



Writers Guild of America, West, Inc.

One-Time Review of the Foreign Levy Program

February 28, 2012

AUDIT ■ TAX ■ ADVISORY

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THIS REPORT IS RENDERED PURSUANT TO OUR ENGAGEMENT LETTER DATED APRIL 26, 2011 (THE "ENGAGEMENT LETTER"). OUR SERVICES AND REPORT CONFORM TO AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS ("AICPA") CONSULTING STANDARDS. OUR SERVICES AND OUR REPORT ARE NOT AN AUDIT, EXAMINATION, ATTESTATION, SPECIAL REPORT OR AGREED-UPON PROCEDURES ENGAGEMENT AS THOSE SERVICES ARE DEFINED IN AICPA LITERATURE APPLICABLE TO SUCH ENGAGEMENTS CONDUCTED BY INDEPENDENT AUDITORS. AS IS SET FORTH IN THE ENGAGEMENT LETTER, THIS REPORT IS INTENDED FOR WRITERS GUILD OF AMERICA, WEST INC.'S ("WGAW") SOLE BENEFIT AND KPMG DOES NOT AUTHORIZE ANY OTHER PARTY TO RELY UPON SUCH REPORT. WGAW'S ABILITY TO SHARE THIS REPORT WITH THIRD PARTIES SHALL BE SUBJECT TO THE TERMS AND CONDITIONS OF THE ENGAGEMENT LETTER.



OVERVIEW

Foreign Levies:

European countries adopted laws imposing tax levies on recordable and non-recordable media (e.g., blank cassettes, VHS tapes, DVDs) and recording equipment, which were intended to compensate the “authors” of motion pictures and television programs exhibited in each country. In addition, some countries imposed levies on cable retransmissions and video rentals. Under the relevant copyright regimes and foreign laws, writers and directors are considered the “authors” of such audiovisual works. As a result, writers and directors are entitled to the author’s share of the foreign levy. In 1990, the Writers Guild of America, West (“WGAW”) and Directors Guild of America (“DGA”) entered into the first Foreign Levy Agreement (“FLA”) with the studios and the Collecting Societies, which provided for the allocation of the author’s share of foreign levies among writers, directors and the studios. The Collecting Societies distributed the first levy amounts to the WGAW in 1992.

Settlement Agreement:

On July 2, 2010, the Superior Court of the County of Los Angeles, California approved a class action settlement in William Richert v. Writers Guild of America, West, Inc., Case No. BC339972 (the “Settlement Agreement”). Section 3 of the Settlement Agreement contains provisions for a One-Time Review (“One-Time Review”) by 'Big Four' Accounting Firm under which The Settling Parties shall jointly select a "big four" accounting firm (i.e., Pricewaterhouse Coopers; Deloitte Touche Tohmatsu; Ernst & Young; or KPMG) (the "Selected Accounting Firm"). The Selected Accounting Firm shall review the WGAW's foreign levies program from inception to the present according to Generally Accepted Accounting Principles (“GAAP”) and shall determine and issue a report analyzing and setting forth the following:

- i. on an annual basis, the amount of Foreign Levy Funds collected by the WGAW from the inception of the WGAW's foreign levies program to the present, including all interest earned on the Foreign Levy Funds while in the possession or control of the WGAW;
- ii. on an annual basis, the amount of Foreign Levy Funds distributed by the WGAW to writers (or their heirs, successors or other proper parties) from the inception of the WGAW's foreign levies program to the present, including any distributed interest on the Foreign Levy Funds;
- iii. on an annual basis, the amount of Foreign Levy Funds currently held by the WGAW, including all interest earned on the Foreign Levy Funds while in the possession or control of the WGAW.



OBJECTIVES

The objectives of our engagement are to:

1. On an annual basis, validate and present the amount of foreign levy funds collected by WGAW from the inception of the WGAW's Foreign Levies Program to the present, including all interest earned on the foreign levy funds while in the possession or control of the WGAW, as set forth in Schedule A, column D;
2. On an annual basis, validate and present the amount of foreign levy funds distributed by the WGAW to writers (or their heirs, successors or other proper parties) from the inception of the WGAW's Foreign Levies Program to the present, including any distributed interest on the foreign levy funds, as set forth in Schedule A, column G; and
3. On an annual basis, validate and present the amount of foreign levy funds currently held by the WGAW, including interest earned on the foreign levy funds while in possession and control of the WGAW, as set forth in Schedule A, column H.



SCOPE & PROCEDURES

KPMG was engaged to perform the One-Time Review to assess activity from inception of the program from fiscal year ended March 31, 1992 to March 31, 2011 (“Assessment Period”).

The procedures that we applied included, but were not limited to:

1. Obtain and analyze WGAW’s Foreign Levies Program and available documentation;
2. Coordinate with WGAW’s personnel in developing our analysis work plan and testing methodology specific to the One-Time Review;
3. Meet with WGAW’s personnel to gain an understanding of accounting and reporting systems and processes related to the WGAW’s Foreign Levies Program;
4. Testing of accounting, other data and other relevant business reports used in the analysis for accuracy of the foreign levy funds collected, distributed and held by WGAW on an annual basis from the inception of the WGAW’s Foreign Levies Program;
5. Validate the amount of foreign levy funds collected, distributed and held by WGAW on an annual basis from the inception of the WGAW’s Foreign Levies Program; and
6. Present in a schedule (“Schedule A”) the summary of amount of foreign levy funds collected, distributed to writers and held by WGAW on an annual basis from the inception of WGAW’s Foreign Levies Program.



Schedule A: Amount of Foreign Levy Funds Collected, Distributed to Writers and Held by WGAW

Fiscal Year ^{1,2}	Collected						Distributed		Held
	Beginning Balance	WGAW Funds Collected Remittances ³	Investment Income/Interest ⁴	WGAW Total Funds Collected including Interest	Investment Income/Interest Transferred ⁵	Assessed Administrative Fee ⁶	WGAW Funds Distributed to Writers ⁷	WGAW Funds Held Balance ⁸	
	A	B	C	D = B + C	E	F	G	H = A + D - E - F - G	
FY 1992	\$ -	\$ 1,257,691	\$ 25,152	\$ 1,282,843	\$ 216	\$ -	\$ -	\$ 1,282,628	
FY 1993	1,282,628	2,149,931	45,806	2,195,737	68,479	-	594,207	2,815,678	
FY 1994	2,815,678	2,658,324	82,363	2,740,686	84,627	-	630,775	4,840,963	
FY 1995	4,840,963	1,093,359	154,799	1,248,158	429,692	-	579,658	5,079,771	
FY 1996	5,079,771	840,748	234,815	1,075,563	(173,043)	-	405,074	5,923,304	
FY 1997	5,923,304	2,143,225	348,062	2,491,287	354,321	-	666,623	7,393,647	
FY 1998	7,393,647	1,060,825	428,916	1,489,741	389,315	-	169,670	8,324,403	
FY 1999	8,324,403	4,672,061	524,908	5,196,969	461,532	-	2,396,429	10,663,410	
FY 2000	10,663,410	2,165,535	482,650	2,648,185	556,447	-	1,946,246	10,808,902	
FY 2001	10,808,902	3,637,092	842,684	4,479,776	603,836	-	604,365	14,080,478	
FY 2002	14,080,478	3,005,593	382,141	3,387,734	638,780	-	1,574,321	15,255,110	
FY 2003	15,255,110	3,631,882	563,407	4,195,290	248,753	-	1,513,469	17,688,178	
FY 2004	17,688,178	6,923,103	296,556	7,219,658	586,082	49,395	458,012	23,814,348	
FY 2005	23,814,348	5,351,786	295,503	5,647,289	393,432	588,974	7,040,470	21,438,761	
FY 2006	21,438,761	6,552,914	722,983	7,275,897	656,699	441,999	7,207,710	20,408,251	
FY 2007	20,408,251	10,721,258	1,196,352	11,917,610	1,032,135	577,707	9,226,913	21,489,106	
FY 2008	21,489,106	19,755,282	1,381,460	21,136,742	-	950,624	19,153,981	22,521,244	
FY 2009	22,521,244	18,340,832	309,936	18,650,768	-	539,934	11,876,747	28,755,332	
FY 2010	28,755,332	17,200,809	455,719	17,656,528	-	977,390	16,845,093	28,589,377	
FY 2011	28,589,377	16,073,632	179,111	16,252,743	1,323,149	863,749	21,035,129	21,620,093	
Total		\$ 129,235,882	\$ 8,953,324	\$ 138,189,206	\$ 7,654,451	\$ 4,989,771	\$ 103,924,891		

Notes:

All values rounded to the nearest dollar.

¹ WGAW initiated its foreign levy collection efforts in 1987. It received the first remittances from foreign Collecting Societies in 1992.

² WGAW's fiscal year ends on March 31.

³ Remittances from foreign collection societies to WGAW on behalf of writers, net of transfers to other foreign levy payors (e.g. DGA) and refunds to foreign Collecting Societies of improperly transmitted funds.

⁴ Investment Income/Interest on funds held is net of bank and custodial fees. Investment Income/Interest is determined by investment performance.

⁵ Investment Income/Interest is transferred to WGAW general fund to offset the cost of administering the foreign levies program.

⁶ WGAW began charging an administrative fee in 2004 to offset the cost of administering the foreign levies program. The fee is assessed when remittance is distributed to writers.

⁷ Includes payments to both writers and their heirs, successors or other proper parties.

⁸ Balance as of the end of WGAW's fiscal year on March 31.

⁹ No Investment Income/Interest was transferred during these fiscal years.

