



# 10 Tips **Be Prepared BEFORE You Sign A MANAGEMENT AGREEMENT**

**ARTISTS** should be very careful before entering into a management agreement as there are important legal and financial ramifications that can last for years, even after the term of the agreement has ended. Artists should have an experienced music attorney negotiate their contracts. This article will discuss ten tips for the recording artist to consider before taking the big step.

**1. DO YOUR DUE DILIGENCE:** As an artist you need to research and investigate the manager and/or management company you are considering entering into a contract with. Of course, this should be done before you enter into the contract. Do your Google search, check out the manager's website and talk to people in the music industry about the manager's reputation, etc. Also, try and find a manager with recent experience in your genre of music. Try and confirm independently what the manager tells you as far as who he or she has represented and what he or she has done. Experienced managers with great contacts are hard to find. You may have to consider an inexperienced manager who is honest with you and enthusiastic about working on your career.

**2. TERM:** This refers to how long the management agreement will last, usually three to four years in the music business. From the artist's standpoint, try to commit to as short a period of time as possible. You can renew the agreement if things work out. Also, try to keep the number of options to a minimum and try to avoid the automatic exercise of options.

### 3. COMMISSIONS:

**a. Amount:** Generally commissions for managers in the music industry are 20 percent. If there is a co-manager or former manager, try to make sure that you are not paying more than a total of 20 percent. If you are a recording artist, you can try and argue that the commission should be 15 percent for non-music work, such as in TV and film.

**b. Gross income:** A manager's commission is usually based on the artist's gross income. Make sure that the management agreement provides that certain expenses are excluded from gross income such as tour support, money paid to finance video production budgets recoupable from artist's royalties, or monies paid to the artist as "all in" funds for record production.

**c. Exclusions:** You may have certain types of entertainment industry income which, in all fairness, should be excluded from commission by your manager. For instance, if you are a successful actor and are branching out into the music business, you should exclude from commissions your pre-existing revenue from acting, especially if your music manager does not have any contacts or experience in TV and film and will not be performing services in those areas.

**d. "Sunset" Clause:** Management agreements typically have "sunset" provisions which provide for payment of commissions after the term of the management agreement has expired. For example, make

sure your management agreement provides that if negotiations for a recording contract commence during the term of the agreement, but the actual agreement is not signed until after the term, the commissions will decrease over time. For instance, the manager could receive 100 percent of the 20 percent commission during the first year after the management agreement expires, 75 percent during the second year, etc.

**4. KEY MAN CLAUSE:** This refers to a clause which designates an individual as a "key man." If you sign with a management company, there may be one particular manager whom you want to work on your career. If that person leaves the management company or no longer works on your career, you should have the legal right to terminate the management agreement.

**5. POWER OF ATTORNEY:** Some managers request power of attorney which means they want the right to sign contracts and/or endorse checks on your behalf. A manager may argue that this is necessary for convenience purposes, or if it is hard to reach you. I don't like to agree that a manager can sign contracts on behalf of my client. I would avoid agreeing to this type of provision, except perhaps for cosigning checks that come in jointly payable to you and the manager if you have agreed that checks will be deposited into the manager's account.

**6. AUDIT RIGHTS:** If checks are going to be deposited into the manager's account, as most managers require, with the manager deducting his commission and paying the balance to you, you should have the right to have a CPA audit the manager's books and records.



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**7. CONFLICTS OF INTEREST:** Management agreements should provide that there will not be any double dipping. For instance, if your manager is producing a concert and getting paid as a producer, he or she should not also take a management commission on your compensation if you perform at the concert.

**8. ARBITRATION:** You may want to provide for the binding arbitration of any disputes you have with your manager. This will usually result in a quicker resolution of your dispute with less attorney's fees incurred.

**9. MISCELLANEOUS:** Your management agreement should provide that it can only be changed or modified by a written agreement signed by the parties, and that the law of the state where you reside/work will apply.

**10. HOW DO I GET OUT?** If you are in the unfortunate position of trying to terminate a management agreement, artists frequently assert (in California) that the manager "procured" employment and therefore violated the California Talent Agencies Act, thereby entitling the artist to terminate the management agreement. Also, if you have a three- or four-year management agreement you can try and build in some "outs." For instance, if you do not earn at least \$25,000.00 within the first year of the management agreement, the management agreement can provide that you have the right to terminate the contract.

*Glenn Litwak is a music and entertainment attorney in Beverly Hills, CA. He represents recording artists, music producers, managers, songwriters and music production and management companies. Litwak is a frequent speaker at music conferences around the country and teaches a course entitled "Self-Defense in the Music Business" at the UCLA Extension, Entertainment Studies Program. Log on to his law firm's website at [www.litwakandhavkin.com](http://www.litwakandhavkin.com).*