BACKEND DEAL DECODER

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Use this decoder when reviewing or negotiating any backend provision in a film deal. No role is restricted to any specific backend structure. The conventions that exist reflect market custom and negotiating leverage, not legal requirement.

Project / Film Title		**Production Company**	
Your Role		**Reviewing As**	Participant / Producer / Both
Deal Date		**Attorney / Rep**	

QUICK REFERENCE — BACKEND STRUCTURE COMPARISON

Structure	Pays From	Typical Participants	Reliability	Key Risk
True First-Dollar Gross	First dollar of all revenue, minimal deductions	A-list talent, major producers	Highest	Rarely available without exceptional leverage
Adjusted Gross Receipts	Gross after permitted deductions	Any participant with leverage; all roles	Moderate-High	Deduction scope and caps determine real value
Box Office Bonus	Fixed payment at objective milestone	Any participant — cast, director, writer, producer	High if milestones realistic	Milestones must match film commercial profile
Net Profit Participation	What remains after all costs	Any participant; WGA minimum for writers	Low — often zero	Extensive deductions frequently eliminate net profits
Deferred Compensation	Revenue at defined waterfall position	Any participant; common on low-budget indie	Depends on waterfall position	Position in waterfall determines likelihood of payment

SECTION 1 — GROSS RECEIPTS DEFINITION

✓	What to Review / Negotiate	What to Look For	Notes / Status
☐	Gross receipts defined specifically in the agreement	Is there a clear written definition? Do not accept 'customary' without specifics.	
☐	All revenue streams included	Theatrical, home entertainment, streaming, VOD, TV licensing, ancillary, foreign sales?	
☐	Streaming revenue specifically addressed	Streaming license fees are increasingly the most significant revenue stream.	
☐	Merchandising and ancillary income included	Merchandise royalties, soundtrack revenue, and ancillary income should be specified.	

☐	Territory scope confirmed	Worldwide or domestic only? International can represent the majority of revenue.	
☐	Definition is specific, not open-ended	Definitions referencing 'customary' allow unilateral interpretation.	

SECTION 2 — DEDUCTIONS AND ADJUSTMENTS

✓	What to Review / Negotiate	What to Look For	Notes / Status
☐	Complete list of permitted deductions identified	Every deduction from gross should be listed explicitly.	
☐	Distribution fee confirmed and capped	Standard fees range 20-35%. Fee percentage should be fixed and capped.	
☐	P&A costs capped	Uncapped P&A recoupment can eliminate participation entirely.	
☐	Overhead charges defined and limited	For indie productions, overhead should be defined, capped, or excluded.	
☐	Interest charges defined and capped	Interest rate and period should be defined. Uncapped interest is a red flag.	
☐	Cross-collateralization clause identified	Pooling revenue across territories or media can significantly reduce participation.	
☐	Prior gross participations and their impact identified	Gross players whose payments are charged against the pool reduce the available base.	

SECTION 3 — BREAK-EVEN PROVISIONS

✓	What to Review / Negotiate	What to Look For	Notes / Status
☐	Break-even definition present and specific	Is there a break-even threshold? Defined by formula or fixed dollar amount?	
☐	Type of break-even identified	Cash break-even, actual break-even, or fixed multiple? Each produces a different threshold.	
☐	Rolling break-even clause identified	Recalculates on every statement as costs incur — can perpetually delay participation.	
☐	Break-even modeled against revenue projections	Does the threshold reflect realistic expectations for this film?	

SECTION 4 — NET PROFIT DEFINITION

✓	What to Review / Negotiate	What to Look For	Notes / Status
☐	Net profits defined specifically in the agreement	'As determined by distributor' is not a definition. The calculation must be written out.	

☐	Complete waterfall sequence documented	What is the full order of distribution? Who gets paid before net profits?	
☐	Producer's share vs investor's share confirmed	Net profits are typically split 50/50. Confirm which share your participation comes from.	
☐	Your participation is from producer's share, not total net profits	Participant backend typically comes from the producer's 50% only.	
☐	Accounting standard referenced	Does the agreement reference GAAP or a specific defined standard?	
☐	Interest rate and period capped	Uncapped interest on production costs can eliminate participation.	
☐	Overhead excluded or capped for indie productions	For indie films, overhead charges should be minimal or excluded.	

SECTION 5 — BOX OFFICE AND MILESTONE BONUSES

✓	What to Review / Negotiate	What to Look For	Notes / Status
☐	Milestone amounts confirmed and realistic	Are trigger amounts calibrated to this film's realistic commercial profile?	
☐	Revenue base for milestones defined	Worldwide theatrical, domestic only, or total revenue including all media?	
☐	Each milestone triggers a separate additional payment	Confirm later milestones do not supersede earlier ones.	
☐	Awards bonuses listed specifically if included	Specific awards, categories, and nominations or wins should be listed explicitly.	
☐	Streaming and VOD milestones addressed	For streaming releases, confirm what metric triggers the milestone.	
☐	Payment timing for milestones confirmed	When is the bonus payable after the milestone is reached? 30 days is standard.	

SECTION 6 — DEFERRED COMPENSATION

✓	What to Review / Negotiate	What to Look For	Notes / Status
☐	Deferred amount confirmed in writing	Specific dollar amount and conditions of payment must be documented.	
☐	Waterfall position confirmed	Where in the revenue distribution does the deferment get paid?	
☐	Interest on deferment addressed	Is interest accruing? At what rate? Unaddressed interest creates unexpected obligations.	
☐	Payment trigger is specific	Payable at a revenue milestone, break-even, or at net profits?	
☐	Aggregate deferments modeled against revenue projections	Have all deferred obligations been totaled and modeled realistically?	

☐	Priority among multiple deferments confirmed	If multiple participants have deferred compensation, what is the payment order?	

SECTION 7 — AUDIT RIGHTS AND ACCOUNTING STATEMENTS

✓	What to Review / Negotiate	What to Look For	Notes / Status
☐	Audit rights confirmed in the agreement	Participant must have contractual right to audit. Without this, accuracy cannot be verified.	
☐	Audit frequency defined	Once per year is standard. More frequent is better.	
☐	Audit cost allocation defined	Participant typically bears cost unless errors above a threshold are found.	
☐	Accounting statement frequency confirmed	Quarterly is standard. Statements should be provided whether or not payment is due.	
☐	Statement content defined	Should include complete accounting of revenues, deductions, and amounts due.	
☐	Dispute period confirmed	Time limit on challenging statements? Two years from receipt is common.	

SECTION 8 — FOR PRODUCERS: WATERFALL AND COMMITMENT REVIEW

✓	What to Review / Negotiate	What to Look For	Notes / Status
☐	All backend commitments aggregated across all participants	Total all backend commitments and model them against each other before making further commitments.	
☐	Participant backend confirmed from producer's share only	Backend comes from your share of net profits, not the investor's share or off the top.	
☐	Waterfall documented in operating agreement	The complete waterfall sequence must be documented in the operating agreement.	
☐	Individual agreements consistent with operating agreement	All participant agreements must describe the same waterfall. Inconsistencies create legal exposure.	
☐	Revenue projections modeled against complete waterfall	Run realistic revenue scenarios through the complete waterfall.	
☐	No backend commitments made verbally or informally	All backend commitments must be in signed written agreements.	
☐	Distribution agreement backend provisions reviewed	Does your distribution agreement permit the backend commitments you have made?	

KEY ISSUES, FLAGS, AND OUTSTANDING ITEMS

List undefined terms, missing provisions, red flag clauses, and items to raise with your attorney before signing.

This decoder is for educational purposes only and does not constitute legal advice. Backend deal structures vary significantly by production and negotiation. Consult a licensed entertainment attorney for your specific situation.

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