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**TO:** SAG/AFTRA Authorizing Advertisers and Advertising Agencies  
**DATE:** September 28, 2006  
**RE:** Summary of Extension Agreement with SAG and AFTRA

As you may have read in the press, SAG and AFTRA members have ratified the extension agreement the ANA-AAAA Joint Policy Committee on Broadcast Talent Relations negotiated on behalf of the advertising industry. Attached is a summary of the agreement.

### The Big Picture

The agreement is unprecedented in the industry's history with SAG and AFTRA. Indeed, labor experts have said it may be unprecedented in labor/management relations. For what may be the first time, labor and management have agreed to consider alternatives that may completely revamp the manner in which employees are paid before either side is in financial distress or facing crushing competition. Instead, the two sides have agreed to address the pressing problems in a proactive manner.

In this respect, the unions and the JPC agreed to retain an independent consultant to thoroughly study the issues and offer options to restructure the manner in which actors are paid and insure a return on investment for the advertiser in exchange for fair compensation to actors. While the consultant's challenge is simple to state, applying it is very difficult. Any options must combine understandings of economics, the advertising industry (both now and in the future), and the needs of a represented labor force. The study will take more than a year to complete, be entirely transparent, and fully inclusive of all constituents in the business. The costs of the consultant are borne by a union fund. The industry will not be required to contribute any funds. The JPC and the unions expect to make the final choice on the consultant in October.

### Gains by the Unions

1. The Industry agreed to a 6% across the board increase in compensation for the two year term. While well within Department of Labor guidelines, this is the first across the board increase in nearly twenty years. We also agreed to increase the contributions to the union pension and health funds by one half of one percent (from 14.3% to 14.8%).
2. Commercials used on or made for new media are now covered by the commercials contracts. While this may seem a major concession by the industry, it is not. The Internet had already been conceded in 2003. In addition, the definition of a commercial under the collective bargaining agreements has been liberally interpreted for decades to encompass varied media platforms. It would be entirely disingenuous to believe a commercial is no longer a "commercial" because it is used on a different platform. Lastly, had the industry refused, a strike would have been virtually assured. Given our

longer term goal to entirely restructure the manner in which actors are paid (which will make definitions far less important), the JPC agreed to this interpretation.

### Gains by the Industry

In addition to the concession to jointly commission the independent study, the Industry gained by the following concessions from the unions:

1. Advertisers may now freely bargain with respect to editing on the Internet and New Media. This is a major concession by the unions. The unions have traditionally protected their members from free bargaining.
2. Advertisers may now elect a short term 8 week cycle for Internet and New Media use for substantially reduced compensation.
3. A new media committee has been formed, empowered to address developments in new media and, more importantly, to address how to compensate actors for new technology applications to existing media, e.g., digital addressable editing of cable delivered commercials. This concession is important because it allows decisions to be made without the involvement of the full SAG and AFTRA Boards.

### Next Steps

To support the Industry over the next two years, the JPC will be touring the country to explain the agreement and answer questions from those who work with actors. These meetings will be open to all constituents -- advertisers, agencies, talent payroll companies, production companies, casting agents, and consultants. It is the intent of the JPC to make the process as transparent and participatory as possible.

The JPC will also be launching a website that will provide forms, negotiating tips, and other valuable information to assist those who participate in the process. It will also permit the exchange of ideas in a forum that will enhance the knowledge base and improve the quality of services available to the Industry.

Finally, the JPC will be inviting various interest groups to meet with the consultant hired for the study to be certain all of their concerns are considered and addressed in the study.

If you have any questions, please do not hesitate to contact me. I can be reached at 1.212.549.0377 or at [dwood@reedsmith.com](mailto:dwood@reedsmith.com).

## Summary

### 2006-2008 Extensions to the Television and Radio Commercials Contracts

The Screen Actors Guild and the American Federation of Television and Radio Artists (“SAG” and “AFTRA” or “Unions”) and the ANA-AAAA Joint Policy Committee on Broadcast Talent Relations (the “JPC”), have entered into an agreement to extend the current contracts for the production of television and radio commercials for two years. The following is a summary of the major points of the agreements. For a complete understanding, please consult the actual agreements, available from the ANA and AAAA.

#### 1. TERM AND EFFECTIVE DATE

October 30, 2006 through October 29, 2008.

#### 2. COMPENSATION

Increase all compensation 6% effective October 30, 2006.

#### 3. PENSION & HEALTH FUND CONTRIBUTIONS

Contributions to the Unions’ Pension & Health Funds are increased from 14.3% to 14.8%.

#### 4. NEW MEDIA

The contract will cover “New Media”, defined as digital, electronic, or any other type of delivery platform including, podcasts, delivery to mobile phones and other digital and electronic media.

#### 5. COMPENSATION FOR INTERNET OR NEW MEDIA USE

- a. Internet or New Media Use of Commercials Initially Made for Use Conventional Broadcast or Cable Television or Radio

Use: Talent receives a minimum of 3x session fee for one year’s use, renewable for a second year on payment of an additional minimum 3x session fee. Separate fee apply to Internet and to all other New Media.

Editing: The advertiser may freely bargain on editing at any time; no minimums apply. Neither the unions nor the JPC may promulgate or suggest any rates.

- b. Commercials Made Initially for Use on the Internet or New Media

Use and Editing: The advertiser may freely bargain on session, use and editing at any time; no minimums apply. Neither the unions nor the JPC may promulgate or suggest any rates.

#### 6. SHORT TERM 8-WEEK USE CYCLE IN INTERNET AND/OR NEW MEDIA

Short Term Cycle: SAG and AFTRA have granted a one-year waiver whereby an advertiser may move broadcast and cable commercials over to the Internet and/or to New Media for

an 8-week use cycle. For the short cycle, the actor must receive a minimum of one session fee for use on the Internet or New Media (use in both platforms requires two separate payments). The eight week cycle can be used only once. Use beyond eight weeks requires minimum payments per paragraph 5, above. The advertiser may freely bargain on editing at any time.

7. NEW MEDIA COMMITTEE

The parties set up a bilateral committee to consider unforeseen situations relating to New Media and the applications of new technology to existing media campaigns (*e.g.*, Visible World). The committee is empowered to modify the agreement and is required to come to decisions on an expedited basis. Unit voting applies, i.e., there are three votes, one for AFTRA, one for SAG, and one for the JPC.

8. CONSULTANT

The parties have agreed to retain an independent consultant or consultants to undertake a study on alternative options for compensating actors who perform in television and radio commercials. These options will be considered by the parties in their negotiations in 2008. The costs of the study will be paid from a union fund. The industry will not have to contribute to the costs of the study.