

MERCHANDISE LICENSE CONTRACT

Agreement made and entered into this ____ day of _____, 20____ by and between _____, hereinafter referred to as "Owner" and _____ of _____ hereinafter referred to as a "Licensee";

WITNESSETH:

Whereas, Owner was organized for the purpose of and is engaged in the United States of America in the creation and production of CD's, cassettes, videos, sheet music hereinafter referred to as "music products";

And Whereas, Licensee is in a position directly or indirectly to provide manufacturing, marketing and distribution facilities for products in the licensed territory referred to below;

NOW THEREFORE, in consideration of the foregoing and of the mutual promises hereinafter set forth, it is agreed:

1. Owner hereby grants to Licensee, for a period of three years from the date of this agreement, the exclusive and non-assignable rights to manufacture, sell and distribute music products, without limitation or restriction except as set forth herein, with respect to the music recordings and sheet music masters (herein sometimes called "master recordings") set forth in Exhibit A, attached hereto and made a part hereof, anywhere in and solely in the territory of the United States and covering the mail order market and the LDS market, herein called "licensed territory").
2. Except as provided for in this agreement all other rights of any nature whatsoever in the aforementioned musical products are reserved by Owner.
3. If Licensee fails to account and make payments hereunder and such failure is not cured within thirty (30) days after written notice thereof to Licensee, or if Licensee fails to perform any other obligations required of it hereunder and such failure is not cured within thirty (30) days after written notice thereof to Licensee, or in the event that Licensee shall go into compulsory liquidation, or shall go into bankruptcy or make an assignment for the benefit of creditors or make any compositions with creditors, or any insolvency or composition proceeding shall be commenced by or against Licensee, then and in any of such events, Owner, in addition to such other rights or remedies which it may have at law or otherwise under this agreement, may elect to cancel or terminate this agreement without prejudice to any rights or claims it may have, and all rights hereunder shall forthwith revert to Owner and Licensee may not hereafter manufacture musical products from masters furnished under this agreement by Owner, or sell such musical products. Upon such cancellation or termination, Licensee shall destroy all such musical products in its possession and thereupon return all then existing tapes and manuscripts previously received from Owner, or any derivatives of same.
4. In consideration for the rights herein granted Licensee agrees to pay to Owner a sum equal to twenty four 22.5% of the gross monies receive by Licensee in the licensed territory of ninety (90%) of all musical products manufactured and sold hereunder. Licensee shall notify Owner of gross money received in the licensed territory within thirty (30) days from the date hereof, and will notify Owner of any changes thereof within fourteen (14) days of any such change. In the event payments due to Owner are delayed or denied by governmental regulations, Owner shall be entitled to designate a local depository in the licensed territory in which Licensee at the direction of Owner shall use its best efforts to deposit such monies to the credit of the Owner.

5. Payments by Licensee to Owner of royalties due pursuant to paragraphs 4 hereof shall be made monthly 75 days from each months end and each such payment shall be accompanied by a statement setting forth in detail the computation of the amount there of and include, without limitation of the generality of the foregoing, the number of records sold from each master during the accounting period, as well as all charges, royalties and claims hereunder. All payments made by Licensee hereunder shall be computed in local currency at official rates effective on the date provided for payment, subject to any governmental exchange regulations in effect from time to time in the territory.

6. The royalties paid by the Licensee to the Owner pursuant to Paragraph 4 hereof are intended to include provision for all recording artists' and other talent royalties which shall be entirely payable by Owner. Licensee shall be free of any obligations to pay the costs of the recording sessions.

7. With respect to musical products manufactured or sold hereunder from master recordings which embody copyrighted musical or other material, Licensee agrees to pay or cause to be paid directly to the proprietors of the copyrights or their duly authorized agents all royalties which may be or become due to them.

8. Licensee agrees to commence the manufacture and sale of recordings hereunder within three (3) months from the date of this agreement, and in the event Licensee shall fail so to do, all rights granted herein shall automatically cease and terminate.

9. Licensee agrees that all records manufactured by and under this agreement shall bear the imprint, on the label and album cover and/or sleeve, of the words, c (date) _____ARTIST'S NAME _____, P (date) ARTIST, used by permission." in such manner and location as to give reasonable notice of copyright and phonoright.

10. Licensee agrees to defend, indemnify and hold Owner harmless against any and all liability, loss, damage, cost or expense, including attorney's fees, paid or incurred, by reason of any breach or claim of breach of any of Licensee's covenants, warranties, or representations hereunder or by reason of and in respect of the distribution, manufacture, sale or performance of musical products made by Licensee hereunder and not due to any violation or breach by Owner of its covenants, warranties or representations hereunder.

11. All musical products released hereunder shall be released in their entirety and without editing and in the manner and for the purpose originally recorded by or for Owner, unless Owner's prior written consent is secured. Adaptations by Licensee for different record speeds shall be deemed authorized. Licensee shall couple performances in a CD, record, cassette, video and music book only in the same manner as the master recordings manufactured by the Owner and only the compositions contained in masters supplied by Owner, unless otherwise notified in writing by Owner.

Recordings shall not be supplied by Licensee to record clubs, nor for promotional giveaways or other devices for mass distribution involving the sale of products at reduced prices or their being given away without receipt of payment, without Owner's prior consent in writing. Advertising or disc jockey promotions shall be deemed exempted from the foregoing prohibitions.

12. Owner agrees to deliver master recordings hereunder by supplying to Licensee at Owner's cost price plus any actual expenses incurred for packing and shipping (including insurance), one or more duplicate tape recordings, or duplicate of the sheet music originals, subject to the provisions hereof. Such tapes and masters shall be delivered to Licensee as promptly as possible following the submission of written orders therefor to Owner. At the time of the delivery to Licensee of the first such derivative from each master recording, Owner shall supply to Licensee, in writing, the correct title of the recorded work, the names of the author, composer, and publisher thereof, together with any additional copyright information known to Owner; the names of the recording artists as Owner displays or intends to display them on the labels of the products marketed by Owner.

13. With respect to master recordings delivered hereunder, Owner agrees to supply to Licensee samples of its advertising and promotional material including catalogues, supplements, release sheets, liners, photographs of artists, and the like, which shall be delivered to Licensee from time to time as prepared by Owner for use in the United States of America. All such samples will be free of charge, except that Licensee will pay all expenses for packing and shipping (including insurance), and customs and duty fees and expenses. Licensee shall have the right, insofar as the Owner possesses the right, to use any part or all of such material, in its original form or with minor modifications, on or in connection with records produced hereunder. Owner agrees, upon request, to supply to Licensee any such material in quantity, or plates for reproducing the same, at Owner's cost price plus any actual expenses for packing and shipping (including insurance).

Owner may require that such payments shall be made by sight draft against bill of lading. Licensee shall have the right, at its option, to reproduce any or all such material for use as aforesaid, provided, that Owner itself has obtained the right to grant such right to Licensee and Licensee shall have made any payments necessary in such connection.

14. The rights hereby granted by Owner to Licensee are the following:

a. The right to manufacture, sell, publicly perform and advertise in the licensed territory only, records containing the performances embodied in the master recordings made available by Owner to Licensee as above provided;

b. The right to use in the licensed territory the name, likeness and biography of each artist whose performance is embodied in the said master recordings in connection with the advertising publicizing or sale of musical products manufactured therefrom, provided, however, that Licensee shall abide by any restrictions imposed upon Owner with respect thereto of which Owner has notified Licensee at the time of delivery under paragraph 12.

15. Licensee shall supply Owner with a minimum of ten (10) sample copies of each release.

16. Licensee shall make available to Owner copies of each release as follows:

a. Unlimited copies at the Licensee's cost for the Owners purposes promoting concert, television and radio performances as well as other promotional purposes. These copies shall not be sold to the public, nor shall they be given to the public free of charge.

b. Unlimited copies at 40% of the suggested retail price, for the Owner's purposes of selling to the public after concerts, performances and programs and at the _____ retail location. It is understood that Licensee shall still remit to Owner the 22.5% royalty on the gross received for these purchases as specified in paragraph 4.

17. All masters and duplicates thereof of recordings and compositions hereunder, and all copyrights, ownerships and rights in and to such recordings, shall remain the sole and exclusive property of Owner, subject, however, to the rights of Licensee to make reproductions pursuant to the terms of this agreement.

18. Owner shall have the right to inspect and make extracts of the books and records of Licensee, its subsidiaries, affiliates, licensees and assigns wherever same may be, insofar as said books and records pertain to any monies payable to Owner under this agreement and any extension or modification thereof, or insofar as any said books or records pertain to the exercise by Licensee, of any rights granted to Licensee hereunder. Such inspections shall be made on ten (10) ten days written notice, during normal business hours of normal business days, but not more frequently than once annually in each year.

19. Licensee agrees to sell recordings manufactured hereunder only in the normal course of business and at regular prices. Licensee shall refrain from distress and closeout sales of such recordings.

20. Upon the expiration or other termination of this agreement, except as otherwise provided herein, all pressing and printing by Licensee shall cease. With respect to all masters, including any made by Licensee, and any other material in Licensee's hands used in the manufacture of Owner's records, Licensee shall promptly at the option of the Owner and upon its written instructions, either:

a. deliver same to Owner in the United States or licensed territory, as designated by Owner at Owner's sole cost and expense of delivery, or

b. transfer same at Owner's sole cost and expense of delivery to any other company designated and approved by Owner, or,

c. destroy same under Owner's supervision, or at Owner's request destroy same and supply Owner with an affidavit of such fact, sworn to by a principal officer of Licensee. Notwithstanding the foregoing, upon expiration or other termination of this agreement, except for termination of this agreement by Owner by virtue of Licensee's breach or default under this agreement, Licensee shall have the right to sell, for a period of six months only, in normal course of business and at regular prices, any inventory of musical product previously manufactured hereunder, provided and on condition that within fifteen (15) days from such termination or other expiration Licensee furnishes to Owner a written list of such inventory which also shows the factory costs thereof. Such sales shall be subject to the payment of royalties by Licensee under the terms of this agreement.

However, at any time after the expiration or other termination of this agreement, Owner shall have the right to purchase from Licensee at Licensee's factory cost, all or part of the inventory not theretofore sold by Licensee. Such sales shall not be subject to the payment of royalties under this agreement.

21. For the purposes of this agreement, the term "musical product" shall mean any disk record of any material and revolving at any speed, or any other device or contrivance of any type, character or description, whether now or hereafter known, for the reproduction of sound, manufactured or sold primarily for home entertainment, whether embodying sound alone or sound synchronized with or accompanied by visual images, (e.g. "sight and sound" devices). It shall also include any printing of sheet music or written publications.

22. Owner represents and warrants that it possesses full right, power and authority to enter into and to perform this agreement and that it will not, so long as this agreement remains in effect, grant or attempt to grant to any other person, firm or corporation in the licensed territory, rights of any kind in any of the aforesaid master recordings, the exercise of which would derogate from or be inconsistent with the rights granted to Licensee hereunder. Owner also represents and warrants that there are no liens or encumbrances against any of the recordings which are the subject hereof, which would derogate from or be inconsistent with the rights granted to licensee hereunder.

23. The covenants, representations and warranties hereunder are subject to applicable laws and treaties.

24. This agreement shall be deemed made in and shall be construed in accordance with the laws of the State of _____. If any part of this agreement shall be invalid or unenforceable, it shall not affect the validity of the balance of this agreement.

25. Owner may assign its rights hereunder.

26. This agreement may not be modified orally and shall not be binding or effective unless and until it is signed by the parties hereto.

IN WITNESS WHEREOF, the parties hereto have entered into this agreement the day and year first above written.

Artist: _____

by: _____

Licensee _____

by: _____