

Union-Guild Residuals for digital productions on SVOD and AVOD platforms:

Guild Minimums: Under most guild terms (WGA, DGA, SAG/AFTRA), producers of digital content are permitted to negotiate freely if the project budget remains under the High Budget SVOD thresholds: (i) \$3M and above for 66 min or more of content (ii) \$2.5M and above for 36-65 min or more of content and (iii) \$1.3M and above for 20-35 min or more of content. This ability to bargain freely is permitted regardless of the type of digital programming service intended for distribution (AVOD, SVOD or a hybrid of the two).

Residual Obligations: With respect to residuals owed to guild members for digital content, none are owed if the production budget is \$25K per min or below and initially released on SVOD/AVOD or EST. If the budget is over \$25K per min., then no residuals are due until after initial 26 weeks of initial exhibition on SVOD or EST. If the content is initially released on SVOD but then moved to AVOD (presumably before the 27th week), then no residuals due.

Guild Minimums/Residuals Triggered: When initial release in traditional media (e.g., free tv, cable, etc.), and residuals also triggered when new media production subsequently released in traditional media.

Determining Residuals When Applicable: The amount paid is a percentage of the license fee which will cover all episodes of the series throughout the term of the license no matter how many times an episode or the series airs.

Language to Protect Distributor/Network from unnecessary residual obligations of Producer:

Union/Guild Matters: Producer acknowledges and agrees that this Agreement, the Program, and services rendered by Producer and Key Person hereunder will not be rendered under the jurisdiction of any guild or union will not be under the jurisdiction of any guild or union without Company's prior written approval to be granted in Company's sole discretion. In the event Company provides the latter approval in writing (**[ADDITIONAL LANGUAGE FOR BENEFIT OF PRODUCER IF NETWORK APPROVED ENGAGEMENT OF GUILD TALENT: which Company hereby acknowledges providing such approval to Producer with respect to Producer's engagement of SAG/AFTRA talent under the New Media Agreement and pursuant to the terms and conditions of this Agreement]**), Producer will enter into agreements between Producer and any such union or guild, and such agreements will be subject to Company's prior written approval and, Producer; (a) will obtain from all covered talent the maximum buyouts and/or prepayments of residuals (if any) and reuse fees (if any) permitted by such guild agreement for the compensation amount payable to such individual as approved by Company (the "**Residual Buyout**") (and subject to Company's approval of the applicable line-item(s) in the Budget); (b) will be responsible for any and all third party participations, deferments, bonuses, residuals and other additional or supplemental payments required to be made by reason of the distribution or other exploitation of the Program throughout the Territory; and (c) hereby represents and warrants that Company shall not be required to pay any residual or other guild penalties

hereunder (e.g., additional fees required to be paid as a result of Producer having produced the Program under the applicable guild new media agreements (collectively, the "New Media Agreements"); **[EXTRA LANGUAGE FOR BENEFIT OF THE PRODUCER: provided however, as an accommodation to Producer and provided Producer has complied with all of the foregoing terms with respect to the engagement of any guild or union talent (e.g., obtaining the Residual Buyout, if applicable), Company will be liable for and act as paymaster solely and exclusively for guild/union residuals excluding the Residual Buyout (each, a "Residual Payment") (subject to such guild or union being approved by Company as set forth above) for Company's distribution of the Program in the Territory] [THIS EXTRA LANGUAGE IS FOR THE BENEFIT THE NETWORK: except for Company's distribution on any AVOD, FVOD, SVOD programming service (whether such service owned and/or operated by Company or by a third party) (collectively, "Digital Distribution") (i.e., no Residual Payments shall be owed by Company or any of its licensees, affiliates, subsidiaries or parents in connection with any Digital Distribution of the Program).]** In this regard, Producer shall complete the Residual Worksheet (as set forth in the Delivery Schedule). Delivery of a completed Residuals Worksheet is a condition precedent to Delivery of the Program being deemed complete. For the purposes of clarity, Company shall not be responsible for paying any additional up-front compensation to any guild whatsoever, including, without limitation, to any SAG-AFTRA cast members in order to qualify the Program for distribution beyond that permitted under any guild or union agreement. Without any limitation to the foregoing, if it is determined that Producer is in breach or default of its obligations to pay any participations, deferrals or residuals or bonuses, Company will be entitled to deduct the amount of such liability from the amounts otherwise payable to Producer hereunder and treat the same as deduction from any sums owing to Producer hereunder, including, without limitation, from the Producer's producing fee (with interest) and in no event shall Company be responsible for, nor shall Company be deemed to have assumed hereunder, any residuals owing with respect to exploitation of the Program in the Territory (other than as described above).