



**DIRECTORS GUILD OF AMERICA
- PRODUCER
PENSION AND HEALTH PLANS**

Introduction to Signatory Producers
Updated as of March 2006

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OVERVIEW

The Directors Guild of America - Producer Pension Plans and the Directors Guild of America - Producer Health Plan (collectively, the “Plans”) are employee benefit plans created by tax exempt trusts established through collective bargaining between the Directors Guild of America (the “DGA” or the “Guild”) and certain motion picture, television and commercial producers, or associations representing these producers (“Signatory Producers”). All Directors, Unit Production Managers, Assistant Directors, Stage Managers, Associate Directors, Technical Coordinators and certain other individuals performing covered service who are, generally, members of the DGA working for a Signatory Producer under the terms of a DGA bargaining agreement, are eligible to participate in the Plans.

Pursuant to federal law, the Plans are completely separate and distinct entities from the DGA. The Plans are governed by a joint Board of Trustees comprised of equal numbers of Trustees appointed by the DGA and Signatory Producers.

Our collectively bargained participants are eligible to participate in both of two separate pension plans - the Basic Plan, a defined benefit pension plan, and the Supplemental Plan, a defined contribution pension plan. The Health Plan provides a comprehensive array of medical, dental, vision and prescription drug benefits to eligible individuals and their eligible dependents. Eligibility to participate in the Plans is predicated on individuals meeting certain minimum earnings thresholds with Signatory Producers in employment covered by a DGA bargaining agreement (“Covered Employment” or “Covered Earnings”). Qualifying individuals are referred to as Participants or Plans’ Participants.

Funding for the benefits provided by the Plans comes from two sources - employer contributions and employee contributions. The amount of employer and employee contribution amounts due is detailed in your bargaining agreement with the DGA and is summarized in the next section, *Contribution and Reporting Requirements*.

Please note that the following is only intended to be a summary of the contribution and reporting requirements of the various bargaining agreements between the DGA and Signatory Producers. Although every effort has been made to ensure its accuracy, nothing in this summary is intended to change in any way the provisions of the bargaining agreements or interpretations of same by the bargaining parties. Please refer to the bargaining agreement(s) which you are signatory to for details or call the Plans’ office. This package will periodically be updated and made available through the Plans’ office.

The Plans’ office is located at:

8436 West Third Street, Suite 900
Los Angeles, CA 90048-4189
(323) 866-2200 – Toll Free Outside Los Angeles Area (877) 866-2200
Fax – (323) 653-2375

CONTRIBUTION AND REPORTING REQUIREMENTS

All contribution payments are to be made payable to the DGA - Producers Pension and Health Plans, Inc. and must be sent along with a completed contribution report to the Pension and Health Plans Office (sample contribution reports, both blank and completed, are included at the end of this package). The Plans' Contributions and Collections Department is responsible for depositing remittances and allocating the monies received among the various entities administered by the Plans. This department also processes refunds, as soon as they are discovered, in those cases where contributions have been made in error. (Please see the *Contributions Refund and Credit Policy* section for more information).

Contributions are due to the Plans based on the following percentages of an individual's compensation in DGA Covered Employment.

- **Health Plan Employer Contribution**

- Basic Agreement and Freelance Live & Tape Television Agreement**

- Effective January 1, 2005 for all AMPTP Member Companies & Other New Signatories
Employer health contributions are 8.5% of an individual's DGA-Covered Earnings.

- This 8.5% rate applies to an individual's work period (i.e. all DGA-Covered Earnings earned beginning on January 1, 2005), not to the calendar date on which contributions are remitted to the Plans or received by the Plans. However, with respect to contributions on initial compensation payable to Directors only, the contribution rate in effect on the date of commencement of the Director's preparation period shall be the applicable contribution rate (e.g. If a Director's preparation period begins December 15, 2004, the contribution rate to the Health Plan remains at 7.5% for the duration of the project. However, any other DGA-covered job categories on the same project shall have contributions reported at 8.5% effective for work performed on or after January 1, 2005). Further, with regard to residual compensation, contributions shall be based on the contribution rate in effect at the commencement of principal photography for the project.

- National Commercial Agreement and National Commercial Agreement as Modified by the AICP Sideletter**

- Effective November 1, 2005
Employer health contributions are 8.5% of an individual's DGA-Covered Earnings.

- The effective date of the increase applies to an individual's work period (i.e. all DGA-Covered Earnings, including earnings for all those who pay on presumed salaries, earned beginning on November 1, 2005), not to the date on which contributions are remitted to the Plans or received by the Plans.

- Network Agreements**

- Effective January 1, 2005

- For entertainment programs covered under the 2002 and 2005 Network Freelance Director Agreement and the 2002 and 2005 Network Freelance

Associate Director and Network Stage Manager Appendices, employer health contributions are 8.5% of an individual's DGA-Covered Earnings.

- For news, sports, and operations freelance employment covered under the 2002 and 2005 Network Freelance Agreements, employer health contributions are 8.0% of an individual's DGA-Covered Earnings.

Effective January 1, 2006

- For entertainment programs covered under the 2005 Network Freelance Director Agreement and the 2005 Network Freelance Associate Director and Network Stage Manager Appendices, employer health contributions are 8.5% of an individual's DGA-Covered Earnings.
- For news, sports, and operations freelance employment covered under the 2005 Network Freelance Agreements, employer health contributions are 8.5% of an individual's DGA-Covered Earnings.

- **Basic and Supplemental Pension Plans Employer Contribution**

Employer pension contributions are 5.5% of an individual's DGA-covered Earnings.

- **Supplemental Pension Plan Employee Contribution**

Employee pension contributions are 2.5% of an individual's DGA-covered Earnings.

Federal law requires that employers remit employee contributions to defined contribution pension plans (such as the Directors Guild – Producers Supplemental Plan) as soon as such contributions can be reasonably segregated from the employer's assets, but no later than the fifteenth business day of the calendar month following the calendar month in which the contributions are withheld from employee paychecks. The United States Department of Labor (the "DOL") has recently confirmed that these regulations are applicable to multiemployer plans, such as the Supplemental Plan, regardless of the terms of the underlying collective bargaining agreements, and regardless of the many practical problems that may result. In addition, it appears that the DOL may be serious about reviewing compliance with this requirement.

When employee contributions are withheld from employees in one month, but those contributions are not remitted to the Plan until the end of the following month (or later), it appears that the DOL Regulations may be violated. Violation of these Regulations could result in the assessment of excise taxes on contributing employers, as well as the requirement of additional employer contributions to make up for any lost earnings. Violation may also adversely affect the Plan.

Employer Compliance

Employers that remit contributions to the Plan at the end of the month (or later) after employee contributions are withheld may be in violation of the DOL Regulations. Accordingly, the Plan has determined that employers, who contribute monthly (or later), must remit employee contributions earlier each month (that is, on or before the fifteenth business day of the following month, which typically falls on the 20th or 21st calendar day of the month). For any employer that is not already in compliance, you should modify your reporting and contribution practices immediately.

IF YOUR COMPANY REMITS ALL CONTRIBUTIONS THAT ARE WITHHELD FROM EMPLOYEE PAYCHECKS ON A WEEKLY OR BIWEEKLY BASIS, YOU ARE MOST LIKELY ALREADY IN COMPLIANCE WITH THE DOL REGULATIONS AND WILL NOT NEED TO TAKE ANY FURTHER ACTION.

If you should have any questions about this, please do not hesitate to contact the Contribution Department at (323) 866-2225.

Generally, a Signatory Producer is required to pay the applicable employer contributions (as described above) based on an individual's DGA Covered Earnings up to certain caps or maximums. The applicable maximums vary by bargaining agreement and are detailed later in this section. In addition to the employer's share of contributions, 2.5% is to be deducted from the individual's salary, on an after-tax basis, and remitted by the Signatory Producer on behalf of the individual as a Pension Plan employee contribution.

In addition to the contributions listed above for the Pension and Health Plans, additional employer contributions are due from Signatory Producers under certain bargaining agreements for the DGA Training Plans and the DGA Qualification List Programs (see the *Frequently Asked Questions* section for a description of these entities). Contributions for the Qualification List Program and the Training Plans are based on percentages of an individual's DGA Covered Earnings as shown below. All Signatory Producers located in Los Angeles County or the New York area and working under the Basic DGA bargaining agreement (not the Tape agreement) must remit these contributions in addition to the Pension and Health Plan employer contributions and 2.5% employee contributions. Additionally, Signatory Producers signed to the National Commercial Agreement who are located in the Southern California region (San Louis Obispo to the California-Mexico Border), the New York Area, or the Third Area (areas within the geographic coverage of Agreement outside the Southern California and New York Areas) must remit these contributions in addition to the Pension and Health Plan employer contributions and 2.5% employee contributions.

	BASIC AGREEMENT	COMMERCIAL AGREEMENT
West Coast Training Plan	0.375% of Covered Earnings for UPM, 1 st AD and 2 nd AD	None
West Coast Entertainment Qualification List	0.125% of Covered Earnings for UPM, 1 st AD and 2 nd AD	None
West Coast Commercial Training Program & Contract Qualification Administration	None	0.25% of Covered Earnings for DR, UPM, 1 st AD, 2 nd AD effective 2/1/2001.
East Coast Training Plan	0.375% of Covered Earnings for UPM, 1 st AD and 2 nd AD	None
East Coast Entertainment Qualification List	0.25% of Covered Earnings for UPM, 1 st AD and 2 nd AD	None
Third Area Commercial Training Program & Contract Qualification Administration	None	0.25% of Covered Earnings for DR, UPM, 1 st AD, 2 nd AD effective 2/1/2001
Multi-Camera Qualification Lists (MCQL)	None	None
East Coast Commercial Training Program & Contract Qualification Administration	None	0.25% of Covered Earnings for DR, UPM, 1 st AD, 2 nd AD effective 2/1/2001.

Following is a summary of compensation maximums and other parameters for contribution reporting for selected DGA bargaining agreements currently in effect. Unless specified otherwise, the contribution rates for all items will be those outlined on page 2 of this package.

I. BASIC AGREEMENTS OF 2002 & 2005

Also referred to as the “Basic Agreement,” the 2002 agreement is effective for the period July 1, 2002 through June 30, 2005 and the 2005 agreement is effective for the period July 1, 2005 through June 30, 2008. These agreements are between the DGA and companies represented by the Alliance of Motion Picture and Television Producers (AMPTP).

A. Contributions on Salary (Covered Earnings). Contributions are due to the Plans on Salary or Covered Earnings. The definition of “Salary” for the purpose of remitting contributions appears in Article 12, Section 202 of the Basic Agreement, and includes the following:

1. **Theatrical Motion Pictures** - Effective November 1, 2004 for pictures, the principal photography of which commences on or after November 1, 2004, contributions to the Health Plan are remitted on DGA-Covered Earnings up to a ceiling or maximum compensation of \$400,000 for compensation paid to the Director for a single theatrical motion picture, including compensation owed under Basic Agreement Section 11-200 for the theatrical exhibition of a television motion picture. For Unit Production Managers and Assistant Directors the ceiling for contributions to the Health Plan remains at maximum compensation of \$250,000.

Contributions to the Pension Plans should be remitted on DGA-Covered Earnings, for all DGA covered categories, up to a ceiling of \$200,000.

2. **Directors of Theatrical Motion Pictures Covering Two Calendar Years (Summary of Economic Changes Memorandum).** Prior to January 1, 2006, if a Director of a theatrical motion picture begins preparation in one calendar year and delivers the answer print in a subsequent calendar year, and is paid at least \$200,000, of which at least \$170,000 is paid in the first calendar year, the Producer shall make pension plan contributions of 5.5% of \$170,000 in the first year and 5.5% of \$30,000 in the subsequent calendar year. The contributions in the subsequent calendar year based on \$30,000 are only allocated to the Supplemental Plan, however the Director will receive credit in the Basic Plan as if contributions had been made to it.

Effective January 1, 2006, if a Director of a theatrical motion picture begins preparation in one calendar year and delivers the answer print in a subsequent calendar year, and is paid at least \$200,000, of which at least \$150,000 is paid in the first calendar year, the Producer shall make pension plan contributions of 5.5% of \$150,000 in the first year and 5.5% of \$50,000 in the subsequent calendar year. The contributions in the subsequent calendar year based on \$50,000 are only allocated to the Supplemental Plan, however the Director will receive credit in the Basic Plan as if contributions had been made to it.

3. **Unit Production Manager Hyphenate Contributions (2005 Basic Agreement)**
Effective July 1, 2005, for any Unit Production Manager (UPM) who is also employed as a producer on a theatrical motion picture, the Signatory Producer shall make contributions based on the salary paid for UPM services, but in no event shall contributions be made on an amount less than \$100,000 for the picture. However, the foregoing shall not apply to a producer/UPM who is employed solely for the purpose

of preparing budgets and/or storyboards; in that case, pension and health contributions shall be based on the total salary paid for such services.”

4. **Staff Production Executives Performing Unit Production Manager Duties.** The Board of Trustees of the Directors Guild of America-Producer Pension and Health Plans wish to remind all companies signatory to the DGA Basic Agreement of contribution requirements for staff production executives performing Unit Production Manager duties.

Article 13, Section 202 (c) (1) states:

Employer may assign the duties of a UPM on no more than one theatrical motion picture or television program or series of programs at a time to each staff production executive in its employ (regardless of such executive's title) who actually performs the UPM functions, provided that Pension and Health and Welfare contributions are made on behalf of each such staff production executive to the Pension Plan and the Health and Welfare Plan as provided herein. Such contributions shall be based on the actual salary of the UPM for the time that the staff production executive performs the duties of a UPM. Each production executive performing UPM functions must be on the Qualification List, unless such executive was "qualified" under the 1978 Basic Agreement. The Employer shall send the Guild a list of such "qualified" executives.

Contributions for each such Production Executive/UPM (“Executive UPM”) shall be reported based on the applicable UPM weekly minimum scale for 50 weeks (which assumes two weeks of vacation) each calendar year of the Executive UPM’s term of employment. Any company reporting amounts other than the applicable minimum scale for 50 weeks will be required to provide documents substantiating the services performed by such Executive UPM and periods worked for the Plans review. It is the sole discretion of the Plans whether or not such reduced reporting will be accepted.

5. **Television Motion Pictures.** Contributions to the Pension and Health Plans are remitted on DGA-Covered Earnings as follows:
 - a) For programs less than 90 minutes, on the greater of; (i) initial compensation, or (ii) 250% of applicable minimum compensation. All residual compensation shall have contributions made to the Plans until the ceiling is reached.
 - b) For programs 90 minutes or longer (long form programming), up to a ceiling of \$200,000 for any one program or multipart closed end series.

6. **Contributions on Development Services.**

Although contributions for development services are not required under any of the collective bargaining agreements, the Plans accept such contributions under certain circumstances.

The Plans accept contributions for directors performing development services for theatrical or long form television productions if *each* of the following conditions is met:

- a) A deal memo was filed with the DGA at or before the time that the work was performed which states the amount of compensation that is being paid for development services; *and*
- b) A deal memo, personal services contract, or other written agreement between the Producer and the director entered into at or before the time the work was performed provides that contributions are to be paid to the Plans in connection with the compensation paid to the director for development services; *and*
- c) The director was actually paid for bona fide development services which were actually performed. In determining whether the development services were bona fide and were actually performed, the trustees will consider evidence of third party financing, a commitment to produce (such as a first look deal or output deal), a history of producing projects based on such development projects in the past, or any other evidence deemed relevant by the trustees; *and*
- d) The director is not a principal of the Producer. A director will be considered a "principal" of the production company if the director or the director's spouse, children, parents or siblings, together have an ownership interest in the Producer (or any closely related company) of 10% or more; *and*
- e) There is substantial evidence that the development services provided by the director were substantial and that the Producer had invested substantial resources in the development of the project.

Based on these Guidelines, the following are examples of circumstances under which contributions would *not* be accepted:

- development services performed for a Producer which has expended little or no resources toward the development of the project, except for the payment of compensation to the director to develop the project
- development services performed for a Producer which has no history of actually producing similar projects in the past unless there is some other indication that the project is not wholly speculative (such as a first look deal, an output deal, or third-party financing)
- development services, where there is no deal memo filed with the DGA at or before the time that the work was performed which specifies that compensation is being paid for development services
- development services, where the deal memo or a personal services contract does not specifically provide that contributions are to be made on the compensation for such development services
- development services are performed by a director who has, and/or whose spouse,

children parents or siblings together have, an ownership interest in the Producer (or any closely related company) of 10% or more

7. **Exceptions.** The Basic Agreement's definition of "Salary" does include contract settlements, but does not include:

- a) Vacation or severance pay.
- b) Penalties, allowances, distant location per diem, aircraft flight or underwater work allowance. (Note: Extended Workday is considered a penalty and is not reportable)
- c) Cost of transportation or living expenses paid to or on behalf of the Employee (as defined in the Basic Agreement).

B. **Contributions on Additional Compensation - "Free" Television Films.** Contributions are due the Plans based on additional compensation paid to Directors of "free" television films, subject to the ceiling described in Section 12-202 of the Basic Agreement and in A(4) above. "Free" Television Films are discussed in Article 11 of the Basic Agreement.

C. **Contributions on Gross Receipts - Supplemental Markets.** Contributions are due the Basic Pension Plan only based on gross receipts from Supplemental Markets. Supplemental Markets apply to theatrical and free TV motion pictures released for distribution by cassette or pay TV (see Article 18 of the Basic Agreement). The amount of such contributions due the Basic Pension Plan are as follows:

1. **Supplemental Market distribution other than by cassettes.** Contributions are remitted to the Basic Pension Plan at a rate of 0.4% of the Signatory Producer's gross receipts. Gross receipts are determined as follows:

- a) Worldwide total gross receipts derived by the distributor or sub-distributor from licensing the right to exhibit the picture in Supplemental Markets other than by cassettes, or
- b) The income derived by the seller from the outright sale of the Supplemental Markets' distribution rights, or
- c) If an outright sale includes Supplemental Markets' rights and other rights, a fair and reasonable portion of the sales price allocated to the Supplemental Markets distribution rights.

2. **Supplemental Market distribution on cassette.** Contributions are remitted to the Pension Plans at a rate of (a) 0.3% of the first \$1 Million of the Signatory Producer's gross receipts, and (b) 0.36% of the Signatory Producer's gross receipts in excess of \$1 Million. Gross receipts shall be determined as follows:

- a) If the Signatory Producer is the distributor, or if the distributor is owned by or affiliated with the Signatory Producer, gross receipts equal 20% of the worldwide wholesale receipts¹ derived by the distributor; or
- b) If the Signatory Producer is not the distributor, or if the distributor is neither owned by nor affiliated with the Signatory Producer, gross receipts equal 100% of the Signatory Producer's receipts from licensing the video cassette distribution rights.

¹ Please see article 18-104 for further information on the calculation of worldwide wholesale receipts.

For pictures the principal photography of which commences on or after July 1, 2005, if there is at least one (1) Director, UPM, First or Key Second Assistant Director subject to the Basic Agreement who performs services in connection with such picture, the Signatory Employer shall pay the full amount of the percentage payment due the DGA and the Pension and Health Plans. If there is more than one participating employee in any of the job categories, the DGA shall determine the allocation of such payment among such participating employees, provided that the Directors, UPMs, First or Key Second Assistant Directors subject to the Basic Agreement shall receive no less than their share as set forth in articles 18-103(a) and 18-104 (a) of the Basic Agreement.

If there are no participating employees assigned to such picture in a job category, the share of the percentage payment allocable to that job category shall be paid directly to the Health Plan, but any report to the DGA under article 18-106 of the Basic Agreement shall disclose the amount paid to the Health Plan.

D. Contributions on Accountable Receipts – Theatrical Motion Pictures Released to Free Television. Contributions are due the Basic Pension Plan only on accountable receipts from theatrical features that have been released to free television (“Free Television,” see Article 19 of the Basic Agreement). Contributions must be remitted to the Basic Pension Plan at a rate of 1% of the Signatory Producer’s accountable receipts. Accountable receipts are determined as follows:

1. **Determine the Signatory Producer’s gross receipts.** The Signatory Producer’s gross receipts for films released to Free Television will equal (a) worldwide receipts derived by the distributor from licensing Free Television rights added to earned security deposits plus sums required to be paid as taxes² as well as frozen foreign currency converted to U.S. Dollars; or (b) in the case of an outright sale of Free Television rights, income from the outright sale of distribution rights (this does not include any income realized by the purchaser or licensee of such rights). If an outright sale includes Free Television rights and other rights, a fair and reasonable portion of the sales price shall be allocated to the free television distribution rights.
2. **Determine the Signatory Producer’s accountable receipts.** Accountable receipts will equal (a) gross receipts multiplied by 60% (note that the remaining arbitrary 40% allows for fees and costs associated with distribution), except in the case of (b) for any outright sale, income from sale of distribution rights multiplied by 90% (note that the remaining arbitrary 10% allows for costs associated to the sale).

E. Contributions on Programs Produced Mainly For the Pay Television and Videodisc/Videocassette Market. Contributions are due Plans on the greater of (a) initial compensation, or (b) 250% of applicable minimum compensation (see Article 12 of the Basic Agreement). There are various forms of residuals payable on behalf of the directors of this type of programming, and the payments for the directors, along with the contributions due, are remitted to the Pay Television and Videodisc/Videocassette Payments Fund Administrator, as described in Exhibit E-1 of the Basic Agreement. These monies are remitted in the same manner and amount owed as if the Signatory Producer had made the payments directly to the applicable individual or, if applicable, to the individual’s loan-out

² Please see article 19-103 for further information on the calculation of worldwide wholesale receipts.

company. The Pay Television and Videodisc/Videocassette Payments Fund Administrator then distributes the compensation to individuals performing Covered Service for the Signatory Producer, and distributes the contributions to the Plans. Please see Article 20 and referenced exhibits for further details.

II. FREELANCE LIVE AND TAPE TELEVISION AGREEMENTS OF 2005

Also referred to as the "Tape Agreement" or "FLTTA," the current agreement between the Guild and the AMPTP is effective for the period July 1, 2005 through June 30, 2008.

- A. **Contributions on Covered Earnings.** Contributions to the Plans are remitted on Covered Earnings, which includes gross compensation, residuals and foreign use fees equal to the greater of (a) initial compensation, or (b) 250% of applicable minimum compensation. (See Articles 11 and 12 of the FLTTA).
- B. **Contributions on Gross Receipts - Supplemental Markets.** Contributions are due the Basic Pension Plan based on gross receipts from Supplemental Markets and the "Made for Videodisc/Videocassette" market (see Article 24 of the FLTTA).
1. **Supplemental Market distribution other than by cassettes.** Contributions must be remitted to the Basic Pension Plan at a rate of 0.4% of the Employer's gross receipts. Employer's gross receipts³ are determined as follows:
 - a) Worldwide total receipts derived by the distributor or sub-distributor from licensing the right to exhibit the picture in Supplemental Markets other than by cassettes, or
 - b) Income derived by the seller from the outright sale of the Supplemental Markets distribution rights, or
 - c) If an outright sale includes Supplemental Markets' rights and other rights, a fair and reasonable portion of the sales price allocated to the Supplemental Markets distribution rights.
 2. **Supplemental Market distribution on cassette.** Contributions must be remitted to the Pension Plans at a rate of (a) 0.3% of the first \$1 Million of the Signatory Producer's gross receipts, and (b) 0.36% of the Signatory Producer's gross receipts in excess of \$1 Million. Gross receipts shall be determined as follows:
 - a) If the Signatory Producer is the distributor, or if the distributor is owned by or affiliated with the Signatory Producer, gross receipts equal 20% of the worldwide wholesale receipts⁴ derived by the distributor; or
 - b) If the Signatory Producer is not the distributor, or if the distributor is neither owned by nor affiliated with the Signatory Producer, gross receipts equal 100% of the Signatory Producer's receipts of sales from licensing the videocassette distribution rights.

For pictures the principal photography of which commences on or after July 1, 2005, if there is at least one (1) Director, UPM, First or Key Second Assistant Director subject to the Basic Agreement who performs services in connection with such picture, the Signatory Employer shall pay the full amount of the percentage payment due the DGA and the Pension and

³ Please see article 24, section C (2) for further information on the calculation of Employer's gross receipts.

⁴ Please see article 24, section D (2) for further information on the calculation of worldwide wholesale receipts.

Health Plans. If there is more than one participating employee in any of the job categories, the DGA shall determine the allocation of such payment among such participating employees, provided that the Directors, Associate Directors or Stage Managers subject to the FLTTA shall receive no less than their share as set forth in Articles 24(C)(1) and 24(D)(1) of the FLTTA.

If there are no participating employees assigned to such picture in a job category, the share of the percentage payment allocable to that job category shall be paid directly to the Health Plan, but any report to the DGA under Article 24(F) of the FLTTA shall disclose the amount paid to the Health Plan.

- C. Contributions on Programs Produced Mainly For the Pay Television and Videodisc/Videocassette Market.** Contributions are due the Plans on the greater of (a) initial compensation, or (b) 250% of applicable minimum compensation. (See Articles 11 and 12 of the FLTTA). There are various forms of residuals payable on behalf of the directors of this type of programming, and the payments for the directors, along with the contributions due, are remitted to the Pay Television and Videodisc/Videocassette Payments Fund Administrator, as described in Exhibit B of the Tape Agreement. These monies are remitted in the same manner and amount owed as if the Signatory Producer had made the payments directly to the applicable employee or, if applicable, to the employee's loan-out company. The Pay Television and Videodisc/Videocassette Payments Fund Administrator then distributes the compensation to individuals performing Covered Service for the Signatory Producer, and distributes the contributions to the Plans. Please see Article 29 and referenced exhibits for further details.

III. NATIONAL COMMERCIAL AGREEMENT OF 2005

Contributing Employers are covered under either National Commercial Agreement (NCA) or the NCA as Modified by the AICP Sideletter.

A. The NCA as Modified by the AICP Sideletter

The NCA As Modified by the AICP Sideletter covers only those commercial production companies that are members of the AICP and which are signatories to the agreement. The current agreement is effective for the period November 1, 2005 through October 31, 2009 and is between the Association of Independent Commercial Producers (AICP) and the Guild.

Midwest AICP Commercial Producers are also bound by the following provisions:

1. Director-Principals⁵

- a) Contributions are due the Plans based on a presumed salary of \$150,000 per calendar year, reportable and payable in 12 equal monthly installments. Directors must work at least one day during the calendar year in a Director capacity in order to make contributions to the Plans.

⁵ A Director Principal, UPM Principal or AD Principal is an individual who, either alone or in combination with his or her spouse, parents, siblings and/or lineal descendants (collectively "Family") owns, directly or indirectly through other entities, ten percent (10%) or more of the equity of the Producer.

- b) Any Director-Principal who believes he or she earns less than \$150,000 each year from all income derived from directing for his or her company may exercise an option, upon written notice to the Plans and the Guild served no later than January 20 of each calendar year, to pay contributions based on actual gross earnings (including but not limited to initial compensation, profit participation or other production contingent compensation).⁶

2. Directors Other than Director-Principals

Contributions are due the Plans for any Director, other than Director-Principals, based on a presumed salary of \$7,000 per shoot day

3. AD-Principals (1st or 2nd) and UPM-Principals

Contributions are due the Plans based on a presumed salary of \$120,000 per calendar year, reportable and payable in 12 equal monthly installments. AD-Principals or UPM-Principals must work at least one day during the calendar year in an AD or UPM capacity in order to make contributions to the Plans.

4. Staff 1st ADs and Staff UPMs⁷ (Not Principals)

Contributions are due the Plans based a presumed salary of \$120,000 per calendar year, reportable and payable in 12 equal monthly installments. The Staff 1st ADs or Staff UPMs must work at least one day during the calendar year in an 1st AD or UPM capacity in order to make contributions to the Plans.

5. Staff 2nd ADs⁸ (not Principals)

Contributions are due the Plans based on \$70,000 per calendar year, reportable and payable in 12 equal monthly installments. The Staff 2nd AD must work at least one day during the calendar year in a 2nd AD capacity in order to make contributions to the Plans.

6. All Other UPMs, 1st ADs and 2nd ADs (Not Principals or Staff)

Contributions are due the Plans based on the individual's actual gross earnings for Covered Employment (including but not limited to initial compensation, profit participation or other production related compensation).

B. The NCA

The NCA applies to any commercial signatory company who is not a member of the AICP. Also known as the "Non-AICP Commercial Agreement," the current agreement is effective for the period November 1, 2005 through October 31, 2009 between the Guild and commercial producers not represented by the AICP.

⁶ If ten percent (10%) or more of the Director/Principals having companies represented by the AICP exercise such option, the Guild may terminate the option for the following calendar year.

⁷ A Staff UPM or Staff 1st AD is one who performs work as a UPM or 1st AD under a guarantee of not less than twenty-six (26) weeks and who may also perform other non-Covered Services for a production company.

⁸ A Staff 2nd AD is one who performs as a 2nd AD, who may also perform other non-Covered Services for a production company under a guarantee of not less than twenty-six (26) weeks.

Midwest Commercial Producers, who are not members of the AICP, are also bound by the following provisions:

1. **Contributions on Gross Compensation (Covered Earnings).** Contributions are due the Plans based on total Covered Earnings as defined below:
 - a) With respect to Freelance Directors, UPMs and ADs (who are not Principals), who are engaged to work solely in a DGA-covered capacity, total gross compensation includes, but is not limited to, all salary, wages, fees, profit participation and expenses, except those expenses which are incurred solely and exclusively in connection with a specific production.
 - b) With respect to Freelance Directors, UPMs, and ADs (who are not Principals), who are engaged to work in multiple capacities, at least one of which is not in a DGA-covered capacity (e.g. Producer/Director, Director/Cameraman, Producer/1st AD, etc.), total gross compensation includes, but is not limited to, all salary, wages, fees, profit participation and expenses (except those expenses which are incurred solely and exclusively in connection with a specific production), paid for Covered Services. A reasonable allocation between Covered Services and non-Covered Services will be allowed provided that sufficient documentation (e.g. time sheets for each capacity, daily production reports, call sheets, deal memos, contracts, etc.) is maintained by the Signatory Producer to support the allocation.
 - c) With respect to Principals (Directors, UPMs, and ADs), without regard to whether or not they perform work solely in DGA-covered capacities or in multiple capacities, total gross compensation includes, but is not limited to, all salary, wages, fees, profit participation and expenses, except those expenses that are incurred solely and exclusively in connection with a specific production. Effective January 1, 2003, such contributions shall be made on such salaries up to a maximum of \$250,000.00 in a calendar year. Directors, UPMs, and ADs must work at least one day during the calendar year in a DGA-covered capacity in order to make contributions to the Plans.

IV. NETWORK AGREEMENTS AND MISCELLANEOUS OR SPECIAL AGREEMENTS

Space limitations herein preclude a summary of these DGA bargaining agreements. Please contact either the Directors Guild of America or the Plans' Office to obtain further information on these agreements.

FREQUENTLY ASKED QUESTIONS

Following are some of the questions most frequently asked of the Plans Office:

Q: *To whom should checks be written?*

A: All contributions checks should be made payable to DGA - Producer Pension and Health Plans, Inc. and mailed to 8436 West Third Street, Suite 900, Los Angeles, California 90048-4189.

Q: *When are contributions due?*

A: Unless specified to the contrary in the collective bargaining agreement, contributions are due by the end of the month following the calendar month in which the work is performed. For example, if work was performed in November of a given year, contributions on that Covered Employment would be due by December 31st of the same year.

Q: *Can contributions be paid retroactively?*

A: Yes. However, late charges will be assessed for contributions received after the due date (the end of month following the calendar month of employment). The late charges amount to the greater of: (a) an interest penalty of 12% per year for interest accruing prior to 1/1/2003 and 9% per year for interest accruing on or after 1/1/2003⁹, or (b) 20% liquidated damages.

Q: *Can contributions be paid through a loan-out company?*

A: In general, no. However, loan-out companies may still have responsibility for contributions on residuals for projects with principal photography dates commencing prior to July 1, 1990 (see Basic Agreement, Article 12-105 (c),(d)) and FLTTA Article 12 B.). Otherwise, a Signatory Producer may remit contributions to the Plans through a payroll service or other company (provided that the Signatory Producer allows such other company to remit contributions); however, the Signatory Producer will remain responsible for the timeliness and accuracy of the contributions payments.

Q: *Can contributions be paid for a sole-proprietor or partner of a partnership (unincorporated companies) for DGA services provided for his/her own company?*

A: No. However, contributions can be reported on behalf of shareholders of a corporation or Limited Liability Company (LLC).

Q: *Can I pay contributions on behalf of multiple participants and/or projects with a single check?*

A: Yes. It is preferable that a Signatory Producer write a single check for all DGA-covered individuals who have worked on a given project for each calendar month services are rendered.

Q: *How often should my company remit and report on contributions?*

A: All companies must report and remit contributions on a monthly basis, no later than the last day of the calendar month following the calendar month in which the work was performed and salary paid, except as noted in each of the bargaining agreements (e.g., contributions relating to Articles 18 and 19 of the Basic Agreement, which are due quarterly). With respect to the employee contributions to the Supplemental Pension Plan, federal law requires that employers remit employee contributions to defined contribution pension plans (such as the Directors Guild – Producers Supplemental Plan) as soon as such contributions can be reasonably segregated from the employer’s assets, but no later than the fifteenth business

⁹ The interest penalty rate is set by the Legal & Delinquency Committee of the Board of Trustees.

day of the calendar month following the calendar month in which the contributions are withheld from employee paychecks. For further information relating to the federal law requirement regarding employee contributions to the Supplemental Pension Plan, please see page 4 in the “Contribution and Reporting Requirements” section.

Q: *Should contributions be made on a Pay-Or-Play contract?*

A: Yes. Pay-or-Play contracts guarantee an individual his or her compensation regardless of whether the Signatory Producer utilizes the individual’s services or not.

Q: *Can I use a Federal ID Number instead of a Social Security Number when reporting contributions?*

A: No. All reported individuals are identified by their Social Security Numbers. Use of correct Social Security Numbers is essential for the proper crediting of Participant accounts.

Q: *Is holiday pay “pensionable” (i.e. must contributions be made on holiday pay)?*

A: Yes. Holiday pay is not listed among the exceptions to the definition of “salary” in any of the bargaining agreements.

Q: *Is vacation pay, severance pay or completion of assignment pay, or Extended Workday pay pensionable?*

A: Under the 2002 Basic and FLTTA vacation pay, severance pay and completion of assignment pay have not been defined as salary in the collective bargaining agreements (see Article 12-202 of the 2002 Basic Agreement and Article 10, Part 3, Section D of the 2002 FLTTA).

Under the 2005 Basic and FLTTA, effective July 1, 2005, all payments of completion of assignment pay for First and Key Second Assistant Directors, other than the final payment for the season (or of employment), shall be treated as salary and, as such, shall be subject to pension and health contributions.

Extended Workday pay is not reportable for work performed under the Basic Agreement. For work performed under the Tape Agreement, Extended Workday pay is reportable with the exception of work performed on prime time dramatic programs.

Q: *What are the DGA Training Plans and the DGA Qualification Lists? In which cases are producers obligated to pay contributions for these programs?*

A: The Training Plans (East and West Coast) are formal programs designed to train a sufficient number of qualified Assistant Directors and Unit Production Managers to meet the needs of the industry. Qualification Lists of trained 1st and 2nd Assistant Directors and Unit Production Managers are maintained for each area and provided to Signatory Producers as an aid in hiring qualified members of the directorial team.

Please refer to the schedule of contributions due for Training Plans and Qualification Lists in the “Contribution and Reporting Requirements” section of this document to determine if you are required to pay contributions for these programs. You may also refer to Article 14 of the 2002 Basic Agreement or Article 6 of the 2001 Commercial Agreement for more details.

Q: *Can contributions be reported for development services?*

A: In some cases contributions can be reported for development services, if certain conditions are met. For details, please refer to page 5 of this booklet regarding Contribution And Reporting Requirements (Section I. (5) regarding Basic Agreement of 2002, Contributions on Development Services).

Q: *Should I report the minimum compensation necessary to obtain automatic health coverage?*

A: No. Contributions should be made pursuant to the terms of the applicable bargaining agreement (i.e. Basic, Freelance Live & Tape, Commercial, etc.) under which the work was performed. Please refer to the applicable bargaining agreement for details on Pension and Health contributions.

Q: *Are Documentaries Made for Pay TV/Basic Cable reportable projects?*

A: No. Documentaries made for pay TV/basic cable are not reportable projects under the collective bargaining agreements. However, the Plans accept contributions for these projects when a production company signs a special sideletter agreement with the DGA that requires contributions to be reported to the Plans for such projects. Without this special sideletter agreement, documentaries made for pay TV/basic cable are subject only to the Guild Shop provisions.

Q: *For television motion pictures less than 90 minutes, if the guaranteed days pursuant to the director's deal memo is greater than the minimum number of guaranteed days pursuant to the Basic Agreement and FLTTA, does this affect the pension and health ceiling calculation?*

A: Yes. With respect to all television motion pictures less than 90 minutes, the principal photography of which commences on or after January 1, 2003, when the ceiling for pension and health contributions for the director of a television motion picture is to be computed by reference to "two hundred fifty percent (250%) of applicable minimum compensation," pursuant to Paragraph 12-202(b) of the Basic Agreement or Article 11.A.1. of the FLTTA, "applicable minimum compensation" shall be the minimum salary scale payment due for all days guaranteed the Director, whether worked or not.

EXAMPLES:

Scenario A: The Deal Memo for Director Bob Jones shows he directed a 30 minute network free television show on January 22, 2003 which was covered under the 2002 Basic Agreement. The deal memo guarantees 12 days. According to Article 10, Section 101 of the 2002 Basic Agreement, the minimum guaranteed days for this type of program is 7. Therefore, there are 5 extra days guaranteed in the deal memo. The minimum compensation is determined as follows: \$18,339 (minimum scale for this type of project) divided by 7 = \$2,619.86 (daily rate) times 12 total days = the new minimum of \$31,438.32 and a ceiling of \$78,595.80 (250% of \$31,438.32).

Scenario B: The Deal Memo for Director Bob Jones shows he directed a 60 minute basic cable show on October 4, 2003 which was covered under the 2002 Basic Agreement. The deal memo guarantees 15 days. According to Article 10, Section 101 of the 2002 Basic Agreement, the minimum guaranteed days for this type of program is 12. Therefore, there are 3 extra days guaranteed in the deal memo. The minimum compensation is determined as follows: \$16,002 (minimum scale for this type of project) divided by 12 = \$1,333.50 (daily rate) x 15 total days = the new minimum of \$20,002.50 and a ceiling of \$50,006.25 (250% of \$20,002.50).

Scenario C: The Deal Memo for Director Bob Jones shows he directed a 30 minute network variety series on August 25, 2004 which was covered under the 2002 Freelance Live & Tape Television Agreement (2002 FLTTA). The deal memo guarantees 8 days. According to Article 6 Section B of the 2002 FLTTA, the minimum guaranteed days for this type of program is 5. Therefore, there are 3 extra days guaranteed in the deal memo. The minimum compensation is determined as follows: \$6,806 (minimum scale for this type of project) divided by 5 = \$1,361.20 (daily rate) x 8 total days = the new minimum of \$10,889.60 and a ceiling of \$27,224.00 (250% of \$10,889.60).

CONTRIBUTION REFUND POLICY

Occasionally, a Signatory Producer will over-contribute for one or more individuals or otherwise pay contributions to the Plans in error. When provided with appropriate documentation, the Plans will refund the overpaid contributions.

When Requesting a Refund for Overpayment as the Result of:

- **Incorrect Calculation** - Submit copies of the original contribution report and payment highlighting the miscalculation and overpayment.
- **Earnings Reported Over Bargaining Agreement Ceilings (other than Internal Revenue Code Section 401(a)(17))** - Submit copies of all original contribution reports and payments, along with copies of deal memos, employment contracts, and any other information on the initial compensation and residual earnings.
- **Overstated Earnings** - Submit copies of all original contribution reports and payments, along with pay stubs, deal memos, employment contracts, and any other pertinent documentation to support the overpayment.

Note: Before processing any refund, the Plans will determine the effects, if any, on the affected participant's pension and health benefits. If a refund results in an overpayment of either pension or health benefits to or on behalf of a participant, the overpaid or otherwise unacceptable contributions will be used to offset the overpayment of benefits. The Plans will then seek reimbursement from the participant and/or Employer for the balance of the overpaid benefits plus interest charges and other costs of collection.

Please contact the Plans' Contributions and Collections Department at extension 225 if you feel you are due a refund of contributions.

AUDIT PROGRAM

Introduction

Federal law requires that employee benefit plans ensure that employer contributions are made accurately and timely. In employee benefit plans such as the Directors Guild of America-Producer Pension & Health Plans (“Plans”), this legal obligation can only be satisfied through conducting payroll and contribution compliance audits of signatory or contributing employers (“Employers”). A by-product of employer compliance audits is achieving a more “level playing field” for all DGA signatory employers. By ensuring that all Employers have the same employee benefit costs for DGA personnel, no one Employer can have an unfair economic competitive advantage.

Each year the Plans audit approximately 250 Employers representing approximately 10% of all Employers remitting contributions to the Plans. The basis for selecting an Employer for an audit may be purely random or due to some other information indicating that the Employer is not reporting and remitting contributions properly. Although audits frequently identify unremitted contributions, they are generally the result of unintentional errors or failure to fully understand the contribution requirements in the bargaining agreement. In some cases, audits uncover intentional underreporting, over reporting or otherwise fraudulent contribution reporting (e.g., reporting contributions merely to gain Health Plan coverage when no DGA services were actually performed).

Audits typically cover the four year period immediately preceding the date of the audit announcement letter. Once an audit is completed, the Plans will not conduct a later audit of any portion of that four year period. However, if additional information is later brought to the attention of the Plans identifying delinquencies not discovered by the audit, the Plans reserve their right to request additional information covering all or a portion of a previously audited period and pursue any resulting delinquencies.

The Plans conduct three types of audit:

Payroll Compliance Audit - Payroll Compliance Audits determine whether producers have properly reported and remitted contributions on all of the Covered Earnings of individuals working in Covered Employment. Auditors will review payroll records, payroll tax returns, accounts payable records, and any other documents deemed necessary to complete the examination. This information is then compared to the Plans’ records. Discrepancies, if any, are reviewed by both the Plans’ auditors and the producer before a final report is issued.

Authenticity Audit - Authenticity Audits serve to identify those producers who report contributions solely to obtain pension and/or health benefits for individuals who may not have actually worked in Covered Employment and/or not been compensated for their services. In addition to the materials described above, auditors will review production records including, but not limited to, Daily Production Reports, Call Sheets, Cast & Crew Lists, time cards, and Credit Listings in an attempt to determine whether Covered Employment was indeed performed. Should it be determined that compensation was reported incorrectly, the Plans will seek reimbursement of any benefits paid as a result of the improperly gained eligibility, as well as interest and audit fees, made as a result of the wrongly reported salary.

Gross Receipts/Supplemental Markets Audit - Gross Receipts/Supplemental Markets Audits serve to determine whether proper contributions have been paid into the Pension Plans based on a company’s reportable Gross Receipts (as defined in the applicable collective bargaining agreement). Auditors from the Plans may review license agreements, licensee statements, cash receipts, general ledgers and other documents to determine reportable Gross Receipts and calculate contributions payable to the Plans.

The Plans and its auditors go to great lengths to make the audits as unobtrusive, accommodating and non-adversarial as possible.

Audit Process

Once an Employer receives an audit announcement letter from the Plans, the Employer's representative can expect the following:

- An auditor will contact the Employer to introduce himself or herself and determine who will be the Employer's audit representative.
- The auditor will schedule a mutually convenient time to discuss the types of records kept by the Employer and which records will be required to begin the audit and when to conduct the fieldwork portion of the audit. Should the initial documents not be sufficient, the auditor may request additional documents as deemed necessary.
- The types of documents the auditor may request include, but are not limited to, the following:
 1. Payroll records, journals.
 2. General ledger, receipts and disbursements journals.
 3. Detail backup for ledger and journal entries.
 4. Employee time cards and earning statements, job invoices.
 5. Canceled checks, check stubs, check register.
 6. Deal memos, contracts, agreements, project files.
 7. Payroll tax returns, Form 1099.
 8. Chart of accounts.
 9. Copies of trust fund reports filed with other trusts.
 10. Call sheets, daily production reports, budgets, and actuals.
- The auditor, at his or her discretion, may make an initial sample selection of projects to conduct the audit, usually no less than 25% of the total projects produced during the audit period. Should there be little or no delinquent contribution findings based on the sample selection, the audit will be completed for that period. However, should such sample selection identify delinquencies which the Plans, in their sole discretion, believe warrant further review, the auditor may expand the scope to include additional projects or all projects produced in the audit period.
- The Plans recognize that Employers are busy and may not be able to make necessary records or personnel available to accommodate the audit shortly after the audit is announced. The Plans will make every effort to accommodate the Employer. However, the Plans have a legal obligation to diligently and timely administer the audit program, identify delinquencies and collect any amounts found due. Accordingly, should an Employer request that any phase of the audit process be delayed, the Plans may request that the company sign a Tolling Agreement, which effectively stops or tolls the Statute of Limitations from running for the period of time specified in such agreement. Should an Employer be unwilling to start the audit in a timely manner, the Plans may be obligated to refer the matter to their attorneys to file a lawsuit to compel the audit.
- Once the Employer and auditor have agreed to a date to commence the audit, the auditor(s) will come to the location where the records are kept to commence fieldwork. In some cases, records can be copied and mailed directly to the auditor.

- The documents supplied by Employers during the course of an audit will be treated confidentially and will not be disclosed except as provided by the Pension and Health Plan Trust Agreements.
- During fieldwork, the auditor(s) will gather all information necessary to identify those individuals working in DGA capacities, compensation paid for such services, dates of service, and in some cases, evidence of services performed during the audit period.
- Upon completion of fieldwork, the auditor will compare the information obtained from the Employer to the compensation and contributions reported to the Plans. Any discrepancies will be included in a preliminary findings or “draft” report. If there are no findings, a final report will be issued indicating so and the Employer will be provided a copy.
- The preliminary findings or draft report will be sent to the Employer for review. At that time, the Employer is afforded the opportunity to provide further information that may eliminate some or all of the preliminary findings.
- After the preliminary findings have been reviewed by the Employer and auditor, any amounts remaining due will be billed to the company with applicable costs (including interest, liquidated damages, audit fees, legal fees and any other costs incurred by the Plans). Pursuant to the terms of the Plans’ Trust Agreements, these costs are generally only charged when delinquent contributions are discovered.¹⁰
- If the Employer is in agreement with the findings, payment is made and the audit is complete.
- If the Employer disputes any or all of the findings, the Employer may appeal the Plans’ audit findings to the Legal & Delinquency Committee of the Board of Trustees. This is accomplished by sending a written appeal to the attention of the auditor conducting the audit, the Assistant Manager or the Manager of the Audit Department. The appeal should describe the dispute, the Employer’s position, and a request for waiver of any amounts the Employer believes should not be due.
- The Legal & Delinquency Committee is comprised of three DGA-appointed Trustees and three management or Employer-appointed Trustees. The Plans’ staff presents the information to the Committee, including but not limited to the Employers’ written statement and request, the Plans’ invoice and audit report, and any other pertinent documents and correspondence.
- The decision of the Committee is communicated to the Employer in writing and its decision is final and binding.

This statement is a general description of the audit procedures as currently utilized by the Plans. It does not modify the Trust Agreements, and does not restrict the Plans from utilizing other procedures which it believes are appropriate.

¹⁰ Interest or liquidated damages (whichever is greater) is charged based on the amount of delinquent Employer pension and health contributions. Interest on delinquent contributions is charged at 12% per annum through December 2002, and at 9% thereafter. Interest is charged from the date contributions were initially due the Plans; liquidated damages are charged at 20% of the delinquency. Audit fees, legal fees (if any) and other costs are charged based on actual costs incurred by the Plans. However, under certain circumstances, Plan policies provide that any of these fees or costs may be waived.

Should you have any questions regarding the audit process or wish to raise any concerns during the audit process, please feel free to contact the Plans' Audit Manager, Maggie Der-Minassian at 323-866-2258.

ELECTRONIC REPORTING

The Plans encourage all Signatory Producers and payroll services who act as agents of Signatory Producers to report by FTP (file transfer protocol), a diskette, or electronic data upload via Plans' website. The electronic reporting system is designed to facilitate the reporting of all possible information that might assist the Plans in properly crediting monies received. Once implemented, this system will greatly reduce the administration time for Signatory Producers' contributions reporting, in addition to the calls and billings from the Plans Office that frequently occur due to unclear information submitted on the original contribution reports. More importantly, producers who report electronically have found that the amount of time and money they expend during a compliance audit is greatly reduced.

Please contact Irene Cheung at (323) 866-2235 in the Plans' office for the electronic reporting specifications or if you have any questions.

DGA-PRODUCER PENSION AND HEALTH PLANS, INC.

Federal tax law¹¹ limits the amount of compensation that a pension plan can recognize for benefit determination purposes. For 2005 the limit was \$210,000.00 and for 2006 the limit is \$220,000. These limits are increased periodically based on an IRS cost-of-living index.¹²

For the years 1998 and prior, the Basic and Supplemental Plans could not recognize or give credit to individuals in our Pension Plans for compensation earned above these limits. For those years, the bargaining parties made arrangements for the return of contributions on compensation in excess of the Internal Revenue Code limits (hereinafter, Excess Employer Contributions) to the affected individuals through their employers. For the years 1999 and forward, the Trustees have made a change to the Plans, approved by the IRS, whereby special allocations are made to the affected individuals' Supplemental Plan accounts in an amount approximating the amount of the excess contributions. For those affected by this change, there will no longer be a refund of the Excess Employer Contributions to the Signatory Producers.

Once a year, generally in November, DGA-Producer Pension & Health Plans, Inc. (Inc.) will return Excess Employer Contributions to the Signatory Producers. Due to the change to the Plans made in 1999, as discussed above, Inc. now makes a special allocation to the Supplemental Plan for Excess Employer Contributions for work performed in the years 1999 and forward.

Beginning in 2002, Inc.'s Board of Directors also approved a change in procedure to refund Excess Employer Contributions directly to the affected participants instead of the Signatory Producers. If an affected participant worked through his or her loanout company, he or she can elect to have the Excess Employer Contributions refunded to their loanout company, thus expediting payment to the affected participants. Excess Employer Contributions no longer need to be returned to the Signatory Producers.

The 2.5% employee pension contribution on compensation in excess of the IRS limit continues to be returned by Inc. on a quarterly basis directly to the affected Participants.

Please contact Gavin S. Gervis at (323) 866-2268 in the Plans' office with any questions.

¹¹ Internal Revenue Code Section 401(a)(17).

¹² This limit is applied on an Employer-by-Employer basis.