A DUE DILIGENCE GUIDE FOR BROADWAY CO-PRODUCERS

DID YOU READ THE OA?

Forty-one questions to ask before you raise a dollar for someone else's show.

A lead producer has asked you onto the producing team. That means raising money from people who trust you, so you need the answers before they ask. This guide is for you, the co-producer. (A version for the investor writing a $25,000 check is in the works.)

It follows the deal in the order it actually happens: what you ask yourself, the first call, the documents, the second call. Don't ask all forty-one. Pick the ones your investors need answered, plus the ones they'll wish you'd asked if the show closes in four months.

In the margin beside every question is the answer that should worry you.

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LAST REVIEWED SEPTEMBER 2026
FIGURES COVER THE 2025–26 SEASON, THROUGH THE 2026 TONY AWARDS

NINE NUMBERS TO KNOW

Most of what follows comes back to these.

13%
of commercial musicals that opened after the 2021 reopening had announced recoupment by the 2026 Tony Awards (9 of 70).

22%
of commercial plays did the same (15 of 69). Most had a star in a limited run.

6
new musicals were among them: *Six*, *MJ*, & *Juliet*, *Kimberly Akimbo*, *The Outsiders* and *Just in Time*.

$128.91
average paid ticket for a Broadway musical in the 2025–26 season, through the Tony Awards.

$200K
roughly, the fixed weekly theater charge before a single ticket sells. The owner also takes 6–7% of gross.

35–40%
of operating profits go to the royalty pool before recoupment, and 40–45% after.

$1.1M
is where break-even can land for a musical with $750,000 in fixed weekly costs.

$10K
is the smallest minimum unit some shows accept. Others start at $50,000.

$3M
is the most New York State's tax credit gives a single Broadway production.

Recoupment rates count publicly announced recoupments only, for commercial productions that opened from September 2021 through the 2026 Tony Awards (nonprofit-produced shows and return engagements excluded). Shows still running may yet recoup. Sources: Broadway League grosses via the Broadway master dataset; Playbill, Broadway News, BroadwayWorld and Broadway Journal.

BEFORE THE PHONE RINGS

A lead producer wants you on the team. Before you call back, you owe yourself three answers.

01 What draws me to this project artistically, and can I say it to my investors in one sentence?

Believing in the work is the one thing you offer that a stock portfolio doesn't. That sentence is your pitch, and it tells you which investors belong in the room.

RED FLAG
You can't say it. Then you're passing along a low-return financial instrument with no secondary market.

02 What do I owe my investors beyond a financial return, and can I deliver it?

The operating agreement treats you as a passive investor. Your investors treat you as their fiduciary. They picked you, and they expect bad news as fast as good news.

RED FLAG

You haven't decided what you'll relay. Without that, you're a toll booth with a producing credit.

03 Do I understand the recoupment math in this market, and have my investors heard it from me?

Costs have doubled in a decade while real ticket prices fell. About one in eight commercial musicals that opened after the reopening has recouped.

RED FLAG

Your investors think their odds are one in four. That number is out of date, and correcting it is your job.

B THE FIRST CALL

You're still deciding whether to engage. This call sorts producers who understand their show from producers who are selling it.

THE SHOW

04 Why did you get involved, and why does this show need to be told?

Every producer can tell you the story. You want to hear why their version works as a musical. *Dead Outlaw* closed after nine weeks in 2024–25 despite a NYT Critic's Pick and seven Tony nominations.

RED FLAG

"This story needs to be told," with nothing about the show itself.

05 Has this creative team worked together before, and on Broadway?

A musical depends on people who trust each other enough to trade honest notes in previews. First-timers aren't automatically riskier, but they need to understand the medium.

RED FLAG

Nobody can explain what the stage asks of them that film or an album doesn't.

06 What changed between the last major iteration and now?

What broke in development, and how the team fixed it, shows whether they can diagnose problems in previews and whether the show is converging or drifting.

RED FLAG

A development history told as a victory lap.

07 What comparables aren't you showing me?

"The next *Hamilton*" invokes a show that recouped $12.5 million within a year. The roughly 100 musicals that opened after it recouped at well under 20%.

RED FLAG

Comps drawn only from hits. That's survivorship bias doing the recruiting.

08 If the show is based on existing IP, what evidence says its audience will buy Broadway tickets?

82% of new musicals over 30 years were adaptations. Fans still have to be reachable, local or visiting, and willing to pay the chart's ticket price. *The Great Gatsby* raised $25 million and its average weekly gross still fell about $216,000 from 2024–25 to 2025–26.

RED FLAG

The size of the fan base is the whole argument.

YOUR SEAT AT THE TABLE

09 What access will I have to rehearsals and meetings, and who's my main contact?

How information moves decides whether you can keep your promises to investors. Also ask whether they can reach the general manager directly for things like K-1s.

RED FLAG

Vague access and no named contact.

10 What will I have to help sell the show: group tickets, talkbacks, marketing materials, brand partnerships?

Good co-producers build audiences. *Buena Vista Social Club* built its campaign around Latino audience marketing; 32% of its Broadway buyers identified as Hispanic, and it had grossed $68.7 million at about 96% capacity by the 2026 Tony Awards.

RED FLAG

A "cohesive brand vision" used to shut out your network.

11 How does the production handle workplace misconduct?

Ask before you fall for the material. A scandal after opening will almost certainly close the show. Ask about past allegations, how a complaint would be handled, and whether there's independent HR or a third-party reporting channel.

RED FLAG

The producer treats the question as an insult.

THE MONEY

12 Which marketing agency is attached, and how is it paid?

Musicals spend $100,000 to $200,000 a week on marketing. On a 15% commission, the agency earns more when more money goes to paid media, whether or not it sells tickets.

RED FLAG

Commission billing and no one tracking what the spend actually sells.

13 How long is the star committed, and what's the plan when they leave?

Cabaret peaked at just over $2 million a week with Eddie Redmayne and fell to $380,052 after he left. Above-the-title billing also entitles ticket holders to a refund when the star is out.

RED FLAG
No succession plan.

14 What is the lead producer's own track record?

Most producers have losing records because most shows lose; two recoupments out of ten is average. Ask how many shows they led, the capitalization range, and how many fully recouped.

RED FLAG
Evasion. It's the only useless answer.

15 What is the real break-even, and when do investors see positive cash flow?

"Weekly running costs" leave out the theater's 6–7% of gross, the royalty pool (about 40% before recoupment) and ticketing fees. Ask for running cost, true break-even and the investor cash-flow line.

RED FLAG
You only get the running cost.

16 Does the lead producer have a stake in any service provider, and what does all affiliated compensation add up to?

In the *Cabaret* lawsuit, ATG owned the theater and produced the show, collecting rent, royalties, fees and a profit share while investors got nothing from a run that grossed about $90 million.

RED FLAG
Affiliated compensation above 15–20% of weekly gross.

17 What is the stop clause, and how does it compare to break-even?

Two straight weeks under the threshold and the theater owner can end the lease. The Shubert Organization evicted *Beetlejuice* from the Winter Garden, despite strong numbers, to make room for *The Music Man*.

RED FLAG
The owner holding the clause has used it strategically before.

18 How is the royalty pool structured before and after recoupment, and does anyone have a dual deal?

On *MJ*, five parties took 13% of net profits before the 50/50 split, so investors split a pool already more than a tenth smaller.

RED FLAG
Participants paid on both gross and net.

19 Which royalty reduction mechanism applies: amortization, gray zone or a hybrid?

Both speed up recoupment. Amortization can pull it forward 21 weeks or more on a $15 million show.

RED FLAG
No one can show you the timeline without the mechanism. That's the one to plan against.

C THE DOCUMENTS

Operating agreement, subscription documents, pitch deck, side letter. Read them with a pen in your hand.

THE PITCH

20 Which claims in the pitch deck can be tested, and which language is subjective on purpose?

"Recoup in 80 weeks at 75% capacity" can be checked. "Best musical of the season" is an adjective.

RED FLAG

A recoupment chart assuming a $160 average ticket when the musical average is $128.91.

WHAT'S PROMISED IN WRITING

21 Is my access guaranteed in the side letter, or left to the producer's discretion?

The standard operating agreement gives you no right to attend rehearsals, sit in on meetings or even visit during tech.

RED FLAG

"At the lead producer's discretion." Read it as revocable at any time.

22 How often will I hear from the production, and how will I learn about major developments?

The *Cabaret* suit alleged investors learned of financial trouble from public sources. Investors on other shows found out about closings on Instagram.

RED FLAG

Communication promises that aren't written into the side letter.

23 Can I see recordings, reviews and audience data from prior runs?

A transfer that averaged 60% capacity in an 800-seat house has to fill 1,100 seats on Broadway at much higher prices.

RED FLAG

The data exists and the producer won't share it.

THE MONEY ON PAPER

24 Can I review the complete offering documents before committing any capital?

Regulation D, Rule 506(b), requires full disclosure. Without reading, you don't know the waterfall, the producer's compensation, the stop clause or the NDA you're signing.

RED FLAG

Pressure to wire money first because a round, a theater hold or a star's option is about to close.

25 What has changed in the budget since the documents were prepared?

Documents are written months, sometimes a year, before opening, and costs rise about 5% a year. Budgets show values too: minimum scale for creatives next to a $75,000 EP fee tells you something.

RED FLAG
No updated numbers.

26 What ticket price does each column of the recoupment chart assume, and how does it compare to advance sales?

Advance buyers pay premium prices. A $145 advance average can settle to $120 once the show sells week to week in January or year two.

RED FLAG
A chart built on advance-sale prices.

27 What costs aren't in the capitalization, the budget or the weekly projections?

Closing costs, six-figure recasts and Tony campaigns running into the hundreds of thousands often appear nowhere in the documents.

RED FLAG
No one can say where closing costs live.

28 When does the adaptation become legally inseparable from its source?

Under 17 U.S.C. § 103 the stage authors own their contribution and the rights holder keeps the source, so neither can exploit the combined work alone. The *To Kill a Mockingbird* rights fight ended in $2.5 million in damages.

RED FLAG
You haven't read the underlying rights agreement.

29 What do the economics look like after recoupment, and when do returns reach 2x or 3x?

The royalty pool's share rises after recoupment, so post-recoupment break-even is higher than pre-recoupment break-even.

RED FLAG
The model stops at zero.

30 Does the affiliated compensation in the documents match what you were told on the first call?

EP fee, office fee (~$2,000/week), producer royalty (~3% of gross), EP royalty and affiliate fees all come out before investors are repaid.

RED FLAG
The total on paper is higher than the number you heard.

31 Am I waiving a refund, allowing spending before full capitalization or accepting an overcall, and what do I get for it?

Each moves risk from the producer to you and should come with something back: better terms, a bigger kicker, priority rights on later productions.

RED FLAG
Weaker protections and nothing in return.

32 Do I have audit rights, and what subsequent production rights does the LLC hold?

Negotiate a 30-day response window and an independent auditor at the LLC's expense if it's missed. Tour, licensing and film rights decide whether you share in the property's whole life.

RED FLAG
No pro rata right to invest in later productions.

33 What is the minimum unit, and are half units or co-producer groups allowed?

Minimums run from $50,000 or more down to $10,000. Raising $250,000 from five people is a different job from raising it from twenty.

RED FLAG
Anyone, including you, telling investors the floor is higher than it is.

34 Does any NDA stop me from getting counsel, talking to co-investors or inspecting the books?

Some confidentiality clauses work as gag orders. New York LLC members generally have inspection rights, but co-producers report months of runaround.

RED FLAG
Any limit on consulting your own lawyer.

D THE SECOND CALL

You've read everything. Now ask about the distance between what you were told and what you can read.

35 What is this show trying to say?

Test the thesis against the budget. A show about artistic authenticity that budgets nothing for a dramaturg is telling you something.

RED FLAG
The thesis turns out to be marketing copy.

36 How many co-producers are attached, and on what terms?

Five co-producers and thirty are very different experiences. Ask about favored nations, mentorship and anything specific to you.

RED FLAG
You'll be one more name on a long list.

37 What is the contingency marketing plan if reviews are mixed or negative?

Lempicka had none and closed five weeks after opening. *Maybe Happy Ending* borrowed $2 million to keep marketing through weak previews, won Best Musical and set a Belasco house record.

RED FLAG
"We'll figure it out."

38 How does the marketing plan handle seasonal demand?

In 2025–26, December's best week topped $54 million industry-wide. January's slowest came in about 45% lower.

RED FLAG

A recoupment chart with a flat weekly gross.

39 How does the fundraising commitment work, and what happens if I fall short?

Billing usually means raising $150,000–$250,000 for a play and $250,000–$500,000 or more for a musical. Falling short can cost you the credit or leave you liable for the gap.

RED FLAG

Pressure to sign a commitment letter before you have the documents.

40 When will K-1s arrive, and has the GM office delivered them on time before?

Late K-1s mean extensions for every investor, and some of them will blame you.

RED FLAG

The producer doesn't know.

THE LAST QUESTION

41 Could I explain this investment to my most skeptical investor in three sentences? And, to the producer: what worries you most?

If your three sentences could describe any show, you haven't finished. A producer who names a real worry (casting, competition, the theater they wish they'd gotten) is thinking clearly and trusts you.

RED FLAG

"Nothing, we feel great about everything." That answer can't be true.

Hue Park got the idea for Maybe Happy Ending in a coffee shop in 2014. It took a decade to reach Broadway. Ask for a third call, or a fourth.

The longer arguments behind several of these questions live at jharbour.substack.com: *Nobody Told Them Either* (what co-producers owe investors), *No Business Like Subsidized Business* (the tax credit and recoupment), *Custodians of the Cap Table* (related-party deals), *The Residual* (what theater owners take), *Your Accountant Is the Real Lead Producer* (K-1s and small investments), *Unionize the Money* (investor collective action).

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This questionnaire is intended as a general due diligence framework and does not replace, and should not be relied upon in lieu of, review of offering documents (including any Private Placement Memorandum, Limited Liability Company Agreement, or related materials) by qualified legal, financial, tax, and accounting professionals. Each prospective investor is responsible for conducting their own independent due diligence and is strongly encouraged to consult with their own legal counsel, financial advisor, and/or tax professional prior to making any investment decision.

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