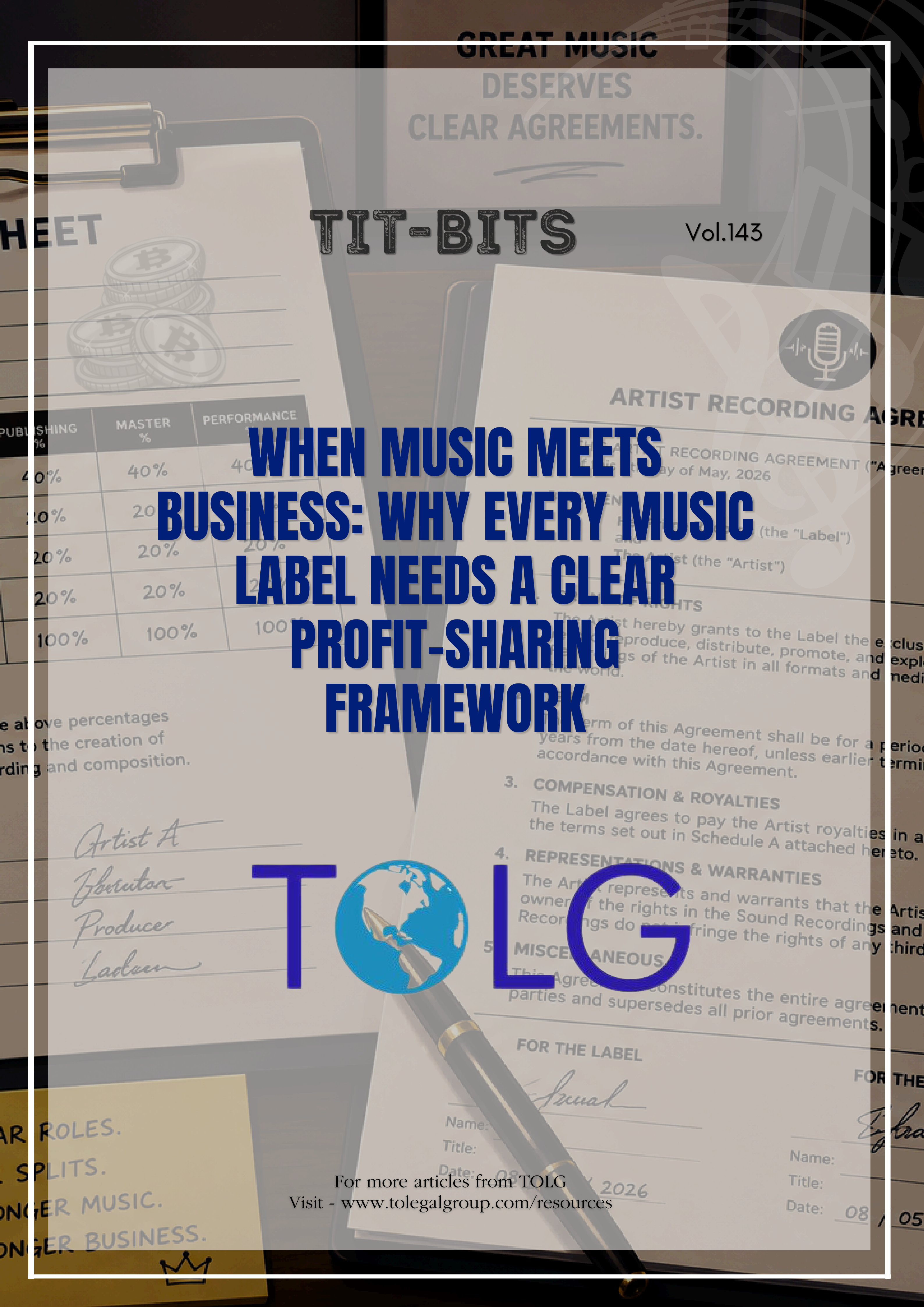

TIT-BITS

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WHEN MUSIC MEETS BUSINESS: WHY EVERY MUSIC LABEL NEEDS A CLEAR PROFIT-SHARING FRAMEWORK

TOLG

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Success in the music business is often built on creativity, trust, and shared ambition. Where artists and founders are also family members, that trust may feel sufficient at the beginning. However, experience across the entertainment industry shows that strong personal relationships are best preserved by equally strong legal and commercial structures.

One of the most important tools is a Split Sheet. A Split Sheet records each contributor's ownership interest in a musical work, including songwriting and composition credits. Completing and signing this document as soon as a song is created helps reduce uncertainty and provides a clear basis for royalty collection and distribution. It also ensures that performing rights organisations, publishers, and digital platforms have consistent ownership information.

Where a music label is involved, a well-drafted recording or artist agreement should define how revenue is earned and shared. Music income rarely comes from a single source. Streaming, live performances, synchronization licenses, merchandise, neighbouring rights, publishing, and brand partnerships may each have different commercial arrangements. The agreement should clearly state which revenue streams are shared, the applicable percentages, permitted deductions, accounting timelines, and audit rights.

If the label is jointly owned, a comprehensive shareholders' agreement is equally essential. This document should address decision-making authority, profit distribution, voting rights, capital contributions, director appointments, restrictions on transferring shares, dispute resolution procedures, and exit mechanisms. Where family members are shareholders, these provisions help separate business decisions from personal relationships and provide a framework for resolving disagreements without jeopardizing either.

Transparency should also extend beyond legal documentation. Labels should maintain accurate financial records, adopt consistent royalty reporting practices, and establish periodic financial reviews. Regular reporting promotes accountability and reduces the likelihood of misunderstandings over earnings and expenses.

Ultimately, good governance is not a sign of mistrust; it is an investment in the longevity of both the business and the relationships behind it. Whether collaborators are friends, relatives, or siblings, documenting ownership, profit-sharing arrangements, and governance expectations from the outset provides clarity when the business succeeds and stability when challenges arise. In the entertainment industry, preserving relationships often begins with putting the right agreements in place before success arrives.