## TheProducersPerspectivePRO Presents:

Diving Into Royalty Pools


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# The History Qf The Royalty Pool 

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- Gross in one week is $\$ 400,000$
* 
- Authors would receive $\$ 18,000$
$\$ 400,000 \times 4.5 \%=\$ 18,000$

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## Creative Tieam ats $15 \%$ of ross

## | Gross in onellweek is $\$ 750,000$ <br> | Expenses are $\$ 350,000$ <br> | Creative Team would receive $\$ 112,500$ <br> | Profit to show $=\$ 287,500$ <br> 

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- Gross in one week is \$750,000
- Expenses are \$700,000
- Creative Team would receive $\$ 112,500$
- Prefit LOSS to show $=(\$ 62,500)$
$(\$ 750,000-(15 \% \times \$ 750,000)-\$ 700,000=\$-62,500)$


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The Five Key Components Of A Royalty Pool

## Notes:

## DEFINITION!

# A ROYALTY POOL is a mechanism to provide <br> compensation to creative personnel of a theatrical <br> production based on a minimum payment per week against <br> a portion of the net profits of the production. 

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## Pool Component \#1:

 The Creative Team Member- Authors
- Underlying Rights Holder
- Director
- Choreographer
- Designers (set, costume, lights)
- Originating Theater
- Producer


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## Pool Component \#2:

The Points

- Authors -6 points
- Underlying Rights Holder - $\mathbf{2}$ points
- Director - 2 points
- Choreographer-1 point
- Designers (set, costume, lights) - $\mathbf{1 . 5}$ points
- Originating Theater-1 point
- Producer - 3 points

TOTAL IN POOL $=16.5$ points

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## Pool Cola ent \#3: The El Pl Point Value

1 Point \$1,000
| Authors- 6 points $=\$ 6,000$
Underlying Rights ier - 2 points $=\$ 2,000$
Directo 2 points $=\$ 2,000$
Choreographer - 1 point "' $\$ 1,000$
Designers i(set, costume, lights\} LS points $\$ 1,500$
Originating Theater- 1 point $=$ S 1,00 iO
| Producer-3pints $=\$ 3000$

## TOTAL MINIMUM $\$$ INPOOL $=\$ 16,500$

(16.5 point s $\times \$ 1000=\$ 16,500$ )

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## Pool Component \#4:

 The Minimum GuaranteeThe minimum amount of compensation a creative team member wilh receive every week regardless of the box office performance.

Minimum Totals for our example $=\$ 16,500$

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## Pool Component \#3:

## The Per Point Value

1 Point $=\$ 1,000$ *

- Authors- 6 points $=\$ \mathbf{6 , 0 0 0}$
- Underlying Rights Holder - $\mathbf{2}$ points $=\mathbf{\$ 2 , 0 0 0}$
- Director - 2 points $=\$ 2,000$
- Choreographer - 1 point $=\$ 1,000$
- Designers (set, costume, lights)- 1.5 points $=\$ 1,500$
- Originating Theater - 1 point $=\$ 1,000$
- Producer - 3 points $=\$ \mathbf{3 , 0 0 0}$

TOTAL MINIMUM \$ IN POOL = \$16,500

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## Pool Component \#3: The Per Point Value

1 Point = \$1,000

- Authprs- 6 points $=\$ \mathbf{6 , 0 0 0}$
- Underlying Rights Holder - 2 points $=\$ 2,000$
- Director - 2 points $=\$ 2,000$
- Choreographer -1 point $=\$ 1,000$
- Designers (set, costume, lights)- 1.5 points $=\$ 1,500$
- Originating Theater -1 point $=\$ 1,000$
- Producer - 3 points $=\$ 3,000$

TOTAL MINIMUM $\$$ IN POOL $=\$ 16,500$

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## Pool Component \#5:

 The Amount of Profit To The Pool- Profit for show is $\mathbf{\$ 1 0 0 , 0 0 0}$
- $\%$ to Pool $=40 \%$
- $\$ 40,000$ paid to Pool
- $(\$ 100,000 \times 40 \%=\$ 40,000)$


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## POOL DISTRIBUTION

Amount to Pool / Points in Pool = \$ per point
Royalty Overage per point
$=\$ 2,424.24-\$ 1,000=\$ 1,424.24$
$\$ 40,000 / 16.5=\$ 2,424.24$
Author receives $\$ 2,424.24 \times 6=\$ 14,545.45$
Director receives $\$ 2,424.24 \times 2=\$ 4,848.48$

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## So What Is A Royalty Pool?

A Royalty Pool is the same as Net Profit.

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Royalty Pool receives 40\% of Profit.

Author receives $\mathbf{6}$ / 16.5 or $\mathbf{3 6 . 3 6 \%}$ of Pool.
Author receives $\mathbf{3 6 . 3 6 \%}$ of $\mathbf{4 0 \%}$ or... $\mathbf{1 4 . 5 4 4 \%}$ of Net Profits which is...
$\$ 100,000 \times 14.544 \%=\$ 14,544$.
Which is the same as...
$\$ 2,424.24 \times 6$ points $=\$ 14,545.44$

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# You can never pay less than the 

 guarantee.Notes:
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Caps limit the amount of money paid to creative team members (for example, 125\% of their gross royalty).

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Most Royalty Pools are calculated in four week cycles.

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Amortization reduces profit to the Royalty Pool in exchange for higher guarantees and additional profit post *
recoupment.

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## Royalty Pool Test Question

Gross for period = \$3,784,214

- Expenses = \$3,603,037
- Profit = \$181,177
- The Royalty Pool is compromised of 17 points and receives $40 \%$ of profit.
- Each point is guaranteed $\$ 1,500$ /point
- The Director gets 2 points in the pool
- Q: How much does the Director receive if he has already received his guarantee?

YOU HAVE 2 MINUTES!

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## Royalty Pool Test Question

- Gross for period $=\$ 3,784,214$
- Expenses $=\$ 3,603,037$
- Profit $=\$ 181,177 \times 40 \%=\$ 72,470.80 / 17=\$ 4,262.99$
- The Royalty Pool is compromised of 17 points and receives $40 \%$ of profit.
- Each point is guaranteed $\$ 1,500$
- The Director gets 2 points in the pool $\times \$ 4,262.99=\$ 8,525.98$
- Q: How much does the Director receive if he has already received his guarantee?
$A: \$ 8,525.98-(2 \times \$ 1,500)=\$ 5,525.98$

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## YOU <br> PASSED!!!!!!

