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COLORADO A-COMPANIES: OPTIONS FOR ARTISTS AND INVESTORS NATIONWIDE

PEOPLE

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SERVICES AND INDUSTRIES

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INTRODUCTION

Colorado recently enacted a first-of-its-kind statute (the Act) creating “Artist Companies” (an A-Company) – a variant of a Colorado limited liability company with certain artist-friendly default provisions. The Act became effective on Aug. 12, 2026.

Below is a high-level overview of the key distinguishing features of A-Companies and considerations for artists, investors, and creative businesses considering using this new structure– in Colorado and beyond. In sum, the Act provides a pre-built entity that favors artists, but limitations on investor participation may limit widespread adoption.

1. VOTING POWER VESTED EXCLUSIVELY WITH ARTISTS; SUBCHAPTER S-CORPORATION STATUS PROHIBITED

The most unique characteristics of an A-Company are: (1) a required “artistic mission” and (2) a minimum artist (non-investor) ownership of 51% (not a simple majority). Critically, the Act separates economic rights from control, and key transactions require a separate majority approval of the artist. (A-Companies can be structured around multiple associated artists, i.e., members in a band, therefore references to “the artist” includes all artists or, where applicable, a majority thereof.) This structure maintains artist control and limits the use of creative acquisition or management structures.

2. INVESTOR RIGHTS TO ART LIMITED; REVERSIONARY-RIGHTS

Work an artist creates while a member that relates to the A-Company’s artistic mission (“artistic work”) (but not prior works contributed by the artist) is subject to waivable protections. As such, the artistic mission is key to ownership of intellectual property (IP). The organizational documents may require artistic work to be assigned or exclusively licensed to the A-Company, but an artist may retain specified work by providing timely written notice (i.e., upon formation or within 30 days after creation), in which case the A-Company instead receives only a nonexclusive, perpetual, irrevocable license to use the artistic work for the A-Company. Conversely, any IP that does not qualify as artistic work (e.g., a logo or software tool) becomes an ordinary, unprotected

A-Company asset.

Additionally, artists enjoy default (but waivable), automatic reversionary rights in artistic work. Unless the governing documents provide otherwise, on dissolution or the artist’s departure, all rights revert automatically to the contributing or creating artist, terminating any assignments or licenses. For jointly created works, reversion follows (in order): the terms in the organizational documents, mutual agreement of the artists involved, or, absent agreement, federal IP law.

3. INTERACTIONS WITH FEDERAL COPYRIGHT LAW

The Act operates alongside federal copyright law, and counsel should confirm compliance with both regimes. Key considerations include:

Moral rights. The Act does not affect rights under the Visual Artists Rights Act (VARA), which remain personal to the artist and require a separate signed waiver.

Termination rights. Federal copyright law provides authors with non-waivable termination rights after 35 years. Upon the artist’s death, these rights may pass to the artist’s heirs or devisees. Interaction with the artist’s reversionary rights remains uncertain.

Work-for-hire classification. The Act frames member contributions as assignment or exclusive licensing rather than work made for hire, making its reversionary rights meaningful. If a work is determined to be made for hire, federal law deems the company to be the author and initial copyright owner, leaving no assignment to revert under the Act. It is uncertain whether the organizational documents would suffice as an approved written agreement to the contrary. Likewise, whether a particular arrangement satisfies the federal work-for-hire test is a fact-specific inquiry.

Transfer formalities. Copyright assignments and exclusive licenses generally require a signed writing, regardless of the Act's contribution provisions.

4. TAX CONSIDERATIONS

A-Companies likely do not qualify as Subchapter S-Corporations for federal income tax purposes due to the presence of a second class of “stock,” namely due to the fact that artist “stockholders” enjoy reversionary rights, whereas investor “stockholders” do not.

5. INVESTOR’S PERSPECTIVE

Due to their unabashedly pro-artist leaning, A-Companies should be disfavored by traditional investors, unless they are disinterested in the art itself and can remain comfortable as a silent investor. While certain provisions can be waived or toggled to be balanced or pro-investors, the investor cannot exercise any substantive control over operations and has limited claim to the resulting art. This creates a (likely unintentional) result, whereby an investor becomes barred from enjoying the resulting work product. Additionally, large investors (i.e., record labels) will likely disfavor A-Companies in favor of traditional structures and may mandate reorganization under more traditional forms prior to further involvement.

6. FOREIGN ARTISTS

With the proper filings and amendments to governing documents, A-Companies are available to artists and investors outside of Colorado. Time will tell if Colorado becomes the "Delaware for artists."

If you have questions regarding A-Companies, please contact your regular Armstrong Teasdale attorney or one of the listed authors.