Killing Time with Ijah Amran
My thrills and spills while doing nothing consequential.

Rockstar Manual: Understanding Your Contract
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In a flash:

1. **Lawyer up.** It is a good investment. At the least, get someone who knows law to go through the contract and explain it to you before you sign on the dotted line.
2. **Pay attention** to all numbers that appear in the contract.
3. **If in doubt, ask;** and if unhappy, negotiate.

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Side note:

Sorry took me a while to continue this series. If you decide to go the conventional route and sign with a record label, the contract that you are signing is probably the most important document for the rest of your career. Because of the radically changing nature of music industry these days, you may be required to sign different contracts with different companies. For instance, you may sign one with the record company, another with the distributor, then another for online content and another for online music stores etc.

As I will not be able to cover all forms of contracts, we will use the generic recording deal contract for this piece. The aim is to give you a general understanding of what you are signing for, and how the monies (both revenue and expenses) accumulated from this venture is distributed.

One last thing before we go into the details. If you are self-signed, I suggest that you still sign a proper contract between yourself and the company that you form as your record label. There is a lot of pros to separating yourself the business owner and yourself the rockstar into two entities. For instance, if the are any problems or lawsuits, the company would be liable, but not you (depending on how you set up the company). Especially if you are in a band, having this piece of paper will help with managing the money that you receive from your works and gigs.

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ANATOMY OF A RECORDING DEAL, SIMPLIFIED

**Rule number one:** Get yourself a lawyer. If you don’t have the money, find a friend who understands the law and can help explain what the contract is all about. Don’t take this advice lightly.
There are a lot of things covered in a contract. I am no lawyer but I will try to explain it to you in a layman’s language.

A. What is a contract?

A contract is basically a legal document that binds you and the recording company in a working relationship. It’s something like an appointment letter.

B. Who will it involve?

In a contract there are two (or more parties) involved. You will be known as “Artiste”, and the recording company will be known as “Company”. Here’s an example of a contract and we will go one by one to understand what it means. Bear in mind that not all contracts are the same but this will at least give you a general idea of what to expect.

C. Term of Appointment

Term of appointment means the contract period, or how long you will “work” for the recording company. It usually comes with an option period. That means, after your initial period is over, the recording company will asses you and will offer to extend the contract for the length of the option period. If you suck, they can elect not to extend it. It’s as simple as that.

Example of clause:

\[
\text{The term of this agreement shall be for an initial period of One (1) year followed with a Three (3) consecutive separate options to extend for further periods of One (1) year each upon the same terms and conditions applicable to the initial period.}
\]

D. Obligations of the Artiste

This will cover your duties, of what is expected of you during the duration of the contract, Master recordings = album. The contract will determine how many albums you must make, usually one album a year.

Example of clause:

\[
\text{During the initial option period, Artiste shall record for Company One (1) master recordings. At the election of the Company, which election may be made, if at all, at any time prior to the expiration of the Term, Artiste shall record for the Company additional masters the numbers of which shall be selected by Company.}
\]

E. Obligations of the Company

This is the part that confuses most artistes.

As a standard procedure, a recording company (after this I will only refer to it as “RC”) will pay you a certain amount of money to start you off. This is called advances. The amount depends on how much faith they have in you.

You can negotiate the amount if you feel what they are offering you are not enough. Before you get too
excited and ask for an exorbitant amount – remember this: the amount will be deducted from your future earnings.

So the bigger the amount you get now, the less you will get in the future. when the royalty monies come in. Simply put, if you get RM20,000 now, this RM20,000 will be deducted from your royalty payment when your album sales start rolling. So it is not really the recording company’s money, it is YOUR money from the future.

Rule of the thumb is that whenever you see the word advances or recoupable take special attention because these are the things that the RC will provide to you now and will deduct from your earnings later.

Example of clause:

Company shall pay to Artiste, upon execution of this Agreement and prior to the recording of masters by the Artiste, the following sums which shall be advances and recoupable by Company out of all royalties becoming payable to Artiste pursuant to this agreement that is to say the sum of RMXXX.XX

Company shall be responsible for and shall pay all recording costs incurred in the production of masters to this Agreement, marketing, distribution and other exploitation costs. Recording costs shall include but not limited to the followings: – Production Fees, Co-producers Fees, Musicians’ Fees, Studio Hours, Travel Expenses, F & B Expenses, Miscellaneous Expenses, Final Mix, Mixing Engineers Fees, Mastering, Materials/Tapes – Masters, DATS, etc

So, if you get a recording deal worth RM50,000 it doesn’t mean you will get your hands on a cash sum of RM50,000. It simply means a sum of RM50,000 is allocated to the above, part of it may be given to you as an advance recoupable for your future earnings. It will also determine the kind of marketing, musicians, producers etc that you can hire because you only have this sum to play around with. In other words, you may want to work with Quincy Jones but you don’t have the money for it.

As you can see, there’s a lot of costs involved in producing an reasonably quality product. However, please remember that the figures above are just hypothetical. Discuss with your producer and A&R manager about this further so that you understand what you are getting into.

F. What about royalties?

There are many ways you can make money. But the one that your RC is interested in is how many albums you can sell. Your royalty will be paid based on this. The more you sell, the more money you will get.

How MUCH you will get depends on the figure agreed in the contract. The last time I reviewed a contract, the standard rate for a new artiste is 8%. There are also other types of royalties. If you write your own materials, you are entitled to a copyright royalty. For this particular kind, you need to be registered with a publishing company.

Which brings me to another interesting point. Some RC insists that any materials that you write belong to the company. That means they will hold the copyright. Personally I think this is crap. If you write the song, you should hold the copyright. Remember when Ning Baizura changed companies from Sony to BMG and she is disallowed from singing any of the songs that she recorded with Sony? That is because Sony holds the copyright, hence they OWN the songs. They can actually bar you from singing or using any
materials that you've recorded previously if they want to. **For copyright matters I strongly suggest you get a lawyer to advise you properly.**

Royalty payments from the sales of your album are usually done once every 3 months. Copyright royalties are paid once a year.

Do remember that when your royalty is tabulated, there are certain amount that will be deducted: remember those advances that I mentioned earlier?

I have had people coming to me and complaining that they have been cheated and that despite their recording company collecting a fat royalty cheque, they get nothing. When I asked to see their contract and the royalty payment statements, it was apparent that they were unaware of the deductible advances. It is very easy to get swept away with the lifestyle – you want this hotel, that kind of car, this meal etc – you need to know if all these are expenses or advances. In one contract that I reviewed, the accommodation expenses were included as part of recoupable advances and this rockstar actually requested for a fancy condominium at a posh part of town, not realizing that THIS was where all his future royalty payments went to. READ AND UNDERSTAND THE CONTRACT, PEOPLE!

Another thing, when the recording is done they will ask you to do promotional stunts all around the country. These are usually **unpaid activities** and it will take a lot of your time. In fact sometimes you may even have to pay for the expenses yourself (like hotel and F&B) if they are not covered in your promotional activity expenses. Musicians always complain to me that they do this and that but never get paid for it. You need to learn to distinguish between promotional activities and actual gigs. Which brings me to the next point.

**G. Can I just hire someone to manage me?**

Yes you can. I absolutely agree that is a good idea to hire a manager. Basically a manager is your agent. He will do your marketing, get you dinner shows etc. Whenever you appoint a manager, you will have certain financial obligations to fulfil. Pointers:

1. Firstly, agree on the scope. What is this manager supposed to do? Is there a minimum “sales target” for him to achieve every month? After all, managers get paid when you get paid so the tow of you should sit down and agree on a monthly target.
2. If you are going to pay him a fixed amount of money every month – draw up an appointment letter.
3. If you are going to give him a percentage of your income from the shows or deals that he gets you – draw up a contract and commission structure.
4. Appoint someone who really knows what he is doing. You may be tempted to appoint your sister or brother to manage your career but unless they are familiar with the scene, forget it. A manager should have all the contacts, get you shows, negotiate for the best payment and recording deals; you get the picture. A good manager can ensure that your coffer will not run out because you are his income. If you do well, he will do well too.
5. It’s not a hands-off deal. You need to be involved. Do not ever let your manager run the show totally. Always make an effort to get to know what is happening. Your manager is actually an extension of yourself, and he is entitled to act on your behalf so please know what he is doing. If your manager is rude to the press for instance, it will reflect badly on you. If the manager ask you to do a show that clashes with certain priorities, make your voice heard. You are both working for each other so be respectful and come to a working arrangement that will benefit you both.

**H. But I am a musician, why do I need to know all this?**
You need to know because even if you hire a business manager to take care of business for you, you are ultimately responsible for your finances and your career. Certain things or gigs need permits, licences; taxes need to be paid, sometimes you need to put up a bank bond. You don’t have to know everything, but think of yourself as the CEO of your music career – you need to know enough to know that things are heading in the right or wrong direction.

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