

GUIDE TO SECONDARY MARKETS RESIDUAL FORM AND WORKSHEETS

Columns **A** through **F5** on the Summary Table correspond to the types of payments to be sent to the Film Musicians Secondary Markets Fund ("FMSMF") for theatrical films and television programs/series, as provided in the AFM Basic Theatrical Motion Picture Agreement and the AFM Television Film Labor Agreement. Please note that wherever the term "Free Television" is used, it includes both traditional "over the air" television (e.g., ABC, CBS, NBC, Fox, etc.) and standard basic cable (TNT, TBS, USA, SyFy, etc.), as contrasted with "Pay Television" (e.g., HBO, Showtime, Cinemax).

The term "motion pictures" as used in this document means theatrical films, television films and television series, unless the context specifies only one type of motion picture (e.g., TV only).

As explained more fully below, Lines 1 through 5 of each column of the Summary Table are designed to assist in calculating amounts for each type of secondary market payment due to the Fund.

I. Receipts from Licensing Theatrical, Made for Pay Television or Direct-to-Video Motion Pictures to Free Television (Column A). *Applies only to theatrical motion pictures whose principal photography commenced on or after January 31, 1960; or made-for-pay TV or direct-to-video motion pictures whose principal photography commenced on or after July 1, 1971.*

a) Line 1: Producer's Gross

"Producer's Gross" under Column A means the worldwide total gross receipts that the distributor of a motion picture derived during the calendar quarter from licensing the right to exhibit the motion picture on free television. Additionally, in the case of an outright sale of free television distribution rights, only the seller's income from the purchaser, not the income realized by the purchaser or licensee of such rights, constitutes Producer's Gross.

b) Lines 2 and 3: Distribution Fees & Expenses and Accountable Receipts

"Accountable Receipts" under Column A means the balance of the Producer's Gross (Line 1) after deducting an arbitrary 40% (for distribution fees and expenses). However, in the case of an outright sale of free television distribution rights, the deduction taken is only an arbitrary 10% (for sales commission and expenses).

c) Lines 4 and 5: Applicable Percentage Rate and Balance Due

The applicable percentage of "Accountable Receipts" that must be remitted to the FMSMF as Free TV payments under Column A is 1 and 2/3 (or 1.667%) percent. That percentage rate already appears in Line 4. Thus, that rate, multiplied by the amount in Line 3, reflects the correct amount to be remitted to the FMSMF as the Free TV payment in Line 5.

II. Receipts from Licensing Theatrical Motion Pictures or Free TV Motion Pictures/Series to "Supplemental Markets" (Columns B through D). *Applies only to motion pictures whose principal photography commenced on or after July 1, 1971.*

a) Line 1: Producer's Gross

With the exception of Column C (as explained below), "Producer's Gross" under the Supplemental Market columns is defined as the worldwide total gross receipts that the distributor of a motion picture (whether a theatrical or television motion picture/series) derived during the calendar quarter from licensing the rights to exhibit such motion picture in "supplemental markets." Supplemental markets include pay television and home video. In the case of television motion pictures/series only,

"in-flight" exhibition on commercial carriers (planes, trains, ships, and buses) is also considered a "supplemental market."

IMPORTANT NOTE: The Supplemental Market provisions of the AFM Agreements contain certain other exclusions from Producer's Gross. Those agreements should, therefore, be consulted before completing and sending in this report. The FMSMF Contracts Compliance Department can assist you if you have any questions.

b) Lines 2 and 3: Distribution Fees & Expenses and Accountable Receipts

Under the supplemental market provisions of the AFM Agreements, "Producer's Gross" means 100% of the Producer's Gross; no amounts are deducted for distribution fees and expenses. Thus, zeros appear in Line 2 under Columns B and D, and the amounts in Lines 1 and 3 in those columns are identical.

With respect to Column C, "Producer's Gross" means one of the following:

- If the Distributor is the Producer, or is owned by or affiliated with the Producer, Producer's Gross means 20% of the worldwide wholesale receipts derived by the Distributor from the distribution of the motion picture in DVD/cassette format;
- If the Producer is not self-distributing or is not owned by or affiliated with the Distributor, then Producer's Gross means 100% of the license fees received by the Producer from licensing the rights to distribute the motion picture in DVD/cassette format.

Therefore, as described in note B in the Summary Table, in the case where the Producer is the distributor or affiliated with the distributor, the amount from line 1 is inserted into line 2, multiplied by 80%; and the difference between line 1 and line 2 is inserted into line 3.

c) Lines 4 and 5: Applicable Percentage Rate and Balance Due

The applicable percentage of "Accountable Receipts" to be sent to the FMSMF under Columns B, C and D is 1%. That percentage rate already appears in Line 4 of each column. Thus, those rates, multiplied by the amounts set forth in Line 3, will result in the correct amounts in Line 5 that are to be sent to the FMSMF.

III. Receipts from Exhibition and Distribution in "New Media" Receipts (Columns E and F1-F5). *Applies only to motion pictures whose principal photography commenced on or after July 1, 1971.*

a) Line 1: Producer's Gross

Under the "new media" columns E, F1-F5, "Producer's Gross" means the worldwide total gross receipts that the distributor of a motion picture derived during the calendar quarter period from licensing the rights to exhibit such motion picture in "new media." New Media includes ad-supported free streaming, consumer paid streaming and permanent downloading, as those platforms are described in the AFM Agreements.

- Note: The New Media provisions of the AFM Agreements contain certain other exclusions from Producer's Gross. Those agreements should, therefore, be consulted before completing and sending in this report. The FMSMF Contracts Compliance Department can assist you if you have any questions.
- Note: The Residual percentages apply only to receipts received on or after April 10, 2010 from new media exploitation.

b) Lines 2 and 3: Distribution Fees & Expenses and Producer's Gross Receipts

Under the New Media provisions of the AFM Agreements, "Producer's Gross" means 100% of the Distributor's Gross for Ad-Supported streaming and limited/fixed exhibitions; no amounts are deducted for distribution fees and expenses. Thus, zeros appear in Line 2 under Columns E and F1, and the amounts in Lines 1 and 3 in those columns are identical.

However, for columns F2-F5, the amount from line 1 is inserted into line 2 and multiplied by 80%; and the difference between line 1 and line 2 is inserted into line 3. Simply stated, the amount in line 3 will be 20% of the amount line 1.

c) Lines 4 and 5: Applicable Percentage Rate and Balance Due

The applicable percentage of "Accountable Receipts" that are to be sent to the FMSMF as New Media payments under Columns E through F1-5 vary. They have been built into the Summary Table to make calculations easier:

- (1) Column E: 1% for distribution of Theatrical Motion pictures to Free-to-the-Consumer, Ad-Supported New Media platforms. (No residual is due for TV Motion Pictures/Series released to free, ad-supported streaming).
- (2) Column F1: 1% for distribution of Theatrical Motion Pictures or TV Motion Pictures/Series to Consumer-paid streaming for limited or fixed exhibitions (e.g., subscription services like Netflix).
- (3) Column F2: 1% for distribution of Theatrical Motion Pictures in Consumer paid, permanent downloads, for the first 50,000 download units purchased. (See 5 and 6 below for Residual formula for TV Motion Pictures).
- (4) Column F3: 1.8% for distribution of Theatrical Motion Pictures in Consumer paid, permanent downloads, for the units purchased above 50,000 download units. (See 5 and 6 below for Residual formula for TV Motion Pictures).
- (5) Column F4: 1% for distribution of Television Motion Pictures/Series in Consumer paid, permanent downloads, for the first 100,000 download units purchased
- (6) Column F5: 1.9% for distribution of Television Motion Pictures/Series in Consumer paid, permanent downloads, for the units purchased above 100,000 download units.

Please contact the FMSMF Contracts and Compliance for residuals applicable when Made-for-Pay TV and Direct-to-Home Video pictures are released to "new media".

IV. Quarterly Payments: Liquidated Damages for Late Payment

Important: Payment to the Film Musicians Secondary Markets Fund is required on a quarterly basis. Payment is to be sent within 60 days following the end of the calendar quarter in which the receipts from the various supplemental market platforms have been received by the producer. Liquidated damages, equal to ten percent (10%) per year (0.833% per month) of the amount of the payment due, will be assessed if payment is not received by the Fund within 60 days after written notice.