

DISTRIBUTION DEAL PROPOSAL: P&D+

1. **Territory:** United States
2. **Scope:** The album entitled _____ (“Album”)
3. **Term:**
 - a. The “Term” shall commence upon the date of the initial release of the Album in the Territory and continue for a period of 3 years thereafter.
 - b. In the event that Licensee has not sold more than 15,000 units by the expiration of the second year of the Term, Licensor shall have the opportunity to terminate this agreement.
4. **Delivery Commitment and Sales Minimum:** The Label would deliver no less than three (3) previously unreleased, newly recorded, studio albums during each year of the Term. [In the event Net Sales amount to less than xxxxx in any contract year of the term, Licensee would have the right to terminate the agreement upon written notice to the Licensor.]
5. **Release Commitment:** Licensee shall release the Album in the Territory within 60 days after the Album is delivered to Licensee. If Licensee fails to release the Album, Licensor shall have the right to terminate this agreement.
6. **Grant of Rights:**
 - a. Licensee shall have the exclusive right throughout the Territory and during the Term to manufacture, distribute, advertise, sell, publicize, promote and exploit the Album [solely through normal retail channels in the United States][CHANNELS OF DISTRIBUTION]. [Licensee shall not have any rights with respect to any individual recordings apart from the Album.][EXCLUSIONS]
 - b. Licensee shall store Albums in their warehouses at Licensee’s cost and risk; shall sell Albums based on the selling price for top-line records; shall fill orders and maintain proper inventory; shall process all returns; and shall collect all accounts receivables for the Album throughout the Territory and during the Term.
7. **Distribution Fee:** Licensee may retain as its distribution fee [20%][17-24% for physical][14-18% for digital] of Net Receipts. “Net Receipts” shall be defined as the [gross receipts earned by the Distributor][EXCLUSIONS (e.g., digital performance, direct licensing)] LESS all reasonable, direct out-of-pocket costs and expenses paid or incurred by Licensee and approved by Licensor in connection with the Album. Licensor shall approve the wholesale and retail-selling price of the Album.
8. **Advances/Billing:**
 - a. Licensee shall pay Licensor \$xxxxx upon execution; fully recoupable from Licensor’s share of Net Receipts payable hereunder.
 - b. Returns, inventory processing, warehousing, “price and positioning”, and other distribution and sales services shall be handled in accordance with Licensee’s agreement with its distributor, and charges connected with such services shall, unless otherwise specified in this agreement, be “passed through” to Licensor at the same cost actually charged to Licensee by its distributor.
9. **Marketing Services:**

a. If applicable, Licensee would provide radio promotion and marketing services at a fee to be mutually agreed upon between Licensee and Licensor for each project commensurate with the work to be provided by Licensee's promotion staff.

b. Licensor would prepay the fees and costs associated with radio promotion and/or marketing services to be provided by Licensee. If Licensee incurs any third party costs for which Licensor is responsible, such costs would be deducted from Net Receipts otherwise payable to the Licensor, or the Licensor would promptly reimburse Licensee if proceeds are insufficient to cover such costs.

10. **Manufacturing:**

a. Upon Licensor's election, Licensee would, on the Licensor's behalf, cause the manufacture of those quantities of records that it deems necessary to fulfill all existing and anticipated orders therefor.

b. Licensor would be charged for any actual manufacturing costs Licensee incurs on its behalf on a so-called "pass through" basis (including without limitation, costs relating to pre-production [e.g., pre-press, proofs, match prints], production [e.g., disc checks], and freight), [plus ten percent (10%) of such charges] (collectively, "Manufacturing Costs").

c. Any Manufacturing Costs incurred by Licensee would be deducted from Net Receipts that have accrued as of the end of the month in which Licensee places the order for such manufacturing and, to the extent necessary, from Net Receipts thereafter accruing. Notwithstanding the foregoing, if, in Licensee's determination, accrued Net Receipts (calculated after deduction of all amounts deductible therefrom other than manufacturing costs) are insufficient to offset Manufacturing Costs, then the Licensor would be required to prepay any such Manufacturing Costs [above Five Thousand Dollars (\$5,000)]. Licensor would be required to prepay any Manufacturing Costs associated with any records (if any) for which Licensee arranges manufacturing but not distribution under the agreement.

11. **Accounting:** Licensee shall account to Licensor within 60 days after the end of March, June, September and December of each year. Statements shall include gross billings, shipments, returns, fees, charges, and payments to Licensor.

12. **Licenses and Clearances:** Licensor agrees to obtain all licenses and clearances, and pay all royalties and other payments which may be or become due to artists, producers, unions, guilds or other third parties, including all mechanical royalties with respect to records manufactured and sold hereunder, and Licensor warrants and represents that Licensee shall have no obligation with respect to any such payments

Distribution – Joint Venture

1. Term:

a. One (1) year with two (2), one (1) year options for DISTRIBUTOR; provided, however, if DISTRIBUTOR fails to provide the period funding as described below, LABEL shall have the right to terminate the agreement.

b. At the end of the term, the catalog of roster artists will continue to go through the deal and DISTRIBUTOR and LABEL will continue to split profits. Notwithstanding the foregoing, (i) with respect to catalog albums recorded during the term of the agreement, if (A) the particular album is not released during the term or within 90 days after the expiration of term, or (B) the particular album has not sold more than 10,000 units (or single download equivalent) during the term, the rights to such album shall be assigned to LABEL, and (ii) with respect to the roster artist, at the end of the term, the exclusive rights to such artist shall be assigned to LABEL, and all rights and recordings made thereafter shall be exclusively owned by LABEL.

2. Structure: 50/50 profit split and ownership.

3. Territory: Worldwide.

4. Roster: Budgets will be mutually approved. LABEL shall have the right to sign at least 2 artists per contract period in their sole discretion.

5. LABEL Services: LABEL will provide A&R, marketing and other label services.

6. DISTRIBUTOR Services: DISTRIBUTOR will provide sales and distribution services and copyright and royalty accounting services.

7. Funding:

a. Recoding/Marketing Budget: DISTRIBUTOR will provide a credit line up to xxxx for each contract year for LABEL's contracting, recording, marketing and promotion costs. Expenditures from the marketing budget will be mutually approved. Marketing costs will be a "venture" expense.

b. Co-Op Advertising and Manufacturing: DISTRIBUTOR will provide for co-op advertising and manufacturing. Costs related to same will be a "venture" expense.

c. Stop-Loss Provision: No funding at anytime cumulative unrecovered marketing, co-op advertising and manufacturing expenditures are xxxx per contract period.

8. U.S. Distribution Fee: 18% of net billings.

9. Foreign Royalty Rate: 18%, calculated as DISTRIBUTOR normally calculates royalties.

10. Accountings: Semi-annual.

PRODUCTION AND DISTRIBUTION AGREEMENT

This Production and Distribution Agreement (the “**Agreement**”) is made and entered into on January __, 2012 (the “**Effective Date**”), between The Label Records, LLC (“**Company**”), a music recording and distribution company organized under the laws of the State of California and The Combo (“**Artist**”), collectively, with Company, the “**Parties**”, and:

WHEREAS, Company is engaged in the business of producing, duplicating, packaging, marketing, and distributing, sound recordings and songs, for wholesale and retail sales; and

WHEREAS, Artist is currently engaged in a new project (the “**New Project**”) of writing and recording of scores and lyrics (the “**New Project Songs**”), for the subsequent marketing, distribution, and sale, by Company; and

WHEREAS, Company shall produce, duplicate, package, market, distribute, and sell, physical and digital media containing the New Project Songs, as written and recorded by Artist as its New Project;

NOW THEREFORE, in consideration of the mutual promises and benefits accruing to each of the Parties hereunder, the Parties agree to the following.

1. COMPANY’S OBLIGATIONS

A. Production and Distribution of Initial New Project CDs

1. Company shall reproduce, from the master recording received from the Artist (the “**Master Recording**”), the New Project Songs on a master compact disc (the “**Master CD**”) and, thereafter, shall have the Master CD duplicated in an initial pressing of 1,000 compact discs (the “**Initial New Project CDs**”).

2. Company shall provide graphic design, album art, and promotional materials, for the Initial New Project CDs; and shall package the Initial New Project CDs for distribution and sale, with UPC markings. Thereafter, Company shall market, distribute, and sell, the Initial New Project CDs.

3. Company shall be responsible for the arrangement of, and the payment of the costs and expenses of, the reproduction, duplication, marketing, distribution, and sale, of the Initial New Project CDs, as contemplated and set forth in this Agreement.

4. Company shall collect all proceeds from its distribution and sale of the Initial New Project CDs, and shall account to Artist for, on a semi-annual basis, all collected proceeds and its associated costs and expenses, as further provided in this Agreement.

5. Company shall use its best efforts to market, distribute, and sell, the Initial New Project CDs, through such channels and means as it, in good faith, shall determine to be

effective and appropriate, including the use of website, mail-order, electronic, digital, and other, means of marketing, distribution and sales.

6. Company, upon receipt from the Artist, shall handle the Master Recording with all due care and shall return the Master Recording to the Artist as soon as is practicable following Company's production use thereof, and, in no event, later than 30 days thereafter.

B. Production and Distribution of Subsequent New Project CDs

1. Company, upon consultation with the Artist and the agreement of the Parties, and following the distribution and sale of the Initial New Project CDs, shall use its best efforts to produce and duplicate from the Master CD, additional compact discs (the "**Subsequent New Project CDs**") and shall use its best efforts to market, distribute, and sell, the Subsequent New Project CDs.

2. Company, as further provided in this Agreement, shall be responsible for the arrangement of, and payment of the costs and expenses of, the reproduction, duplication, marketing, distribution, and sale, of the Subsequent New Project CDs, as contemplated and set forth in this Agreement.

3. Company shall account to Artist for, on a semi-annual basis, all collected proceeds and its associated costs and expenses, as further provided in the Agreement.

4. The Initial New Project CDs and the Subsequent New Project CDs are referred to herein, collectively, as the "**New Project CDs.**"

C. Production and Distribution of Initial New Project Vinyl

1. Company shall reproduce, from the master recording received from the Artist (the "**Master Recording**"), the New Project Songs on an LP vinyl album (the "**Master Vinyl**") and, thereafter, shall have the Master Recording duplicated in an initial pressing of 500 vinyl records (the "**Initial New Project Vinyl**").

2. Company shall provide graphic design, album art, and promotional materials, for the Initial New Project Vinyl; and shall package the Initial New Project Vinyl for distribution and sale, with UPC markings. Thereafter, Company shall market, distribute, and sell, the Initial New Project Vinyl.

3. Company shall be responsible for the arrangement of, and the payment of the costs and expenses of, the reproduction, duplication, marketing, distribution, and sale, of the Initial New Project Vinyl, as contemplated and set forth in this Agreement.

4. Company shall collect all proceeds from its distribution and sale of the Initial New Project Vinyl, and shall account to Artist for, on a semi-annual basis, all collected proceeds and its associated costs and expenses, as further provided in this Agreement.

5. Company shall use its best efforts to market, distribute, and sell, the Initial New Project Vinyl, through such channels and means as it, in good faith, shall determine to be effective and appropriate, including the use of website, mail-order, electronic, digital, and other, means of marketing, distribution and sales.

6. Company, upon receipt from the Artist, shall handle the Master Recording with all due care and shall return the Master Recording to the Artist as soon as is practicable following Company's production use thereof, and, in no event, later than 30 days thereafter.

D. Production and Distribution of Subsequent New Project Vinyl

1. Company, upon consultation with the Artist and the agreement of the Parties, and following the distribution and sale of the Initial New Project Vinyl, shall use its best efforts to produce and duplicate from the Master Recording, additional vinyl (the "**Subsequent New Project Vinyl**") and shall use its best efforts to market, distribute, and sell, the Subsequent New Project Vinyl.

2. Company, as further provided in this Agreement, shall be responsible for the arrangement of, and payment of the costs and expenses of, the reproduction, duplication, marketing, distribution, and sale, of the Subsequent New Project Vinyl, as contemplated and set forth in this Agreement.

3. Company shall account to Artist for, on a semi-annual basis, all collected proceeds and its associated costs and expenses, as further provided in the Agreement.

4. The Initial New Project Vinyl and the Subsequent New Project Vinyl are referred to herein, collectively, as the "**New Project Vinyl.**"

2. ARTIST'S OBLIGATIONS

A. Artist shall cooperate with Company, regarding promotional appearances, information and photographic sessions, and other promotional activities, related to the marketing, distribution, and sale, of the New Project, as requested by Company, which shall be reasonable in scope and necessary to the marketing, distribution, and sale, of the New Project.

B. Artist shall choose the recording studio and studio musicians, and shall provide the scores, lyrics, and instruments required for the recording of the New Project. Additionally, the Artist, as further provided in this Agreement, shall pay all costs and expenses related to the recording of the New Project Songs and production of the Master Recording.

C. Artist shall use no materials in the New Project which could cause the Artist or Company to incur any royalty payment to, or infringement of any copyright belonging to, any person or entity not a party hereto.

3. FINANCIAL AND ACCOUNTING MATTERS

A. Costs and Expenses

1. The Artist shall be responsible for, and shall pay, all costs and expenses relating to the recording of the New Project Songs and the production of the Master Recording.

2. Company shall be responsible for, and shall pay, all costs and expenses relating to the production and reproduction of the Master Recording (CD and Vinyl) and the production, duplication, marketing, distribution, and sales, of the New Project CDs and New Project Vinyl (the “**New Project Costs**”). The New Project Costs shall consist of the following:

- Cases and compact discs for the New Project CDs;
- Associated printing of art included with the New Project CDs;
- Album and album sleeve for the New Project Vinyl;
- Associated printing of art included with the New Project Vinyl;
- Printed marketing and promotional materials for the New Project
- Mailing and delivery costs relating to the distribution and sale of the New Project;

3. Unless otherwise agreed by the Parties, the New Project Costs shall not include any portion of the general overhead, fixed costs, or other internal costs of Company.

B. Recoupment of New Project Costs

Company shall be entitled to its recoupment of the New Project Costs, determined on a semi-annual basis, prior to any distribution of sales proceeds to the Parties, hereunder. Therefore, the distributions of the sales proceeds made to the Parties, hereunder, shall be net of the New Project Costs (the “Net Proceeds”) incurred by Company.

C. Distribution of Net Proceeds

1. Distributions of Net Proceeds to the Parties shall be accounted for, and made, within 30 days of each 6 month cycle. Company will deliver to Artist, with each semi-annual distribution of Net Proceeds, a semi-annual accounting of the sales, the sales proceeds, and New Project Costs, related to the marketing, distribution, and sales, of the New Project during the previous period.

2. Each of the Parties shall be entitled to a semi-annual distribution, equal in amount to 50% of the Net Proceeds.

4. DISTRIBUTION RIGHTS

Artist hereby grants to Company, during the term of this Agreement, the exclusive license to market, distribute, and sell, the digital and physical formats of New Project Songs, worldwide.

5. RIGHTS REGARDING NEW PROJECT SONGS

A. The Artist also hereby grants to Company, during the term of this Agreement, the non-exclusive right to use and exploit any or all of the New Project Songs, as contained on the Master Recording, in any motion pictures, television productions, or other audio-visual medium, provided that Company shall consult with Artist and the Parties shall agree thereto, prior to such use or exploitation of New Project Songs.

B. Unless otherwise agreed, the Parties shall, each, be entitled to 50% of the proceeds and revenues flowing from, and produced by, the use and exploitation of the New Project Songs (the “**Use Proceeds**”), and, within 30 days of each 6 month period Company shall remit 50% of such Use Proceeds to Artist, together with a semi-annual accounting of its receipt of such Use Proceeds.

C. The use or exploitation of the New Project Songs, by Company or any other party, in any motion pictures, television productions, or other audio-visual medium, whether nationally or internationally, shall terminate on or before the termination of this Agreement, unless otherwise agreed by the Parties, prior to such use or exploitation.

6. OTHER RIGHTS

A. Artist, notwithstanding anything to the contrary contained in this Agreement, shall retain all copyrights, ownership of the Master Recording, mechanical royalties, rights of publicity, and publishing rights, with respect to the New Project Songs, the Master Recording, New Project CDs, and New Project Vinyl.

B. Company, upon production of the New Project CDs, shall provide 100 of the New Project CDs and 50 of the New Project Vinyl to the Artist at no cost. Thereafter Company shall provide to Artists additional New Project CDs and New Project Vinyl, equal in amount to the amount of the New Project CDs and New Project Vinyl sold by Artist during the preceding 6 month period, but, in no event, more than the New Project CDs and New Project Vinyl remaining in the inventory of Company.

C. Artist may purchase additional CDs from Company for \$5 per unit. Artist may purchase additional Vinyl from Company for \$8 per unit.

7. TERM AND TERMINATION OF AGREEMENT

A. This Agreement, unless renewed by the Parties, shall continue seven years from the Effective Date, provided that New Project CDs and New Project Vinyl sold prior to the date of termination of this Agreement may be shipped to buyers and sale proceeds received, prior to the date of termination. A final accounting of New Project Costs and proceeds received, together with a final distribution of the Net Proceeds and the Use Proceeds to the Parties, shall be made by Company within 60 days of the date of termination of this Agreement.

B. The Parties agree that, in the event of a breach of, or non-compliance under, this Agreement, by either Party, the compliant Party, upon ten (10) days written notice to the non-compliant Party, may terminate this Agreement, if such non-compliant Party fails to cure such breach or non-compliance, within said ten day notice period.

C. Further, if the breach or event of non-compliance constitutes, results from, or results in, the failure to remit the Net Proceeds or the Use Proceeds, as required under this Agreement, to the proper Party, an amount equal to 22%, per annum, of such unremitted proceeds, calculated from the date such remittance was due and payable, shall be paid by the non-compliant Party, as liquidated damages hereunder, for such breach or event of non-compliance.

8. MISCELLANEOUS

A. This Agreement constitutes the sole and entire Agreement between the Parties, and no modification of this Agreement shall be binding on the Parties, unless set forth in writing and signed by each of the Parties.

B. This Agreement is entered into, in contemplation of, and shall be governed by, the laws of the State of California, including those laws that govern the choice of law relating to this Agreement.

C. This Agreement may be executed in counter parts, and each such executed counter part shall constitute this Agreement.

D. This Agreement may not be assigned or transferred by either of the Parties, unless such assignment is agreed to, in writing, by each of the Parties.

WHEREUPON, the Parties hereto have set their hands and executed this Agreement, as of the above-referenced Effective Date.

The Combo (“Artist”)

Company Label Records (“Company”):
