter”) with the Directors Guild of America, Inc. (“DGA”) governing the employment of the Directors, Unit Production Managers, First Assistant Directors, and Second Assistant Directors (“Employees”) employed in connection with the production of the theatrical motion picture currently entitled “_____” (“the picture”), and concurrently agrees to execute and to be bound by the DGA Basic Agreement of 2008 (“BA”) and Freelance Live and Tape Television Agreement of 2008 (“FLTTA”). To the extent the provisions herein are inconsistent with the BA, the provisions of this Sideletter shall be controlling.

The picture shall be covered by this Sideletter only if the budget is within the specified Levels of production cost and it is intended for initial release theatrically. If a picture fails to get a domestic (U.S. and Canada) theatrical release and is released in the video, pay or free television markets, it shall remain classified as a theatrical motion picture for all purposes and shall not be reclassified as a “Made for Pay” or “Free Television” motion picture, if, upon completion of such picture, it is not suitable for theatrical release and/or Employer is not able to obtain one.

Notwithstanding the foregoing, the picture shall not be a covered motion picture, and this Sideletter will not apply, if it is developed by or for a domestic or foreign basic cable service, pay television service, or free television network or broadcaster, or if more than fifty percent (50%) of the negative cost of the picture is provided by any such entity, either directly or by virtue of a license or agreement for other transfer of rights which is entered before the picture is

completed and used as collateral for a loan to finance the production. In that event, the BA, including but not limited to the provisions relating to the initial salaries for Directors under Article 10 (free television), Article 20 (pay television), or Article 23 (basic cable), and for Assistant Directors and Unit Production Managers under Articles 13 and 23, as appropriate, shall apply.

A picture which is intended for initial release in the videocassette/videodisc rental or sell-through market, and which is not developed or financed by a basic cable or pay television service or free television broadcaster as set forth above, may be produced pursuant to the terms and conditions of this Sideletter for the applicable Level of production cost. Such a picture shall be classified as a “theatrical motion picture” for all purposes, except that residuals for the picture shall be paid pursuant to Article 20 of the BA.

Budget Definitions:

Before the start of principal photography, Employer shall submit to the DGA the budget which was approved for purposes of bank and/or investment financing by a bona fide completion guarantor, or if there is no completion bond, the budget in effect upon commencement of principal photography signed by the Unit Production Manager and an officer of Employer. The production cost for the picture shall consist of all direct and indirect costs actually incurred in connection with the picture. The only costs excluded in determining the production cost for purposes of this Sideletter shall be financing costs (i.e. loan origination fees, gap fees, legal fees and interest), contingency of up to ten percent (10%), essential element insurance costs, the cost of the completion bond, marketing expenses, contingent payments to talent or other parties which are based on the proceeds derived from the exploitation of the picture and received after

recoupment of the negative cost, and delivery items required by sales agents, distributors or subdistributors (i.e. delivery materials beyond the answer print or the NTSC Video Master if the picture is delivered on videotape, or the digital equivalent if the picture is delivered in a digital format). For the avoidance of doubt, federal, state, and foreign rebates and tax credits shall not be excluded from the budget in determining the production cost or deducted from the Final Cost Statement.

No later than sixty (60) days after the completion of the answer print, Employer shall submit to the DGA the Final Cost Statement. The Final Cost Statement shall include all actual costs incurred in connection with the production of the picture (i.e. those costs commonly referred to as the “negative cost”) which are not excluded in the first paragraph immediately above. The DGA shall have the right to review and audit records relating to the cost of the picture. The DGA shall have six (6) months from the date of receipt of the Final Cost Statement to notify Employer of a challenge or claim concerning the appropriate Level of production cost of the picture. After said six (6) month period, the DGA shall be deemed to have waived the right to challenge the budget, or Level of production cost of the picture. Costs incurred on account of force majeure events, default or disability of major talent, government action, or reshooting due to faulty negative caused by technical problems outside of Employers control, shall not be counted toward the production cost.

If the actual final production cost of the picture exceeds the estimated cost, as represented in the budget submitted to the DGA, by more than the budgeted contingency of not more than ten percent (10%), and such final production cost causes the picture to fall within a Level, as defined below, higher than its original Level, then the picture shall be reclassified into such higher Level, in which event the provisions applicable to the higher Level shall apply and all

salaries and other terms shall be adjusted accordingly and paid within thirty (30) days after submission of the Final Cost Statement.

The currency rate in effect on the earlier of the date the bank financing for the picture closes, or the start of principal photography, will be used for purposes of determining the budget, and the final cost, of the picture.

I. Level 1. Any motion picture, the budget of which is equal to or less than \$1,030,000, shall be deemed a covered motion picture and the employment of Employees shall be subject to the provisions applicable to a Level 2 motion picture except:

A. Director's Compensation and Guaranteed Period of Employment: The Director's initial compensation and daily rate (if any is agreed upon), guaranteed period of employment, and whether, and on what basis, the Director is "pay or play," shall be subject to negotiation between the Director and Employer.

B. Article 13 - Unit Production Managers and Assistant Directors:

(i) For a picture the budget of which is less than \$500,000, the initial compensation shall be subject to negotiation between the individual Employee and Employer, provided that the salary paid for any hour of work shall in no event be less than the federal or state minimum wage.

(ii) For pictures with budgets greater than \$500,000, and equal to or less than \$1,030,000, Assistant Directors and Unit Production Managers shall be paid no less than a discounted initial minimum salary equal to thirty-three percent (33%) of the minimum weekly salaries in Paragraph 13-101(a) of

the BA, provided that the salary paid for any hour of work shall in no event be less than the federal or state minimum wage. The salary for a Second Second Assistant Director shall be no less than \$625/week or \$156.25/day.

- (iii) There shall be no minimum production fee. There shall be no minimum preparation period.

II. Level 2. On motion pictures with budgets greater than \$1,030,000 but equal to or less than \$2,570,000, the employment of Employees shall be subject to Paragraph V hereof, and the following provisions of the BA, as modified below:

- A. Article 1-Recognition and Guild Shop
- B. Article 2-Disputes
- C. Articles 3 and 4-Director's Compensation and Related Matters: The Director's initial compensation, daily rate (if any is agreed upon), and preparation time will be subject to negotiation between Employer and the Director. The Director shall be pay or play for the "run of the picture" beginning the earlier of (a) the closing of the financing for the picture, (b) issuance of a completion bond or guarantee, (c) the date any cast member becomes pay or play. The pay or play obligation shall be satisfied by payment of the agreed salary owed for the unexpired period of the Director's guarantee. A replacement Director shall receive compensation equal to no less than the remaining amount due to the previous Director.

Second Unit Director: The salary and preparation time for any Second Unit

Director shall be subject to negotiation between Employer and the Director.

D. Article 6-Suspension and Termination of Directors, except as modified herein.

E. Article 7-Director's Minimum Conditions - Preparation, Production, Post
Production, except:

Preparation and Preview of Director's Cut) In lieu of the ten (10) week period provided for the accomplishment of the Director's Cut in BA Paragraph 7-505(b)(1), Employer shall provide the same number of days for the accomplishment of the Director's Cut as were provided for principal photography (but in no event shall the period for the Director's cut provided pursuant to this agreement be less than twenty (20) days), followed by a screening of the Director's Cut pursuant to BA Paragraph 7-505(d).

There shall be no mandatory preview of the Director's Cut or of the picture. The Director will be notified of any preview as per the BA. Employer will send the Director to any preview conducted by Employer outside of Los Angeles or Orange County as per the BA; the Director need not be flown in first or business class, but will fly in the best class afforded by Employer to anyone else attending the preview. These obligations do not apply to previews conducted by third-party distributors, unless they are signatory to the BA.

F. Article 8-Director's Credits, and BA Paragraph 13-209, relating to Unit
Production Manager and Assistant Director Credits

G. Article 9-BA Paragraphs 9-102, 9-103 and 13-214(c), relating to Travel Insurance

H. Article 12-Pension and Health Plans

I. Article 13-Unit Production Managers and Assistant Directors: Assistant Directors and Unit Production Managers shall be paid initial salary no less than fifty percent (50%) of the minimum weekly salaries in Paragraph 13-101(a) of the BA. Daily salaries shall be computed at 1/4 the weekly rate. The salary for distant location shall be the same as the studio rate. A sixth and/or seventh day worked in a workweek shall be paid at straight time (i.e. one-fifth (1/5) of the weekly rate if a weekly Employee). The production fee for all Assistant Directors and Unit Production Managers shall be \$25.00 per week for either a 5-day or 6-day workweek; the daily production fee is \$6 if employed on a daily basis. There shall be no Vacation Pay (4% per Paragraph 13-601), Unworked Holiday Pay (3.719% per Paragraph 13-115), Distant Location Allowance (\$20.00 per Paragraph 13-114), Wrap Supervision Allowance (\$50.00), or Completion of Assignment Pay (Paragraphs 13-103 and 13-104). Assistant Directors and Unit Production Managers who work on a holiday (as specified in the BA, Paragraph 13-113) shall be paid 200% of the daily rate; Employer may deduct a day's pay from the weekly salary if an Assistant Director or Unit Production Manager does not work on a holiday which falls within that week. Any Second Assistant Director hired in addition to the Key Second Assistant Director may be paid no less than discounted initial minimum salary equal to fifty percent (50%) of the minimum weekly salaries in Paragraph 13-101(a) of the BA for an Additional Second Assistant Director.

Preparation Time-The First Assistant Director shall be guaranteed no less than

seven (7) days preparation time; the Key Second Assistant Director shall be guaranteed no less than three (3) days preparation time.

Extended Workday -A First Assistant Director who works more than fourteen (14) hours before being dismissed shall receive an additional one-quarter day's pay for each two hours, or portion thereof, worked in excess of fourteen (14) hours. A Second Assistant Director who works more than thirteen (13) hours, if there is only one Second Assistant Director, or more than sixteen (16) hours if there are two Second Assistant Directors, shall receive one-quarter day's pay for each two hours, or portion thereof, worked in excess of thirteen (or sixteen, if applicable) hours.

Rest Period-Assistant Directors and Unit Production Managers shall be entitled to rest periods pursuant to BA Paragraph 13-116.

Travel for Assistant Directors and Unit Production Managers on Level 1 and Level 2 pictures will be in a class no less preferable than the best which is afforded to either the Director of Photography, Production Designer, Editor, or Costume Designer.

- J. Article 14 -Employer may employ one Assistant Director or one Unit Production Manager who is not on the applicable Qualification List (as defined below). With respect to all other classifications covered by Article 14 of the BA, Employer shall make a reasonably diligent effort to find Unit Production Managers or Assistant Directors (as the case may be) on the applicable Qualification List before employing any person not on the applicable Qualification List, and must document

that effort at DGA's request. Employer may not offer better rates or conditions of employment to non-Qualification List Employees than those offered to Qualification List Employees.

Applicable Qualification List for purposes of Level 1, 2, and 3 pictures, shall be defined as the Southern California Entertainment List, the New York Entertainment Qualification List and the Third Area Qualification List.

Individuals on any one of the applicable Qualification Lists may be hired to work in any geographic location.

In addition, with respect to Level 1 and Level 2 motion pictures produced entirely in the Third Area, as defined in Article 14 of the BA (i.e., the area of the United States which is outside Southern California and outside the New York Area), Employer may hire two individuals on any of the applicable Qualification Lists to work in the next higher Qualification List category than the one on which they are placed. For example, a Qualified Second Assistant Director may be employed in the Third Area as a First Assistant Director.

- K. Article 15-Non-Discrimination
- L. Article 17-Miscellaneous Provisions
- M. Article 18-Supplemental Markets
- N. Article 19-Theatrical Motion Pictures Released to Free Television
- O. Article 21-Copyright Royalty Tribunal

P. Article 22-Responsibility for Residuals Payments

III. Level 3. On motion pictures with budgets greater than \$2,570,000 but equal to or less than \$3,605,000, the employment of Employees shall be subject to Paragraph V hereof, and to all terms of the BA with the following modifications:

A. Article 3-Director's Compensation and Related Matters: The Director's initial compensation shall be no less than \$75,000 for a minimum guarantee of 13 weeks (inclusive of two weeks preparation time and one week cutting allowance time). Additional deferred compensation, if any, shall be subject to individual negotiation.

The Director shall be pay or play for the "run of the picture" beginning the earlier of (a) the closing of the financing for the picture, (b) issuance of a completion bond or guarantee, (c) the date any cast member becomes pay or play. The pay or play obligation shall be satisfied by payment of the agreed salary owed for the unexpired period of the Director's guarantee.

A replacement Director shall be paid 125% of the previous Director's salary, for the unexpired period of the previous Director's guarantee.

Second Unit: The minimum preparation time for a Second Unit Director is one day. However, this preparation time requirement shall not apply to any unplanned units, emergencies or when preparation time is not needed because the Director of the second unit has been working on the production in a different Guild capacity covered by the terms of the BA.

The minimum compensation for a Second Unit Director is \$1,500 per day.

- B. 7-505-Preparation and Preview of Director's Cut: In lieu of the ten (10) week period provided for the accomplishment of the Director's Cut in BA Paragraph 7-505(b)(1), Employer shall provide a minimum eight (8) week period for the accomplishment of the Director's Cut followed by a screening of the Director's Cut pursuant to BA Paragraph 7-505(d).

The preview of the Director's Cut or of the picture may be screened on video of not less than digital on-line quality, for no less than 25 people exclusive of Employees and family of Employer. DGA will consider in good faith requests to screen the Director's cut on broadcast quality resolution video. The Director will be notified of any preview as per the BA. Employer will send the Director to any preview conducted by the company outside of Los Angeles or Orange County as per the BA; the Director need not be flown in first class, but will fly in the best class afforded by Employer to anyone else attending the preview. These obligations do not apply to previews conducted by third-party distributors, unless such party is signatory to the DGA Basic Agreement.

- C. Article 13 - Unit Production Managers and Assistant Directors: Assistant Directors and Unit Production Managers shall be paid no less than discounted initial minimum salary equal to sixty percent (60%) of the minimum weekly salaries in Paragraph 13-101(a) of the BA. The weekly production fee is \$200 for Unit Production Managers and First Assistant Directors; and \$150 for the Key Second Assistant Director. Daily salaries, including production fees, shall be

computed at one-fourth (1/4) the weekly rate. The salary for distant location shall be the same as the studio rate. There shall be no Vacation Pay (4% per Paragraph 13-601), Unworked Holiday Pay (3.719% per Paragraph 13-115), Wrap Supervision Allowance (\$50.00), or Distant Location Allowance (\$20.00 per Paragraph 13-114). Unit Production Managers, First Assistant Directors, and Second Assistant Directors shall be paid Completion of Assignment Pay computed pursuant to BA Paragraphs 13-103 and 13-104, based on the salaries set forth herein. A sixth day worked in a workweek shall be paid at straight time; a seventh day worked in a workweek shall be paid at 150% of straight time. The minimum preparation time shall be ten (10) days for the First Assistant Director, and five (5) days for the Key Second Assistant Director.

Any Second Assistant Director hired in addition to the Key Second Assistant Director may be paid no less than discounted initial minimum salary equal to sixty percent (60%) of the minimum weekly salaries in Paragraph 13-101(a) of the BA for an Additional Second Assistant Director. No production fee is due.

Extended Workday -A First Assistant Director who works more than fourteen (14) hours before being dismissed shall receive an additional one-quarter days pay for each two hours, or portion thereof, worked in excess of fourteen (14) hours. A Second Assistant Director who works more than thirteen (13) hours, if there is only one Second Assistant Director, or more than sixteen (16) hours if there are two Second Assistant Directors, shall receive one-quarter days pay for each two hours, or portion thereof, worked in excess of thirteen (or sixteen, if applicable) hours.

D. Article 14 -Employer may employ one Assistant Director or one Unit Production Manager who is not on the applicable Qualification List (as defined below). With respect to all other classifications covered by Article 14 of the BA, Employer shall make a reasonably diligent effort to find Unit Production Managers or Assistant Directors (as the case may be) on the applicable Qualification List before employing any person not on the applicable Qualification List, and must document that effort at DGA's request. Employer may not offer better rates or conditions of employment to non-Qualification List Employees than those offered to Qualification List Employees.

Applicable Qualification List for purposes of Levels 1, 2 and 3 pictures shall be defined as the Southern California Entertainment List, the New York Entertainment Qualification List and the Third Area Qualification List.

Individuals on any one of the applicable Qualification Lists may be hired to work in any geographic location.

IV. Level 4. On motion pictures with budgets greater than \$3,605,000 but equal to or less than \$9,500,000, the employment of Employees shall be subject to Paragraph V hereof, and to all terms of the BA with the following modifications:

A. Article 3-Director's Compensation and Related Matters:

(i) For pictures with budgets greater than \$3,605,000 but equal to or less than \$7,000,000, Directors, including Second Unit Directors, may be paid discounted salary no less than seventy-five percent (75%) of the applicable minimum salary in Article 3 of the BA. No deferment shall be required. A

replacement Director shall be paid not less than 150% of minimum compensation (as set forth herein) for the work performed.

- (ii) For pictures with budgets greater than \$7,000,000 but equal to or less than \$9,500,000, Directors, including Second Unit Directors, may be paid discounted salary no less than ninety percent (90%) of the applicable minimum salary in Article 3 of the BA. No deferment shall be required.

B. Article 13 - Assistant Directors and Unit Production Managers

- (i) For pictures with budgets greater than \$3,605,000 but equal to or less than \$5,150,000, Assistant Directors and Unit Production Managers shall be paid initial compensation, and production fees, no less than seventy percent (70%) of the minimums in Paragraphs 13-101(a) and 13-101 (b) of the BA.
- (ii) For pictures with budgets greater than \$5,150,000 but equal to or less than \$7,000,000, Assistant Directors and Unit Production Managers shall be paid initial compensation, and production fees, no less than eighty percent (80%) of the minimums in Paragraphs 13-101(a) and 13-101 (b) of the BA.
- (iii) For pictures with budgets greater than \$7,000,000 but equal to or less than \$9,500,000, Assistant Directors and Unit Production Managers shall be paid initial compensation, and production fees, no less than ninety percent (90%) of the minimums in Paragraphs 13-101(a) and 13-101(b) of the BA.

- 1. Unit Production Managers and Assistant Directors shall be paid Completion of Assignment Pay based on the salaries set forth

herein, i.e. 70%, 80%, or 90% of the minimums in BA Paragraph 13-101(a), as applicable, and computed pursuant to BA Paragraphs 13-103 and 13-104.

2. The Guild will consider requests for waivers to apply the studio rate for distant location employment when the production is on a five-day per week schedule.
3. There shall be no Vacation Pay (4% per Paragraph 13-601), Unworked Holiday Pay (3.719% per Paragraph 13-115), Wrap Supervision Allowance (\$50.00), or Distant Location Allowance (\$20.00 per Paragraph 13-114) for pictures with budgets less than \$7,000,000.
4. Any Second Assistant Director hired in addition to the Key Second Assistant Director may be paid initial compensation no less than seventy percent (70%) with respect to the lower level of budgets within this Level IV, eighty percent (80%), with respect to the middle level of this Level IV, or ninety percent (90%) with respect to the top level of this Level IV; of the minimum salaries in Paragraph 13-101(a) of the BA. No production fee is due for the Second Second Assistant Director.

- C. Article 14 - Employer must give preference of employment to Employees as provided in Article 14 of the BA. However, if Employer is unable to find Assistant Directors and Unit Production Managers on the applicable Qualification

Lists who will accept employment at the rates and conditions offered in accordance with this agreement, Employer may employ, on productions based in the Southern California area or the New York area, one (1) Unit Production Manager or Assistant Director who is on the Third Area Qualification List, provided that Employer must make a reasonably diligent effort to find Unit Production Managers or Assistant Directors (as the case may be) on the applicable Qualification List before employing any person not on the applicable Qualification List, and document that effort at DGA's request, and provided Employer may not offer better rates or conditions of employment to non-Qualification List Employees than to Qualification List Employees.

V. The provisions in this paragraph shall apply to all covered motion pictures the production costs of which are \$9,500,000 million or below.

- A. 7-401-Dailies: Employer need only provide dailies on video. Dailies shall be provided as soon as practicable. If Employer provides dailies on video, Employer shall make best efforts to provide them within 24 hours. Director will be provided with a copy of the dailies simultaneously with the producer and others who need to view the dailies and Employer will furnish the Director a list of those who receive dailies.
- B. Employer may view and have access to materials from the editor's assembly for the purpose of preparing trailers and marketing materials provided the Director is present, Employer does not impede the completion of the assembly or the preparation of the Director's Cut, and Employer does not cut behind the Director.

- C. 13-216 Dinner Allowance: If Employer provides meals to the Unit Production Manager and Assistant Directors, including walking meals, no dinner allowance need be paid.
- D. 13-114 Per Diem: Each Employee employed on distant location will receive a reasonable per diem payment which shall be no less than the greater of the minimum per diem payments set forth in the Screen Actors Guild ("SAG") or I.A.T.S.E. minimum basic agreements, provided that if SAG or I.A.T.S.E. shall provide a lower per diem under a low budget agreement, then the greater of such low budget agreement per diem payments shall be payable to each Employee. However, Employees covered by this provision may not be paid a lower per diem than that payable to SAG or I.A.T.S.E. employees employed on the same picture pursuant to either union's applicable collective bargaining agreement.
- E. On any covered picture on which Employer employs two Second Assistant Directors plus either an Additional Second Assistant Director or a DGA Trainee, persons not covered by the BA may perform Second Assistant Director duties.
- F. It is understood and agreed that in the event there are no available persons on the applicable Qualification List to perform the work of a Second Assistant Director, the next preference in employment shall be DGA Trainees; if no such Trainees are available, then Employer may hire Second Assistant Directors from any source. Days so worked by DGA Trainees shall be counted towards fulfillment of their training time only.

G. If Employees furnish their own transportation to or from location within the studio zone as defined in the Screen Actors Guild Basic Agreement, mileage expense need not be paid, provided no member of the cast or crew is paid mileage.

H. Travel-Travel for all Employees, other than Assistant Directors and Unit Production Managers employed on Level 1 and 2 pictures as set forth above, will be in coach for domestic flights of three (3) hours or less scheduled flight time unless someone from the shoot flies in a preferable class. If that occurs, travel will be the same as the other individuals. If the flight is more than three (3) hours in duration, travel will be business class.

Travel for all Employees, other than Assistant Directors and Unit Production Managers employed on Level 1 and 2 pictures as set forth above, will be coach for foreign flights of five (5) hours or less scheduled flight time, and business class for foreign scheduled flight time of more than five (5) hours, unless someone from the shoot flies in a preferable class. If that occurs, travel will be the same as the other individuals.

I. The parties acknowledge that there may be no prepayment of residuals except as permitted by Articles 18 and 19 of the BA.

J. The DGA agrees to make appropriate accommodations in its initiation fees in recognition of the economics of this type of production.

K. In the event Employer has employed an Assistant Director or Unit Production manager who is not on the Qualification List before it becomes signatory to the

Basic Agreement, such employment shall be considered as one of the allowable exceptions to the applicable Qualification List provisions as set forth in Paragraphs II. J. and III. D. of this Agreement.

- L. 12-205 UPM/Producer: Employer shall make pension and health contributions on behalf of any Unit Production Manager who is also employed as a producer based on the salary paid for Unit Production Manager services, but in no event shall contributions be made on an amount less than the total salary paid for all services on the picture, or \$100,000, whichever is less. In the event the salary for Unit Production Manager services only exceeds \$100,000, Employer shall pay contributions on the actual Unit Production Manager salary.

VI. For any Director assigned to a motion picture the production costs of which are within Levels 1, 2, 3 or 4, Employer shall use a deal memorandum in content and form substantially as set forth in Exhibit A attached to this Sideletter. For any Unit Production Manager and Assistant Director assigned to such a motion picture, Employer shall use a deal memorandum in content and form substantially as set forth in Exhibit B attached to this Sideletter.

//

//

[continued]

VII. In all respects other than as expressly provided in this Sideletter, the BA governs the employment of Employees on motion pictures within Levels 3 and 4.

VIII. The term of this Agreement shall be from July 1, 2008 to June 30, 2011.

AGREED TO AND ACCEPTED

Directors Guild of America, Inc.

By: _____

Title: _____

Date: _____

AGREED TO AND ACCEPTED

Employer: _____

By: _____

Title: _____

Date: _____