

Start-Up investment guidelines 2017 - 2018

For use by Start-Up investment sub-committee



Updated and valid from 03.05.17 (approved by F & GP committee)

Please note: if you are planning to apply for the Start-Up Fund, your application must be received at least 4 weeks before your first rehearsal. We strongly recommend that you also make contact with Stage One at the earliest possible stage throughout the production process.

Start-Up Investment does not preclude the production from seeking Stage One investment (see separate terms and conditions). The Start Up recipient must share in the Stage One investment.
Stage One will normally give a commitment to invest (or not) within four weeks of the receipt of papers.

Please read and note the following terms and conditions:

Investment Terms and Conditions

1. New Producers applying for a Start Up Investment must return the completed Proposal Form to Stage One by email (if this is not possible please call us), together with all of the information being sent out to other investors, including full budgets, recoupment schedule and forecasts enabling the earning potential of the production to be assessed. (enquiries@stageone.uk.com)
2. Stage One can only consider investment if the Proposal Form and accompanying information are received at least 4 weeks before the first rehearsal. Applicants will be invited to interview with the Start-Up Panel consisting of industry professionals.
3. Stage One does not invest more than 15% of the capitalisation of any production for Start Up Fund investment.
4. Stage One's Start-Up award is conditional on the applicant matching the investment with a minimum of £50,000, giving the new producer a minimum share of £100,000 in the capitalisation. If the production is a tour the new producer must match Stage One's investment, which is capped at 15% and therefore may be less than £50,000. The release of the money is absolutely conditional upon the applicant providing a letter from their accountant to Stage One confirming the money is in hand.
5. Stage One will only award Start Up Investment to producers who are taking liability on the show and have an active involvement in the decision making process.
6. Stage One will appoint a mentor to oversee successful applicants. Part of the mentor's responsibilities will be to advise on the co-producer agreement. If the mentor is not satisfied with the terms of the agreement the Start-Up investment may be withdrawn.
7. While Stage One is prepared to give a binding commitment to invest (subject to 4. and 6), Stage One's investment is "the last money in". Stage One will only supply its investment when a letter has been received from the production accountant confirming that the balance of the entire capital of the production is in place. This should normally be by the first day of rehearsals, but in any event should be no later than the first public paid performance (whether this is in the West End or out of town). No money can be sent after this has taken place.
8. A Producer is free to quote Stage One's assurances given in the offer of investment letter, providing that it is clearly understood that Stage One's contribution is subject to the balance of capital being in hand. Should the Producer wish to include any reference to Stage One in a document soliciting investment Stage One must agree the wording in so far as it refers to any offer of support from Stage One.

9. If the production is presented in the West End, the Producer agrees to pay Stage One's Voluntary Levy. In the event that the West End Theatre does not agree to contribute to this, then the Producer will pay not less than 50% of the Voluntary Levy due each week.
10. Stage One requires Producers who accept investment to carry a programme and press release credit acknowledging Stage One's Start-Up investment.
11. The Accounts relating to the production and running of the play must be available for inspection by Stage One or its accredited representative at all reasonable times. The weekly statement of receipts and expenses must be detailed and explanation of any particular item must be available upon reasonable notice. Stage One accepts that the Accounts will be kept by the firm/person appointed by the Producer but does not necessarily agree to accept the findings of such firm/person as final and binding.
12. Stage One expects to receive weekly estimated profit and loss statements, which must be sent for every four weeks playing, showing each week's profit and loss; such accounts should be received within four weeks of the last performance of the period to which they refer. Production Accounts should be sent as soon as they are available and within 12 weeks of the opening night. Certified Final Accounts must be received within 16 weeks of the close of the production and at least annually for long running productions.
13. We only award the Start-Up investment to Stage One alumni - emerging producers who have already attended a Stage One Workshop, been awarded a bursary or have completed an apprenticeship, unless the individual is ripe for support in the eyes of the panel.

14. **Investment Criteria**

The decision whether to offer to invest in a production is made by a Subcommittee of the Council, largely made up of experienced commercial Producers.

The following criteria are taken into account: -

- i. whether the production has a strong commercial potential
- ii. new productions are favoured
- iii. whether the Producer had acquired the normal subsidiary and other rights, where available; the investors must share in all subsidiary rights owned by the Producer
- iv. recipients will not normally have **more than 2** commercial production to their name. I.e. the producer will not have taken liability on more than 1 production adhering to minimum rates for creatives, performers and technical staff as set by SOLT/UKT. However the Sub-Committee can make exceptions if they feel the candidate is ripe for support.
- v. venue - whether the production is in a SOLT, Affiliate, UK Theatre or other venue the producer must always pay the minimum rates set by these organisations In non-affiliated houses (Found Space for example) Equity/BECTU minimum salaries must be paid.
- vi. length of run – Stage One does not normally invest in short limited seasons
- vii. presentation of the figures must be clear and unambiguous (in particular, accurate costings and detailed estimates of how long until recoupment may be reached at varying levels of box office are required)
- viii. that charges made by the Producer for his/her services are fair and reasonable
- ix. that audited accounts have been received for any previous investment Stage One has made with the Producer.
- x. The production is within the Investment Guidelines used by the Sub-Committee as below.

Investment Sub-Committee Guidelines

The following guidelines are used by the Investment Sub-Committee when deciding whether to invest in a new production in the West End or in the Regions. At the Committee's discretion they may be varied depending on the individual circumstances of any production.

1. Recoupment

- i) If the production is a play or a limited run musical the production should be able to recoup the estimated production costs plus a 10% contingency at 60%* of Net Box Office Capacity, within 13 weeks from the press night if the production is a play and within 20 weeks if it is a musical, or within the length of the star's contract or other limiting factor (e.g. availability of theatre), whichever is the sooner. Net Box Office Capacity is defined as the total gross receipts if every seat (excluding pp seats) in the house is sold at full price less VAT and then less a further 10% to cover commissions, etc or a percentage that reflects the exact deal with theatre. All figures submitted must clearly show this calculation.

NB*A limited run musical is defined as one which is expected or contracted to run for under 52 weeks. The committee may decide to offer investment to a play or limited run musical which falls outside of the financial guidelines (but only within 10%), if certain criteria applies which forms a strong imperative to invest. The following criteria need to be assessed and be taken into account by the committee when making a decision to invest: 1.) there is a strong commercial imperative and/or 2.) a Stage One alumni is a producer on the show. Therefore for a play the committee could invest if the play is able to recoup 66% of Net Box Office Capacity.

- ii) If the production is an open ended musical, the production should be able to recoup the estimated production costs plus 10% contingency at 75% of Net Box Office Capacity, within 52 weeks from the press night or within the star's contract or other limiting factor, whichever is the sooner.

2. Management fees – period claimed for

- i) If the production is a play, management fees should normally be claimed for not more than six weeks prior to the first paid performance on the Equity Contracts issued by the West End Manager/Producer, and up to two weeks following the close of the production. In the case of **new** plays, fees may be claimed for up to an additional two weeks prior to the first paid performance on the Contracts issued by the West End Manager/Producer (i.e. eight weeks in total), which is intended to reflect some of the extra management time spent on developing the new work.
- ii.) If the production is a musical, management fees should not be claimed for more than 10 weeks prior to the first paid performance on the Equity Contracts issued by the West End Manager/Producer, and up to two weeks following the close of the production. In the case of **new** musicals, fees can be claimed for up to an additional 10 weeks prior to the first paid performance on the Contracts issued by the West End Manager/Producer (i.e. 20 weeks in total), which is intended to reflect some of the extra management time spent on developing the new work.

3. Management fees – amount

- i) Management fees are defined as the total weekly payment of all fees to the producers and general managers of the production, and include all office expenses and charges. They do not include reasonable charges for accountancy, production management fees, or marketing fees, which are expected to be within Industry norms.

- ii) If the production is a play, the total weekly management fee including any other 'Producer Fees' and 'Office Charges' should **be no greater than 10%* of the weekly running costs and capped at £4,650***.
- ii) If the production is a musical, the weekly management fee including any other 'Producer Fees' and 'Office Charges' should **be no greater than 10%* of weekly running costs and capped at £6,180***.

NB* the committee may decide to offer investment to certain plays and musicals that fall outside of the financial guidelines (but only within 10%), if certain criteria applies which forms a strong imperative to invest. The following criteria need to be assessed and be taken into account by the committee when making a decision to invest: 1.) there is a strong commercial imperative and/or 2.) a Stage One alumni is a producer on the show. Therefore, for a play the committee could invest if the total GM fees were no more than £5120 and for a musical if the total GM fees were no more than £6800.

4. Producer's royalty

- i) The producer's royalty is defined as the London or UK National Tour presenter's royalty, whether the London/UK Tour presenter is one person/company or a number of people/companies. It does not include royalties paid to originating US producers for a production transferring from the US, or the originating theatre for a production transferring from the regions.
- ii) For a play the producer's royalty **should not exceed 2.5%** if royalties are being calculated on Net Weekly Box Office('The Gross'). If any Royalties are being calculated in a Pool the producers royalty should be from the pool and should not equate to more than 5% of weekly operating profit pre-recoupment. Weekly operating profit defined as the profit remaining once weekly running costs of the show have been deducted from the weekly Net Box Office figure.
- iii) For a musical the producer's royalty **should not exceed 3.5%**. if royalties are being calculated on Net Weekly Box Office('The Gross') If any Royalties are being calculated in a Pool the producers royalty should be from the pool and **should not equate to more than 6.5% of weekly operating profit pre-recoupment**. Weekly operating profit defined as the profit remaining once the weekly running costs of the show have been deducted from the weekly Net Box Office figure.

5. Profit Share

Stage One should receive not less than 60% of the profits