

THE PRODUCER'S PERSPECTIVE

A BROADWAY PRODUCER'S OPINION ON EVERYTHING BROADWAY AND BEYOND

10 FAQ ABOUT BROADWAY INVESTING

Before I crowdfunded *Godspell*, I had a thesis.

“There are thousands of people out there who would love to invest in Broadway shows . . . they just don’t know how to do it, or who to talk to.”

Sure enough, when we announced our plans for *Godspell*, thousands of leads poured in. In between placing all those return calls I remember thinking, “Huh, will you look at that . . . I got this one right.”

Of course, not all those people invested (in the end we had about 750 investors), but thousands expressed interest and proved my thesis correct.

And all those thousands of people had questions.

Five years later, people still have questions about investing in Broadway shows. As I’ve spoken to more and more potential investors, I’ve noticed that many of the questions are the same.

That’s why I’ve created this FAQ for Broadway Investing. So whether you’re a potential Broadway Investor looking to dip your toes into our theatrical waters, or whether you’re a Producer looking to raise money for your show, I think you’ll find these Qs and their appropriate As helpful.

1. HOW MUCH DO I NEED TO INVEST?

When a new theater investor asks me this question I always ask them what they think the average investment in a Broadway show is. Their answers usually range between \$50k and \$100k. The truth is that the average investment is only around \$25k according to our survey. And it’s not uncommon for Broadway Producers to accept as little as \$10k. (And Off Broadway shows as little as \$5k.) So the entry fee isn’t as high as you think.

2. CAN I LOSE MORE THAN I PUT IN?

No. Most offering documents for Broadway shows have a clause that limits your liability to only your initial investment. If you can’t find it when you read your documents, ask the Producer to point it out. Now, if the show gets into a situation and it needs more capital to keep running after

it opens, the Producer does have a right to ask for a “Priority Loan,” but the key word there is “ask.” You can always say no.

3. CAN ANYONE INVEST? DO I HAVE TO QUALIFY?

Most Broadway and Off Broadway offerings are for accredited investors only, which means you must meet certain financial requirements to invest. See the official definition [here](#) to check if you qualify. (Note that as I wrote in [this blog](#), the definition may change again soon allowing more folks to be able to invest.)

The recently passed JOBS Act may eventually allow more non accredited investors to invest, but I would expect JOBS offerings to be used on Off Broadway shows rather than Broadway shows due to the \$1mm cap on the capital that can be raised under its regulations.

4. WHAT ABOUT TOURS AND HIGH SCHOOL PRODUCTIONS?

When you invest in a Broadway show you are usually investing in the originating production, or the “Mother Ship” as I like to call it. To compare that to the restaurant world, it’s like investing in the first McDonald’s . . . and then watching it franchise. Traditionally, investors in the original Broadway productions have the right (but not the obligation) to invest an amount proportional to their original Broadway investment in any additional companies produced by the same Producer (i.e. National Tours, London, etc.). Additionally, all those other companies pay a royalty and usually some net profits back to the Mother Ship. So if you invest in an additional company, you can make money on both sides (or if you choose not to invest in an additional company, your Broadway investment will still benefit from the profits (if any) of that company).

For any subsidiary activity that the Producer does NOT have the rights to (i.e. Greece, a movie, etc.) the Mother Ship is still paid a percentage of income received from the Authors for that activity (usually between 30-50%). However, it’s important to note that this doesn’t last forever. There is a ticking clock (somewhere between 7 and 30 years traditionally) that starts as soon as the Broadway production (or last production produced by the Producer) closes. The length of time that the investors receive this income is based on the percentage referenced above (the higher the percentage they receive, the less time they get this money).

Subsidiary deals do vary for each show, so ask your Producer to describe what your show’s deal is. These are very important as a good subsidiary deal can mean a long-term annuity fund for a successful show.

5. DO I GET TO GO TO OPENING NIGHT?

If you invest in Coca-Cola, they aren't going to send you a free six pack. But on Broadway, we like to give you lots of perks! And yes, opening night is one of them. But, usually opening night tickets require a minimum investment. I try to get every investor into the opening nights of my shows, no matter the amount, but because the theaters are limited in size, this is often challenging for many Producers. Ask what the minimum is for opening night up front.

You should also get access to "house seats" (full price tickets reserved for VIPs), and may also be invited to dress rehearsals, meet and greets and more.

6. HOW DOES THIS WORK WITH MY TAXES?

Thanks to a very recently passed law, taxes for Broadway investors are easier now than they have been. First, it's important to remember that this is an investment. You will receive a K1 at the end of every year just like you would for any investment. And since Producers don't know your specific situation, you should always talk to your accountant about how an investment (successful or not) will impact your taxes. But yes, expect to pay taxes if the show is profitable and yes, expect that you will be able to write off a loss if not. And, [click here](#) to read about how the government has finally made this more advantageous for Broadway Investors. (By the way, Producers shouldn't be giving you tax advice so if one does . . . don't listen and call your accountant.)

7. CAN I AFFORD TO INVEST?

Investing in Broadway shows is a very risky endeavor. According to industry averages, only one out of five shows recoup their investments. As I say to all my first-time investors, "Write this check like you are never going to see it again." It's important to have proper expectations, especially on your first time out.

8. HOW DO I PICK MY FIRST SHOW TO INVEST IN?

Make sure you pick something you love, so if it does disappoint you and doesn't recoup, you will still be proud to have helped make it happen. Some people hang a piece of art on their wall. You're going to hang a poster for a Broadway show. You want something that is going to make you think, "Look at what I helped make!"

And make sure you're investing with a Producer you know and trust and has a good track record for returning investments, producing quality shows and communicating with his/her investors.

9. OK, I WANT TO INVEST, BUT HOW DO I FIND SOMEONE TO INVEST WITH?

Although Producers don't usually advertise that they are looking for investments (there are regulations against that), most would be happy to take your information if you raised your hand and said you were interested in getting involved with a show. My suggestion to potential investors is always to go see shows, and when you like one, look at the name at the tippy-top of the list of Producers on the Playbill. That's the lead Producer . . . and if you liked his/her show, then you have similar tastes. Reach out to their office (a quick Google search will find something for them I'm sure) and say, "Hey, I liked your show. Can you put me on your list?" I'd bet money they will.

Now, don't expect to get a call to invest in the next "sure thing." First-time investors usually have to take a little more risk on a show before they are offered the shows that are safer bets. Why? Well, when Producers do have something that feels big (a show with a big star, etc.) they usually go to the people who have lost money on bigger risks before. There is seniority, as I'm sure you can understand.

10. WHAT IF I WANTED TO INVEST MORE AND BE A CO-PRODUCER?

For larger investors, it is possible to earn additional perks including Above-The-Title Producer credit, additional profit percentages, participation in business decision making, and more. Contact your Producer if you are interested in these opportunities. Average Co-Producer investment minimums average around \$350k but can be lower or higher depending on the level of risk involved with the production.

And lastly one bonus FAQ, and the most important . . .

11. WHY SHOULD I INVEST?

Because you love the theater. Period. Yes, you can make money. Yes, you can make great networking connections. Yes, you can learn if you're looking to produce/develop your own shows. But the bottom line is only invest if you couldn't live without it. And think the world shouldn't be without it either.

If you'd like to learn more about Investing in Broadway, I'd urge you to take my seminar on Broadway Investing. In addition to teaching you the nuts and bolts of how the financial side of Broadway Investing actually works (where does your money go, anyway?), I also guarantee that I can teach you simple tips and tricks that can help make you money.

To learn more about the seminar, visit www.TheProducersPerspective.com.