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Attached is a spreadsheet that compares the 2007 wages paid to actors that were subject to contributions to SAG's Pension & Health Fund under each of the motion picture, television, and commercials contracts. The spreadsheet also illustrates the importance of the pending suit with SAG over how celebrity contract allocations are handled, i.e., by the Trustees with ERISA as the Trustees' impasse remedy or by SAG with arbitration as SAG's impasse remedy.

Keep in mind that the gross numbers are only the amounts paid to actors that are subject to P&H contributions. Because there are caps on wages subject to contributions in the motion picture and television contracts, the gross numbers shown are substantially below what was actually paid to all actors under those two contracts. Similarly, the gross figure for actors who performed in commercials is less than the true total because the amounts reported in celebrity endorsement contracts reflect only the amount actually allocated to SAG covered work. So actors in each category as a group made more compensation than indicated.

We can draw a number of conclusions from the 2007 numbers:

1. While Advertisers employed only 17.4% of all actors, advertisers paid 37.2% of the total contributions to SAG's Pension & Health Fund -- more than paid by either the motion picture producers or the television program producers.
2. It therefore follows that despite the lowest percentage of actors employed, advertisers paid the highest contributions per actor employed to SAG's Pension & Health Fund -- \$2,749. That is 3.4 times what the motion picture producers paid per actor and 2.4 times more than television program producers paid per actor.

All of this proves a point -- Advertisers pay a disproportionate amount to the Pension & Health Funds when compared to the motion picture producers or the television program producers. This is primarily due to two factors. Motion picture producers and television producers employ far more extras than do commercial producers. That accounts for some of the discrepancy. On the other hand, the motion picture contract and the television contract have caps on compensation that is subject to calculating contributions due the Pension & Health Funds. That results in a substantial amount of unreported compensation paid to actors in motion pictures and television programs who are not extras. So the conclusion that advertisers pay a disproportionate amount is undeniable.

But does the lack of a cap in the commercials contract have significant financial consequences?

The impact of a lack of a cap comes into play for highly compensated actors, i.e., actors who make more than \$125,000 per engagement.

In the case of actors who perform in television commercials, as a group 820 of the 41,235 employed made more than \$125,000. Those 820 actors made more than \$337 million of the total of \$766 million paid to actors who performed in television commercials -- representing 44% of the total.

So one can readily see why the lack of a cap in television commercials makes such a difference.

The only control advertisers have under the commercials contract to bring some balance analogous to the cap found in the other contracts is the right to allocate between covered and uncovered services in celebrity endorsement contracts. Any rebalancing of the percentage allocated in such contracts between covered and uncovered services has a significant impact on total contributions paid to the SAG Pension & Health Funds. As the spreadsheet shows and by way of example, if the industry were able to shift the allocation percentage by just 5%, annual savings would be nearly \$2.5 million or just under \$7.5 million under they three year contract. As the percentage is increased in such rebalancing, one can see that many millions more can be saved.

These potential savings are what the JPC arbitration and suit with SAG are all about. The JPC's successful arbitration and federal court decision ended the Trustees' authority to challenge allocations and the Trustees' ability to sue for damages under ERISA if an advertiser balks at the allocation the Trustees unilaterally demand. Instead, the remedy for challenging allocations now rests solely with SAG and the remedy in the event of impasse is arbitration, a drastically different remedy and a far more balanced playing field.

If you have any questions, please contract the JPC's lead negotiator, Douglas J. Wood at Reed Smith LLP, 599 Lexington Avenue, New York, NY 10022, tel: 1 212 549 0377, fax: 212 521 5450, email: dwood@reedsmith.com.