



Alliance of Motion Picture and Television Producers

PRODUCERS' PROPOSALS TO THE WGA – COMPREHENSIVE PACKAGE

INTRODUCTION

We are committed to negotiating a deal that is fair to everyone, one that respects the needs and concerns of the WGA as well as all the AMPTP member companies, one that maintains industry stability, one that gives us the flexibility to adapt to the revolutionary changes in front of us, one that helps us manage our risks, grow our businesses and share our rewards.

The Companies and the Guilds must work together to re-position this industry to respond to the changing markets and the changing world. We must come together to avoid what has happened to industries that deny change or failed to adapt fast enough.

KEY SUBJECT AREAS

Recoupment

Today's residual formulas were based on the premise that producers recouped in the initial (primary) market. Revenues obtained in the initial market of release for the vast majority of product no longer cover costs of production, much less distribution and marketing expenses. These negotiations should explore new ways to ensure that we all share in successes while risks are appropriately balanced.

New Methods of Capturing and Re-Capturing Audience

Many provisions in our current contracts – some dating back 30 years – prohibit or inhibit us from promoting, re-purposing and exploiting our content to capture or re-capture audiences or make additional revenue in traditional as well as New Media. With the revolutionary marketplace changes continuing unabated, these outmoded provisions deserve to be re-examined during these negotiations.

PRODUCERS' PROPOSALS TO THE WGA
COMPREHENSIVE PACKAGE

1. **Residual Payment Point**

(A) **Theatrical**

Revise the MBA to provide that no residual payments (no payments of additional compensation) shall be made in connection with a theatrical motion picture, the literary material for which was written or acquired under the MBA and which is released theatrically for the first time on or after November 1, 2007, until the "residual payment point" has been reached. The "residual payment point" is the date on which the revenues received by the Company from licensing the exhibition of the picture (hereinafter "exhibition revenues"), measured at the times and as hereafter provided, exceed the sum of the costs incurred by the Company:

- (1) for the acquisition of any literary material or rights in connection therewith;
- (2) for the development of the motion picture and any literary material connected therewith;
- (3) for the production of the motion picture;
- (4) for the advertising and marketing of the motion picture; and
- (5) for distribution of the motion picture (including, but not limited to, the cost of prints).

The foregoing costs shall not include development costs other than those described in subparagraph (2) above, overhead or interest costs.

"Exhibition revenues," for purposes of this provision, means those revenues received by the Company from exhibition of the theatrical motion picture in whole or in substantial part, and does not include revenues received from the exploitation of rights ancillary to or derivative of the theatrical motion picture, including, but not limited to, revenues received from merchandising, publication and music licensing.

The Company shall determine whether the residual payment point has been reached on a quarterly basis following release of the theatrical motion picture, within sixty (60) days after the end of each calendar quarter. In the event that the Company determines that the residual payment point has been reached, then, beginning with the calendar quarter immediately following the quarter in which the residual payment point has been reached, the Company shall begin making payments of additional compensation in accordance with the terms of the MBA based upon revenues received in the quarter(s) following the quarter in which exhibition revenues exceeded the above-listed costs. For example, if the Company determines that the residual payment point for Theatrical Motion Picture A was reached on February 22, 2008, then the Company shall commence payment of residuals on Theatrical Motion Picture A as required by the MBA based on revenues received beginning in the second quarter of 2008.

The Companies and the Guild shall jointly appoint an independent third party auditor who shall have the right to examine those books and records of the Company which are relevant and necessary to determine whether the residual payment point has been reached and, if so, when such point was reached. It is understood that neither the Guild nor any of the individual writers from whom literary material was acquired or who were employed in writing the literary material for the picture shall have the right to examine such books and records. It is also agreed that the independent auditor shall maintain strict confidentiality of the information audited and shall not disclose to any person or entity (including the Guild) the amount of any cost incurred or exhibition revenue received, nor the aggregate of costs expended or of exhibition revenues received. The auditors shall execute appropriate confidentiality agreements. In providing information to the Guild, the auditor shall be limited to a statement that the residual payment point has or has not been reached and the date on which the residual payment point was reached. The Guild shall not further disclose this information to any third party.

The cost of any audit conducted by the independent third party auditor to determine whether the residual payment point has been reached shall be paid one-half by the Guild and the remaining half by the Company. Other details with regard to the manner in which the audits will be conducted, including the timing, frequency and number of such audits, shall be discussed and agreed upon by the parties.

(B) Television

Revise the MBA to provide that no residual payments (no payments of additional compensation) shall be made in connection with a television motion picture, the literary material for which was written or acquired under the 2007 MBA, until such time as the “residual payment point” has been reached. The “residual payment point” is the date on which the revenues received by the Company from licensing the exhibition of the picture (hereinafter “exhibition revenues”), measured at the times and as hereafter provided, exceed the sum of the costs incurred by the Company:

- (1) for the acquisition of any literary material or rights in connection therewith;
- (2) for the development of the television motion picture and any literary material connected therewith;
- (3) for the production of the television motion picture;
- (4) for the advertising and marketing of the television motion picture and
- (5) for the distribution of the television motion picture.

The foregoing costs shall not include development costs other than those described in subparagraph (2) above, overhead or interest costs.

“Exhibition revenues,” for purposes of this provision, means those revenues received by the Company from exhibition of the television motion picture in whole or in substantial part, and does not include revenues received from the exploitation of rights ancillary to or derivative of the television motion picture, including, but not limited to, revenues received from merchandising, publication and music licensing.

This provision shall be applicable to episodic series, serials and strip programs beginning with the first full season of the series, serial or strip program after the effective date of the 2007 Agreement.

The Company shall determine whether the residual payment point has been reached with respect to each television motion picture (other than one that is part of an episodic series, serial, strip program or multi-part closed-end series) on a quarterly basis following initial exhibition of the television motion picture, within sixty (60) days after the end of each calendar quarter. With respect to multi-part closed-end series, the Company shall determine whether the residual payment point has been reached on a quarterly basis following exhibition of all parts of the multi-part closed-end series, within sixty (60) calendar days after the end of each calendar quarter, on the basis of the costs incurred and revenues generated on all parts of the multi-part closed-end series. With respect to episodic series, serials and strip programs, the determination as to whether the residual payment point has been reached shall be made within ninety (90) days after the end of each season following exhibition of each episode or program produced for that season, on an aggregated season-by-season basis, on the basis of the costs incurred and revenues generated on all programs or episodes produced for the current and any previous seasons. In the event that production of an episodic series, serial or strip program is discontinued and such series, serial or strip program has not yet reached the residual payment point, the Company shall thereafter continue to examine, on a quarterly basis, within sixty (60) days after the end of each calendar quarter, whether the residual payment point has been reached.

In the event that the Company determines that the residual payment point has been reached, then, beginning with the calendar quarter immediately following the quarter in which the residual payment point was reached, the Company shall begin making payments of additional compensation in accordance with the terms of the MBA. Run-based residual payments shall be triggered by any run that takes place in the quarter(s) after the residual payment point is reached and shall be treated and paid for as the run next in order, counting the runs that occurred prior to the residual payment point. Receipts-based residual payments shall be payable based on revenues received in the quarter(s) following the quarter in which the residual payment point was reached.

As an example, suppose Company begins production of Season 1 of Episodic Series A in 2008. At the end of Season 1 (which may occur in 2009), Company will determine whether the exhibition revenues exceed the aggregate costs as outlined above. If so, then the residual payment point has been reached and, beginning with the next calendar quarter following the quarter in which the residual payment point was reached, Company will: (1) begin making residual payments due under any run-based formula based on exhibitions of any episode of Episodic Series A occurring on or after the residual payment point; and/or (2) begin making residual payments due under any receipts-based formula based upon revenues received for any episode of Episodic Series A in the quarter after the residual payment point has been reached. In this case, suppose the Company determined that revenues exceeded costs on Season 1 of Episodic Series A (which was produced for initial exhibition in network prime time) on June 28, 2009; suppose further that all episodes of Season 1 had been run twice in network prime time prior to June 30, 2009 and that each episode of Season 1 is run in syndication once in July of 2009. In that case, the Company would make residual payments for the syndication run that took place in July as the third run under the syndication schedule. Suppose further that Season 1 of

Television Schedule A is licensed to basic cable in September of 2009 and that the first payments under that license are received by the Company at the end of that month. In that case, the Company shall make residual payments pursuant to the provisions of Article 58 based upon the revenues received during the third quarter of 2009 under that license.

On the other hand, if the exhibition revenues do not exceed the aggregate costs as outlined above, then the residual payment point has not been reached. Suppose, in the latter case, that Company resumes production of Episodic Series A, with Season 2, in 2009. At the end of Season 2, Company will determine whether the exhibition revenues for Seasons 1 and 2 exceed its aggregate costs as outlined above for both Season 1 and Season 2. If so, then the residual payment point has been reached and Company will begin making residual payments due under a run-based formula for exhibitions of any episode of Episodic Series A occurring in the quarter(s) after the residual payment point was reached and/or residual payments due under a receipts-based formula based upon revenue received in the quarter(s) after the residual payment point has been reached for any episode of Episodic Series A. If not, then the residual payment point has not been reached. In the latter case, suppose further that Company resumes production of Episodic Series A, with Season 3, in 2010. At the end of Season 3, Company will determine whether the aggregate costs as outlined above for Seasons 1, 2 and 3 exceed its exhibition revenues for those three seasons. If so, then Company will begin making residual payments due under a run-based residual formula for exhibitions of any episode of Episodic Series A occurring in the quarter(s) after the residual payment point was reached and/or residual payments due under a receipts-based formula based upon revenue received in the quarter(s) after the residual payment point was reached for any episode of Episodic Series A. If not, then the residual payment point has not been reached.

The Companies and the Guild shall jointly appoint an independent third party auditor who shall have the right to examine those books and records of the Company which are relevant and necessary to determine whether the residual payment point has been reached and, if so, when such point was reached. It is understood that neither the Guild nor any of the individual writers from whom literary material was acquired or who were employed in writing the literary material for the picture shall have the right to examine such books and records. It is also agreed that the auditors shall maintain strict confidentiality of the information audited and shall not disclose to any person or entity (including the Guild) the amount of any cost incurred or exhibition revenue received, nor the aggregate of costs expended or of exhibition revenues received. The auditors shall execute appropriate confidentiality agreements. In providing information to the Guild, the auditor shall be limited to a statement that the residual payment point has or has not been reached and the date on which the residual payment point was reached. The Guild shall not further disclose this information to any third party.

The cost of any audit conducted by the independent third party auditor to determine whether the residual payment point has been reached shall be paid one-half by the Guild and the remaining half by the Company. Other details with regard to the manner in which the audits will be conducted, including the timing, frequency and number of such audits, shall be discussed and agreed upon by the parties.

2. Product Made for New Media

Revise the “Sideletter on Literary Material Written for Programs Made for the Internet” (p. 561) as follows:

- (A) Change the title to “Literary Material Written for Programs Made for New Media (including, but not limited to, the Internet, alternative digital broadcast channels and wireless distribution systems (such as cell phones or PDAs)).”
- (B) Revise the first sentence of the Sideletter to read:

“This Sideletter confirms the understanding of the WGA and the Companies (collectively ‘the parties’) concerning the application of the Basic Agreement to literary material written for new media, including, but not limited to, the Internet, alternative digital broadcast channels and wireless distribution systems (such as cell phones or PDAs) (hereinafter collectively referred to as ‘new media’).”
- (C) Replace references to “the Internet” in the Sideletter with “new media.”
- (D) Revise the third and fourth sentences of the second paragraph of Part A and add a new fifth sentence to the second paragraph of Part A to read as follows:

“The provisions of Article 6, ‘Guild Shop,’ Article 7, ‘No-Strike No Lockout Clause (General),’ Article 10, ‘Grievance and Arbitration,’ Article 11, “Grievance and Arbitration Rules and Procedures,’ Article 12, ‘Court Proceedings,’ and Article 35, ‘Recognition of Agreement (General)’ also shall apply. No other terms of the Basic Agreement shall apply to the employment of such writer, or to the sale or option of such literary material, unless agreed in writing between the writer and the Company. The Guild hereby knowingly, clearly and unmistakably waives its right to bargain over additional terms and conditions of employment of writers of literary material for new media.”
- (E) Add a new Part D to the Sideletter so that any interference by the Guild with the Company’s ability to negotiate directly with writers, or any interference by the Guild with writers who have contracted to perform services covered under the Sideletter, is deemed a violation of the no-strike provision and subject to an expedited arbitration procedure and a liquidated damages penalty as follows:

“In the event that the Company claims that the Guild has interfered with the Company’s negotiation with any writer for a contract to perform services covered under this Sideletter, or if the Company claims that the Guild is interfering with any writer who has contracted to write literary material for programs made for new media, the Company shall so advise the Guild in writing and request that the Guild cease and desist from so interfering. If the claim of interference is in regard to a writer with whom the Company was negotiating, then, no later than twenty-four (24) hours after receipt of the Company’s request, the Guild shall send a written communication to such writer, and a copy thereof to the Company, which

shall advise that the writer is permitted under the terms of the MBA to enter into any agreement with the Company for the writing of literary material for programs made for new media so long as such agreement includes the clauses listed in the second paragraph of Part A of this Sideletter and that the Guild may not sanction the writer for entering into an agreement on the aforesaid basis. If the complaint of interference is in regard to a writer with whom the Company has contracted to provide writing services for programs made for new media, then, no later than twenty-four hours after receipt of the Company's request to cease and desist, the Guild shall send a written communication to such writer, and a copy thereof to the Company, which shall advise that the writer is permitted under the terms of the MBA to write literary material for programs made for new media so long as the agreement under which the writer is working includes the clauses listed in the second paragraph of Part A of this Sideletter and that the Guild may not sanction the writer for performing services on the aforesaid basis. In addition, in either of such cases, the Guild shall not take any action nor cause any action to be taken which is inconsistent with such communication to the writer.

“Should the Guild fail to deliver such written communication to the writer and the Company within the time prescribed above, then the Company may serve upon the Guild a Demand for Expedited Arbitration which shall include the pertinent facts surrounding the dispute and the name, address, telephone number and e-mail address of the representative of the Company. The Company shall also serve said Demand upon the designated impartial arbitrator assigned to hear disputes hereunder. The copy of the Demand served upon the arbitrator shall also include the name, address, telephone number and e-mail address of the Guild's representative.

“The designated impartial arbitrator assigned to hear disputes arising hereunder is _____. Additional names of individuals available to serve as the designated impartial arbitrator may be added from time to time during the term of the contract by mutual agreement of the parties.

“Upon receipt of the Demand for Expedited Arbitration, the arbitrator shall, by telephone, fax or e-mail, notify the parties of the time and place of the expedited arbitration hearing. The situs of arbitration proceedings shall be Los Angeles, California. The cost of such arbitration shall be borne equally by the Company and the Guild.

“An expedited arbitration hearing shall not be continued, absent agreement of the parties, except upon proof of good cause by the party requesting such continuance. The unavailability of any witness shall not constitute good cause unless the witness' testimony is relevant to the issues in the arbitration and could not be received by means consistent with fundamental fairness which do not require the witness' presence at the hearing.

“The hearing shall be commenced not later than the second business day next following the arbitrator's receipt of the Demand for Expedited Arbitration. If the

arbitrator determines that the Guild has interfered with the Company's negotiation with the writer, such conduct shall be considered a violation of the "No Strike" clause, and the arbitrator shall order the Guild to: (1) cease and desist from further interfering with the Company's negotiation with the writer; (2) immediately send a written communication to the writer, and a copy thereof to the Company, which shall advise that the writer is permitted under the terms of the MBA to enter into any agreement with the Company for the writing of literary material for programs made for new media so long as the agreement includes the clauses listed in the second paragraph of Part A of this Sideletter and that the Guild may not sanction the writer for entering into an agreement on the aforesaid basis; (3) take no action nor cause action to be taken inconsistent with the foregoing; and (4) pay to the Company pay liquidated damages of \$100,000. If the arbitrator determines that the Guild has interfered with the performance of services by a writer with whom the Company has contracted to write literary material for programs made for new media, such conduct shall be considered a violation of the "No Strike" clause, and the arbitrator shall order the Guild to: (1) cease and desist from further interfering with the performance of services by the writer; (2) immediately send a written communication to the writer, and a copy thereof to the Company, which shall advise that the writer is permitted under the terms of the MBA to write literary material for programs made for new media so long as the agreement under which the writer is working includes the clauses listed in the second paragraph of Part A of this Sideletter and that the Guild may not sanction the writer for performing services on the aforesaid basis; (3) take no action nor cause action to be taken inconsistent with the foregoing; and (4) pay to the Company liquidated damages of \$100,000. This shall be the limit of the arbitrator's authority.

"The arbitrator's award shall be issued within two (2) business days from the end of the hearing, but failure to meet the deadline shall not oust the arbitrator of jurisdiction. The arbitrator may issue an award with or without an opinion and any such award shall be considered a final award binding on all parties. The award shall be served on the parties by messenger, fax or e-mail."

3. Promotional Uses

- (A) Notwithstanding anything to the contrary in the MBA, the Company shall have the right to promote, without restriction or payment, any motion picture for which literary material has been written or acquired under the MBA.
- (B) Confirm that a use may be promotional even if the entire motion picture is exhibited and even if the use generates revenues for the Company.

4. Separated Rights

(A) Television

- (1) Replace Article 16.B. with the following clause:

- “1. a. The Company shall own all rights in and to all literary material written or acquired under the MBA. Nevertheless, the writer of a format, story or story and teleplay for any television motion picture (other than one of an established serial or episodic series) shall be eligible to receive the payments provided under this Article 16.B., provided that the terms of this Agreement relating to rights in material apply to such format, story or story and teleplay as provided in Article 2 hereof and, provided further, that the format, story or story and teleplay is not based on true life events or individuals, unless the writer so deviates from the facts as to result in a format, story or story and teleplay that bears no substantial similarity to the events or individual. If, at the time of the transfer of rights to the material so purchased, there is in existence a valid agreement for the publication or dramatic production of such material, then, for the purpose of this Article 16.B., such material shall be deemed to have been published or exploited. It is agreed that, as to an established serial or episodic series, the Company shall own all of the rights in the material of any nature or description whatsoever including, but not limited to, the right to use the same in any field or medium whatsoever without obligation to the writer except as provided in subparagraph 14. of Article 15.B. with respect to additional payments to be made for specific uses. The Guild shall determine which of the writers (considered as a single entity) shall be eligible for the payments due under this Article 16.B. and in what proportion each shall share in such payments. In that regard, the Guild shall establish a set of rules for the determination as to who is eligible for such payments as among such writers. The Company is to be supplied with a copy of such rules. Neither the contracts with the writers nor the names of the writers shall be disclosed to the Guild Arbitration Committee.
- “b. A writer who contributes to the writing of a teleplay based upon or adapted from a story or format created and written by another person shall not be eligible for the payments provided under this Article 16.B. and shall retain no interest of any character whatsoever in the teleplay. If such a teleplay be based upon a story in the public domain, or upon a story owned by the Company, the Company shall own all rights in the material of every nature and description whatsoever, and the writer shall retain no interest of any character in such material; provided, however, that if such teleplay is based upon a story in the public domain which was suggested and furnished by the

writer of such teleplay, then: (1) if such teleplay was written for a television motion picture of an established serial or episodic series, the writer shall be entitled to the payments referred to in subparagraph l. of Article 15.B.14.; or (2) if such teleplay was written for a television motion picture (other than one of an established serial or episodic series) and such teleplay otherwise meets the conditions set forth in said subparagraph l., the writer thereof shall be entitled to the payments referred to in said subparagraph l. in the same manner as if said television motion picture were one of an established serial or episodic series. It is agreed, however, that if Company shall employ a writer to write a teleplay based upon or adapted from a story to which the provisions of this Agreement (including the provisions of this Article 16.B. which make a writer eligible for the additional payments due hereunder) apply, the writer of such teleplay shall retain no interest of any character in such teleplay. The Company shall have the same rights in the teleplay as it has with respect to the story. A writer employed to rewrite or polish a teleplay written by another person shall not be eligible for the additional payments due under the provisions of this Article 16.B.

“c. If a serial or episodic series (herein called ‘new serial or new episodic series’) is based upon an episode which is a ‘spin-off’ from an existing serial or episodic series, the writer(s) of the format and/or the story or story and teleplay of such spin-off episodes may be eligible for the additional payments provided under this Article 16.B. in connection with the new serial or new episodic series, subject to the provisions of Article 1.C.17.

“2. a. If Company shall exploit the television series sequel rights, it shall pay to the eligible writer(s) designated by the Guild the following sum:

“For such literary material written by or purchased from writer hereunder, during

11/1/07-10/31/10	\$ 1,646
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provided that such writer shall be entitled only to sixty percent (60%) of said amount for fifteen (15) minute episodes, but shall be entitled to one hundred ninety percent (190%) of said amount for sixty (60) minute

episodes and two hundred fifty percent (250%) of said amount for ninety (90) minute or longer episodes. For the purpose of this provision, an episode shall be deemed 'produced' when production (including post-production) of such episode has been completed. Except as provided in Article 15.B.1.b. and Article 15.B.2.a.(1), (2) and (3) hereof, the payment of said applicable amount shall satisfy all obligations of the Company to the writer, and no additional sum or sums shall be payable by reason of any use of such episodes. If the story or story and teleplay was written by more than one (1) writer, all such writers shall be considered as a unit and shall share equally such sequel payments.

"It is understood that the production and release of a second pilot shall not constitute exploitation of the television series sequel rights within the meaning of this subparagraph 2.a.

- "b. The '*first MOW*,' for purposes of this Section, is a television motion picture, ninety (90) minutes or longer, as to which a writer or writers is eligible to receive the additional payments due under this Article 16.B. '*MOW sequels*' are programs, ninety (90) minutes or longer, which are ordered subsequent to the broadcast of the first MOW and are other than an exploitation of the series sequel rights.

"In no event shall the exploitation of the MOW sequel rights be deemed the exploitation of the television series sequel rights (as described in Article 16.B.2.a., above).

"Upon production of each MOW sequel, the Company shall pay the writer(s) four (4) times the television series sequel payment provided in Article 16.B.2.a., above. As to any MOW sequel after the first sequel, if the writer(s) of the original MOW was not employed by the Company, the writer(s) will be paid, for that MOW sequel only, an amount not less than two (2) times the MOW sequel payment otherwise due. Payment of the amount provided in the preceding sentences shall be due when production of the MOW sequel (including post-production) is completed. Except as provided in Articles 15.B.1.b., 15.B.2., 51 and 58, the payment of said applicable amount shall satisfy all obligations of the Company to the writer(s), and no additional sum or sums shall be payable by reason of any use of such MOW sequel. Article 15.B.1.b. and 15.B.2.

payments shall be based on the applicable sequel payments as provided in this Agreement. Article 51 and 58 residuals will be payable to the writer(s) entitled to such sequel residual payments at an additional twenty-five percent (25%) of the applicable minimum residual payable to the credited writer(s) of the MOW sequel. If the story or story and teleplay was written by more than one (1) writer, all such writers shall be considered as a unit and shall share equally in such sequel payments and sequel residual payments.

“The Company shall be deemed to have commenced the exploitation of the television MOW sequel rights when it has obtained a firm commitment for the production, broadcasting or distribution in syndication of a television motion picture involving the exploitation of the MOW sequel rights.

“In the event that more than one (1) writer is involved in the writing of such literary material, the Guild shall have the sole responsibility to determine which of such writers is eligible for the MOW sequel payments provided in this Article 16.B. and all interested writers shall be bound by the decision of the Guild.

- “3. If the Company shall exploit the theatrical rights, dramatic rights, publication rights, merchandising rights, interactive rights as provided in Article 1.C.19.c.(2), or any other right, it shall pay the following amounts to the writer(s) who is (are) eligible for the payments provided under this Article 16.B.:
 - “a. If such writer (or team of writers) has been paid not less than the applicable upset price provided in Article 16.B.4. for the writing or acquisition of the format, or a format, story and teleplay or a story and teleplay, then no additional payment shall be due if and when the Company exercises any rights in and to such literary material, including, but not limited to, theatrical rights, dramatic rights, publication rights, merchandising rights or interactive rights as provided in Article 1.C.19.c.(2), or each of them, except that such writer or team of writers shall continue to be paid for the exploitation of the series sequel rights or the MOW sequel rights in the amounts set forth in Article 16.B.2.a. and b., respectively.
 - “b. If such writer (or team of writers) has been paid less than the applicable upset price provided in Article 16.B.4. for

the writing or acquisition of the format, or a format, story and teleplay or a story and teleplay, then, if the Company shall exploit the theatrical rights, dramatic rights, publication rights, merchandising rights or interactive rights as provided in Article 1.C.19.c.(2), or any other right, or each of them, the following payments shall be made to such writer (or team of writers) for such uses:

- “(1) Upon exploitation of the theatrical rights, Company shall pay to the writer (or team of writers) the then-current applicable minimum set forth in Article 13.A. for ‘screenplay, excluding treatment.’ The foregoing shall apply to each theatrical remake and sequel. The Company shall be deemed to have exploited the theatrical rights when it has commenced principal photography of the theatrical motion picture.

- “(2) Upon exploitation of the dramatic rights, Company shall pay to the writer (or team of writers) the then-current applicable minimum set forth in Article 13.A. for ‘screenplay, excluding treatment.’ The Company shall be deemed to have exploited the dramatic rights when
 - “(i) a writer has been engaged to write the book or score for the dramatic stage production;

 - “(ii) a production designer or design team has been engaged, or is in active preparation, for the dramatic stage production; or

 - “(iii) a director has been engaged for the dramatic stage production.

- “(3) If Company shall exploit the publication rights, Company shall pay to the writer (or team of writers) six percent (6%) of absolute gross (that is, monies remitted by the publisher), as derived from licensing, for the publication rights.

- “(4) If Company shall exploit the merchandising rights, Company shall pay to the writer (or team of writers) six percent (6%) of absolute gross (that is, monies remitted by the manufacturer), as derived from licensing, for merchandising rights. Comic books, magazine publications, comic strips, cutouts, and

other activity books shall be deemed to be included within merchandising rights.

“(5) If Company shall exploit the interactive rights as provided in Article 1.C.19.c.(2), the Company shall pay the appropriate percentage of “Applicable Gross” as provided in Article 64.C. or 64.D. of this Agreement.

“(6) Company shall make a one-time payment of \$2,500.00 to the writer or team of writers in consideration of the exercise of any and all other rights in such literary material. Such payment shall fully satisfy all of Company’s obligations to the writer with respect to any and all such rights hereunder and no further sums shall be due to the writer (or team of writers) upon exercise of any such right. Said amount shall be paid once credits have been determined and a writer eligible for the payments provided under this Article 16.B. has been identified, even if none of such rights has been exploited at that time.

“c. With respect to a teleplay for a ninety (90) minute or longer television motion picture sold or licensed to the Company by a professional writer (as defined in Article 1.C.1.b.) who is eligible for the payments provided under this Article 16.B., Company shall offer to such writer the opportunity to perform the first rewrite at not less than the applicable minimum compensation for a rewrite, unless time constraints render such assignment impractical (*e.g.*, the start date of principal photography precludes compliance). If the writer is unable to perform such services or waives his/her right, the Company may engage another writer. Disputes as to whether time constraints render such assignment impractical may be submitted to the ‘Hot Line’ dispute resolution procedure in Article 48.

“With respect to a teleplay for a ninety (90) minute or longer television motion picture written under employment by a writer who is eligible for the payments provided under this Article 16.B. therein, if the Company desires to engage another writer to rewrite such teleplay, it will discuss with the first writer its reason(s) for not continuing that writer on the project after his or her first draft.

“d. With respect to an option of a story and teleplay written by a professional writer (as defined in Article 1.C.1.b.) who is eligible for the payments provided under this Article 16.B., the writer of the optioned material shall be entitled, during the option period, to perform the first rewrite of such material, unless such writer is unavailable or waives this requirement in writing in a separate document or in the writer’s deal letter/memorandum. If such writer performs such rewrite, the provisions of Article 16.B.3.h. shall be deemed satisfied.

“e. The Producer or a creative executive will consult with the writer regarding each set of revisions requested of the writer by the Company.

“4. Upset Price

The upset price for network prime time dramatic programs and for dramatic programs covered by Appendix B which are of a type generally produced for network prime time television is as follows:

UPSET PRICE	
Initial Compensation of At Least	
	Effective 11/1/07-10/31/10
Format only (if by a writer other than the writer of story and teleplay)	\$28,122
Story only (other than by the writer of the teleplay)	
15 minutes or less	9,783
30 minutes or less (more than 15)	17,408
45 minutes or less (more than 30)	24,740
Story only (other than by the writer of the teleplay)	
60 minutes or less (more than 45)	30,649
90 minutes or less (more than 60)	42,176
More than 90 minutes	42,176
Story & Teleplay (other than by the writer of the format)	
15 minutes or less	29,391
30 minutes or less (more than 15)	52,237
45 minutes or less (more than 30)	62,010
60 minutes or less (more than 45)	76,815
90 minutes or less (more than 60)	111,316
More than 90 minutes	111,316

(continued)

(continued)

UPSET PRICE	
Initial Compensation of At Least	
	Effective 11/1/07-10/31/10
Format, Story & Teleplay by one writer 15 minutes or less	\$29,391
30 minutes or less (more than 15)	52,237
45 minutes or less (more than 30)	62,010
60 minutes or less (more than 45)	76,815
90 minutes or less (more than 60)	111,316
More than 90 minutes	111,316
Bible	71,085
More than 90 minutes	111,316

The upset price for other than network prime time dramatic television programs (including other than prime time serials), dramatic programs made for syndication, dramatic programs made for basic cable and dramatic programs covered by Appendix B which are not of a type generally produced for network prime time television is as follows:

UPSET PRICE	
Initial Compensation of At Least	
	Effective 11/1/07-10/31/10
Format only (if by a writer other than the writer of story and teleplay)	\$19,685
Story only (other than by the writer of the teleplay) 15 minutes or less	6,315
More than 90 minutes	31,551
Story & Teleplay (other than by the writer of the format) 15 minutes or less	15,764
30 minutes or less (more than 15)	28,874
45 minutes or less (more than 30)	40,679
60 minutes or less (more than 45)	52,484
90 minutes or less (more than 60)	78,876
More than 90 minutes	78,876
Format, Story & Teleplay by one writer 15 minutes or less	16,764
30 minutes or less (more than 15)	28,874
45 minutes or less (more than 30)	40,679

(continued)

(continued)

UPSET PRICE	
Initial Compensation of At Least	
	Effective 11/1/07-10/31/10
60 minutes or less (more than 45)	\$52,484
90 minutes or less (more than 60)	78,876
More than 90 minutes	78,876
Bible	58,900
More than 90 minutes	78,876

“5. Reacquisition under the 2007 Basic Agreement

“a. With respect only to literary material, as to which the provisions and payments under this Article 16.B. apply, and which is acquired by the Company on or after November 1, 2007, the writer may reacquire such literary material pursuant to the terms set forth below upon expiration of the eight (8) year period following the later of (i) the Company’s purchase or license of the covered literary material, or (ii) completion of the writer’s services rendered in connection with the literary material, if such literary material is not in active development. Examples of active development for the purpose of this paragraph are:

“(1) Employment of a writer to rewrite the literary material;

“(2) Employment of a director, major actor or other key above-the-line element on a pay-or-play basis for a motion picture based upon the literary material;

“(3) A production designer, production manager or other supervisor is in active preparation for the production of the motion picture;

“(4) A unit production manager or other person is engaged to prepare a budget for the motion picture; or

“(5) Production has commenced upon a theatrical or television motion picture based on the literary material.

“If the writer does reacquire such literary material, such reacquisition is subject to existing commitments, such as security interests, participations, turnaround rights and employment rights.”

“b. Procedures for Reacquisition

“(1) Twice during the two (2) year period described in the next two sentences, the writer may notify the Company in writing of the writer’s intent to reacquire the material. The writer’s two (2) year period to reacquire the material shall commence upon written notice from the writer to the Company of the writer’s intent to reacquire. Such notice may be given at any time during the five (5) years immediately following the expiration of the Company’s eight (8) year period within which to actively develop the material. The writer shall include in such notice the address(es) where further correspondence and notices relating to reacquisition of the material shall be sent. Should the writer fail to reacquire the literary material following the second request for reacquisition, the writer shall have no further right to reacquire the material, even if there is still time remaining on the two-year period for reacquisition.

“(2) If the material is not in active development at the time Company receives writer’s notice of intent to reacquire, then, within sixty (60) days following receipt of such notice, Company shall have the right to place the material into active development. However, during such sixty (60) day period, the material will be deemed to be placed into active development only if, during such period, Company employs a writer to rewrite the literary material or Company employs a director or major actor on a pay-or-play basis for a motion picture based upon the literary material.

“(3) Within sixty (60) days following receipt of writer’s notice of intent to reacquire, Company shall give the writer and the Guild written notice of the terms and conditions (which shall not include a so-called changed elements clause, *i.e.*, a right of first and/or last refusal or provisions which have the same effect) upon which it will sell its right, title and

interest in the literary material, and the price of the material as set forth in this Article 16.B.5., and the encumbrances and/or commitments, if any (such as security interests, participations, employment rights, future options and/or future turnaround rights) that were attached to the literary material at the time the Company received the writer's notice of intent to reacquire the literary material.

- “(4) In the alternative, the Company may notify the writer and the Guild that the literary material does not meet one or more of the conditions precedent specified in the first sentence of this Article 16.B.5. or that the literary material is in active development at the time of the Company's notification to the writer or that the literary material has been sold or is under option or is in turnaround to a third party. If the Company advises the writer that the literary material has been sold to a third party, the Company shall include in its written notice the identity of the third party and the date of such sale. If the Company advises the writer that the literary material is in active development, or is under option, or is in turnaround, at the time of the Company's notification to the writer, the two (2) year period for reacquisition, or any time remaining on it, shall be tolled during the period of such active development, option or turnaround and until the writer receives notice from the Company that the script is no longer in active development, or under option or in turnaround. In such event, the Company shall include in its written notice the expiration date of any option or turnaround right. Should any such option or turnaround right be exercised by a third party, the Company shall promptly notify the writer and the Guild.
- “(5) In the event the literary material is in active development at the time of the Company's receipt of the writer's notice of intent to reacquire and the Company later ceases to actively develop the material, and/or if the Company places the material into active development within the sixty (60) day period following writer's notice of intent to reacquire the material, and the Company later ceases to actively develop the material, Company shall notify the writer and the Guild promptly in

writing that the material is no longer in active development. If, within thirty (30) days after receipt of such written notice from the Company, the writer advises the Company in writing that he/she desires to reacquire the material in accordance with his/her earlier notice, then the Company shall give the writer and the Guild the written notice of the terms and conditions, purchase price, encumbrances and/or commitments as described above within sixty (60) days after receipt of the writer's most recent notice to reacquire. In such event, Company shall have no right to place the material into active development during this latter sixty (60) day period, or thereafter during the writer's period for reacquisition. If the writer provides written notice of intent to reacquire more than thirty (30) days after writer's receipt of Company's notice that active development of the material has ceased, then the procedures contained within the first four subparagraphs of this 'Procedures for Reacquisition' section shall apply for the remainder of the writer's period for reacquisition.

- “(6) If the Company proceeds in accordance with subparagraph (4) of this 'Procedures for Reacquisition' section and the Guild or the writer disputes the factual basis upon which the Company relies for so proceeding, such dispute shall be subject to the grievance and arbitration provisions of Articles 10, 11 and 12 of this Agreement. However, the Company's decision regarding the terms and conditions of the sale, as distinguished from the purchase price, shall not be subject to challenge by the Guild or the writer on any grounds whatsoever, whether in arbitration or otherwise. Notwithstanding the preceding sentence, disputes as to whether the terms and conditions of the reacquisition sale conform to the express provisions of this Article 16.B.5. shall be subject to the grievance and arbitration provisions of Articles 10, 11 and 12 of this Agreement.
- “(7) The writer shall reacquire such literary material if writer tenders the purchase price within six (6) months after writer's receipt of the Company's notice. The Company shall not further encumber

the literary material during such six (6) month period by entering into new agreements or commitments, such as options, turnarounds, security interests, participations and employment rights, or actively develop or sell the literary material. In the event the writer fails to make the payment within such six (6) month period, the writer may reinstitute the procedure for reacquisition one additional time at any time within the time remaining in the two (2) year period referred to above, it being understood that such procedures need only be commenced, and not completed, within the two (2) year period, and it being further understood that the writer is limited to two requests for reacquisition during the two (2) year period.

“c. Rights and Procedures for Reacquisition of Material That Has Been Sold or Optioned

“If the Company sells or options the literary material prior to the expiration of the writer’s period to reacquire such material from the Company, then such writer’s rights to reacquire shall be extended on the following basis and the Company, the writer and the buyer, as applicable, shall be subject to the following procedures in regard thereto:

“(1) If the Company sells the literary material to another person or company, it shall obligate the acquiring person or company (hereinafter referred to as ‘the buyer’) in a written agreement to comply with the provisions of this Article 16.B.5. Said written agreement shall further obligate the buyer(s) in subsequent sales transactions to comply with the provisions of this Article 16.B.5. The buyer(s) shall have eight (8) years from the date of its/their agreement with the Company for such sale to place the material into active development (as described in Article 16.B.5.a. above). The writer shall have the right to reacquire the literary material from the buyer upon the expiration of such eight (8) year period in accordance with the procedures set forth in this Article 16.B.5.

“(2) If the literary material or any rights therein are placed under option or into turnaround during the period when the Company may actively develop the

material, the Company's active development period shall be tolled while such material is under option or in turnaround or for eighteen (18) months, whichever is shorter. Only the first such option or turnaround granted by the Company shall toll the Company's active development period.

“(3) If an option is exercised, the buyer shall have eight (8) years from the effective date of the option agreement to put the literary material into active development (as described in Article 16.B.5.a. above). Thereafter, the writer shall have the right to reacquire the literary material from the buyer in accordance with the procedures set forth in this Article 16.B.5.

“(4) If an option is not exercised and the Company's period of active development, as provided in this Article 16.B.5., has ended, and the writer's notice of intent to reacquire was received during the time the literary material was under option, the writer may, without further notice to Company, reacquire such material in accordance with the provisions of this Article 16.B.5. In such event, Company will be deemed to have received the writer's notice of reacquisition on the date of expiration of the option period, irrespective of the date it was actually received.

“d. Payment

“(1) The writer shall reacquire the literary material pursuant to this Article 16.B.5. upon payment to the Company (or the buyer, if applicable) of all compensation actually paid by the Company (or the buyer, if applicable) to the writer for services in connection with the literary material and/or for the purchase or license of the literary material from the writer or Company, as well as fringe benefit costs in relation thereto. It is understood that the purchase price, as set forth in the preceding sentence, is the sole monetary consideration due from the writer to the Company to reacquire the literary material. In no event will the writer be obligated to pay more than the amount specified in the first sentence of this subparagraph d.(1) (e.g., in the form of profit participations to the Company).

“(2) If the writer reacquires the literary material from the Company (or buyer, if applicable) and the writer thereafter sells or licenses the literary material to a third party, the writer shall obligate such third party to reimburse the Company (or buyer, if applicable), upon the commencement of principal photography, for all other costs previously incurred by the Company (or buyer, if applicable) in relation to such literary material (including producer costs and costs relating to proposed production, payments for the acquisition of the literary material and for writing services connected therewith (including writing services in relation to treatments and screenplays based thereon) and fringe benefit costs in relation thereto, such as pension and health for payments and social security payments, but exclusive of overhead plus interest thereon. The document by which the writer reacquires the literary material shall contain a provision setting forth the obligations referred to in the preceding sentence.

“e. Procedure if More Than One Writer Desires to Reacquire the Literary Material

“In the event that more than one writer is involved in the writing of such literary material, the Guild shall have the sole responsibility to determine which of such writers has the right to purchase as provided herein and all interested writers shall be bound by the decision of the Guild.

“f. Special Notice and Receipt Provisions Applicable to Reacquisition

“All notices which the Company is required or may desire to serve upon a writer pursuant to the provisions of this Article 16.B.5. shall be addressed to such writer at the address(es) specified by the writer in his or her first notice to the Company, as provided in subparagraph b. under ‘Procedures for Reacquisition’ above. Company shall direct correspondence and notices hereunder to the writer at such address(es), notwithstanding any contrary provisions for the giving of notice in the writer’s deal memorandum or personal service agreement and, by so doing, shall be deemed to have fulfilled the notice requirements hereunder, as provided herein, notwithstanding any contrary notice provisions in the writer’s deal memorandum or personal service agreement. The writer may, by notice to the

Company, amend such address(es) and, after receipt of an amendment, the Company shall use such amended address(es) for purposes of this Article 16.B.5.

“All notices which the Company is required or may desire to serve upon the Guild pursuant to the provisions of this Article 16.B.5. shall be addressed to the Guild, either at its principal office in Los Angeles County, California, or New York, New York.

“All notices which a writer or the Guild is required or may desire to serve upon the Company (or the buyer(s)) pursuant to the provisions of this Article 16.B.5. shall be addressed to the Company at its headquarters for the production of motion pictures in California or to the buyer at its headquarters in Los Angeles County or to such other address provided by the buyer to the writer and the Guild.

“Such notices may be served by registered mail or telegram. Any notice so mailed, postage prepaid, shall be conclusively deemed to have been received (a) on the fifth day following deposit if mailed within the State of California to an addressee within the State of California; or (b) on the tenth day following such deposit in the continental United States if mailed to an addressee in a state within the continental United States different from the state of deposit; or (c) on the twentieth day following deposit if mailed in the continental United States to an addressee outside of the continental United States or if mailed outside of the continental United States to an addressee within the continental United States. Any notice delivered to a telegraph office, toll prepaid, shall be conclusively deemed to have been received upon the day following such delivery. Notwithstanding the foregoing, there shall be no presumption of receipt by mail during the period of any strike or work stoppage in the United States mail system.

“For purposes of the foregoing, time computations relating to notices to or from the writer shall be determined by the address of the writer, not the Guild, regardless of the fact that the Guild may be required to be copied on notices to the writer and that the Guild may be copied on notices given by the writer.”

- (2) Replace Article 16.B. of Appendix A with the following:

“The provisions of Article 16.B. shall apply to other than prime time serials covered under Appendix A, but shall not be applicable to any other programs covered by Appendix A and, as to such other programs, the Company shall own all of the rights in and to the material for such programs of any nature or description whatsoever.”

- (3) Revise Appendix B, Section H. to read as follows:

“The provisions of Article 16.B. and, as to programs covered by Appendix A, the provisions of Appendix A which modify Article 16.B., shall include the pay television and/or videodisc/videocassette market and shall apply to writers employed under this Appendix B, and said Article 16.B. shall be redrafted accordingly (*e.g.*, whether a writer is employed for free television, pay television and/or videodisc/videocassette markets, the Company’s television rights under Article 16.B.2. shall include both free and pay television/ videodisc/videocassette rights).

“It is understood that residual sequel payments are not applicable to exhibitions in the pay television and/or videodisc/videocassette markets.

“The ‘upset price’ for covered programs shall be determined in accordance with the provisions of Article 16.B.4.”

(B) **Theatrical**

Revise Article 16.A. to accomplish the following:

(1) **Publication Rights**

- (a) Delete Article 16.A.3.a.(1) and (2).

- (b) Revise Article 16.A.3.a.(3) to read as follows:

“(3) If Company exercises the publication rights, Company shall pay to the writer(s) with separation of rights six percent (6%) of absolute gross (that is, monies remitted by the publisher), as derived from licensing, for the publication rights.”

- (c) Eliminate Article 16.A.3.a.(4) and (5).

(2) **Dramatic Rights**

Revise Article 16.A.3.b., “Dramatic Rights,” to read as follows:

“If the Company shall exploit the dramatic rights, the Company will pay or cause to be paid to the writer an amount equal to the then-current high budget minimum set forth in Article 13.A. for ‘screenplay, excluding treatment.’ The Company shall be deemed to have exploited the dramatic rights when:

- “(i) a writer has been engaged to write the book or score for the dramatic stage production;
- “(ii) a production designer or design team has been engaged, or is in active preparation, for the dramatic stage production; or
- “(iii) a director has been engaged for the dramatic stage production.

“It is understood that the development of a theme park attraction which is or includes a dramatic stage production based upon a story or story and screenplay shall not be considered an exercise of dramatic rights and the Company shall own any and all rights in and to such attraction.”

(3) **Reacquisition**

- (a) Extend the Company’s active development period from five (5) years to eight (8) years for literary material acquired after November 1, 2007 or for which the contract of employment is entered into on or after November 1, 2007. Writer may not seek to reacquire the literary material until after expiration of the eight (8) year period.
- (b) Change the purchase price that the Company may charge the writer to reacquire the literary material to include all compensation actually paid by the Company to the writer for services in connection with the literary material and/or for the purchase or license of the literary material, as well as fringe benefit costs in relation thereto.
- (c) Change the definition of “total direct costs previously incurred by the Company” in Article 16.A.8.a., b., c. and d.(3)(b) to include all costs, including, but not limited to, producer costs and costs relating to proposed production, but excluding overhead.
- (d) Revise Article 16.A.8.d. so that the writer may not seek to reacquire more than twice.

(4) **Qualification for Separated Rights**

Confirm that separated rights do not apply in any case if the literary material is based on true life events or individuals unless the writer so deviates from the facts as to result in a story or story and screenplay that bears no substantial similarity to the events or individuals.

5. **Residual Payments for Theatrical and Television Motion Pictures**

- (A) For all terrestrial and satellite radio broadcasts of television motion pictures, the literary material for which was written either prior to or on or after November 1, 2007, the Company shall pay to the credited writer(s) one and two-tenths percent (1.2%) of Company's receipts from licensing such rights.
- (B). Confirm that electronic sell-throughs for permanent downloads of theatrical or television motion pictures (when all or substantially all of the picture is included) are paid at the home video/DVD formula.
- (C) Add a provision to the MBA stating that there shall be no residual payments for the exhibition or distribution of theatrical and television motion pictures, whether in whole or in part, in new media (other than as set forth in the "Sideletter on Exhibition of Motion Pictures Transmitted Via the Internet"). For this purpose, the term "new media" means any digital distribution platform now known or which is hereafter developed during the term of the 2007 Writers Guild of America Theatrical and Television Basic Agreement, including, but not limited to, digital video on demand, alternative digital broadcast channels, Internet exhibition, PDAs, broadband and cell phones.
- (D) (Applicable to Universal only) Confirm that under Article 15.A., no compensation is due for the exhibition on free television of any theatrical motion picture, the principal photography of which commenced prior to June 13, 1960, produced by any signatory or former signatory to any WGA collective bargaining agreement.
- (E) Revise Sideletter No. 1 to Article 15.B.1.b.(2)(c) re Residuals for One-Hour Network Prime Time Dramatic Series by changing the denominator from \$650,000 to \$1,120,000.
- (F) Revise Article 15.B.1.b.(2)(c) so that when a television motion picture is syndicated in markets representing 50% or fewer of United States television households, residuals shall be paid on the same basis as under Article 58 (*i.e.*, a payment of 2% of gross receipts is due for television motion pictures produced on or after July 1, 1984 and a payment of 2.5% of gross receipts is due for television motion pictures produced prior to July 1, 1984. (Conform Sideletter No. 2 to Article 15.B.1.b.(2)(c) re Residuals for Half-Hour Series accordingly.)

6. Crediting of Overscale

Revise the MBA to provide a general right to allow crediting of all overscale amounts against any payments due to the writer.

7. Compensation

- (A) Increase the high budget figure in Article 13.A. from \$5,000,000 to \$40,000,000.
- (B) Eliminate the “Additional Payment” requirement in Article 13.A.1.c. when no assigned material is given to the writer.
- (C) Revise the “team” provision in Article 13.A.9. and in Article 13.B.1.b. to allow either three (3) or four (4) writers to share a minimum of 150% or 200% of applicable minimum compensation (in situations in which three writers now share that payment, respectively). If the team consists of 5 or 6 writers, then an additional 50% of applicable minimum shall be added to the 150% or 200% figure, as applicable, for a fifth, or a fifth and sixth, writer (so that the applicable minimum would be 200% or 250% for either 5 or 6 writers). The 150% or 200% pension and health cap shall likewise be applied to a team of four (4) writers (where such figures now apply to a team of 3) and an additional 50% shall be added for a fifth, or a fifth and sixth, writer. No waivers are necessary.
- (D) Increase the high budget figures for prime time network programs in Article 13.B.2. as follows:

	CURRENT	PROPOSED
15 minutes or less	\$150,000	\$900,000
30 minutes or less (but more than 15 minutes) (single camera)	215,000	1,800,000
30 minutes or less (but more than 15 minutes) (multi-camera)	215,000	1,600,000
60 minutes or less (but more than 30 minutes)	300,000	2,500,000
75 minutes or less (but more than 60 minutes)	400,000	4,000,000
90 minutes or less (but more than 75 minutes)	500,000	5,000,000
120 minutes or less (but more than 90 minutes)	900,000	9,000,000
For each additional 30 minutes or less, an additional	300,000	3,000,000

Increase the high budget figures for non-prime time network programs in Article 13.B.2. as follows:

	CURRENT	PROPOSED
15 minutes or less	\$60,000	\$600,000
30 minutes or less (but more than 15) (single camera)	\$100,000	\$1,200,000
30 minutes or less (but more than 15 minutes) (multi-camera)	\$100,000	\$1,000,000
60 minutes or less (but more than 30)	\$200,000	\$2,250,000
75 minutes or less (but more than 60)	\$260,000	\$2,600,000
90 minutes or less (but more than 75)	\$340,000	\$3,500,000
120 minutes or less (but more than 90)	\$450,000	\$5,000,000

These budget figures shall be increased at the same time and by the same percentage as salary rates for the writing of such programs increase.

- (E) Revise Article 13.B.7.r. to provide that back-up scripts may be written for scale.
- (F) Reduce the compilation show premium in Article 15.B.10.e. from 250% of the thirty-minute minimum for each thirty (30) minutes of programming to 100% of minimum based on the bargain story and teleplay rate for the length of the compilation program. Once per television season, the Company may create a compilation promotional show for a television series either to refresh the audience’s memory or to educate the audience on the continuing story lines from the current or prior television season, without payment under the excerpt provisions or the compilation program provisions.
- (G) Revise Article 14.E.2. to allow crediting at 100% of applicable minimum compensation, not 110% or 150%.
- (H) Eliminate Article 14.G. program fees.
- (I) Delete Article 15.B.14.a.(2) and revise Article 15.B.14.a.(3) to read as follows:

“The applicable minimum compensation for a ‘screenplay, excluding treatment’ under the then current Basic Agreement.”
- (J) Eliminate character payments in Article 15.B.14.h.

8. Foreign Remakes

- (A) Codify an alternative payment formula for foreign remake format sales of 30% of the format license fee, irrespective of whether the Company licensing the format rights is also a participant in the production.

- (B) Revise the MBA to provide that the Company has the option to apply the foregoing 30% formula to remakes of television motion pictures which are produced abroad for domestic exhibition in a language other than English.

9. Miscellaneous

- (A) Revise the Agreement to provide that interest is payable at the prime rate plus one-quarter percent (.25%), annualized, on all penalties or delinquent payments provided in the MBA. This proposal shall be applicable to the following sections and any others not mentioned which specify an interest rate that is greater than prime plus .25%:

Article 13.A.14.

Article 13.B.9.

Article 15.A.3.f.

Article 15.B.4.

Article 51.C.6.

Article 64.E.1.

Article 64.E.3.a.

Article 64.E.3.c.

Article 65.A.1.

Article 65.A.2.

Sideletter re Interest on Delinquent Residuals Payments

No interest shall be due: (1) when there is a bona fide dispute; or (2) when the Company makes payment of the delinquency within seven (7) business days after being advised by the Guild that payment is late.

- (B) Discuss the elimination of the Data Submission program to obviate the need for duplicative record-keeping.
- (C) Revise the MBA to provide for business class travel when available, and otherwise coach, where first class travel is now required.

10. Force Majeure

Replace the provisions of Article 26, "Force Majeure," with a provision that gives the Company the right, with respect to contracts of employment with writers in effect on or after November 1, 2007, to suspend or terminate a writer's employment at any time during a "force majeure" event and to extend such writer's contract of employment for a period equivalent to the period of any suspension once the "force majeure" event has passed.

11. Credits

- (A) Eliminate the obligation to accord writing credit in publicity and paid advertising.

- (B) Revise Paragraph 22.d. of Theatrical Schedule A to permit the Company to use the “good faith writing credit” on the cover, title page, etc. of a novel or any publication so long as writing credits were not formally determined at the time the cover, title page or publication was printed. Make a similar revision to Paragraph 22.c. of Theatrical Schedule A.

12. Appendix A

- (A) Confirm that Appendix A provides that for writers on 13 (and 26) week cycle contracts (with the applicable discount), the weeks do not need to be consecutive (e.g., allow for hiatus periods of up to 1 week every 13) as long as the total guaranteed employment is 13 (or 26) weeks.
- (B) Confirm that the discounts for writers on non-cancellable term contracts are applicable if the contracts provide for termination upon cancellation of the series.
- (C) Provide that for serials and comedy-variety strip programs, the Company has the ability to hire new writers for a first cycle of fewer than thirteen (13) weeks (but not fewer than six (6) weeks). For quiz and audience participation shows, provide that the Company has the right to hire new writers for a first cycle of fewer than thirteen (13) units, but not fewer than six (6).
- (D) Revise Appendix A, Article 13.B.6.a. and b. to provide that the five (5) minute rate applies without regard to the length of the show, if the writing is *de minimus*.
- (E) Revise Appendix A, Article 13.B.4.b. to provide for the employment of quiz and game show writers employed under term contracts guaranteeing thirty-nine (39) or more weekly units.

13. Television Programs Made for Basic Cable

- (A) Increase the high budget thresholds in Paragraph 2.b. of Appendix C as follows:

	CURRENT	PROPOSED
15 minute program	\$150,000	\$ 600,000
30 minute program (single camera)	285,000	1,200,000
30 minute program (multi-camera)	285,000	1,000,000
60 minute program	530,000	2,250,000
90 minute program	850,000	3,500,000
120 minute program	1,250,000	5,000,000

These budget figures shall be increased at the same time and by the same percentage as salary rates for the writing of such programs increase.

- (B) Revise Appendix C to provide that if the Company enters into a second or any subsequent license for exhibition on basic cable of programs made for basic cable, whether with the basic cable service to which the programs were originally licensed or another service, residuals for such exhibitions shall be paid pursuant to the provisions of Article 58, rather than under Appendix C.
- (C) Revise Appendix C to provide that if a program made for basic cable is exhibited on free television (except for the first Canadian license, if it is for free television exhibition), residuals shall be paid pursuant to the provisions of Article 58, rather than under Appendix C.

14. Use of Excerpts

- (A) Increase the length of recaps that can be used without payment in Article 15.B.10.c. and d. from 90 seconds to 5 minutes and the flashback exception from 30 seconds to 5 minutes.
- (B) Change the payment for a clip that is ten (10) minutes or more to the flat two (2) minute rate plus the flat rate for each additional minute in excess of two (2) minutes, but in no event more than the applicable rerun fee.
- (C) Revise Article 15.A.3.j., Article 15.B.10.dd. and Article 15.B.13.j. to include an exception to the requirement that payment be made for the use of an excerpt when the excerpt is used in a documentary program.

15. Pension and Health Provisions

- (A) Revise Article 14.E.7. and Article 17 to provide that Creative Consultants and Story Editors are subject to a pension cap of \$202,000 and a health cap of \$250,000 for 52 weeks of employment; the caps shall be prorated for any shorter or longer period of employment.
- (B) Confirm that when a writer is employed under a development deal as an Article 14.E.2. writer and, as part of the same contract, the writer is assigned to a show and receives additional money for the series which is not creditable, but the writer is not developing during the time he is assigned to the series, the Company should have to pay only the Article 14.E.2. pension and health or Article 14.K., but not both.
- (C) Establish a cap on pension and health contributions for writers of daytime serials set at \$250,000 per calendar year.
- (D) Eliminate the ability of the Trustees of the Health Fund to increase the contribution rate to the Health Fund under Article 17.C.1. by diverting amounts from salary increases.
- (E) Revise Article 17 to provide that the Pension Plan shall not be permitted to accept pension contributions on behalf of any writer in excess of the limits established

by Section 415 of the Internal Revenue Code; amend the contribution requirements accordingly.

- (F) Honor the commitment made in 2004 and reflected in the last paragraph of Article 17.C.1. to adjust the Health Fund contribution rate so as to avoid the unnecessary expenditure of Trust Fund assets in litigation and arbitration.

16. Article 48. Writer's Participation in the Production Process

- (A) Revise Article 48 to provide that only those writers who are proposed for credit shall have the opportunity to view the Director's cut and that the Company's failure to invite the aforementioned writers to view the cut shall not be subject to grievance and arbitration.
- (B) Revise Article 48 to provide that any disputes arising thereunder shall not be subject to grievance and arbitration, but instead shall be subject to the hot line resolution procedure.

17. Grievance and Arbitration

- (A) Revise the panels of arbitrators; eliminate the separate panels of arbitrators for credit disputes and provide instead that the applicable Los Angeles/New York panel of arbitrators in Article 11 shall hear and determine such disputes.
- (B) In any arbitration under the Agreement, the Arbitrator may not award damages to the Guild.
- (C) Reduce the time period for filing claims of any type to six (6) months.

18. Sunset Clauses

Renew Sideletter No. 2 to Article 15.B.1.b.(2)(c), "Experiment in Syndication of Half-Hour Series in Markets Representing 50% or Fewer of U.S. Television Households."

19. Profit Participation Crediting

Revise the MBA to provide that the Company shall credit any amounts paid pursuant to profit participation provisions against residuals due hereunder and shall credit any residual payments made hereunder against amounts due pursuant to any profit participation provision.

20. Term

The term of the 2007 Agreement shall be four (4) years, commencing November 1, 2007 to and including October 31, 2011.

The Companies reserve the right to modify, amend, add to or withdraw any proposal.