



## **To Sign Myself or Not to Sign Myself: That is the question**

I got a great question the other day: Should I set my band up as a business or should I setup a label, and do I have a conflict of interest with other acts I may sign?

Your band is already a business, and you have to recognize that then treat it like one. If you incorporate or form a limited liability company you're simply protecting yourself as band members from any individual legal liability you may expose yourself to when you do band business (cause riots, break studio equipment, take out loans, credit issues, whatever - I'm not going to get into vicarious liability and respondeat superior here). However, if you want to run your band business you're likely doing what a label would do for you. It may be redundant to form both companies when you can just sign yourself (sign the band to your label) to a label that you as a band control. There are lots of risks associated with partnering with band mates (fights over money, creative issues, intrapersonal issues), but there can be lots of rewards (trust, honest relationships, open communication, and winning for the label means winning for the band). Now, you're doing well with you own records and you want to sign other acts and repeat your success formula. There may be a "conflict of interest" but there's no one to police the conflict. The conflict is inherent. How can they be sure that you'll care as much about their music as you should? They can't, but your duty as executives to the label is to serve the best interest of the business, not just your band. So, if selling their records advances the bottom line, then you're going to do what's best for the label. Regardless, if they signed with you they waived any conflict (real or perceived) and the recording contract should include the waiver. They want to work with an indie that understands entrepreneurial entertainers and has had success, so they'll sign. Not to mention that your previous hard work has created a new market for your continued success as a record executive (as Diddy and Jay-z). At this point, the label has more liability to bear, and new people can mean new problems. Now it makes a little more sense to incorporate the band. You may want to set up the band business, have it sign for future recordings from the band, and the individual band members paid by the band business after payouts from the label. You can also keep your executive salaries separate from band earnings easier. If the label gets sued, then you don't want all of your hard earned money that was earned by your band to be at risk. Hopefully, your insurance will cover you, but the conditions of a settlement or court order can state current obligations to pay aren't ceased and the settlement funds come out of label profits on a schedule. Your band can still get paid as a band you as an executive of the label, and you can survive a bad situation because of proper planning.

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