

AN OPEN LETTER FROM THE CREATIVE COMMUNITY ON PROTECTING THE MOVIE-GOING EXPERIENCE

We are the artists and business professionals who help make the movie business great. We produce and direct movies. We work on the business deals that help get movies made. At the end of the day, we are also simply big movie fans.

Lately, there's been a lot of talk by leaders at some major studios and cable companies about early-to-the-home "premium video-on-demand." In this proposed distribution model, new movies can be shown in homes while these same films are still in their theatrical run.

In this scenario, those who own televisions with an HDMI input would be able to order a film through their cable system or an Internet provider as a digital rental. Terms and timing have yet to be made concrete, but there has been talk of windows of 60 days after theatrical release at a price of \$30.

Currently, the average theatrical release window is over four months (132 days). The theatrical release window model has worked for years for everyone in the movie business. Current theatrical windows protect the exclusivity of new films showing in state-of-the-art theaters bolstered by the latest in digital projection, digital sound, and stadium seating.

As a crucial part of a business that last year grossed close to \$32 billion in worldwide theatrical ticket sales, we in the creative community feel that now is the time for studios and cable companies to acknowledge that a release pattern for premium video-on-demand that invades the current theatrical window could irrevocably harm the financial model of our film industry.

Major studios are struggling to replace the revenue lost by the declining value of DVD transactions. Low-cost rentals and subscriptions are undermining higher priced DVD sales and rentals. But the problem of declining revenue in home video will not be solved by importing into the theatrical window a distribution model that cannibalizes theatrical ticket sales.

Make no mistake: History has shown that price points cannot be maintained in the home video window. What sells for \$30-a-viewing today could be blown out for \$9.99 within a few years. If wiser heads do not prevail, the cannibalization of theatrical revenue in favor of a faulty, premature home video window could lead to the loss of hundreds of millions of dollars in annual revenue. Some theaters will close. The competition for those screens that remain will become that much more intense, foreclosing all but the most commercial movies from theatrical release. Specialty films whose success depends on platform releases that slowly build in awareness would be severely threatened under this new model. Careers that are built on the

risks that can be taken with lower budget films may never have the chance to blossom under this cut-throat new model.

Further, releasing a pristine, digital copy of new movies early to the home will only increase the piracy problem—not solve it.

As leaders in the creative community, we ask for a seat at the table. We want to hear the studios' plans for how this new distribution model will affect the future of the industry that we love.

And until that happens, we ask that our studio partners do not rashly undermine the current – and successful – system of releasing films in a sequential distribution window that encourages movie lovers to see films in the optimum, and most profitable, exhibition arena: the movie theaters of America.

We encourage our colleagues in the creative community to join with us by calling or emailing NATO at 202-962-0054 or nato@natodc.com.

Sincerely,

Michael Bay

Kathryn Bigelow

James Cameron

Guillermo del Toro

Roland Emmerich

Antoine Fuqua

Todd Garner

Lawrence Gordon

Stephen Gyllenhaal

Gale Anne Hurd

Peter Jackson

Karyn Kusama

Jon Landau

Shawn Levy

Michael Mann

Bill Mechanic

Jamie Patricof

Todd Phillips

Brett Ratner

Robert Rodriguez

Adam Shankman

Gore Verbinski

Robert Zemeckis

Paid for by the National Association of Theatre Owners