

# Residuals Survival Guide

REVISED OCTOBER, 2016

Residuals Department

# **Residuals Survival Guide**



**WRITERS  
GUILD OF  
AMERICA, WEST**



**WRITERS  
GUILD  
of AMERICA  
EAST**

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# Introduction

One of the benefits due credited writers under the Writers Guild Minimum Basic Agreement and the Public TV Freelance Agreement (see page 43) is compensation for the reuse of their material. This compensation is called residuals.

**The purpose of this guide is to provide writers with a basic knowledge of residual compensation—what it is, who receives it, and when it is due.**

This guide is not a substitute for the Writers Guild of America Theatrical and Television Basic Agreement or Public TV Freelance Agreement (collectively “MBA”). Please refer to the [MBA](#) or [Schedule of Minimums](#) for the most current rates.

This guide is not intended to, and does not, alter the provisions of these MBAs in any way. If anything contained herein contradicts these MBAs, the MBA provisions prevail.

**PLEASE NOTE** that not every use or reuse of your material is covered in this guide. If you have a situation that is not covered in this guide, or if you require more information, please contact the WGAW Residuals Department at (323) 782-4700 or the WGAE at (212) 767-7838.

# What Are Residuals?

Residuals are compensation paid for the *reuse* of a credited writer's work. When you receive credit on produced Guild-covered material, you are entitled to compensation if the material is reused. It is important to understand that the compensation is for *reuse*, and not the *original* use. For example, if you are hired to write an episode of a network prime time television series, the compensation you are paid for writing services includes the episode's initial broadcast. When that episode reruns on a network, in syndication, or in any other market, however, the Company must pay you for that reuse.

Similarly, for theatrical motion pictures, the compensation you are paid for your script, either as a purchase or employment, covers the exhibition of the film theatrically, including all foreign theatrical releases. When your movie is released to other markets, such as DVD/videocassette or pay television, however, you are due residuals.

# Why Are Writers Entitled to Residuals?

The Guild was founded more than 70 years ago because writers wanted to ensure accurate credits and receive reasonable compensation for their work. At that time, compensation paid to writers covered their initial services and they received nothing further. There were no residuals. Prior to the advent of television, there were no aftermarkets nor other opportunities for use beyond the original release of theatrical films.

The first television residuals provisions were negotiated in a 1953 Guild agreement and were for reuse of programs that were *made for television*. Residuals were negotiated in the belief that if a program was **rerun**, then there was less employment for new product.

Residuals for the reuse of theatrical films on television were negotiated and covered in 1960. Generally, writers whose films were produced on or after June 13, 1960 received residuals for the use of these films on free television.

The following is a timeline of selected residuals changes over the years in the MBAs.

- 1953** First residuals for reuse of made-for-television product; residuals limited to five rerun payments.
- 1960** First residuals for reuse of theatrical motion pictures on free television.
- 1962** Royalty Plan negotiated for worldwide reuse of made-for-television product. Foreign use covered for the first time.

- 1966** First foreign fixed residuals for made-for-television product; Royalty Plan ended.
- 1970** Residuals paid for nine reruns. (Improvement over previous five rerun MBA formula.)
- 1971** Residuals for home video, pay television, and related uses (called “supplemental markets”) negotiated for both theatrical and television products.
- 1977** Fixed residuals extended to perpetuity—no cap on domestic free television residuals.
- 1981** Residuals changed for reuse of free television product on basic cable and for reuse of made-for-pay television and made-for-DVD/videocassette/videodisc products.
- 1988** Increase in residuals for reuse of free television product on basic cable; residuals negotiated for made-for-basic cable product; waiver formula negotiated for off network reuse of certain one-hour dramatic prime time network series.
- 1995** Residuals negotiated for reuse of material in interactive works.
- 2001** Cap removed on foreign television residuals; foreign television residuals paid in perpetuity. Increase in residuals for made-for-pay television and made-for-basic cable products. Residuals for reuse of all product on Fox Broadcasting Company paid at network rates effective May 2, 2003. Payment negotiated for right to publish theatrical script on DVD.
- 2008** Residuals negotiated for new media-EST, new media-rentals and new media-streaming markets (both reuse in new media as well as made-for-new media).

# Who Receives Residuals?

The credited writer(s) on a produced project receive(s) the residual compensation. Regardless of how much you are paid or what you contribute to the final shooting script on a project, you only receive MBA residuals if you receive writing credit.

The following Guild determined credits generate residuals for writers under the MBA:

For theatrical motion pictures:

- Written by
- Story by
- Screen Story by
- Screenplay by
- Adaptation by
- Narration Written by

For television motion pictures, including episodic television:

- Written by
- Story by
- Television Story by
- Teleplay by
- Adaptation by
- Narration Written by
- Created by

Residuals for theatrical and television motion pictures, including episodic programs, are allocated as follows: "Written

by” — 100%; “Screenplay/Teleplay by”—(if a “Story by” or “Screen/Television Story by” credit is accorded)—75%; Story by” or “Screen/Television Story by”—25%. In general, if no form of “Story by” credit is accorded, 100% goes to the writer(s) receiving “Screenplay/Teleplay by” credit. The residual for minor credits such as “Adaptation by” is 10%. In that instance, the residual is allocated as follows: “Adaptation by”—10%; “Screenplay/Teleplay by”—65%; “Story by”—25%.

For comedy/variety, serials, and quiz/audience participation shows:

- Written by
- Writers
- Special Material/Sketch Written by
- Writing Supervised by/Head Writer

For television documentaries, news, and public affairs programming:

- Writer
- Written by
- Documentary Script by
- Continuity by
- Special Material/Interview Material by
- News Staff
- Newswriter
- Narration Written by
- Telescript by
- Story by

Source material credits, such as “Based on the book by,” are not writing credits that generate residual compensation under

the MBA. Also, the “Developed by” credit does not generate residuals.

**NOTE: The Guild does not process your residual payment until the writing credits are finally determined. To prevent delays in the processing of your residual payment, if you have written on a project on which principal photography has been completed, and neither you nor your designated representative have received a Notice of Tentative Writing Credits for that project, please immediately contact the WGAW Credits Department at (323) 782-4528 or the WGAE Credits Department at (212) 767-7804.**

# Are You Entitled to Residuals?

In order to determine whether you are entitled to residuals, you must know the following:

1. Was your material covered under a Guild contract? (This should almost always be a “yes,” because Guild members are precluded by Working Rule 8 from optioning or selling to, or performing writing services for, a Company that is not signatory to the MBA.)
2. Did you receive a writing credit?
3. If you wrote a theatrical motion picture, was it reused in non-theatrical markets?
4. If you wrote for television, was your project reused in **any** market?

If the answer is “yes” to the above, it is helpful if you also know the following:

1. For television programs, for which exhibition market was your project written? (See below for various exhibition markets).
2. What was the date of your employment/acquisition agreement?
3. If you wrote a theatrical motion picture, when did principal photography commence?

# Exhibition Markets

A project may be written for and/or reused in, among others, the following markets:

1. Theatrical;
2. Free Television, i.e., Network and Syndication;
3. Basic Cable;
4. Foreign;
5. Supplemental Markets, i.e. Pay Television, DVD/videocassette and In-flight; and
6. New Media (EST, Rentals and Streaming)

New Media residuals information can be found on the Writers Guild of America, West's [Guide to New Media](#).

# How Are Residuals Calculated?

In general, there are two types of residuals calculations: 1) “revenue based,” meaning the residual is based on the Company’s receipts, or 2) “fixed”/“run based,” meaning the residual payment is a set amount for each exhibition.

## **Residuals for Made-for-Theatrical Motion Pictures.**

Currently, all residuals due on made-for-theatrical motion pictures are revenue based. This means the residuals due the writer are based on the revenues received by the Company. The writer is entitled to a percentage of the money the project generated from uses other than any theatrical exploitation. A one-time payment, referred to as the DVD script publication fee, which is not a residual but is paid through the Residuals Department, may also be due (see page 15). With a revenue based residual, your payment will vary depending on how much the Company receives and when the money is received. It is also important to note that licensing terms may vary from project to project as well.

## **Residuals for Made-for-Television Projects.**

Residuals due for made-for-television projects can be both fixed and revenue based.

### **Revenue Based Residuals.**

Like residuals for theatrical films, a revenue based calculation for made-for-television product pays the credited

writer(s) a percentage of the revenues received by the Company. Accordingly, your payment will vary depending on how much the Company receives and when it is received. Specific licensing terms vary from project to project.

### **Fixed Residuals.**

Fixed residuals are set amounts that do not depend on receipts, but are a percentage of a specific base amount. That base amount, called the “applicable minimum” or the “**residual base**,” is determined by several factors:

- The type of product (e.g., episodic series, comedy/variety, documentary);
- The length of the program;
- The contract period of employment or acquisition;
- Whether the project is high or low budget; and
- The final, Guild-determined, writing credit.

### **The Residual Base.**

While your initial compensation will vary depending upon the market for which your project is produced, the residual base is a fixed amount that is determined by the length of your project. In most circumstances, the residual base will be the “**Other than Network Prime Time**” minimum corresponding to the MBA time period in which you were hired and the length of program you were hired to write. Thus, the residual base will be the Other than Network Prime Time minimum even for network prime time programs.

The following example sets forth the residual base for a one-hour dramatic television project for a writer

employed for story and a guaranteed teleplay on May 3, 2016, and who receives sole “Written by” credit:

<b><u>Market Produced For</u></b>	<b><u>Initial Comp.</u></b>	<b><u>Residual Base</u></b>
Network Prime Time	\$38,302	\$24,558
Syndication	\$26,575	\$26,575
Basic Cable	\$26,575	\$26,575
Pay Television	\$38,302	\$26,575

Once the residual base is determined, a certain percentage of that residual base is due for each rerun on free television. Generally, there is no payment upon the first run of a program, only for reruns. With the exception of network prime time reruns on certain kinds of programs, a decreasing percentage of that base is due for each successive rerun (see pages 16-18 for the percentages).

# Residuals for Made-for-Theatrical Motion Pictures

(Example 1, page 55)

Residuals due for made-for-theatrical motion pictures are revenue based. The residuals due the credited writer are 1.2% of the distributor's gross receipts, except for residuals due for DVD/videocassette usage, which are calculated at a slightly higher percentage of the producer's gross receipts. Residuals for made-for-theatrical projects are allocated as follows: "Written by"—100%; "Screenplay by" (if a "Story by" or "Screen Story by" credit is accorded)—75%; "Story by" or "Screen Story by"—25%. In general, if no form of "Story by" credit is accorded, 100% goes to the writer(s) receiving "Screenplay by" credit.

The following are the percentages and the due dates for each type of residual compensation payable for a made-for-theatrical motion picture.

<b>Reuse Market</b>	<b>Residual Payment Owed and Due Date</b>
Theatrical	No residuals are due for worldwide theatrical release, including in-flight, which is covered under the initial compensation.
Free Television	1.2% of distributor's gross receipts for worldwide free television reuse.

**Reuse Market                      Residual Payment Owed and Due Date**

Free Television  
(cont.)                      *For **network television** reuse, residual are due within 30 days of the Company's receipt of payment from the network.*

*For **syndicated or foreign television** reuse, residuals are due within 60 days of the end of the quarter in which gross receipts or licensing fees are received by the Company.*

Pay Television                      1.2% of distributor's gross receipts for worldwide reuse.

*Residuals are due within 60 days of the end of the quarter in which gross receipts or licensing fees are received by the Company.*

DVD/videocassette  
and DVD  
1985:                      For theatrical projects that commenced production on or before February 28, 1.2% of the Company's reportable gross.

For theatrical projects that commenced production after February 28, 1985: 1.5% of the first million dollars of the Company's reportable gross (or "producer's gross"); 1.8% thereafter.

*Residuals are due within 60 days of the end of the quarter in which gross receipts or licensing fees are received by the Company.*

Basic Cable                      1.2% of distributor's gross receipts for worldwide reuse.

*Residuals are due within 60 days of the end of the quarter in which gross receipts or licensing fees are received by the Company.*

### **DVD Script Publication Fee**

For theatrical motion pictures on which the credits are determined after May 2, 2001, upon the final determination of writing credits by the Guild, the credited writer(s) shall receive payment, in the aggregate, of \$5,000. This “DVD script publication fee” gives the Company the right to publish the script on DVD, and is due regardless of whether the Company elects to exercise such right. The payment of the script publication fee and/or the exercise of the script publication right does not in any way affect any other rights held by a writer entitled to Separation of Rights in the motion picture, including other publication rights.

*Payment is due within 30 days of the final determination of credits by the Guild.*

# Residuals for Made-for-Free Television Projects

(Example 2, page 57)

Product that is made for free television (network or syndication) generates both fixed and revenue based residuals depending on where it is reused. The first broadcast is covered by your initial compensation and therefore no residual is due for this use. For “dramatic” programs (e.g. episodic dramas, sitcoms, television movies, and miniseries), the Other Than Network Prime Time minimums are generally the basis for residuals calculations, which we will refer to as the “residual base.” (See page 11.)

If the material is rerun on network prime time television, a residual of 100% of your residual base is due. For all other domestic reuse—network non-prime time and syndication—a decreasing percentage of your residual base is due. (See page 23 for the exception to these rules.)

A residual payment is generated by a rerun in a “trigger city.” A trigger city is the city that has aired the program the most times. For example, if your program was rerun three times in Los Angeles and you were paid for those three runs, you would receive no more residuals until the program runs four times in any one market. Thus, when your program reran for the third time in Chicago or the second and third time in Miami, no additional money would be due. When the program reruns

for the fourth time in any city, however, the residual payment for the fourth rerun is triggered.

When the product is broadcast on foreign television, you receive an initial payment of up to a total of 35% of your residual base. The 35% payment can be made in three installments of 15%-10%-10%, which are triggered by the first foreign telecast and levels of foreign sales. The 35% payment must be made as a lump sum if the program is a one-hour dramatic series for which the Company has elected to use the One-Hour Waiver (see page 23.) For programs on which the writer's services were commenced on or after May 2, 2001, an additional 1.2% of foreign gross receipts (from both free television and basic cable) is due when distributor's foreign gross receipts reach certain levels.

For reuse in other markets, the residuals will be revenue based. It is important to remember that, in most cases, the Company is not obligated to pay revenue based residuals until it actually receives the revenue due for the license of the product. If the license fee covers several years, the revenue may be spread over the entire term of the license and the residuals would be paid in the same manner. Residuals that are revenue based are allocated as follows: "Written by"—100%; "Teleplay by" (if a "Story by" or "Television Story by" credit is accorded)—75%; "Story by" or "Television Story by"—25%. In general, if no form of "Story by" credit is accorded, 100% goes to the writer(s) receiving "Teleplay by" credit.

The following are the percentages and the due dates for each type of residual compensation payable for made-for-free television product:

**Reuse Market      Residual Payment Owed & Due Date**

Network prime time (ABC, CBS, NBC, FOX)      No residual is due for the initial broadcast. All reruns in network prime time are paid at 100% of your residual base.

*Residuals are due within 30 days of the date of telecast.*

Network non-prime time      A percentage of your residual base is due based on the number of broadcasts as follows:

<b>Broadcast #</b>	<b>Percentage</b>
2	50%
3	40%
4, 5, 6	25% each
7, 8, 9, 10	15% each
11, 12	10% each
13+	5% each

*Residuals are due within 30 days of the date of telecast.*

Syndication (including The CW)      A percentage of your residual base is due based on the number of broadcasts as follows:

<b>Broadcast #</b>	<b>Percentage</b>
2	40%
3	30%
4, 5, 6	25% each
7, 8, 9, 10	15% each
11, 12	10% each
13+	5% each

*For reruns occurring on The CW, payment is due within 30 days of the date of telecast. For all other reruns in syndication, residuals are due within four months of the date of telecast.*

**Promotional Launch Period**

During the first season of a series produced for a network or The CW, no residual is due for the second run of two of the first three episodes of the series (i.e. pilot, first and second episodes) if the second run or exhibition of the episode occurs within two months of the episode's initial exhibition. This exception applies whether the second run occurs on free television or basic cable.

**“Supersized” Episodes**

A “Supersized” episode is an episode of a prime-time half-hour or one-hour dramatic series produced for network television The CW, that extends beyond the regular time period of a typical episode of the series by more than three minutes but does not consume a standard half-hour or one-hour time period (e.g., a 43 minute episode of half-hour sitcom). The residual base for a Supersized episode will vary depending on whether the episode is rerun as a Supersized episode or is edited to run as a standard half-hour or one-hour episode.

If the episode is rerun as a Supersized episode, the residual base is the Other Than Network Prime Time minimum for the supersized length, which is generally the midpoint between the minimum for the length of a typical episode of the series and the minimum for the next higher time period. If the episode is rerun as a standard episode of the series (or two standard episodes), the residual base, for each episode created from the Supersized episode, is the Other Than Network Prime Time minimum for a standard episode of the series.

Foreign Television

***Writing services commenced on or after May 2, 2001***

An initial payment of up to 35% of your residual base is due. For all programs except one-hour dramatic programs made for network prime time, the 35% may be paid in increments of 15%-10%-10%.

*The initial payment of 15% is due within 30 days of the Company's knowledge of the foreign telecast, but no later than six months from the first foreign telecast. Subsequent levels are due when levels of receipts, determined by the length of the program, have been reached:*

Second Level: Distributor's Foreign Gross

1/2 hour	\$7,000
1 hour	\$13,000
Over 1 hour	\$18,000

Third Level: Distributor's Foreign Gross

1/2 hour	\$10,000
1 hour	\$18,000
Over 1 hour	\$24,000

After payment of the 35%, 1.2% of foreign gross receipts is due, in perpetuity. The 1.2% payment is triggered when foreign gross receipts reach the following levels as found in the 2011 MBA:

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**Program Length   Distributor's Foreign Gross**

1/2 hour	\$365,000
1 hour	\$730,000
over 1 hour, up to 2 hours	\$1,860,000

*Payment is due every six months.*

Theatrical

Up to 150% of your television residual base, or 100% of the theatrical minimum depending on the scope of release.<sup>1</sup>

*Residuals are due upon theatrical release.*

Note that if the project is exhibited at a film festival or charitable event, however, and an admission fee is charged but no monies are paid to the Company, no residual is due.

Pay Television	1.2% of distributor's gross receipts. <i>Residuals are due within 60 days of the end of the quarter in which gross receipts or licensing fees are received by the Company.</i>
In-flight	1.2% of distributor's gross receipts. <i>Residuals are due within 60 days of the end of the quarter in which gross receipts or licensing fees are received by the Company.</i>
DVD/videocassette and DVD	For programs produced prior to March 1, 1985: 1.2% of the Company's reportable gross. For programs produced on or after March 1, 1985: 1.5% of the first million dollars of the Company's reportable gross (or "producer's gross"); 1.8% thereafter. <i>Residuals are due within 60 days of the end of the quarter in which gross receipts or licensing fees are received by the Company.</i>
Basic Cable	For programs produced prior to July 1, 1984: 2.5% of distributor's gross receipts.

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<sup>1</sup> This is a theatrical release payment for a program produced for television. If you write a television script but it is produced as a theatrical project, please call the WGAW Contracts Department at (323) 782-4501 or the WGAE at (212) 767-7803.

For programs produced on or after July 1, 1984: 2% of distributor's gross receipts.

*Residuals are due within 60 days of the end of the quarter in which gross receipts or licensing fees are received by the Company.*

### **The One-Hour Waiver**

In 1988, the Guild agreed to change residuals due for certain one-hour made-for-network prime time series rerun in syndication. As of May 2, 2002, the waiver also applies to one-hour dramatic series produced for FOX that were not exhibited in syndication prior to that date.

Previously, regular fixed syndication residuals applied to such programs. However, under a Sideletter to the 1988 MBA, often called the "One-Hour Waiver," the residuals due may be as low as 50% of the usual fixed residual or as high as 150% of the fixed residual.

If the total license per episode is \$650,000, you will receive 100% of the fixed syndication residual amount. If the total license fee per episode is less than \$650,000, then you will receive less than 100%, to a floor of 50%, of the residual calculated under the regular syndication rerun formula. (If the program is telecast in markets amounting to less than one-third of the television households in the U.S., the 50% floor does not apply.) Likewise, if the per episode license fee is over \$650,000, you will receive more than 100% of the regular residual amount, to a ceiling of 150%.

*Residuals are due within four months of the date of telecast.*

In the case of foreign reuse of a program for which a one-hour waiver applies, a single payment of the 35% of the residual base is due. For programs on which writing services commenced on or after May 2, 2001, an additional 1.2% payment is due as set forth on page 21.

*Residuals are due within 30 days of the Company's knowledge of the foreign telecast, but no later than six months from the first foreign telecast. An overview of residual due dates can be found [here](#).*

### **Application of Excess**

The Company may seek to include an "Application of Excess" provision in your writing services agreement. Under this provision of the MBA, any monies paid to you in initial compensation for **story and/or teleplay** (not rewrites or polishes) that exceed double the Guild minimum may be credited against residuals. The Company may only use this provision if the intent to do so is stated in your writing services agreement.

# Residuals for Comedy/Variety Projects

## Comedy/Variety Residuals.

The residual base and allocation of residuals for comedy/variety programs differ from other made-for-free television residuals. Comedy/Variety programs include talk shows and sketch comedy programs such as THE LATE SHOW WITH STEPHEN COLBERT and SATURDAY NIGHT LIVE. Comedy/variety writers are either hired on an “aggregate,” meaning they are employed as a pool to work a specified term, or on a per show basis.

If you have been employed on an aggregate for a guaranteed term, then your residual base is determined by the number of writers employed, the date of employment, the “scripted” length of the program and how often the program runs (e.g., once a week or more). Once the residual base is determined, the residual compensation is paid in the same ratio that your initial compensation bears to each of the other writers’ compensation. In an aggregate, there are no teams and each writer is treated as an individual for residuals purposes.

The following example, using a residual base of \$40,000, demonstrates how the residuals would be allocated if four writers were employed at varying percentages:

<u>Writer</u>	<u>Initial Compensation</u>	<u>Percentage of Residuals</u>
A	\$15,000	37.5%
B	\$10,000	25%

C	\$10,000	25%
D	\$5,000	12.5%
<hr/>		
<b>TOTAL</b>	<b>\$40,000</b>	<b>100%</b>

Based upon the above calculations, Writer A will receive 37.5% of the residuals paid, Writer B and Writer C will each receive 25% of the residuals, and Writer D will receive 12.5% of the residuals.

If you are not employed for a guaranteed term, then your residuals are based on individual comedy/variety residual bases per writer or team of two. In that instance, each writer (or team of two) receives a residual payment based on the per-show minimum.

### **Residuals for free television reuse of comedy/variety projects.**

For reruns on free television of a comedy/variety program produced for **network prime time broadcast once a week or less**, the residuals are equal to the following percentages of the residual base:

<b>Broadcast #</b>	<b>Percentage Due</b>
2	100%
3 (if prime time)	100%
3 (if non-prime time)	75%
4	50%
5	50%
6	25%
7	10%
8+	5% each

For reruns of a comedy/variety program not produced for network prime time broadcast, the residuals are equal to the following percentages of the residual base:

<b>Broadcast #</b>	<b>Percentage Due</b>
2 (if network non-prime time)	50%
2	40%
3 (if network non-prime time)	40%
3	30%
4, 5, 6	25% each
7, 8, 9, 10	15% each
11, 12	10% each
13+	5% each

*Network residuals are due within 30 days of the date of telecast. Syndicated residuals are due within four months of the date of telecast.*

### **Residuals for foreign reuse of comedy/variety projects.**

#### **For writing services commenced on or after May 2, 2014.**

As with residuals for dramatic/episodic programs produced for free television, for programs on which the writer's services commenced on or after May 2, 2014, residuals for foreign reuse of comedy/variety programs are paid at 35% of your residual base. After payment of that 35%, 1.2% of foreign gross receipts is due, in perpetuity, both payable as noted in "Comedy/variety residuals." The 1.2% payment is triggered when foreign gross receipts reach the following levels as found in the 2014 MBA:

<u>Program Length</u>	<u>Distributor's Foreign Gross</u>
1/2 hour	\$182,500
1 hour	\$365,000
over 1 hour, up to 2 hours	\$930,000

*Payment is due every six months.*

### **Residuals for reuse in other markets.**

Residuals for the reuse of made-for-free television comedy/variety programs in other markets including basic cable, pay television, DVD/videocassette, theatrical, and in-flight are the same as those for other made-for-free television product. The made-for-free television residuals are set forth on pages 16-24.

# Residuals for Daytime Serials

Residuals for worldwide reuse of daytime serials (sometimes called “soap operas”) are based on “aggregate” minimums. Aggregate means the writers are employed within a group, often for specific functions, to work for a specified term. This minimum varies depending on when writing services are performed and the length of the program.

The residual received for reuse of an episode of a daytime serial is determined by first dividing the aggregate minimum for head-writer services and individual scripts by five; that becomes the residual base per show. Thereafter, the residuals are allocated in the following percentages:

If a breakdown has been written by the head writer, or if no breakdown has been written:

Head Writer	50%
Associate Writer	50%

If a writer other than the head writer has written a breakdown:

Head Writer	35%
Writer of breakdown	15%
Associate Writer	50%

If a writer other than the head writer has written a rewrite or a polish:

Head Writer	47.5%
Associate Writer (of script)	47.5%
Associate Writer (of rewrite or polish)	5%

If a writer other than the head writer has written a breakdown and a rewrite or polish:

Head Writer	32.5%
Writer of breakdown	15%
Associate Writer (of script)	47.5%
Associate Writer (of rewrite or polish)	5%

In the event there is more than one writer in a category, the applicable percentage is divided equally among the writers in that category.

Residuals for reuse on **network** and **syndicated** television are payable in the same manner as those for other made-for-free television product. (See pages 16-18).

*For **network television** reuse, residuals are due within 30 days of the date of telecast.*

*For **syndicated television** reuse, residuals are due within four months of the date of telecast.*

For programs on which the writer's services commenced prior to May 2, 2001, residuals for foreign television reuse are paid at 35% of your residual base (payable in increments of 15%-10%-10% when receipts reach certain levels). For programs on which the writer's services commenced on or after May 2, 2001, in addition to the 35% payment, you will receive your share of 1.2% of foreign gross receipts (when foreign gross receipts reach the levels set forth on page 28).

*For **foreign television** reuse, residuals are due within 30 days of the Company's knowledge of the foreign telecast, but no later than six months from the first foreign telecast.*

Residuals for reuse in all other markets are payable in the same manner as those for other made-for-free television product. (See pages 22-23.)

*For reuse **in all other markets**, residuals are due within 60 days of the end of the quarter in which the Company received the revenues.*

# Residuals for Made-for-Basic Cable Television Projects

(Example 3, page 59)

## Residuals for basic cable reuse.

Dramatic projects made for basic cable and reused on basic cable generally fall under one of two formulas when residuals are paid: the “**Sanchez Formula**” and the “**Hitchcock Formula.**” The Company may elect which formula it will use when the writer is employed.

If you are employed on a non-dramatic made-for-basic cable program (e.g., anything other than an episodic program or an MOW), the Company may choose to pay residuals under the Sanchez or Hitchcock formula. Alternatively, the Company may notify the Guild of its election to negotiate a different residual formula. If you are employed on a non-dramatic made-for-basic cable program, be sure to review your writing services agreement to see if an election has been made. As those terms are negotiable on non-dramatic programs produced for basic cable, if the company has not elected to use either the Sanchez or the Hitchcock formula, contact the Residuals Department of the WGAW or WGAE as soon as possible so that the Guild can determine how your residuals will be paid.

### **The Sanchez Formula.**

Residuals under the **Sanchez** formula are paid similarly to residuals on products made for free television. The formula is called “Sanchez” because SANCHEZ OF BEL AIR was one

of the first made-for-basic cable series for which the Guild negotiated basic cable residuals. It is a run-based formula and calculated on the same residual base (the Other Than Network Prime Time minimum) used for made-for-free television residuals as follows:

***Writing services commenced on or after May 2, 2002.***

<b>Run #</b>	<b>Percentage Due</b>
2 – 5 (paid in 1 payment)	50%
6	6%
7, 8	4% each
9, 10	3.5% each
11	3%
12	2.5%
13+	1.5 % each

Note that payment for runs two through five is due upon the second run. Payment is due even if runs three through five never occur. Thereafter, each run is paid on a per-run basis.

*The residuals are due within four months of the run date.*

**The Hitchcock Formula.**

The **Hitchcock** formula is calculated in an entirely different manner. The formula is called “Hitchcock” after the 1986 made-for-basic cable series, ALFRED HITCHCOCK PRESENTS.

Under the **Hitchcock** formula, the residual covers 12 basic cable runs of a program over a five-year period. The **Hitchcock** formula is the only case where an **initial** run triggers a residual payment.

***Writing services commenced on or after May 2, 2002.***

For high budget dramatic programs on which the writer's services commenced on or after May 2, 2002, the residual is 120% of the difference between the applicable Network Prime Time minimum and the Other Than Network Prime Time minimum. For other types of programs, the reuse fee is 84% of the residual base.

*Residuals are due within 30 days of initial exhibition and may not be paid prior to the final credit determination.*

**Residuals for Foreign Reuse.**

For foreign television reuse of made-for-basic cable projects on which the writer's services commenced before May 2, 2001, the residual is 35% of your residual base, which may be allocated 15%-10%-10%. For projects on which the writer's services were commenced on or after May 2, 2001, in addition to 35% of your residual base, you will receive 1.2% of foreign gross receipts when foreign gross receipts reach certain levels. (See page 21.)

*Residuals are due within 30 days of the Company's knowledge of the foreign telecast, but no later than six months from the first foreign telecast.*

**Residuals for reuse in other markets.**

Residuals for reuse of made-for-basic cable programs in syndication are paid the same as made-for-free television programs reused in syndication, set forth on pages 18-19, with the second run residual applying to the first syndication run, and so on. This rule applies unless your program was part of a series with 66 episodes or less when it ran on basic cable, or

your program ran on basic cable more than 10 times. If either exception applies, the residual is 2% of the license fee.

Residuals for reuse of made-for-basic cable programs in all other markets, including pay television, are paid the same as reuse of made-for-free television programs. Residuals for made-for-free television programs are set forth on pages 16-24.

# Residuals for Made-for-Pay Television and Made-for-DVD/ Videocassette Projects

## **Residuals for reuse on pay television or DVD/ Videocassette.**

Residuals for made-for-pay television or made-for-videocassette projects can be both revenue based and fixed. Residuals for made-for-pay television dramatic projects reused on pay television are allocated 2/3 to the writer credited with teleplay and 1/3 to the writer credited with story.

### **Residuals on programs on made for DVD/video-cassette.**

Residuals due for reuse on pay television and DVD/videocassette are calculated as 2% of the Company's combined pay television and DVD/videocassette receipts that exceed the applicable break amount. The "break amount" is a negotiated amount defined in the [MBA](#).

Your initial compensation covers salary and runs on the pay television services, as well as DVD/videocassette/ videodisc sales until the Company's receipts exceed the break amount. Thereafter, the residual is calculated at 2% of the Company's combined receipts for pay television and DVD/videocassette.

*Residuals are due within 60 days of the end of the quarter*

*in which gross receipts are received by the Company.*

**Residuals on dramatic programs made for pay television on which the writer's services commenced on or after November 1, 2004.**

For dramatic programs of a type generally produced for network prime time, including long-form (e.g. HOMELAND, GAME OF THRONES, and CONFIRMATION), the residual for reuse on pay television is triggered by the earliest of 10 exhibition days or one year from the date of the initial exhibition of the program. Thereafter, for each of the next three exhibition years (the second through fourth), the credited writer(s) will receive an aggregate residual payment as follows (as found in the 2011 MBA):

<b><u>Program Length</u></b>	<b><u>Payment Due</u></b>
1/2 hour	\$4,200
1 hour	\$7,200
90 minutes	\$6,500
2 hours or more	\$8,500

For each of the fifth and subsequent exhibition years on that pay television service, the credited writer(s) will receive an aggregate residual payment as follows:

<b><u>Program Length</u></b>	<b><u>Payment Due</u></b>
1/2 hour	\$750
1 hour	\$1,000
90 minutes	\$1,125
2 hours or more	\$1,250

*Residuals are due within four months of the first exhibition day of the year in question.*

For reuse of such programs on foreign pay television or a subsequent U.S. pay television service, a residual of 2% of the Company's receipts is due.

For reuse of such programs on DVD/videocassette, residuals are due as follows:

For half-hour and one-hour episodic series on which writing services commenced on or after November 1, 2004, the residual is 2% of the DVD/videocassette receipts after the sale of 75,000 units. For long-form projects, the sale of 100,000 units is the trigger for DVD/videocassette residuals.

For comedy-variety made-for-pay television programs (e.g. *LAST WEEK TONIGHT WITH JOHN OLIVER*), a residual of 2% of receipts after the break amount is due for reuse on pay television and videocassette. (See page 36.)

*Residuals are due within 60 days of the end of the quarter in which gross receipts are received by the Company.*

*For residuals on made for pay television projects for which writing services were commenced prior to November 1, 2004, please contact the WGAW Residuals Department at (323) 782-4700.*

### **Residuals for reuse in all other markets.**

Residuals for reuse of made-for-pay television programs in syndication are paid the same as made-for-free television programs reused in syndication, set forth on pages 18-19, with the second run residual applying to the first syndication run, and so on.

Residuals for reuse of made-for-pay television programs in all other markets, are paid the same as reuse of made-for-free television programs. Residuals for made-for-free television programs are set forth on pages 16-24.

# Residuals for Made-for-Public Broadcasting System ("PBS") Projects

PBS differs from other free television markets because your initial compensation covers an initial license period of four national releases on PBS within three years. A "national release" includes unlimited runs within a seven day period. Generally, after the three-year license period or the four national releases, the Company may purchase additional license periods upon payment to the credited writers of a percentage of the applicable PBS minimums. Note that license fees for the second and subsequent licenses are calculated based on the minimums in effect at the commencement of each license period rather than those in effect at the time the writer was employed.

A percentage of the PBS minimum is also paid as an advance against revenue for use on pay television, videocassette and basic cable. Release in foreign markets is paid the same as free television except that the 35% must be paid in a single installment. (See pages 20-21). For the PBS agreement and minimums, please visit the [Public Television](#) section under Contracts & Enforcement.

If a project made for PBS is sold to domestic free television, the writer is paid according to the same formula used in calculating residuals due for made-for-free television product using MBA minimums in lieu of PBS minimums.

# Residuals for the Use of Excerpts

The use of any portion of one television program or theatrical motion picture in another television program or theatrical motion picture is called an excerpt. Payments are based upon fixed rates that vary according to the length of the excerpt, where the excerpt is used, and how many excerpts are used in the program.

For “compilation” programs (e.g., “best of” or “anniversary programs”), an aggregate payment, based on the length of the program, is due for use of the excerpts included therein. The Guild then allocates the aggregate payment among the credited writer(s) of the programs from which the excerpts were taken.

This is a **one-time-only** payment. There are no residuals payable for the excerpt when the program reruns. However, there are residuals due to the writer of the program into which the excerpt is placed.

If you have additional questions, please visit [Excerpt \(“Clip”\) Payments](#), or contact the WGAW Excerpts desk at (323) 782-4507 or the WGAE Residuals Department at (212) 767-7838.

# Residuals on Creator Sequel Payments

On an original *serial or episodic series*, the writer(s) entitled to Separation of Rights and “Created by” credit on the series is entitled to a residual on the creator sequel payment minimum payable for each episode of the series produced beyond the pilot. With certain exceptions, creator sequel payment residuals are due for each subsequent broadcast of episodes of a series in the market for which the series was produced.

The residual is a percentage of your creator sequel payment, based on the number of runs. For made-for-free television programs rerun on free television, the percentages are as follows:

<u>Run #</u>	<u>Percentage</u>
Network prime time	100%
2 (Network non-prime time)	50%
2	40%
3	30%
4, 5, 6	25% each
7, 8, 9, 10	15% each
11, 12	10% each
13+	5% each
Foreign Free TV	35%

*Creator sequel payment residuals for free television reuse are due within the same time frames as payments for free television reuse set forth on pages 16-24.*

For made-for-basic cable programs rerun on basic cable, the percentages are as follows:

<b>Run #</b>	<b>Percentage</b>
2 – 5 (paid in 1 payment)	50%
6	6%
7, 8	4% each
9, 10	3.5% each
11	3%
12	2.5%
13+	1.5% each

*Creator sequel payment residuals for basic cable reuse are due within four months of the run date.*

The Company may include a provision in your writing services agreement to pay 100% of an overscale negotiated sequel payment for the first run and an additional 100% of the negotiated amount to be equally divided among runs two through six. Depending on how much the agreed upon amount exceeds Guild minimums, such provision may violate the MBA as insufficient. Therefore, amounts individually negotiated for reruns should be checked with the WGAW to ensure they do not fall below the minimums provided above.

# Character Payments

If you create a character for an episodic television series in a script other than the pilot script and the character recurs on subsequent episodes of the series, you may be entitled to a character payment every time that character reappears in a new episode or if that character is spun off into a new series. Generally, in order to receive character payments for a character, you must have fully developed and fully described a unique, non-generic character with specific characteristics that are established in a script written by you.

*Character payments are paid through the Residuals Department at the end of each season of a series. For questions regarding whether you are entitled to a Character Payment or how Character Payments are calculated, please contact the WGAW Contracts Department at (323) 782-4501 or the WGAE Contracts Department at (212) 767-7852.*

# Foreign Copyright Levies

Foreign copyright levies are funds received by the WGA on behalf of U.S. writers. Foreign collection societies send the WGA taxes and levies imposed by foreign governments for the benefit of theatrical and television authors. The primary source of these monies is “private copy” taxation for home video recording of television broadcasts. The taxes are levied on sales of blank videocassettes and/or VCRs. Based on allocation information provided by the collection societies, disbursement of these funds is then made to writers. For additional information regarding Foreign Copyright Levies, please visit the [Foreign Levies Program](#), or contact the WGAW at (323) 782-4607 or the WGAE at (212) 767-7838.

# Canadian Waivers

Under certain circumstances, WGA members may seek a waiver of Working Rule 8 to work under the jurisdiction of the Writers Guild of Canada (“WGC”). Working Rule 8 provides as follows: “No member shall accept employment with, nor option or sell literary material to, any person, firm, or corporation who is not signatory to the applicable MBAs. Violation of this rule shall automatically subject the member to a fine, the maximum amount of which shall not exceed 100% of the remuneration received from such non-signatory.”

Although the WGA member is employed under WGC jurisdiction, the WGA requires the Canadian company to sign an agreement to pay the WGA writer, in U.S. dollars, no less than WGA minimums and residuals and to make Pension Plan and Health Fund contributions to the WGA Funds. For additional information regarding Canadian Waivers, please contact the WGAW at (323) 782-4755 or the WGAE at (212) 767-7803.

# Commissions on Residuals

In general, agents may not collect commissions on residuals although, under certain limited circumstances, commissions may be payable if the agent has negotiated higher residuals for the writer than are required by the MBA. For example, over-scale residual compensation is commissionable, ***but only to the extent the commission does not reduce your residual compensation to less than WGA minimums.*** This is outlined in the Artists' Manager Basic Agreement of 1976. For additional information, please contact the WGAW Agency Department at (323) 782-4502 or the WGAE at (212) 767-7821.

# Residuals for Deceased Members

Upon the death of a writer or the beneficiary of a deceased writer, the Membership Department and/or the Residuals Estates/Trusts Desk should be notified as soon as possible. The Guild will need the name, address, and telephone number of the person to be contacted for follow-up procedures necessary to expedite the transfer of residual payments to the correct beneficiary(ies). Additionally, in order to facilitate the continued payment of residuals to the beneficiary(ies), the Guild, and the paying Company if requested, should be furnished an official (raised seal) Certificate of Death, Letters Testamentary or Letters of Administration, and a copy of the Last Will and Testament. For additional information, please contact the WGAW Estates/Trusts Desk at (323) 782-4700 or the WGAE at (212) 767-7838.

Note: Notification to the Pension Plan and Health Fund does not replace notification to the WGA Membership Department and/or the Residuals Estates/Trusts Desk.

# Dues on Residuals

Membership dues are assessed on all residuals at the rate of 1.5% of the gross amount paid. If the residuals are processed by the Guild, they are automatically included in any dues assessment. However, if the Company erroneously sends the residuals directly to the writer, the gross amount should be reported by the writer on the appropriate dues declaration form. Additionally, the Residuals Department should be notified so that those payments can be entered into the Guild's residuals database and the Guild can remind the Company that it is required to send the residuals payments to the Guild for processing.

For additional information, please contact the WGAW Dues Department at (323) 782-4531 or the WGAE Dues Department at (212) 767-7814 or (212) 767-7815.

# Pension Plan & Health Fund Contributions on Residuals

The Company is obligated to contribute a percentage based on your “gross compensation” to the Pension Plan and the Health Fund. Although no contributions are due for residuals paid on made-for-theatrical projects, contributions may be due for residuals paid on made-for-television projects. Please note that contributions “cap out” at certain levels. If you have any additional questions, please contact Pension & Health at (818) 846-1015.

# Monitoring Residuals

In order to determine whether residuals are due, the Guild must know whether a project has been reused, in which market, how often and, in some cases, for what license fee. The Guild researches potential residuals claims by subscribing to outside monitoring services and compiling the information internally. Nearly everything that airs on television, be it produced initially for free television, pay television, basic cable, or theatrical, is monitored using these services.

The information is categorized by television market, city, station, date, and time of airing. When the Guild discovers a potential claim, the system is used to research the claim and verify whether a payment is due. For additional information on potential claims, please contact the WGAW at (323) 782-4700 or the WGAE at (212) 767-7800.

# Processing Residuals

Once a residual becomes due, the Company (or payroll company it engages) sends your check to the Guild for processing. The Guild receives from 100 to more than 5,000 residuals checks a day.

When checks are received by the Guild, basic check information is entered into the Guild database and the check is mailed to you. When you receive your residuals check, make sure the address imprinted on the check is correct, as that is frequently the address to which the Company will send your year-end tax reporting forms. If the address is incorrect, contact the paying Company to update your information.

Checks are generally processed in the order in which they are received. The processors verify your name, social security number, writing credits, market paid, and dollar amount according to the provisions set forth in the applicable MBA. In addition to the information readily available in the Guild database, the processor may have to review specific provisions of your contract to verify the payment is correct. Once your check has been fully processed, you can view the payment detail through your on-line account at [www.wga.org](http://www.wga.org) for WGAW members or [www.wgaeast.org](http://www.wgaeast.org) for WGAE members.<sup>2</sup>

It is extremely important that the Guild's Residuals Department always has the current address of writers and beneficiaries, since residuals can be paid many years after the initial exhibition of the project involved. Please contact the WGAW Membership Department at (323) 782-4532 or the WGAE

Membership Department at (212) 767-7802 to update your information.

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<sup>2</sup> Currently, WGAW on-line look up is only available to Current Active members.

# Conclusion

The Guild hopes that this guide has answered most of the questions you may have regarding residuals. If you have any additional questions, please contact the WGAW Residuals Department at (323) 782-4700 or the WGAE Residuals Department at (212) 767-7838.

## **EXAMPLE 1 - RESIDUALS ON A MADE-FOR-THEATRICAL MOTION PICTURE**

Writer A is hired by a signatory Company on May 3, 2016 to write an original story and screenplay for a high budget theatrical motion picture. He is paid at least the WGA minimum of \$133,739 for his writing services. (An overscale payment would not change this example.) When credits are finally determined, he receives sole "Written by" credit on the film. Within 30 days of the final determination of credits, the \$5,000 DVD Script Publication Fee is due to Writer A.

In October 2016, the film is released theatrically. In January 2017, it is released to in-flight markets. Writer A will receive no residual compensation for either the theatrical or in-flight release because both were covered by his initial compensation.

In May 2017, the film is released on DVD and Blu-ray. In the quarter ending June 30, 2017, the Company received \$1,000,000 in receipts from the distribution of DVD and Blu-ray sales. A residual payment of \$15,000, 1.5% of the revenues, is due to Writer A. Writer A should receive payment within 60 days of the end of the quarter in which the Company received payment, or no later than August 31, 2017. Writer A will continue to receive residuals, calculated at 1.8% of any receipts over \$1,000,000, payable within 60 days of the end of the quarter in which the Company receives additional receipts.

In September 2017, the Company licenses the film to pay television for a license fee of \$3,900,000. Pursuant to the payment schedule, the Company will receive payment in three installments of \$1,300,000 each. The first payment is received by the Company on October 1, 2017. A residual payment of \$15,600, 1.2% of the installment received, is due to Writer A within 60 days of the end of the quarter in which the Company received payment. Because the quarter ends December 31, 2017, payment is due to Writer A on or before March 1, 2018. Future residual payments of 1.2% of the remaining installments are due to Writer A within 60 days of the end of the quarter in which the Company receives the payment.

In November 2017, the film aired on network television, for which the license fee was \$2,000,000. The Company receives full payment of the license fee from the network on November 1, 2017. A residual payment of \$24,000, 1.2% of the license fee, is due to Writer A within 30 days of the Company's receipt of payment, or by December 1, 2017.

## **EXAMPLE 2 - RESIDUALS ON A MADE-FOR-FREE TELEVISION PROJECT**

On June 1, 2016, Writer A is hired by a signatory Company to write an episode of a half-hour network prime time series. Writer A receives sole "Written by" credit on her episode.

In November 2016, the episode has its first broadcast. The writer will not receive residuals for this telecast because the initial broadcast was covered by her initial compensation.

On March 1, 2017, Writer A's episode is rerun during network prime time. For this rerun, Writer A will receive \$13,511, 100% of the residual base, which is the Other Than Network Prime Time 30-minute story and teleplay minimum. (Note that in the 2011 MBA, the rates for Network Prime Time residuals are frozen from the last period of the 2008 MBA). Payment for the network second run is due by March 31, 2017, 30 days from the telecast date.

On May 1, 2017, the series is sold to foreign free television where Writer A's episode airs on May 5, 2017. For this use, Writer A is entitled to a residual of \$4,751.95 (35% of the 2016 residual base). The initial payment of \$2,193.15 (15% of the residual base) is due 30 days after the Company's knowledge of the May 5 telecast, and no later than November 5, 2017, 6 months from the date of telecast. In addition, Writer A will receive 1.2% of foreign free television and basic cable gross receipts once foreign gross exceeds \$365,000.

Subsequently, the series is sold into syndication where the episode has its third, fourth, and fifth runs on June 1, July 1, and August 1, 2018, respectively. Writer A will receive residuals for these runs as follows: 3rd run - \$4,386.30 (30% of the residual base), 4th and 5th runs - \$3,655.25 each (25% of the residual base). Payments are due four months from the telecast date as follows: 3rd run - October 1, 2018, 4th run - November 1, 2015, 5th run - December 1, 2018.

In September 2018, the series is sold to basic cable for a license fee of \$25,000 per episode. The Company receives the entire license fee on September 30, 2018. A residual of \$500, 2% of the license fee, is due to Writer A within 60 days of the end of the quarter in which the Company receives payment. Since the quarter ends September 30, 2018, payment is due to Writer A on or before November 30, 2018.

Finally, the various episodes of the series, including Writer A's episode, are licensed for in-flight at \$15,000 per episode. The Company receives payment on November 30, 2018. A residual of \$180, 1.2% of the license fee, is due to Writer A within 60 days of the end of the quarter in which the Company receives payment. Since the quarter ends December 31, 2018, payment is due to Writer A on or before March 1, 2019.

### EXAMPLE 3 - RESIDUALS ON A MADE-FOR-BASIC CABLE PROJECT

On June 1, 2016, Writer A is employed by a signatory Company to write a story and teleplay for a two-hour made-for-basic cable movie. On December 1, 2016, Writer B is employed to do a rewrite of the movie. The final writing credit on the project is Teleplay by Writer A and Writer B, Story by Writer A.

The movie has its initial run on basic cable on April 1, 2017. If residuals are paid under the **Hitchcock Formula**, a residual of \$30,190.80 is due on or before May 1, 2017, 30 days from the initial run. The residual is 120% of the difference between the \$77,500 Network Prime Time Minimum and the \$52,341 Other Than Network Prime Time Minimum. The residual is split 75% ((\$22,643.10) for teleplay credit and 25% ((\$7,547.70) for story credit as follows:

#### Writer A

\$7,547.70 (for sole story credit)  
\$11,321.55 (for shared teleplay credit)  
\$18,869.25 total

#### Writer B

\$11,321.55 total (for shared teleplay credit)

This residual will cover twelve runs of the program over a five-year period. Note that because the teleplay credit is shared, each writer receives only half of the amount allocated to teleplay.

If residuals are paid under the **Sanchez Formula**, no residual is due upon the initial airing, which is covered by the writers' initial

compensation. However, when the movie has its second run on April 10, 2017, a residual is triggered, and payment is due on or before August 10, 2017, four months from the exhibition. The writers are due residual compensation equal to 50% of the appropriate residual base as follows:

Residual Base

\$20,935 (Other Than Network Prime Time Story Minimum)

\$37,561 (Other Than Network Prime Time Teleplay Minimum)

Breakdown of Residual Payments under Sanchez

(Total Residuals Owed)

\$10,467.50 (50% of story residual base)

\$18,780.50 (50% of teleplay residual base)

(Writer A )

\$10,467.50 (for sole story credit)

\$9,390.25 (for shared teleplay credit)

\$19,857.75 total

(Writer B)

\$9,390.25 (for shared teleplay credit)

Note that because the teleplay credit is shared, each writer receives only half of the teleplay residual due.

The **Sanchez** residual covers **runs two through five** and is payable upon the second run even if runs three through five never occur. When the program has its sixth run, residuals of 6% of the residual base(s) discussed above are due as follows: \$2,382.93 to Writer A and \$1,126.83 to Writer B. Again, the residual is due within four months of the exhibition. Later runs are paid at a declining percentage of the appropriate residual base(s) in the same manner as previously described.

On July 1, 2017, the movie has its initial airing on foreign free television. For this use, the writers are entitled to residual compensation equal to 35% of the appropriate residual base(s) described above under the **Sanchez** formula. This residual base is used to calculate the residuals for foreign free television use regardless of whether the **Hitchcock** or **Sanchez** formula is used for basic cable reruns. Writer A will therefore receive \$13,900.43 (\$7,327.25 for story credit plus \$6,573.18 for shared teleplay credit) and Writer B will receive \$6,573.18 (for shared teleplay credit). Whether the Company pays a lump sum of 35% or installments of 15%-10%-10%, the initial payment is due no later than January 1, 2018, six months from the date of telecast. In addition, the writers will receive residuals of 1.2% of foreign free television and basic cable receipts once foreign gross exceeds \$1,860,000, allocated 62.5% to Writer A (25% for story credit plus 37.5% for shared teleplay credit) and 37.5% to Writer B (for shared teleplay credit).