

Recording Contracts



MUSIC
MANAGEMENT
MRT-221

Big 3 Record Labels

• Warner Music Group

- Atlantic
- Elecktra
- Rhino
- Alternative
- Alliance
- Warner Records

• Sony BMG

- Columbia
- RCA
- Sony Masterworks
- Epic
- Sony Music Nashville
- Sony Music Entertainment (Distributes Independent Labels)

• Universal Music Group

- Interscope Geffen A&M
- Capitol
- Republic
- Island
- Def Jam
- Verve
- Decca
- Universal Distribution *
- * Disney Music Group
(Hollywood Records – Breaking Benjamin)

Recording Contracts

- Who's taking advantage of whom?
- Read the fine print
 - The record company may eventually “own you”
 - “leaving member clause” of contract
- Contract Employee
 - Long-term, continuing basis
- Independent Contractor
 - Short-term relationship
- Major difference is taxes, workers comp
 - W4 vs. 1099 employee

PAYMENT RECEIVED

- No less than union scale
 - AFTRA
 - AF of M
 - Each LOCAL has their own scale
 - Larger cities more \$\$\$ than smaller cities
 - What is union Scale?
 - “Residuals” always important
- Usually receive advance in excess of scale

Profit Sharing



- Record Royalties
 - 11-16% (MSRP)
 - Record Co. gets paid first
- Publishing Royalties
 - ASCAP (Amer. Soc. of Composers, Authors and Publishers)
 - BMI (Broadcast Music Inc.)
 - SESAC (Soc. Of European Stage Authors & Composers)
- Merchandising royalties

Usual Contract

- based on delivery of minimum number of sides
 - 8-10 sides (minimum length 2 1/2 minutes)
 - Time Period 9 months - 1 year
- Exclusivity & renewal options (1yr. Increments)
 - Not allowed to record with anyone else
 - exceptions granted w/ credit on album

New Artist Restrictions

- Permit record co. to choose compositions
- Record Company Publishes Music
 - Benefits for Co.
 - mechanical rights fees (9.1 cents per song/ per copy up to 5 min/ 1.75 cents per min thereafter)
 - copyright fees ©
 - sheet music sales
 - RE-RECORDING
 - 5 year ban on recording songs for anyone else

DRAWBACKS



- Work for Hire
 - No claim to music, masters or copyright
 - Big names negotiate rights reversion after “x” years
- Assignment of rights
 - sold to less prestigious label
 - contract states co.'s gross receipts to use as a gauge in contract assignment clause

DRAWBACKS (cont'd)

- Co.'s has contract for exclusive use of name
- has final say in replacement of personnel
- Registered Trademark ® of bands name & logo



Recording Sessions

- major Artists up to \$500,000
- new acts - \$80,000 - \$150,000
- Record Companies invest \$\$\$
- Artist invests time & talent
- WHO BENEFITS FIRST ???

*How much does a performer
make on the sale of a \$12.95 CD*

A. \$ 5.00

B. \$ 3.00

C. \$ 1.50

D. \$.50

HOW THE MONEY IS MADE

- Royalties
 - Artist receives % of MSRP (less tax & duties)
- % usually 7 - 12 %
- Bigger names 13+ %
- Incentive Bonus for 500K - 1 Mil sold
- Escalator Clause over 1 Mil
- Bonus for contract extension

IS IT THAT EASY???

- % based on 90% of sales
- based on old LP figures (breakage / defective)
- CD's -85% (payback for R&D on media)
- New Tech (75% for same reason)
 - Artists now limit concessions to 2 year contractual agreement

MSRP



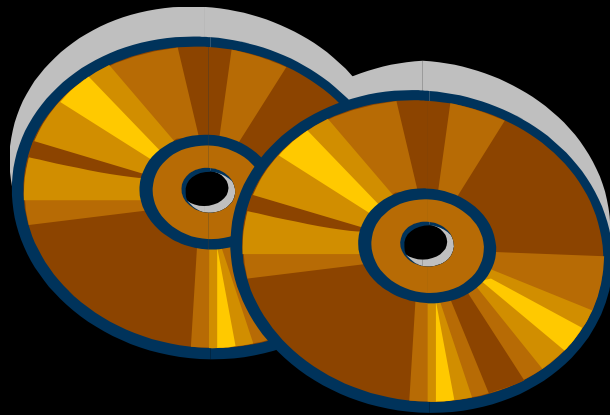
- CD's - \$12.95 - \$16.95
- Record companies first in line to get their money back
 - Studio session
 - production & packaging
 - distribution and promotion

Deductions

- design/packaging/wrapping costs (15%-20%)
- no royalties for disks given away (comps/promos)
 - artist usually negotiates max. amt. of free goods
 - Usually 15% of units sold

What does it mean?

- WENT OUT PLATINUM
- CAME BACK GOLD



Deductions (con't)

- Unsold goods (returned by stores after several months)
 - 25% of royalties usually held on reserve for up to 2 years
- Foreign Sales (1/2 of US royalty for artist)
- FREEBEES
 - Record Clubs (give-aways can exceed # sold)
 - Retailer incentives

DID YOU KNOW???



- Record 3 Projects
- 2 losers / 1 winner
- winner pays all costs of losers
 - Record company recoups all costs first

TYPICAL TAKE



- \$12.95 msrp
- 25% Packaging
- 90% Paid on
- 15% Free goods
- 15% technical deductions
- 25% reserve
- 12% All-In Royalty (INCLUDES 3% FOR PRODUCER)

*How much does a performer
make on the sale of a \$12.95 CD*

- A. \$ 5.00**
- B. \$ 3.00**
- C. \$ 1.50**
- D. \$.50**

ARTISTS CUT



- 46¢
- Most albums (85%) fail to cover costs
- Artists derive \$\$\$ from concerts & song writing + ancillary sales (T-Shirts)
- Touring is sometimes a losing proposition
 - Large staging & planning costs
 - Crew, travel, etc

Sources of income



- Record Advances, Royalties
- Publishing Advances
- Royalties
 - Mechanical
 - Performance
 - Synchronization Fees
 - Merchandise
- Tour Income and Sponsorships
- Record Companies
 - cross collateralization
 - One album pays for another
 - Current earnings that pay for prior debts

NEXT Class



- Techno Pop Quiz
- Lecture: Agents and Managers
- NEXT PRESENTATION