

Association of National Advertisers, Inc.

708 Third Avenue
New York, NY 10017
Phone: 212-697-5950
Fax: 212-867-6689



American Association of Advertising Agencies

405 Lexington Avenue
New York, NY 10174
Phone: 212-682-2500
Fax: 212-682-8391

c/o Douglas J. Wood, Esq.
Reed Smith LLP
599 Lexington Avenue
New York, NY 10022

To: Joint Policy Committee
From: Douglas J. Wood and Stacy Marcus
Re: Update on SAG/AFTRA Issues
Date: December 7, 2010

As the "hiatus" between contract negotiations is nearing an end, we want to provide a quick update regarding current issues, as well as reminders of important dates and upcoming events.

1. Current Issues

a. Multi-Service Contract Notice

Earlier this year, the Plans sent out a notice purporting to set forth the new rules regarding contribution reports and the provision of unredacted multi-service contracts to the Plans. For more than 6 months, we attempted to work with the Plans to correct the notice so that it could be issued jointly. Instead, this week, the JPC plans to issue the attached notice regarding signatory obligations under the 2009 Commercials Contract. It is the JPC's position that the Plans have no legal authority to impose liquidated damages for the failure to provide an unredacted copy of multi-service contracts or for failure to designate multi-service contract status on the contribution report. If you have paid liquidated damages on this basis, please contact Stacy Marcus at smarcus@reedsmith.com.

b. P&H Contributions

Contrary to statements made by the Plans and some union reps, the 2009 Allocation Guidelines are NOT "mandatory minimums". Rather, the 2009 Allocation Guidelines provide signatories with a safe harbor contribution amount. This means that if you allocate in accordance with the Allocation Guidelines, there is a presumption that you allocated correctly. We have objected to the unions and requested that they correct any misconceptions. If you continue to hear such statements from reps, please let Stacy know.

c. NASCAR P&H Allocations

The Plans have been issuing claims based upon P&H allocations for NASCAR sponsorship agreements and multi-service contracts involving NASCAR drivers. Based upon the information we've received, the Plans have in some instances demanded an allocation of 20% of the total sponsorship compensation. NASCAR sponsorship agreements are expressly excluded from the 2009 Allocation Guidelines. There is no requirement that you allocate 20% of the total sponsorship compensation to covered services. NASCAR was excluded because such contracts and relationships are complex and do not lend themselves to guidelines.

d. Internet Content

It has come to our attention that some SAG reps have stated that, with respect to Internet content, SAG "has jurisdiction over all moving images." This statement is simply false. As always, SAG's jurisdiction over the material produced depends upon many factors, the most important of which, is whether the material produced is, in fact, a "commercial". Internet content does not become a "commercial" simply because it contains "moving images." We have objected to SAG and requested that they correct the reps misconceptions. If you continue to hear such statements from reps, please let Stacy know.

e. Take Down Notices

Contrary to statements that have apparently been made by some union reps, there is no requirement in the Commercials Contract for a signatory to issue a take down notice in response to a claim of unauthorized Internet use on, e.g., You Tube. Threats by union reps that, should a take down notice not be sent, the producer owes fees are unfounded. While a producer may decide to cooperate with a union request, it is not obligated to do so and there is no liability under the Commercials Contract should a producer decline to cooperate. We have objected to the unions and requested that they correct the reps misconceptions. If you continue to hear such statements from reps, please let Stacy know.

2. Reminders & Upcoming Events

a. Internet & New Media Minimums

On April 1, 2011, new minimums go into effect for commercials made for Internet and/or New Media. Please refer to the 2009 MOA for additional information on rates.

b. GRP-E Pilot

The GRP-E pilot is in full swing. The pilot will continue through April 2011. PwC will make a presentation during the January 19, 2011 JPC meeting to show you where they are and how the Pilot is doing. In Fall 2011, the unions and the JPC will begin bargaining regarding whether to implement the new talent compensation model. The only way that you will know how your talent costs will be affected if the new system is adopted is to participate in the pilot. There is still time to participate. For information on how to participate, please contact Allan Linderman at allan@lindermedia.com.

c. Trustee Changes

Beginning in January 2011, the industry will welcome David Weissman, Esq. as its newest Trustee for the SAG pension and health plans. David will replace Ed O'Neill on the

SAG plans. After January, there may also be an opening on the AFTRA plans. We would like to thank Ed O'Neill for his dedicated service to the industry.

d. Upcoming Events

The next JPC meeting will be held on **January 19, 2011** at Reed Smith, LLP.

Beginning in February 2011, the JPC will have telephone conferences at **1pm EST on the first Wednesday of every month**, hosted by Stacy Marcus. The purpose of the call is simply to have an opportunity to share current issues and ask questions. **To participate, please call 800-730-9938 and enter pass code 5490446.** The dates for the 2011 telephone conference calls are: 2/2, 3/2, 4/6, 5/4, 6/1, 7/6, 8/3, 9/7, 10/5, 11/2 and 12/7. These calls are not substitutes for JPC meetings. A schedule of meetings will be sent to you shortly.

As always, if you have questions regarding the Commercials Contract or a particular claim made by the unions or the Plans, please feel free to contact Douglas Wood at dwood@reedsmith.com or Stacy Marcus at smarcus@reedsmith.com.