

ANA
Association of National Advertisers, Inc.
708 Third Avenue
New York, NY 10017
Phone: 212-697-5950
Fax: 212-867-6689



4A's
American Association of Advertising Agencies
1065 Avenue of the Americas
New York, NY 10018
Phone: 212-682-2500
Fax: 212-682-8391

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

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SAG & AFTRA COMMERCIALS CONTRACTS
2013 NEGOTIATION AND PRUDENT PLANNING

As a reminder, the SAG Commercials Contract, the AFTRA Commercials Contract and the AFTRA Radio Commercials Contract will expire on March 31, 2013. Beginning with this negotiation, SAG-AFTRA, due to their 2012 merger, will bargain as one union for a single television commercials contract and a single radio commercials contract. Negotiations for successor SAG-AFTRA contracts will begin in mid-February.

The industry remains optimistic that we will have a successful conclusion to the negotiation without disruption. However, in order to provide for prudent production planning prior to the expiration of the current commercials contracts, signatory producers, both agencies and advertisers, are advised to review and consider the following information as it may pertain to them.

1. New Productions: Consider re-scheduling production planned for March 31, 2013 through June 2013 to dates prior to March 31, 2013 to account for any possible impasse and strike. The last work stoppage (*i.e.*, strike) in 2000 lasted approximately 6 months. This is of particular concern if you are planning production for the roll-out of a new campaign or are planning a celebrity production.

2. Current Commercials: For commercials with 21-month Maximum Periods of Use (MPU) due to expire within three (3) months after March 31, 2013, you should consider initiating negotiations for new MPUs well prior to March 31, 2013. This will help to ensure that broadcast rights are maintained in the event of a work stoppage.

3. Celebrity Contracts/Term Agreements: As new contracts are entered into or existing contracts are renewed, it is recommended to include the following provisions wherever possible and to review these provisions with legal counsel:

a. Suspensions and Extensions:

(i) Provide for quarterly payments throughout the term of the agreement

with suspension of payments in the event of a work stoppage and/or other disaster (*i.e.*, a force majeure event) that interferes with production.

- (ii) Provide for the ability to extend the term of the agreement by the same period of time as any work stoppage.
- (iii) Note that if you do not require the celebrity's services during a strike and continue to run the advertising previously produced, a suspension or extension may be difficult to obtain since the celebrity will argue you have suffered no delay or damages.

- b. Ensure that the celebrity performer has no right to withdraw permission to use a commercial in the event of a work stoppage. No affirmative contract language is necessary; just make sure that the celebrity has not affirmatively reserved such right in his/her term agreement. (Note: Scale performers do not have such right under the SAG or AFTRA Commercials Agreements.)

It is advised that you review the above information with the appropriate broadcast production, business manager, and talent payment personnel in your company, together with your legal counsel.

Should you have any questions regarding your planning, please feel free to contact the JPC's Lead Negotiator, Douglas J. Wood, Reed Smith, via e-mail at: dwood@reedsmith.com or his colleague, Stacy Marcus, Reed Smith, via e-mail at: smarcus@reedsmith.com.