

THIS AGREEMENT DATED _____

Between:

Distributor ZZZ
Some Street
City, Province Postal Code

and

1.1 AGREEMENT

This agreement supercedes any and all other oral and written agreements between the Distributor (as defined in Section 2 below) and the Record Company (as defined in Section 2 below) effective this day.

1.2 DEFINITIONS

"Catalog" are the releases available from the Record Company

"Retail" is all normal music retail outlets, which sell music in the agreed to Territory

"Subdistributor" is any web site, wholesaler, mail-order operation which sells music

"Record" means every form of reproduction manufactured and distributed primarily for home use, school use, jukebox use, or as in means of transportation, embodying sound alone.

"Artist" is the band, artist, or performer, which created the music on the Record

"Royalty Payment" is the amount to be paid per Record to the Record Company by the Distributor

2. SUMMARY

This agreement confirms that Distributor ZZZ (the Distributor) has received permission from _____ (the Record Company) to distribute the Record Company's Catalog.

3. EXCLUSIVITY AND SCOPE OF AGREEMENT

The Distributor offers several levels of service to its customers. The Record Company has the opportunity to choose which of the following levels of service it wishes to receive. Each level of service represents a different level of business risk for the Record Company, and in choosing the Record Company acknowledges and accepts these risks which are reasonable and foreseeable.

3.1 CANADIAN EXCLUSIVE, CONVENTIONAL RETAIL

By signing this agreement the Record Company grants the exclusive right to distribute to Retail and sub distributors in Canada, excepting only sales at live performances and the label or artists own website. Chains (such as HMV, CD Plus, Sunrise) are supposed to pay 60 days after the end of the month in which they are shipped, but really pay 90-120 days after they have been shipped

3.2 CANADIAN BIG BOX STORES

The Distributor has the ability to sell large amounts of Records to several big box stores. These companies have a history of paying poorly, often taking over 120 days to pay an invoice, or operating on consignment. The companies often order many hundreds of copies of a title and then return most of them for credit up to a year later (or more). These big box companies include FUTURE SHOP (BEST BUY), A&B Sound, WALMART, and several others. The Distributor will use its best efforts to collect in a timely manner all sums due and payable from Retailers and sub-distributors in accordance with whatever vendor terms have been established with each Retailer and sub-distributor.

Please initial one (1) of the following:

- the Record Company agrees to allow the Distributor to sell the catalog to these big box stores, and accepts that it takes a very long time to get paid, that returns are often very high, resulting in high hold backs (see Section 15) These big box stores have a history of paying poorly, often taking over 180 days to pay an

invoice.

_ the Record Company does NOT agree to allow the Distributor to sell to these stores.

3.4 NO RESIDUAL OR OTHER RIGHTS

The Distributor has no rights to the Records or Artists except as described in this agreement. The Record Company holds sole and exclusive rights to the material, music, lyrics, artwork, copies, masters, proofs, or reproductions pertaining to the Records.

4. PROMOTION

The Record Company authorizes the Distributor to use the pre-approved biography and artwork related to each Artist and Record in the Catalog to promote the Record. The Record Company shall supply all materials for this purpose.

The Record Company is responsible to provide a 300 dpi 1.5 inch square jpeg of the cover art, a 75 word, 4-5 sentence description of the release, a promotional one sheet (also called a one page) and any supporting biographical and press material to the Distributor, via email to info@distributionzzz.com, preferably 6 weeks or earlier prior to the release date of each Record.

The Distributor will, in full consultation with the Record Company and subject to prior written approval of the Record Company, arrange for such advertising cooperative opportunities, ad pools, in store performances, compilation CDs, group posters, and retail sales programs as may be appropriate. All such opportunities will be made available to the Record Company on a fee-paying basis. The Record Company understands that most promotional opportunities will require payment, if any in advance.

The Record Company understands and acknowledges that except as expressly set forth herein, the Distributor is in no way responsible for marketing and promoting the Record, and the Record Company is solely responsible for "buzz creation" and media awareness.

The Record Company agrees that the Distributor may, with the prior written consent of Record Company, take selected track(s) off of new releases to put on the Distributor's free, not-for-sale promotional CD sampler, distributed to Record buyers at retail, at no charge to the Record Company.

5. DISTRIBUTOR'S OBLIGATIONS

The Distributor will diligently and regularly contact, solicit sales from, and distribute Records to all Retailers and sub distributors who have accounts with the Distributor. Sales statements will be issued to the Record Company every month by the 20th. The Distributor will provide statements of sales and statements of monies owed. The Record Company will be paid only when payment for each Record sold is received by the Distributor from its customer accounts.

The Distributor will notify the Record Company when inventory of any Record becomes insufficient to meet anticipated customer orders so that the Record Company may ship additional inventory to Distributor in a timely manner.

The Record Company can charge whatever amount it wishes, but must inform the Distributor of this cost ten weeks in advance of the release of each Record. The Record Company must give sixty (60) days written notice of any price increases.

The following schedule contains our suggested retail pricing. Long experience has determined that these royalty rates represent the most we can pay the Record Label and still offer the Record's for sale at a competitive price.

<u>FORMAT</u>	<u>ROYALTY PAYMENT</u> <u>IN CAN\$</u>	<u>ROYALTY PAYMENT</u> <u>IN US\$</u>
plain 12"	\$4.10	\$2.60
colour sleeve 12"	\$5.00	\$3.20
EP (CD/VN)	\$6.25	\$4.00
break Record	\$7.25	\$4.75
domestic LP/CD	\$8.25	\$5.25
domestic 2LP	\$9.75	\$6.25

The Record Company agrees to proportionally share with the distributor any percentage discount applied to the final sale price. For example: a sale with 7% off the sale price will result in the Record Company receiving 7% off the agreed to per item payment schedule.

Any other price point or format must be negotiated with the Distributor in advance of the Record's release. These are the price points that maximize sales. The Record Company will pay for shipping to the Distributor. The Distributor will pay for shipping to the Record Company of returns, but not of promotional copies or shipments from the Distributor to the Record Company or any other party for any reason other than returns or shipping Records for sale.

6. RECORD COMPANY'S OBLIGATIONS

The Record Company must ship the Distributor Records within a reasonable period of time when the Distributor sends the Record Company a Purchase Order.

The Record Company understands that retailers hate back ordering and that if the Distributor is out of stock for a length of time the Record Company's sales are going to go down the tubes.

The Record Company understands that the Distributor requires 25 play copies (unless a greater number is requested in writing by the Distributor and agreed to by the Record Company) for our best stores, for which The Distributor will not be charged.

The Record Company understands that The Distributor will use our best effort to promote and maximize sales of the Record, but sometimes people just don't want to buy Records.

The Record Company will endeavor to meet all customs requirements and understands that failure to do so may result in additional cost to the Distributor, which will be billed to the Record Company.

7 TAXES

The Distributor will charge HST/GST as applicable. Our HST/GST number is ????? ???? RT. The Distributor will pay taxes to the Record Company as required by law and if the Record Company provides us with the Record Company HST/GST number.

8 LIABILITY

The Distributor is not held responsible for accidental damage or loss of stock caused by, but not limited to, theft, fire, or retail bankruptcy, except where theft or fire occurs on the Distributors premises.

9 SALES OF PRODUCT SPECULATIVE

The Record Company recognizes that the sale of Records hereunder is speculative and agrees that, otherwise than as specifically provided elsewhere in this Agreement, the judgment of the Distributor with regard to any matter affecting the distribution and sale of the Records shall be binding and conclusive on the Record Company.

10 RELATIONSHIP OF PARTIES

The Distributor is an independent contractor. Nothing in this Agreement is construed to mean that the Distributor is an agent of or having a partnership or joint venture or of any association or relationship with the Record Company other than that of independent contractors. The Parties do not have the right to assign this Agreement excepting only a company owned or controlled, in whole or in part, by a respective Party.

11 CURRENCY

All monetary amounts referred to in this Agreement are in Canadian Funds except where noted.

12 CONFIDENTIAL INFORMATION

Neither Party, without prior written consent of the other, shall communicate to any third party other than the Artist's legal and financial advisors (who shall similarly retain such information and records in confidence) any confidential provisions of this Agreement and any records, data or other information received by the Artist pursuant to this Agreement. Such obligations to confidentiality and non-disclosure set forth in this Agreement shall survive any such expiration or termination and shall remain in full force and effect.

13 SEVERABILITY

If any of the provisions of this Agreement are ever held illegal or invalid for any reason such illegality or invalidity shall

not affect the remaining part of the Agreement, and the Agreement shall, where possible, be construed and enforced as if such illegal and invalid provisions had never been inserted therein.

14. TERMINATION

Either party can terminate the relationship in writing with three months notice from the end of any calendar month (the Deletion Period). Any documented balance owed the Distributor or Record Company must be paid by the end of the Deletion Period.

The Distributor will secure payment and returns of any Records still in stores by the end of the Deletion Period. Any balance owed to the Record Company will be paid during the next monthly statement period after the Deletion Period. At the end of the Deletion Period all stock in the warehouse will be returned COD to the Record Company.

The Distributor may hold 25% of the final royalty payment to the Record Company for an additional six months following completion of the Deletion Period against future returns, at its discretion, after which time all monies owed and Record held will be delivered COD to the Record Company.

15. RETURNS AND HOLD BACK

The Distributor will hold back 25% of each current month's payment due on sales to the Record Company. That 25% will be carried forward to the next month and added to the total owed the Record Company, prior to applying the hold back. This is to protect the Distributor from cash flow problems due to returns of your unsold Records. The holdback may or may not be used by the Distributor at the Distributor's sole discretion.

Additional amounts of up to 25% of a payment from a "Big Box Store" as per Section 3.2 may be held until such time as the Store has cleared the Record Company's inventory from its warehouse. These funds will be held in a separate account and held in trust by the Distributor.

16. APPLICABLE LAW

This Agreement shall be governed by and construed in accordance with the laws of the Province of this Province and the laws of Canada applicable therein.

17. ARBITRATION

All disputes arising in connection with the interpretation of this Agreement shall be finally settled by arbitration pursuant to the Arbitration Act (this province), which shall apply in all respects except as follows:

- (a) There shall be one arbitrator, unless the parties cannot agree, in which case there shall be three: one selected by each party and the third (who shall act as chair) by the first two;
- (b) The arbitrator(s) shall have the power to order the production of documents or discovery of witnesses prior to the arbitration; and
- (c) Costs of the arbitration shall be in the discretion of the arbitrator(s).

18. EXECUTION

Both parties agree to this as of this date:

The Distributor:

The Record Company:

Jon Doe for
Distribution ZZZ
