

# Chapter 6

## Licensing Forms

Appendix-1: Licensing Agent Agreement

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# Appendix-1

## LICENSING AGENT AGREEMENT

**THIS AGREEMENT** is made this \_\_\_\_ day of \_\_\_\_\_, by and between \_\_\_\_\_ with offices at \_\_\_\_\_ (the "Owner") and \_\_\_\_\_ with offices at \_\_\_\_\_ (the "Agent").

### **WITNESSETH:**

**WHEREAS**, the Owner is in the business of and has developed certain trademarks, brands, designs, artwork, and intellectual property identified more fully in the attached Schedule A (the "Property");

**WHEREAS**, the Owner is desirous of retaining the services of an experienced licensing agent to commercialize or otherwise license the Property to third party Manufacturers (the "Manufacturer") for a line of Licensed Products bearing the Property (the "Licensed Products"); and

**WHEREAS**, Agent is willing to represent the Owner with respect to commercialization of the Property;

**NOW, THEREFORE**, in consideration of the promises and agreements set forth herein, the parties, each intending to be legally bound hereby, do promise and agree as follows:

### **1. AGENT GRANT**

A. The Owner hereby grants to Agent, during the Term of this Agreement, the exclusive right (to the exclusion of others as well as the Owner representing itself) to represent the Owner in the countries identified in Schedule A attached hereto (the "Territory") with respect to the commercialization or licensing of the Property to Manufacturers.

B. With respect to agreements with Manufacturers, Owner hereby empowers Agent to negotiate the terms of such agreements within the parameters agreed upon between Agent and Owner prior to the commencement of such negotiations and to present such agreements to Owner for execution. All such agreements shall be in the name of Owner. Owner may not unreasonably refuse to execute an agreement presented by Agent.

C. In the event that the Owner is approached directly by a Manufacturer within the Territory during the Term of this Agreement, it shall refer such Manufacturer to Agent. Owner agrees that during the Term of this Agreement, it will not negotiate with any other person or entity within the Territory to represent it in any capacity in connection with the manufacture or sale of the Property.

### **2. TERM OF THE AGREEMENT**

This Agreement and the provisions hereof, except as otherwise provided, shall be in full force and effect commencing on the date of execution by both parties and shall extend for an Initial Term as recited in Schedule A attached hereto (the "Term"). This Agreement shall be automatically renewed for additional "Extended Terms" as provided for in Schedule A unless either party notifies the other in writing of its intention not to

renew the Agreement, such notification to be provided at least sixty (60) days prior to the expiration of the then in-effect Term.

### **3. DUTIES AND OBLIGATIONS**

A. Subject to the conditions herein specified, Agent shall use reasonable efforts during the Term of this Agreement to find and conclude business arrangements with licensees for the Property that are advantageous to the Owner and, thereafter, to reasonably service such arrangements during the term thereof. In furtherance of Agent's duties as herein specified, Agent will:

1. Periodically meet and confer with the Owner to discuss the state of the merchandising industry;
2. Develop a merchandising plan for the Property in the Territory and provide a copy of same to Owner within thirty (30) days of the date of execution of this Agreement by both parties;
3. Implement the merchandising plan by contacting those prospective licensees best able to produce licensed products of the type and quality for the Property;
4. Negotiate all agreements with third party licensees in the name of the Owner and subject to the approval of the Owner;
5. Provide record keeping and billing services to the licensees as reasonably requested by Owner and monitor and oversee the licensing program with such third-party licensees to ensure that the licenses, royalties, minimums, and sales reports are promptly submitted;
6. Make appropriate recommendations to the Owner with respect to seeking and maintaining appropriate intellectual property protection for the Property; and
7. Investigate all potential infringements of Owner's intellectual property rights in the Territory and report to the Owner.

B. In addition to the foregoing, Agent shall be responsible for the enforcement of the quality control provisions of the third party license agreements which shall include periodic inspection of all Licensed Products.

C. The Agent shall engage in other such activities as the parties may mutually agree and, in general, use its best efforts consistent with sound business practices to maximize revenue generated from the exploitation of the rights granted hereunder and to enhance the value and reputation of the Property.

D. While the Agent is empowered to propose all necessary art, design, editorial, and other related approvals for the creation of the Licensed Products as well as

to enforce the appropriately high standard of quality for all such Licensed Products created and produced pursuant to licensing and promotional agreements entered into pursuant to this Agreement, the Owner retains the right to grant final approval on art, design, and editorial matters. The Agent agrees to submit to the Owner, for final approval, drafts, prototypes and finished samples of all Licensed Products and any and all advertising, promotional and packaging material related to said Licensed Products. Owner will respond to the Agent regarding approval within ten (10) business days after receipt of such samples. Failure to respond within said period shall be deemed disapproval.

E. Agent shall oversee the payment by the licensees of all royalties and other payments due under this Agreement. F. It is understood that the Owner may have concepts and properties other than the Property and such concepts and properties do not form part of this Agreement.

G. The Owner recognizes that Agent performs similar services for its other clients and that the Owner's retention of the Agent is subject to such understanding.

H. The Owner shall be solely responsible for all costs and expenses associated with the protection of the Property, including the costs for obtaining and maintaining patent, trademark, and copyright protection.

#### **4. COMPENSATION**

A. In consideration for the services rendered by Agent, the Owner agrees to and shall pay Agent a Retainer Fee in the amount of and in accordance with the terms recited in Schedule A attached hereto. Such Retainer Fee is non-refundable and non-creditable against any other compensation owed Agent under this Agreement.

B. In addition to the aforementioned Retainer Fee, Owner agrees to pay Agent a Commission in the amount recited in Schedule A attached hereto based on the Net Revenues received by the Agent from the Manufacturers based on the Manufacturer's sales or other use of Licensed Products bearing the Property.

C. "Net Revenues" shall include all income received by Agent (prior to the deduction of Agent's commission) from such third party Manufacturer within the Territory pursuant to any contract or agreement for the sale, lease, license or other disposition of the Property resulting directly from the efforts of Agent including, but not limited to, advances, royalties, guarantees, fees and payments (whether in cash, barter or other form of consideration) less any payments made or expenses incurred by Agent for or on behalf of the Owner with the prior approval of Owner.

D. After termination or expiration of this Agreement for any reason, Agent shall be entitled to continue to receive its full Commission based on those contracts or agreements entered into by Owner with Manufacturers in the Territory during the Term of this Agreement or within one (1) year from the date of termination or expiration of this Agreement resulting from presentations made or negotiations conducted by Agent during the Term of this Agreement for which Agent would have received a Commission had the Agreement not been terminated or expired. Agent shall be entitled to such post-termination Commission for so long as the Owner continues to receive revenues under such agreement with a Manufacturer as well as from any renewals, modifications, continuations or extensions thereof.

#### **5. WARRANTIES AND INDEMNIFICATIONS**

A. The Owner represent and warrant that it is the owner of all rights in and to the Property, that it has the right and power to license and/or sell such Property, that the

use of the Property on the Licensed Products shall not infringe upon the rights of any third party, and that it has not granted anyone else the right or authority to act for it in a manner which would conflict with Agent.

B. The Owner hereby agree to defend, indemnify and hold Agent, its shareholders, directors, officers, employees, agents, parent companies, subsidiaries, and affiliates, harmless from and against any and all claims, liabilities, judgments, penalties, and taxes, civil and criminal, and all costs, expenses (including, without limitation, reasonable attorneys' fees) incurred in connection therewith, which any of them may incur or to which any of them may be subjected, arising out of or relating to a breach of the Owner' representations and warranties. During the pendency of any indemnified claim against Agent, Agent shall have the right to withhold any monies then owed Owner to help defray any costs or expenses that Owner may incur as a result of such claim.

C. Agent hereby agrees to defend, indemnify and hold the Owner, their shareholders, directors, officers, employees, agents, parent companies, subsidiaries, and affiliates, harmless from and against any and all claims, liabilities, judgments, penalties, and taxes, civil and criminal, and all costs, expenses (including, without limitation, reasonable attorneys' fees) incurred in connection therewith, which any of them may incur or to which any of them may be subjected, arising out of or relating to any action by Agent.

## **6. STATEMENTS AND PAYMENTS**

A. Owner agrees that Agent shall receive all royalty reports and collect all royalties and payments from the Manufacturers both during and after termination or expiration of this Agreement. Such royalties and payments shall be deposited in an account which the parties mutually agree upon. Agent shall remit all royalties, inclusive of copies of all royalty reports, less Agent's Commissions, on a quarterly basis based on revenues received by Agent during the previous calendar quarter. Such payments and statements reflecting the basis for such payments shall be made within forty-five (45) days after the close of each calendar quarter.

B. Agent agrees to keep accurate books of account and records at its principal place of business covering all transactions relating to the agreements with the Manufacturers. Owner or its designee shall have the right, at all reasonable hours of the day and upon at least ten (10) business days notice, to examine Owners books and records as they relate to the subject matter of this Agreement only. Such examination shall occur at the place where the Owner maintains such records.

C. All books and records pertaining to the obligations of the Agent hereunder shall be maintained and kept accessible and available to Agent for inspection for at least three (3) years after the date to which they pertain.

## **7. NOTICE AND PAYMENT**

A. Any notice required to be given under this Agreement shall be in writing and delivered personally to the other designated party at the above stated address or mailed by certified, registered or Express mail, return receipt requested or by Federal Express and/or UPS.

B. Either party may change the address to which notice or payment is to be sent by written notice to the other under any provision of this paragraph.

## **8. TERMINATION**

A. This Agreement may be terminated by either party upon thirty (30) days written notice to the other party in the event of a breach of a material provision of this

Agreement by the other party, provided that, during the thirty (30) days period, the breaching party fails to cure such breach.

B. The Owner shall have the right to terminate this Agreement immediately in the event that the Agent fails to enter into at least \_\_\_\_ license agreements with third parties with \_\_\_\_\_ months after execution of this Agreement and generates at least \$\_\_\_\_\_ of licensing revenue from such third parties within \_\_\_\_\_ months after execution of this Agreement.

C. In the event that Agent is unable to meet its obligations when they become due or make an assignment for the benefit of its creditors, Owner shall have the right to either immediately terminate this Agreement, or alternatively, convert it to a non-exclusive agreement.

## **9. EFFECT OF TERMINATION**

A. Upon termination or expiration of this Agreement as it relates to the Property, all rights granted to Agent relative to the Property shall forthwith revert to the Owner who shall be free to contract with others to commercialize such Property subject to the provisions of this Agreement subject to the post-termination provisions of this Agreement. Agent shall, thereafter, refrain from further efforts to commercialize the Property.

B. Upon termination or expiration of this Agreement, Owner may request that Agent provide it within sixty (60) days of such notice with a complete schedule of all prospective Manufacturers contacted on behalf of the Owner relative to the Property as well as returning all materials relating to the Property.

## **10. JURISDICTION/DISPUTES**

This Agreement shall be governed in accordance with the laws of [State]. All disputes under this Agreement shall be resolved by litigation in the courts of the State of [State], including the federal courts therein and the parties all consent to the jurisdiction of such courts, agree to accept service of process by mail, and hereby waive any jurisdictional or venue defenses otherwise available to it.

## **11. AGREEMENT BINDING ON SUCCESSORS**

The provisions of the Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their heirs, administrators, successors and assigns.

## **12. ASSIGNABILITY**

A. Neither party may assign this Agreement or the rights and obligations thereunder to any third party without the prior express written approval of the other party which shall not be unreasonably withheld.

B. In the event that anytime during the Term of this Agreement, the Owner intends to sell, assign, transfer or abandon some or all of its rights in the Property, it shall provide Agent with written notice to such effect at least thirty (30) days prior to the actual sale, assignment, transfer or abandonment of the Property. Upon receipt of such notice, the parties shall promptly meet and negotiate an arrangement under which this Agreement shall be assigned to and assumed by the acquiring party who will agree to assume all obligations thereunder with the Owner agreeing to guarantee the acquiring party's performance thereof. In the event that the acquiring party does not intend to receive an assignment of the Agreement and/or the Owner is unwilling to guarantee the acquiring party's performance thereof, the Owner and Agent shall agree to a termination of the Agent Agreement. In such event, the parties will negotiate in good faith a mutually

acceptable termination package for the Agent in an amount to be mutually agreed upon between the Parties to compensate the Agent for lost potential revenues caused by such termination. In the event that the Parties are unable to mutually agree to what constitutes fair compensation, the Parties agree to binding arbitration before a single arbitrator under the then current rules of the American Arbitration Association in the AAA office closest to the Agent.

**13. WAIVER**

No waiver by either party of any default shall be deemed as a waiver of prior or subsequent default of the same of other provisions of this Agreement.

**14. SEVERABILITY**

If any term, clause or provision hereof is held invalid or unenforceable by a court of competent jurisdiction, such invalidity shall not affect the validity or operation of any other term, clause or provision and such invalid term, clause or provision shall be deemed to be severed from the Agreement.

**15. INDEPENDENT CONTRACTOR**

Agent shall be deemed an independent contractor and nothing contained herein shall constitute this arrangement to be employment, a joint venture or a partnership. Agent shall be solely responsible for and shall hold the Owner harmless for any and all claims for taxes, fees or costs, including but not limited to withholding, income tax, FICA, workman's compensation.

**16. INTEGRATION**

This Agreement constitutes the entire understanding of the parties, and revokes and supersedes all prior agreements between the parties and is intended as a final expression of their Agreement. It shall not be modified or amended except in writing signed by the parties hereto and specifically referring to this Agreement. This Agreement shall take precedence over any other documents which may conflict with this Agreement.

**IN WITNESS WHEREOF**, the parties hereto, intending to be legally bound hereby, have each caused to be affixed hereto its or his/her hand and seal the day indicated.

**OWNER**

**AGENT**

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**SCHEDULE A**  
**TO LICENSING AGENT AGREEMENT**

1. **PROPERTY & TRADEMARK NOTICE:**
2. **TERRITORY:**
3. **TERM:**
4. **RETAINER FEE:**
5. **COMMISSION:**
6. **ADDITIONAL SERVICES:**

# Appendix-2

## SUB-AGENT AGREEMENT

**THIS AGREEMENT** is entered into this \_\_\_\_ day of \_\_\_\_\_ by and between \_\_\_\_\_ with offices at \_\_\_\_\_ (the "Agent") and \_\_\_\_\_, with offices at \_\_\_\_\_ (the "Sub-Agent").

### WITNESSETH:

**WHEREAS**, Agent, pursuant to an agent agreement dated \_\_\_\_\_ between \_\_\_\_\_ (the "Owner") and the Agent (the "Agent Agreement"), the Property Owner has granted certain rights to the Agent to develop and conduct a licensing program for the property described in Schedule A attached hereto (the "Property"); and

**WHEREAS**, Agent would like to retain the services of Sub-Agent to commercialize or license the Property to third-party licensees in the Sub-Agent's territory as defined in Schedule A (the "Territory") for a line of licensed products (the "Licensed Products"); and

**WHEREAS**, Sub-Agent is willing to represent the Agent in such Territory with respect to the licensing of the Property within the Territory;

**NOW, THEREFORE**, in consideration of the promises and agreements set forth herein, the parties, each intending to be legally bound hereby, do promise and agree as follows.

### 1. SUB-AGENT APPOINTMENT

A. Agent hereby appoints the Sub-Agent, for the Term of this Agreement, its exclusive representative in the Territory for the purpose of commercializing or licensing the Property to third-party licensees, subject to the approval of Agent and the Owner.

B. In this regard, Sub-Agent shall be authorized to present, negotiate, and conclude licensing arrangements with third-party licensees using a form agreement approved by Agent and Owner and pursuant to terms and conditions previously approved by Agent and Owner.

C. All third-party license agreements shall be in the name of Owner and shall be signed by Owner, although Sub-Agent shall be a party to all such agreements as agent for Owner. All payments from third parties shall be directed to Sub-Agent.

D. It is understood and agreed that this Agreement shall relate only to the enumerated Property and to no other properties owned or controlled by Agent and/or Owner. Agent and Owner shall be free to commercialize such other properties to the exclusion of Sub-Agent.

E. Agent agrees not to retain the services of any third party to represent Agent with respect to the Property in the Territory. However, Agent may retain the services of other subagents with respect to merchandising of the Property in countries outside the Territory.

F. Sub-Agent agrees to refrain from licensing the Property to third party licensees who intend or are likely to sell the Licensed Products outside the Territory

## **2. TERM OF THE AGREEMENT**

This Agreement and the provisions hereof, except as otherwise provided, shall be in full force and effect commencing on the date of execution by both parties and shall extend for a Term as recited in Schedule A attached hereto (the "Term").

## **3. DUTIES AND OBLIGATIONS OF PARTIES**

A. Subject to the conditions herein specified, Sub-Agent shall use reasonable efforts during the Term of this Agreement to find and conclude business arrangements with licensees for the Property that are advantageous to Agent and Owner and, thereafter, to reasonably service such arrangements during the term thereof. In furtherance of Sub-Agent's duties as herein specified, Sub-Agent will:

1. Periodically meet and confer with Agent to discuss the state of the merchandising industry;
2. Develop a merchandising plan for the Property in the Territory and provide a copy of same to Agent within thirty (30) days of the date of execution of this Agreement by both parties;
3. Implement the merchandising plan by contacting those prospective licensees best able to produce licensed products of the type and quality for the Property;
4. Negotiate all agreements with third party licensees in the name of the Owner and subject to the approval of Agent and Owner;
5. Provide record keeping and billing services to the licensees as reasonably requested by Agent and monitor and oversee the licensing program with such third-party licensees to ensure that the licenses, royalties, minimums, and sales reports are promptly submitted;
6. Remit all Advances paid by licensees within ten (10) days after receipt thereof and all other payments made by licensees within twenty (20) days of receipt thereof. All payment shall be made in U.S. Dollars by wire transfer.
7. Make appropriate recommendations to the Agent with respect to seeking and maintaining appropriate intellectual property protection for the Property; and
8. Investigate all potential infringements of Owner's intellectual property rights in the Territory and report to Agent.

B. In addition to the foregoing, Sub-Agent shall be responsible for the enforcement of the quality control provisions of the third party license agreements which shall include periodic inspection of all Licensed Products and conducting personal visits to the third-party licensees' manufacturing facilities to ensure that the quality control provisions of the license agreements with the licensees are being complied with. Sub-Agent shall submit to Agent a written report after each of said reviews and visits.

C. Sub-Agent shall engage in other such activities as the parties may mutually agree and, in general, use its best efforts consistent with sound business practices to maximize revenue generated from the exploitation of the rights granted hereunder and to enhance the value and reputation of the Property.

D. While Sub-Agent is empowered to propose all necessary art, design, editorial, and other related approvals for the creation of the Licensed Products as well as to enforce the appropriately high standard of quality for all such Licensed Products

created and produced pursuant to licensing and promotional agreements entered into pursuant to this Agreement, Agent retains the right to grant final approval on art, design, and editorial matters. Sub-Agent agrees to submit to Agent, for final approval, drafts, prototypes and finished samples of all Licensed Products and any and all advertising, promotional and packaging material related to said Licensed Products. Agent will respond to Sub-Agent regarding approval within thirty (30) business days after receipt of such samples. Failure to respond within said period shall be deemed disapproval.

E. Sub-Agent shall oversee the payment by the licensees of all royalties and other payments due under this Agreement. If necessary, Sub-Agent shall conduct periodic royalty investigations of the licensee's books and records to ensure that all payments have been made. The cost of such royalty investigations shall be borne by the Sub-Agent. However, any recoveries received as a result of such royalty investigation shall be applied against the cost of conducting such investigation. The Sub-Agent shall provide the Owner and the Agent with copies of any reports rendered as a result of such investigations.

F. It is understood that Agent and Owner may have concepts and properties other than the Property and such concepts and properties do not form part of this Agreement.

G. Agent recognizes that Sub-Agent performs similar services for its other clients and that Agent's retention of Sub-Agent is subject to such understanding.

H. Agent and Owner shall be solely responsible for all costs and expenses associated with the protection of the Property, including the costs for obtaining and maintaining patent, trademark, and copyright protection.

#### **4. LICENSE AGREEMENTS**

A. All proposed license agreements presented by Sub-Agent under this Agreement shall be subject to the express written approval of Agent and Owner, such approval not to be unreasonably withheld. It is understood that Sub-Agent will submit all such proposed agreements to Owner through Agent for consideration, approval, and execution and Agent will, thereupon, advise Sub-Agent within thirty (30) business days after receipt of the proposed agreement as to whether Agent and Owner agree or disagree to the terms thereof and whether Owner will execute same. Failure to act within said thirty (30) day period shall be deemed a disapproval of any such agreement. No agreement shall be binding on Agent or Owner until signed by Owner.

B. All such license agreements with third-party licensees shall be between Owner and the third-party licensee presented by Sub-Agent. The basic form license agreement that is to be used by Sub-Agent in negotiating license agreements with third-party licensees has been deemed approved by Agent and Owner as in form only -- all prospective licenses, even if in this form, must be submitted for approval by Agent and Owner. Any and all additions, deletions and changes to this basic form agreement shall be subject to the absolute, unfettered express written approval of Agent and Owner and notification of approval or disapproval shall be provided to Sub-Agent within ten (10) business days after receipt of same by Agent. The lack of response from Agent within such ten (10) day period shall be deemed a disapproval of any proposed addition, deletion and/or change.

#### **5. COMPENSATION**

A. In consideration for the services rendered by Sub-Agent, Agent agrees to and shall pay Sub-Agent, during the Term of this Agreement, a commission in the amount recited in Schedule A attached hereto (the "Commission").

B. In addition to the Commission recited in Schedule A, Agent agrees to reimburse Sub-Agent for all reasonable expenses incurred on behalf of Agent, provided that such expenses have been previously approved by Agent.

C. Agent further agrees to pay Sub-Agent, during the Term of this Agreement, a Subagent Fee in the amount recited in Schedule A attached hereto.

D. "Gross Revenues" shall include all income generated as a result of any commercialization, sale, or licensing of the Property in the Territory (prior to deduction of Sub-Agent's Commission) from such third-party licensee(s), due solely to the efforts of Sub-Agent.

E. In the event that this Agreement should expire or terminate for reasons other than a breach of any provision herein by Sub-Agent, Sub-Agent shall be entitled to post-termination compensation based on gross income received by Owner from any third-party license agreement, for the life of such third party agreement, entered into through Sub-Agent during the Term of this Agreement and for which Sub-Agent would have received compensation had this Agreement not expired, subject to the schedule recited in Schedule A attached hereto.

F. Sub-Agent shall not be entitled to any post-termination compensation in the event that this Agreement is expressly terminated by Agent in the event of a material breach by Sub-Agent of the terms of this Agreement. Sub-Agent shall not be entitled to such post-termination compensation for any other agreements subsequently entered into by Agent or Owner.

G. All payments due hereunder shall be made in United States currency drawn on a United States bank, unless otherwise specified between the parties.

H. All fees payable hereunder shall be based on the official exchange rate on the date on which such payment is due and Sub-Agent shall provide detailed conversion calculations with every payment submitted hereunder. If, by any reason of any governmental or fiscal restrictions affecting the convertibility, payment cannot be made in U.S. funds, then Sub-Agent shall take such reasonable actions with respect to the payment due as Agent shall direct.

## **6. WARRANTIES AND INDEMNIFICATIONS**

A. Agent represents and warrants that it has the right and power to enter into this agreement and, further, that it has not granted anyone else the right or authority to act for it in a manner that would conflict with Sub-Agent.

B. Agent hereby agrees to defend, indemnify, and hold Sub-Agent, its shareholders, directors, officers, employees, agents, parent companies, subsidiaries and affiliates, harmless from and against any and all claims, liabilities, judgments, penalties, and taxes, civil and criminal, and all costs and expenses (including, without limitation, reasonable attorney's fees) incurred in connection therewith, which any of them may incur or to which any of them may be subjected, arising out of or relating to a breach of Agent's representation and warranty or of any actions or inactions of Agent.

C. Sub-Agent hereby agrees to defend, indemnify, and hold Agent and any of its related entities harmless from and against any and all claims, liabilities, judgments, penalties, and taxes, civil and criminal, and all costs and expenses (including, without limitation, reasonable attorney's fees) arising out of or relating to a breach of Sub-Agent's representation and warranty or that may arise out of any action or inaction by Sub-Agent, other than as it may relate to Agent's warranty, as above stated.

D. Sub-Agent hereby agrees to comply with all laws and regulations in each country in the Territory.

## **7. STATEMENTS AND PAYMENTS**

A. All payments from licensees based on agreements for the Property shall be paid directly to Owner. Within thirty (30) days after receipt by Agent of its commission from Owner, Agent shall transmit to Sub-Agent its Commission.

B. Agent agrees to keep accurate books of accounts and records at its principal place of business covering all transactions relating to the agreements with the licensees. Sub-Agent, through an independent certified public accountant acceptable to Owner, shall have the right, at all reasonable hours of the day and upon at least five (5) days' written notice, to examine Agent's books and records as they relate to the subject matter of this Agreement only. Such examination shall occur at the place where Agent maintains such records.

C. All books and records pertaining to the obligations of Sub-Agent hereunder shall be maintained and kept accessible and available to Agent for inspection for at least three (3) years after the date to which they pertain.

## **8. NOTICES**

A. Any notice required to be given under this Agreement shall be in writing and delivered personally to the other designated party at the above-stated address or mailed by certified or registered mail, return receipt requested, or delivered by a recognized national overnight courier service.

B. Either party may change the address to which notice or payment is to be sent by written notice to the other under any provision of this paragraph.

## **9. TERMINATION**

A. This Agreement may be terminated by either party upon thirty (30) days' written notice to the other party in the event of a breach of a material provision of this Agreement by the other party, provided that, during the thirty (30) day period, the breaching party fails to cure such breach.

B. Agent shall have the right to terminate this Agreement immediately in the event that Sub-Agent fails to enter into at least \_\_\_\_ license agreements with third parties with \_\_\_\_\_ months after execution of this Agreement and generates at least \_\_\_\_\_ of licensing revenue from such third parties within \_\_\_\_\_ months after execution of this Agreement.

C. The Agent shall have the right to immediately terminate this Agreement in the event that the Sub-Agent should be unable to meet its obligations when they become due, make an assignment for the benefit of its creditors or should there be a change in the existing management of Sub-Agent.

D. This Agreement shall terminate automatically in the event that the Agent Agreement between Agent and Owner shall terminate or expire.

E. In the event that this Agreement shall terminate or expire, Sub-Agent shall turn over to Agent all records relating to each license entered into under this Agreement. All rights granted to Sub-Agent shall revert to Agent and Sub-Agent shall refrain from any further use of the Property.

## **10. JURISDICTION AND DISPUTES**

This Agreement will be governed by, and construed and enforced in accordance with the laws of [State] without regard to conflicts of law principles. All disputes under this Agreement shall be resolved by the courts of the state of [State], including the United States District Court for the District of [State]. The parties all consent to the jurisdiction of such courts, agree to accept service of process by mail, and hereby waive any jurisdictional or venue defenses otherwise available to it.

## **11. SUBORDINATION**

The parties recognize that Agent's rights with respect to the Property are governed exclusively by the Agent Agreement. In the event there are conflicts between the Agent Agreement and this Agreement, the provisions of the Agent Agreement shall govern.

## **12. AGREEMENT BINDING ON SUCCESSORS**

The provisions of the Agreement shall be binding on and shall inure to the benefit of the parties hereto, their heirs, assigns, and successors.

## **13. WAIVER**

No waiver by either party of any default shall be deemed as a waiver of prior or subsequent default of the same or other provisions of this Agreement.

## **14. SEVERABILITY**

If any term, clause, or provision hereof is held invalid or unenforceable by a court of competent jurisdiction, such invalidity shall not affect the validity or operation of any other term, clause, or provision and such invalid term, clause, or provision shall be deemed to be severed from the Agreement.

## **15. INDEPENDENT CONTRACTOR**

Sub-Agent shall be deemed an independent contractor and nothing contained herein shall constitute this arrangement to be employment, a joint venture, or a partnership. Sub-Agent shall be solely responsible for and shall hold Agent harmless for any and all claims for taxes, fees, or costs, including but not limited to withholding, income tax, FICA, and workmen's compensation.

## **16. ASSIGNABILITY**

This agreement and the rights and obligations thereof are personal to Sub-Agent and shall not be assigned by any act of Sub-Agent or by operation of law unless in connection with a transfer of substantially all of the assets of Sub-Agent or with the consent of Agent and Owner.

## **17. GOVERNMENTAL APPROVAL**

Sub-Agent agrees to submit copies of this Agreement to any governmental agency in any country in the Territory where approval of this Agreement is necessary, and agrees to promptly prosecute any such application diligently. This Agreement shall become effective in such country or countries only upon receipt of appropriate approval from the applicable governmental agency.

## **18. GOVERNING LANGUAGE**

This Agreement is in the English language. No translation of this Agreement into any language other than English shall be considered in the interpretation thereof, and

in the event that any translation of this Agreement is in conflict with the English language version, the English version shall govern.

**19. BLOCKED CURRENCY**

A. In the event that any payment required to be made to Owner pursuant to this Agreement cannot be made when due because of the exchange control of any country in the Territory and such payment remains unpaid for twelve (12) months, Agent and/or Owner may, by notice served to Sub-Agent, elect any of the following alternative methods of handling such payment:

1. If the currency can be converted into currency other than U.S. Dollars for purposes of foreign remittance, Owner may elect to receive such payment in any such currencies as it may specify and, in such case, the amount payable in the foreign currency so selected shall be determined by reference to the then existent legal rate of exchange which is most favorable to Owner.
2. Owner may elect to have payment made to it in the local currency, deposited to the credit of Owner in a bank account in such country designated by Owner, in which event Sub-Agent shall furnish to Owner evidence of such deposit.

B. All expenses of currency conversion and transmission shall be borne by Sub-Agent and no deduction shall be made from remittances on account of such expense. Sub-Agent from time to time may prepare all applications, reports or other documents which may be required by the government of the applicable country in order that remittances may be made in accordance with this Agreement.

**20. INTEGRATION**

This Agreement constitutes the entire understanding of the parties, and revokes and supersedes all prior agreements between the parties and is intended as a final expression of their Agreement. It shall not be modified or amended except in writing signed by the parties hereto and specifically referring to this Agreement. This Agreement shall take precedence over any other documents that may conflict with this Agreement.

**IN WITNESS WHEREOF**, the parties hereto, intending to be legally bound hereby, have each caused to be affixed hereto its or his/her hand and seal the day indicated.

**AGENT**

**SUB-AGENT**

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**SCHEDULE A**

**TO SUB-AGENT AGREEMENT**

- 1. LICENSED PROPERTY:**
- 2. TERRITORY:**
- 3. TERM:**
- 4. COMMISSION:**
- 5. SUB-AGENT FEE:**
- 6. POST TERMINATION COMPENSATION:**

# Appendix-3

## Licensee Application

Re: Licensing Proposal for \_\_\_\_\_

Dear \_\_\_\_\_:

We are submitting the following licensing proposal for your consideration:

<b>Date:</b>	
<b>Property:</b>	
<b>Licensee:</b>	
Street Address:	
<b>City, State &amp; Zip Code</b>	
<b>Telephone No.</b>	
<b>Fax Number:</b>	
<b>E-Mail Address</b>	
<b>Business Contact &amp; Phone:</b>	
<b>Product Dev Contact &amp; Phone:</b>	
<b>Legal Contact &amp; Phone:</b>	
<b>Finance/Royalty Contact &amp; Phone:</b>	
<b>Proposed Licensed Products:</b>	
<b>Proposed Term:</b>	
<b>Exclusive or Non-Exclusive:</b>	
<b>Proposed Royalty Rates</b> <b>Domestic/FOB/Direct Sales:</b>	
<b>Proposed Advance:</b>	
<b>Proposed Guarantee(s):</b>	

<b>Proposed Channels of Distribution:</b>	
<b>Proposed Territory:</b>	
<b>Proposed Sell-Off:</b>	
<b>Sales Projections:</b>	Year 1 -
	Year 2 -
	Year 3 -
<b>Top 4 Retailers:</b>	1)  2)  3)
<b>Proposed Marketing Date:</b>	Attach sheet to describe
<b>Proposed First Sale Date:</b>	Attach sheet to describe
<b>Proposed Product Category:</b>	Attach sheet to describe
<b>Marketing Strategy:</b>	Attach list.
<b>Retail Strategy:</b>	List on separate sheet
<b>Current Licenses Held:</b>	List on separate sheet
<b>Main Product Lines:</b>	
<b>Stipulations:</b>	
<b>Public or Private:</b>	
<b>Dun &amp; Bradstreet #:</b>	
<b>2 references with contact info:</b>	
<b>Please send the following items:</b>	

# Appendix-4

## License Deal Memo

**LICENSEE:**

**ADDRESS:**

**CITY/STATE:**

**PHONE:**

**FAX:**

**E-MAIL:**

**CONTACT:**

**LICENSOR:**

**PROPERTY:**

**TYPE OF LICENSE:** Exclusive or Non-Exclusive

**LICENSED PRODUCTS:**

**DISTRIBUTION RIGHTS:**

**ADVANCE:** \$\_\_\_\_\_ due upon execution of a formal license agreement

**GUARANTEE:** 20XX \$\_\_\_\_\_

20XX \$\_\_\_\_\_

>20XX \$\_\_\_\_\_

**MEDIA SPENDING:**

**ROYALTY RATES:** \_\_\_\_\_ %

\_\_\_\_\_ % on FOB Sales

\_\_\_\_\_ % on Direct to Consumer Sales

**TERM:**

**RENEWAL OPTIONS:**

**ASSIGNMENT:**

**TERRITORY:**

**DISTRUBUTION:**

**SPECIAL PROVISIONS:**

**EFFECTIVE DATE:**

Upon signature of the Deal Memo, both parties undertake to negotiate in good faith and agree upon a long form license agreement the (“License Agreement”) incorporating the terms set forth in this Deal Memo. Neither this Deal Memo nor any agreements otherwise reached between the parties relating to this proposed transaction shall be binding on either party unless and until a formal License Agreement is executed by both parties. If no formal License Agreement is executed within sixty (60) days from the date of this Deal Memo, this Deal Memo shall automatically expire and any offer being made by Licensee shall expire.

**LICENSOR**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**LICENSEE**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

# Appendix-5

## LICENSE AGREEMENT

### WITNESSETH:

**THIS AGREEMENT** is made this \_\_\_\_ day of \_\_\_\_\_, by and between \_\_\_\_\_ with offices at \_\_\_\_\_ (the “Licensor”) and \_\_\_\_\_ with offices at \_\_\_\_\_ (the “Licensee”).

**WHEREAS**, Licensor is the sole and exclusive owner of the Property or Properties identified more fully in Schedule A attached hereto (the "Property") including, but not limited to, those trademark and service marks identified in Schedule A attached hereto (the “Trademarks”); and

**WHEREAS**, Licensor has the power and authority to grant to Licensee the right, privilege and license to use, manufacture and sell those types of products that incorporate or are otherwise based on the Property as identified in Schedule A attached hereto (the "Licensed Products"); and

**WHEREAS**, Licensee has represented that it has the ability to manufacture, market and distribute the Licensed Products in the distribution channels (the “Channels of Distribution”) and the countries both of which are identified in Schedule A attached hereto (the "Territory"); and

**WHEREAS**, Licensee desires to obtain from Licensor a license to use, manufacture, have manufactured and sell Licensed Products in the Territory and to use the Trademark on or in association with the Licensed Products; and

**WHEREAS**, both Licensee and Licensor are in agreement with respect to the terms and conditions upon which Licensee shall use, manufacture, have manufactured and sell Licensed Products and to use the Trademark on or in association with the Licensed Products.

**NOW, THEREFORE**, in consideration of the promises and agreements set forth herein, the parties, each intending to be legally bound hereby, do promise and agree as follows.

### **1. License Grant.**

A. **Grant of Limited License.** Licensor grants to Licensee for the term of this Agreement as defined in Schedule A attached hereto (the “Term”), subject to the terms and conditions herein contained, and Licensee hereby accepts, the non-exclusive right, license and privilege to utilize the Property and Trademarks solely and only in connection with the manufacture of the Licensed Products as well as for the advertising, promotion, distribution, offering for sale and sale of such Licensed Products within the Channels of Distribution and within the Territory to those Approved Customers identified in Schedule A attached hereto or who are otherwise approved in writing by Licensor under the terms and conditions stated herein.

B. **Individuals.** Licensee expressly acknowledges that this license grant does not convey any rights to the Licensee with respect to the individuals and athletes who compete or participate in Licensor’s events, whose rights are not controlled by Licensor. Licensee shall not use the names, images or likenesses of such individuals and athletes without first obtaining permission directly from such individuals and athletes.

C. No Sublicensing. Licensee may not grant any sub-licenses to any third parties without the prior express written permission of Licensor, which permission may be withheld in Licensor's sole discretion.

D. Non-Authorized Use. Licensee agrees that it will not utilize the Property in any manner not specifically authorized by this Agreement.

E. Grant of Other Rights. Nothing in this Agreement shall be construed to prevent Licensor from granting other licenses for the use of the Property in any manner whatsoever. Licensor specifically reserves all rights not herein granted, including, without limitation, premium and promotional rights.

F. Distribution Outside of Authorized Channels. It is understood and agreed that the Licensee may, with the prior express written approval of Licensor, manufacture and/or have manufactured the Licensed Products outside the Territory provided that all sales are within the Territory. Licensee agrees that it will not make, or authorize, any use, direct or indirect, of the Licensed Products or Property in any distribution channel other than the approved Channels or Distribution or in any country other than the Territory without the prior express written permission of the Licensor nor shall Licensee knowingly offer to sell or sell Licensed Products to persons who intend or are likely to resell them in distribution channels or than the approved Channels of Distribution or any country other than the Territory.

## **2. Consideration.**

A. Royalty. In consideration for the licenses granted hereunder, Licensee agrees to pay to Licensor during the Term of this Agreement (as defined in Schedule A attached hereto), a royalty in the amount provided in Schedule A attached hereto (the "Royalty") based on Licensee Net Sales of Licensed Products. If any amount payable to Licensor is subject to any non-US tax, charge or duty, Licensee shall furnish to Licensor official proof of such payment, including official proof of receipt of Licensee's payment from the government entity imposing such tax, charge or duty. If Licensor does not receive full and complete U.S. tax credit for any such tax, charge or duty, then the amount payable by Licensee shall be increased to provide to Licensor such amount as would be payable to Licensor in the absence of any such tax, charge, duty or impost.

B. Royalty Period. The Royalty owed Licensor shall be calculated on a quarterly calendar basis (the "Royalty Period") and shall be payable no later than thirty (30) days after the termination of the preceding calendar quarter.

C. Marketing Fee. During each Royalty Period on the dates specified in Schedule A, Licensee shall pay to Licensor a Marketing Fee in the amount recited in Schedule A. Licensee's obligation to pay the Marketing Fee is absolute and independent of the Royalty. Licensee shall no right to set off, compensate or make any deduction from payments of the Marketing Fee for any reason whatsoever. Any amount that Licensee may directly spend on advertising (as previously approved by Licensor) in excess of the amount required herein shall not be used to offset the required Marketing Fee for the subsequent Royalty Period. Licensor may use or expend all Marketing Fees paid by Licensee hereunder in its sole discretion.

D. Royalty Statement. With each Royalty Payment, Licensee shall provide Licensor with a written Royalty Statement in a form acceptable to Licensor. Such Royalty Statement shall be certified as accurate by a duly authorized officer of Licensee, reciting: (1) gross sales of all Licensed Products for the applicable Royalty Period, itemized by SKU; (2) Net Sales on which the Royalties are based; (3) all related party sales, employee sales, parking lot, warehouse or similar sales, and any other unusual sales transactions; (4) allowed deductions or credits taken against gross sales; and (5) quantity

and dollar amount of Licensed Products sold to each customer, broken down by month and each country and Channel of Distribution within the Territory, if applicable, as well as any other information relating to the Licensed Products that may be reasonably requested by Licensor. Failure to deliver statements and reports in a timely manner as provided by this Section shall constitute a material breach of this Agreement. Such statements shall be furnished to Licensor whether or not any Licensed Products were sold during the Royalty Period.

E. Advance and Guaranteed Minimum Royalty. Licensee agrees to pay to Licensor a Guaranteed Minimum Royalty in accordance with the terms of Schedule A attached hereto (the "Guaranteed Minimum Royalty"). As recited in Schedule A, a portion of the Guaranteed Minimum Royalty for the first year shall be payable as a non-refundable Advance against royalties (the "Advance"). The actual royalty payments shall reflect the amount of all Guaranteed Minimum Royalty payments including any Advances made. Licensee shall only be permitted to carry forward any unused credit for the Advance or Guaranteed Minimum Royalty for the subsequent year.

F. Net Sales Defined. "Net Sales" shall mean Licensee gross sales (the gross invoice amount billed customers) of Licensed Products, less any *bona fide* returns (net of all returns actually made or allowed as supported by credit memoranda actually issued to the customers). In no event shall the total credits taken by Licensee for returns exceed 10% of the total gross sales for any Royalty Period. No other costs incurred in the manufacturing, selling, advertising, and distribution of the Licensed Products shall be deducted nor shall any deduction be allowed for any uncollectible accounts or allowances.

G. Sale of a Product. A Royalty obligation shall accrue upon the sale of the Licensed Products regardless of the time of collection by Licensee. For purposes of this Agreement, a Licensed Product shall be considered "sold" upon the date when such Licensed Product is billed, invoiced, shipped, or paid for, whichever event occurs first.

H. Invoices. Upon the request of Licensor, Licensee shall submit to Licensor copies of invoices, credit memoranda, price lists, line sheets and customer lists related to the sale of Licensed Products. All payment terms discounts and trade discounts must appear on the face of each invoice; each such discount must be itemized as a percentage reduction in Licensee's published wholesale list price.

I. Off-Sale Pricing. If Licensee sells any Licensed Products to any party at a price less than the regular price charged to other parties, the Royalty payable Licensor shall be computed on the basis of the regular price charged to other parties. In the event that Licensee combines or bundles any Licensed Product with non-licensed goods or services, the Royalty due Licensor will be based on the proportional value of the cost of goods of the Licensed Products as a percentage of the cost of goods of the bundled product including the Licensed Products.

J. No Bar. The receipt or acceptance by Licensor of any Royalty Statement, or the receipt or acceptance of any royalty payment made, shall not prevent Licensor from subsequently challenging the validity or accuracy of such statement or payment.

K. Acceleration. Upon expiration or termination of this Agreement, all Royalty obligations, including any unpaid portions of the Guaranteed Minimum Royalty, shall be accelerated and shall immediately become due and payable.

L. Survival of Termination. Licensee obligations for the payment of a Royalty and the Guaranteed Minimum Royalty shall survive expiration or termination of this Agreement and will continue for so long as Licensee continues to manufacture, sell or otherwise market the Licensed Products.

M. U.S. Currency. All payments due hereunder shall be made in United States currency drawn on a United States bank, unless otherwise specified between the parties.

N. Interest. Late payments shall incur interest at the rate of ONE PERCENT (1%) per month from the date such payments were originally due.

### **3. Time of the Essence.**

**Time is of the essence with respect to timely delivery of Royalty Statements and payments as herein provided and Licensee's failure to comply shall constitute a material breach of the Agreement. If any such breach is not cured within five (5) days of receiving written notice of such breach by Licensor, or if Licensee shall receive written notice of such breach more than twice times in any twelve (12) month period, such shall be grounds for automatic termination without a further opportunity to cure.**

### **4. Audit.**

A. Right to Audit. Both during and after termination or expiration of this Agreement, Licensor shall have the right, upon at least five (5) days written notice and no more than once per calendar year, to inspect the books and records of both Licensee and any of Licensee's related or affiliated entities, e.g., parents, subsidiaries, etc., and all other documents and material in the possession of or under the control of Licensee with respect to the subject matter of this Agreement at the place or places where such records are normally retained by Licensee. Licensee shall provide access to such records in electronic format, if possible, and shall fully cooperate with the Licensor or its representative in connection with such audit and Licensor and/or its representative shall have free and full access thereto for such purposes and shall be permitted to make copies thereof and extracts therefrom.

B. Discrepancies. In the event that such inspection reveals a discrepancy in the amount of Royalty owed Licensor from what was actually paid, Licensee shall pay such discrepancy, plus interest, calculated at the rate of ONE PERCENT (1%) per month. In the event that such discrepancy is in excess of the lesser of TEN THOUSAND UNITED STATES DOLLARS (\$10,000.00) or THREE PERCENT (3%) of the monies owed Licensor, Licensee shall also reimburse Licensor for the cost of such inspection including any attorney's fees incurred in connection therewith. If it is determined that Royalty payments due are in excess of TWENTY PERCENT (20%) of the Royalties paid for the period covered by such audit, then, in addition to any and all other rights, legal and/or equitable, of Licensor, Licensor shall have the right to immediately terminate the Term upon notice to Licensee.

C. Record Retention. This audit right shall survive termination or expiration of the Agreement. All books and records relative to Licensee obligations hereunder shall be maintained and kept accessible and available to Licensor for inspection for at least three (3) years after expiration or termination of this Agreement.

D. Periodic Financial Statements. Within ninety (90) calendar days after the end of each of its fiscal years Licensee shall provide Licensor (all in English) with: (1) an annual audited financial statement of Licensee (audited by an accounting firm satisfactory to Licensor); (2) an annual composite statement, certified by its chief financial officer, showing the aggregate gross sales, trade discounts, returns, allowances, payment term discounts and closeout discounts and any other deduction taken to arrive at the Net Sales price of all Licensed Products sold by Licensee; and (3) an annual inventory reconciliation, certified by a certified public accountant, confirming actual reconciliation of the inventory to Licensee's general ledger and including computer reports summarizing inventory by SKU.

## **5. Marketing.**

A. **Commercially Reasonable Efforts.** At all times during the Term, Licensee shall use commercially reasonable efforts to generate the maximum possible level of sales of the Licensed Products within the Channels of Distribution in the Territory including, without limitation, the design and development of unique retail displays to include “exclusive” styles, designs, powerful point of purchase visual display and minimum square footage requirements at each of its locations that desires to sell the Licensed Products. Licensee acknowledges that Licensor is entering into this Agreement not only in consideration of the payments to be made by Licensee, but also in consideration of the promotional value to Licensor of the widespread marketing, distribution, advertising, promotion, offer for sale and sale of the Licensed Products. Accordingly, Licensee shall use commercially reasonable efforts to seek to procure the greatest volume of sales of the Licensed Products consistent with high quality and shall diligently and continuously make and maintain timely and adequate arrangements for their manufacture, marketing, distribution, advertising, promotion, offering for sale and sale.

B. **Sufficient Inventory.** Licensee shall use commercially reasonable efforts to maintain sufficient on-hand inventory to support market demand for the Licensed Products.

C. **Marketing Plan.** No later than September 1<sup>st</sup> of each calendar year during the Term, Licensee shall provide to Licensor Licensee’s proposed marketing plan and budget (“Marketing Plan”) for the promotion and distribution of the Licensed Products for the ensuing calendar year.

D. **Marketing Budget.** Licensee shall establish a marketing budget, and shall expend an amount, for advertising and related sales promotion activities, for each year during the Term, equal to a percentage of all Net Sales in the amount recited in Schedule A attached hereto. Licensee shall provide Licensor within sixty (60) days after the end of each calendar year with an accounting signed and certified by an officer of Licensee, reflecting the amounts expended by Licensee on advertising the Licensed Products.

E. **Manner of Sale.** Licensee shall sell and distribute the Licensed Products in the Territory and Channels of Distribution outright and not on approval, consignment, guaranteed sale or return basis, or as a premium, promotional tie-in, or give-away.

F. **Licensor’s Assistance in Marketing Efforts.** Licensor shall provide reasonable assistance to Licensee in marketing the Licensed Products, at Licensee’s request, but shall not be required to expend material amounts of time or money in doing so.

## **6. Approval of Products and Promotional Materials.**

A. **Quality of the Licensed Products.** The licenses granted hereunder are conditioned upon Licensee’s full and complete compliance with the marking provisions of the patent, trademark and copyright laws of the United States. The Licensed Products, as well as all promotional, packaging and advertising material relative thereto, shall include all appropriate legal notices as reasonably required by Licensor.

B. **Approval of Preliminary Material.** Licensee agrees to submit to Licensor, for final approval, sketches, prototypes and production samples of all Licensed Products and any and all advertising, promotional and packaging material related to said Licensed Products. Licensor shall provide Licensee with written approval or disapproval within ten (10) business days after receipt of such sketches, prototypes and production samples. Licensor hereby agrees that any item submitted will not be unreasonably disapproved and, if it is disapproved, that Licensor will give the Licensee specific grounds therefore.

Once such samples have been approved by Licensor, the Licensed Product shall not materially depart there from without Licensor's prior express written consent, which shall not be unreasonably withheld. Should Licensor fail to provide such written approval or disapproval within ten (10) business days, such failure shall be deemed to be disapproval of such submission. Licensee shall thereafter have the right to demand, in writing, such written approval or disapproval from Licensor. Should Licensor fail to provide such written approval or disapproval within three (3) business days thereafter, such failure shall be deemed to be approval.

C. Compliance with Standards. The Licensed Products manufactured by or for Licensee, shall comply in all respects with Licensor's standards, specifications, directions and processes and shall be in substantial conformity with the production sample of the Licensed Product approved by Licensor. Once Licensor has approved the Production Sample(s), Licensee will manufacture Licensed Products only in accordance with such approved Production Sample(s) and will not make any changes without Licensor's prior written approval.

D. Pre-Production Samples. Prior to the commencement of manufacture and sale of the Licensed Products, Licensee shall submit to Licensor, at no cost to Licensor two (2) sets of samples of all Licensed Products which Licensee intends to manufacture and sell and one (1) complete set of all promotional and advertising material associated therewith.

E. Annual Samples. At least once during each calendar year, Licensor may require that Licensee shall submit to Licensor an additional two (2) sets of samples.

F. Compliance with Laws. Licensed Products will, at all times, be manufactured, sold and distributed with labels, tags, packaging, and sales promotion materials that are appropriate for merchandise of such quality; and will at all times be manufactured, sold and distributed in accordance with all applicable federal, state and local laws and regulations, and shall in no manner reflect adversely upon the good name of Licensor.

G. Failure of Quality. If the quality of a particular Licensed Product falls below such a production-run quality, as previously approved by Licensor, Licensee shall use commercially reasonable efforts to restore such quality. In the event that Licensee has not taken appropriate steps to restore such quality within thirty (30) days after notification by Licensor, Licensor shall have the right to delete such Licensed Product from the Agreement. Such deletion shall have no effect on the remaining terms of the Agreement and the Agreement shall remain in full force and effect.

H. Seconds. If, in the reasonable discretion of Licensor and Licensee, any Licensed Product(s) is not in conformity with Licensor's approval as set forth herein, but is suitable for sale as a non-first quality product ("Seconds"), then Licensee may sell such Seconds in a way which shall not reduce the value of the Trademarks or Property or detract from Licensor's reputation in any major respect, provided, however, that (1) Licensee's sales of Seconds shall not exceed five (5%) of its total Net Sales for any Royalty Period; (2) Licensor shall have a right to approve such Licensed Products sold as Seconds, such approval not to be unreasonably withheld; and (3) a full Royalty shall be due on all such sales of Seconds.

I. Inspections. The Licensee agrees to permit Licensor or its representative to inspect the facilities where the Licensed Products are being manufactured and packaged.

J. Quality of Promotional Materials. The quality, contents and workmanship of all promotional and advertising material containing the Property (the "Ancillary Materials") shall at all times be of a high standard, and of such style, appearance and

quality as to be adequate and suited to their exploitation to the best advantage and to the protection and enhancement of the Licensor and the Trademarks and the goodwill pertaining thereto; no less than the best quality of similar ancillary material used by Licensee.

K. Approval of Ancillary Materials. Licensee shall, in sufficient time for review and consideration, submit to Licensor, for Licensor's approval, all Ancillary Materials relating to the Licensed Products. Licensor shall provide Licensee with written approval or disapproval within ten (10) business days after receipt of such Ancillary Materials. Any submission not approved in writing by Licensor Group within such ten (10) day period shall be deemed disapproved. Licensee shall thereafter have the right to demand, in writing, such written approval or disapproval from Licensor. Should Licensor fail to provide such written approval or disapproval within three (3) business days thereafter, such failure shall be deemed to be approval. Licensee shall not use or disseminate any Ancillary Materials without the prior express written approval of Licensor. Licensor hereby agrees that any item submitted will not be unreasonably disapproved and, if it is disapproved, that Licensor will give the Licensee specific grounds therefore.

L. Advertising Material and Placement. All media advertising and media advertising placements with respect to the Licensed Products shall be mutually acceptable to both parties. Licensor hereby agrees that any item submitted will not be unreasonably disapproved and, if it is disapproved, that Licensor will give the Licensee specific grounds therefore.

M. Intellectual Property Notices. Licensee agrees to affix to the Licensed Products, and to any Ancillary Materials which depict the Property and/or Trademarks, such legal notices as required and approved by Licensor in writing. In addition, wherever appropriate and required by Licensor, Licensee shall affix the appropriate symbol ® or ™ as well as any such material, such other reasonable notice or notices of trademark and copyright as requested by Licensor. The Licensed Products shall also contain the following copyright notice, which Licensor can change from time to time by notice to Licensee:

© 20\_\_ (or year introduced)  
All Rights Reserved.

Such notices shall appear on the Licensed Products, or on any label or tag affixed to the Licensed Products, as Licensor may approve. The parties recognize and agree, however, that there will be instances where it will not be possible to contain a full copyright or trademark notice. In such event, they will agree upon an appropriate "short form" or abbreviated version of such notice.

N. Approval of Third Party Manufacturers. In the event that the Licensee elects to have the Licensed Products manufactured by a party other than itself, Licensee shall promptly identify the party or parties that will be manufacturing the Licensed Products and obtain the written approval of the Licensor prior to having such party commence the manufacture of such Licensed Products who shall enter into a written Manufacturing Agreement with the Licensee in a form acceptable to the Licensor.

O. Compliance with Labor Compliance Rules. The manufacture, packaging and storage of the Licensed Products shall be carried out only at premises approved by the Licensor or its nominee in writing from time to time. The Licensor or its nominee shall be entitled at any time on reasonable notice to the Licensee to enter, during regular business hours, any premises used by the Licensee or its manufacturers for the manufacture, packaging or storage of the Licensed Products, to inspect such premises, all plant, workforce and machinery used for manufacture, packaging or storage of Licensed

Products and all other aspects of the manufacture, packaging and storage of Licensed Products. The Licensee shall, and shall insure that its manufacturers shall make any changes or improvements to its premises, plant, workforce, machinery and other aspects of the manufacture, packaging and storage of Licensed Products as the Licensor or its nominee may reasonably request. Licensee shall comply in all material respects with the LIMA Code of Business Practices attached hereto as Exhibit A.

## **7. Intellectual Property Rights.**

A. **No Challenges by Licensee.** The parties agree that Licensee will not take any action or fail to take any action inconsistent with the ownership, title or any rights of Licensor in and to the Property or Trademarks or attack the validity of this Agreement or the Property or Trademarks.

B. **Trademark Registrations.** The parties acknowledge and agree that Licensor has the right, but not the obligation, to apply for any and all registrations in the United States and elsewhere for the Trademarks under its own name. Licensee agrees to provide reasonable assistance to Licensor with respect to tiling such applications and obtaining and maintaining the resulting registrations for the Trademarks.

C. **Trademarks Unique and Original.** Licensee acknowledges Licensor's rights in the Property and Trademarks and, further, acknowledges that the Property and Trademarks are unique and original to Licensor and that Licensor is the owner thereof. Licensor, however, makes no representation or warranty with respect to the validity of any trademark or copyright which may issue or be granted therefrom.

D. **Secondary Meaning.** Licensee acknowledges that the Property and Trademarks have acquired secondary meaning.

E. **Trademarks Inure to Benefit of Licensor.** Licensee agrees that its use of the Property and Trademarks inures to the benefit of Licensor and that the Licensee shall not acquire any rights in the Trademarks.

F. **Works Created by Licensee.** All intellectual property rights, whether copyrights, trademark rights, or patent rights, in the Licensed Products and/or relating to the Property or Trademarks or used in the packaging, advertising or promotion thereof, shall be deemed the property of Licensor. In the case of copyrightable materials, such materials shall be considered to be "works made for hire" under the Copyright Act. In the case of trademarks (including trade dress) all use of such trademarks and trade dress relating to the Licensed Products and/or Trademarks, whether now in existence or developed by Licensee during the Term of this Agreement, shall be deemed owned by Licensor and all use thereof by the Licensee, including all good will relating thereto, shall inure to the exclusive benefit of Licensor. In the case of patentable inventions and concepts as well as copyrightable materials that do not constitute "works made for hire," Licensee hereby assigns to Licensor all of Licensee rights in and to such patentable inventions and concepts and such copyrightable materials, without further compensation from Licensor. Under no circumstances shall Licensee continue to use any intellectual property rights approved for use with the Licensed Products after termination or expiration of this Agreement or any trademarks, trade dress, designs, artwork or graphics that could reasonably be considered to be associated with the Licensed Products or the Trademarks. In the event this Agreement is terminated or expires, Licensee shall promptly execute such documents as may be required to assign any and all rights in and to such Property, including all copyrights in any artwork relating thereto to Licensor. Artwork shall include all works which Licensee proposes to and/or does use in connection with the manufacture, sale promotion, advertising, marketing and/or distribution of a Licensed Product, and shall include, but not be limited to, pictorial, graphic, sculptural and literary works as well as software and textual material. Artwork

further includes works embodied in all forms and media, including sketches or such other definition of the use of Property or Trademarks as Licensor requires for evaluation and approval. No Licensed Products shall be approved by Licensor unless its artwork has been approved.

## **8. Representations and Warranties.**

A. Licensor Representations and Warranties. Licensor represents and warrants that (1) no third party owns any right, title or interest in the Property and Trademarks; (2) the Property and Trademarks do not interfere with, infringe upon, misappropriate or otherwise conflict with any intellectual property rights of any third party when used on or in association with the Licensed Products; (3) it has full right, power and authority to convey the right, title and interest described herein: and (4) it has not taken, and will not take, any action in conflict with this Agreement.

B. Licensee Representations and Warranties. Licensee represents and warrants that: (1) it shall comply with all applicable laws and regulations in connection with the manufacture, use, sale, distribution, advertising and promotion of the Licensed Products; (2) it will use its best efforts to promote, market, use, sell, and distribute the Licensed Products and will maintain sufficient inventories of Licensed Products to reasonably fulfill orders; (3) it shall be solely responsible for the manufacture, production, sale, and distribution of the Licensed Products and will bear all related costs associated therewith; (4) it will conduct itself in a business-like and professional manner so as not to bring disrepute to the Property and Trademarks; and (5) it will manufacture or have manufactured all Licensed Products in compliance with the LIMA Code of Business Standards, a copy of which is attached hereto as Exhibit A.

C. Introduction of Licensed Products. It is the intention of the parties that Licensee shall introduce the Licensed Products in the Licensed Territory on or before the Product Introduction Date recited in Schedule A and commence shipment of Licensed Products in the Territory on or before the Initial Shipment Date recited in Schedule A. Failure to meet either the Product Introduction Date or the Initial Shipment Date shall constitute grounds for immediate termination of this Agreement by Licensor.

## **9. Termination**

The following termination rights are in addition to the termination rights provided elsewhere in this Agreement:

A. Immediate Right of Termination. Licensor shall have the right to immediately terminate this Agreement by giving written notice to Licensee in the event that Licensee does any of the following:

- (1) fails to meet the Product Introduction Date or the Initial Shipment Date as specified in Schedule A; or
- (2) after having commenced sale of the Licensed Products, fails to continuously sell Licensed Products for three (3) consecutive Royalty Periods; or
- (3) fails to obtain or maintain product liability insurance in the amount and of the type provided for herein; or
- (4) files a petition in bankruptcy or is adjudicated a bankrupt or insolvent, or makes an assignment for the benefit of creditors, or an arrangement pursuant to any bankruptcy law, or if the Licensee discontinues its business or a receiver is appointed for the Licensee or

for the Licensee business and such receiver is not discharged within thirty (30) days; or

- (5) breaches any of the provisions of this Agreement relating to the unauthorized assertion of rights in the Trademarks; or
- (6) after receipt of written notice from Licensor, fails to immediately discontinue the distribution or sale of the Licensed Products or the use of any Ancillary Materials that do not contain the requisite legal legends; or
- (7) fails to make timely payment of Royalties when due two or more times during any twelve-month period;
- (8) fails to meet the Minimum Sales requirement in any calendar year;
- (9) fails to make the Minimum Advertising Expenditure in any calendar year;
- (10) fails to comply with the Marketing Requirements as provided for in Schedule A attached there; or
- (11) sells Licensed Products to an unapproved customer;
- (12) undergoes a change of control of more than 50% of its outstanding shares, or merge, consolidate with or into any other corporation or other entity, or directly or indirectly sell or otherwise transfer, sell or dispose of all or a substantial portion of its business or assets;
- (13) understates Royalties as provided in Paragraph 4B., makes any unreported sales or cash sales, or intentionally reports incorrect or false manufacturing, sales or financial information;
- (14) itself, or any of its manufacturing subcontractors or sub-subcontractors, manufactures, offers for sale, distributes, uses or sells any Licensed Product or Ancillary Material incorporating the Property, without the express permission of Licensor as herein provided, or manufacture or sell any disapproved products; or
- (15) offers to sell, sells or ships the Licensed Products to customers or distributors outside the Channels of Distribution or the Territory or to non-Approved Customers, or to customers or distributors whom Licensee knows or should know will resell or ship the Licensed Products outside the Channels of Distribution or the Territory;

Notwithstanding the foregoing, if Licensor elects to provide Licensee with notice and an opportunity to cure any breach described in this Sections (in Licensor's sole discretion), such action will not constitute a waiver of or bar to Licensor's right to strictly enforce immediate termination in the future, without any right to cure, in the event of the same or any other breach.

**B. Immediate Right to Terminate a Portion.** Licensor shall have the right to immediately terminate the portion(s) of the Agreement relating to any Trademark and/or Licensed Product(s) in the Territory if Licensee, for any reason, fails to meet the Product Introduction Dates or the Initial Shipment Dates specified in Schedule A or, after the commencement of manufacture and sale of a particular Licensed Product, ceases to sell commercial quantities of such Licensed Product for three (3) consecutive Royalty Periods.

C. Right to Terminate on Notice. This Agreement may be terminated by either party upon thirty (30) days written notice to the other party in the event of a breach of a material provision of this Agreement unrelated to Licensee payment obligations by the other party, provided that, during the thirty (30) day period, the breaching party fails to cure such breach. With respect to Licensee payment obligations hereunder, Licensor may terminate this Agreement upon five (5) days written notice to Licensee in the event of a breach by Licensee of its payment obligations hereunder, provided that during this five (5) day period, Licensee fails to cure such breach.

## **10. Post Termination Rights**

A. Inventory upon Termination. Not less than thirty (30) days prior to the expiration of this Agreement or immediately upon termination thereof, Licensee shall provide Licensor with a complete schedule of all inventory of Licensed Products then on-hand (the "Inventory").

B. Sell-Off Period. Upon expiration or termination of this Agreement except for reason of a breach of Licensee duty to comply with the quality control or legal notice marking requirements, Licensee shall be entitled, for an additional period of three (3) months and on a nonexclusive basis, to continue to sell such Inventory. Such sales shall be made subject to all of the provisions of this Agreement and to an accounting for and the payment of a Royalty thereon. Such accounting and payment shall be due and paid within thirty (30) days after the close of the said three (3) month period. Licensee shall not be permitted to sell Licensed Products during this period at a price point discounted more than 50% of its traditional wholesale selling price.

C. Discontinuance of Use of the Property. Upon the expiration or termination of this Agreement, all of the rights of Licensee under this Agreement, except for Licensee rights under paragraph 10B., shall forthwith terminate and immediately revert to Licensor and Licensee shall immediately discontinue all use of the Trademarks, at no cost whatsoever to Licensor.

D. Return of Materials. Upon termination of this Agreement for any reasons whatsoever, Licensee agrees to immediately return to Licensor all material relating to the Trademarks including, but not limited to, all artwork, color separations, prototypes and the like, as well as any market studies or other tests or studies conducted by Licensee with respect to the Trademarks, at no cost whatsoever to Licensor.

E. Continued Sale of Similar Products. The parties understand and agree that the Licensed Products will have acquired a particular look and feel and association with the Trademarks and Property. Accordingly, Licensee recognizes and agrees that the continued use of any similar trademark, trade name, trade dress or other industrial or intellectual property has the potential to cause significant consumer confusion after termination or expiration of this Agreement should Licensee continue to use or adopt the use of any trademark, trade name, trade dress or other industrial or intellectual property that was not a "safe distance" from the Property, Trademark or any trade name or trade dress associated therewith and Licensee hereby agrees to maintain such "safe distance" upon the termination or expiration of this Agreement.

## **11. Infringements**

A. Initiation of Infringement Actions. Licensor shall have the right, in its discretion, to institute and prosecute lawsuits against third persons for infringement of the rights licensed in this Agreement.

B. Cost of Litigation. Any lawsuit shall be prosecuted solely at the cost and expense of Licensor and all sums recovered in any such lawsuits, whether by judgment, settlement or otherwise, shall be retained by Licensor.

C. Cooperation of Parties. Upon request of Licensor, Licensee shall execute all papers, testify on all matters, and otherwise cooperate in every way necessary and desirable for the prosecution of any such lawsuit. Licensor shall reimburse Licensee for the expenses incurred as a result of such cooperation.

## **12. Indemnification.**

A. Licensee Indemnity. Licensee agrees to defend, indemnify and hold Licensor, and its officers, directors, employees, agents, and advisors, harmless from and against any and all costs, loses, obligations, suits, judgments, damages and costs (including reasonable attorneys' fees and costs) incurred through claims of third parties against Licensor based on the manufacture, sale, marketing, distribution, advertising or promotion of the Licensed Products including, but not limited to, actions founded on product liability or infringement of any third party intellectual property rights. Licensor shall have the right to select counsel in connection with such actions. No action may be settled or compromised without Licensor's prior express written approval.

B. Licensor Indemnity. Licensor agrees to defend, indemnify and hold Licensee, and its officers, directors, employees, agents and advisors, harmless from and against any and all claims, losses, obligations, suits, judgments, damages and costs (including reasonable attorneys' fees and costs) incurred through claims of third parties against Licensor based on any claim by any third party challenging Licensor's rights in the Property or its ability to enter into this Agreement including any claim for infringement of any third party rights based solely on Licensee's licensed use of the Property on the Licensed Products.

## **13. Insurance.**

A. Product Liability Insurance. Licensee shall, throughout the Term of the Agreement, obtain and maintain at its own cost and expense from a qualified insurance company licensed to do business in [State] with a Best rating of A- or better, standard Product Liability Insurance naming Licensor as an additional named insured. Such policy shall provide protection against any and all claims, demands and causes of action arising out of any defects or failure to perform, alleged or otherwise, of the Licensed Products or any material used in connection therewith or any use thereof. The amount of coverage shall be as specified in Schedule A attached hereto. The policy shall provide for ten (10) days notice to Licensor from the insurer by Registered or Certified Mail, return receipt requested, in the event of any modification, cancellation or termination thereof. Licensee agrees to furnish Licensor a certificate of insurance within thirty (30) days after execution of this Agreement and, in no event shall Licensee manufacture, distribute or sell the Licensed Products prior to receipt by Licensor of such certificate of insurance.

B. Advertiser's Insurance. Licensee shall, throughout the Term of the Agreement, obtain and maintain at its own cost and expense from a qualified insurance company licensed to do business in [State] with a Best rating of A- or better, standard Advertiser's Insurance naming Licensor as an additional named insured. Such policy shall provide protection against any and all claims, demands and causes of action arising out of any defects or failure to perform, alleged or otherwise, of the Licensed Products or any material used in connection therewith or any use thereof. The amount of coverage shall be as specified in Schedule A attached hereto. The policy shall provide for ten (10) days notice to Licensor from the insurer by Registered or Certified Mail, return receipt requested, in the event of any modification, cancellation or termination thereof. Licensee agrees to furnish Licensor a certificate of insurance within thirty (30) days after execution

of this Agreement and, in no event shall Licensee manufacture, distribute or sell the Licensed Products prior to receipt by Licensor of such certificate of insurance.

#### **14. Relationship of the Parties.**

This Agreement creates no agency relationship between the parties hereto, and nothing herein contained shall be construed to place the parties in the relationship of partners or joint venturers, and neither party shall have any power to obligate or bind the other party in any manner whatsoever.

#### **15. Severability.**

If any provision of this Agreement is held by a court or arbitrator of competent jurisdiction not enforceable to its full extent, then such provision shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be modified by such court or arbitrator accordingly and that the whole of such provision of this Agreement shall not thereby fail, but that the scope of such provision shall be curtailed only to the extent necessary to conform to the law.

#### **16. Assignment and Transfer.**

This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Licensee may not assign its rights or obligations hereunder without the prior written consent of Licensor; provided, however, that Licensee may assign its rights under this Agreement without the prior written consent of Licensor to any entity controlled by or controlling Licensee. No assignment shall entitle any assignee to any greater rights hereunder than those to which the assignor was entitled. For purposes of this provision, any action by Licensee that involves a change of control of Licensee or transfers of more than 50% the outstanding stock of Licensee shall be deemed an assignment and may only be made with the prior express written approval of Licensor.

#### **17. Waivers.**

The failure or delay of either party at any time to exercise any right under any provision of this Agreement shall not limit or operate as a waiver thereof.

#### **18. No Third Party Beneficiaries.**

Nothing in this Agreement is intended, or shall be construed, to give any entity or individual other than the parties hereto any legal or equitable right, remedy or claim under or in respect of this Agreement or any of the provisions contained herein.

#### **19. Equitable Relief.**

Without limiting the right of Licensor to pursue all other legal and equitable rights available to it for violation of or failure of Licensee to comply with the terms of this Agreement, it is agreed that other remedies cannot fully compensate Licensor for such a violation or failure and that Licensor shall be entitled to injunctive or other equitable relief to prevent violation or continuing violation or to compel performance by Licensee. Licensee acknowledges that the restrictions in this Agreement are reasonable and that the consideration therefore is sufficient to fully and adequately compensate it therefore. Licensee further acknowledges that the Trademarks are special and unique property and cannot be replaced or otherwise substituted for by other property or by money damages. It is the intent and understanding of each party hereto that if, in any action before any court or agency legally empowered to enforce this Agreement, any term, restriction, covenant or promise in this Agreement is found to be unreasonable and for that reason unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency.

## **20. Notices.**

Any notice, consent or other communication required or permitted hereunder shall be in writing. It shall be deemed given when: (1) delivered personally; (2) sent by confirmed facsimile transmission; (3) sent by commercial overnight courier with written verification of receipt; or (4) sent by registered or certified mail, return receipt requested, postage prepaid, and the receipt is returned to the sender. Names, addresses and facsimile numbers for notices (unless and until written notice of other names, addresses and facsimile numbers are provided by either or both parties) are as follows:

If to Licensor: *With a copy to:*

If to Licensee: *With copy to:*

## **21. Confidentiality**

A. Disclosure of Confidential Information. There may be occasions during the Term of this Agreement that either party discloses to the other certain confidential or proprietary information including, any information transmitted between the parties that relates to the transferring party's business, such as drawings, specifications, production schedules, test data, business practices and marketing strategies, prospective product concepts or ideas, or the like, or the terms of this Agreement ("Confidential Information"). The following will, however, not be considered Confidential Information:

- (1) Information that is explicitly approved for release by the transmitting party,
- (2) Information that is disclosed in a product marketed by the transmitting party,
- (3) Information that was already known by the receiving party prior to receiving the information from transmitting party or becomes known by the receiving party independently through no wrongful act on the part of the receiving party, or
- (4) Information that is known or available to the general public.

B. Use by Receiving Party. The receiving party agrees to maintain such Confidential Information received from the transmitting party in confidence, to use it only in a manner consistent with the purpose for which it was transmitted and to not disclose it to persons not having a need to know it. In the event that the receiving party needs to transmit such information to a third party, the receiving party shall safeguard the confidentiality of the information.

C. Property of Transmitting Party. All materials transmitted between the parties and containing Confidential Information shall remain the property of the transmitting party and shall be returned upon request unless previously destroyed.

D. No License Grant. The transmission of the material containing such Confidential Information shall not be construed to grant the receiving party a license of any type under any patents, know-how, copyrights or trademarks owned or controlled by the transmitting party.

E. Survival of Termination. The obligations of the parties under this section regarding confidential information shall survive termination, expiration or non-renewal of this Agreement.

## **22. On-Going Cooperation.**

Each party to this Agreement agrees to execute and deliver all documents and to perform all further acts and to take any and all further steps that may be requested by the other party and are reasonably necessary to carry out the provisions of this Agreement and the transactions contemplated hereby.

## **23. Independent Contractor.**

Licensee shall be deemed an independent contractor and nothing contained herein shall constitute this arrangement to be employment, a joint venture, or a partnership. Licensee shall be solely responsible for and shall hold Licensor harmless for any and all claims for taxes, fees, or costs arising from the manufacture, marketing, distribution or sale of Licensed Product, including but not limited to withholding, income tax, FICA, and workmen's compensation.

## **24. Governing Law & Disputes.**

This Agreement will be governed by, and construed and enforced in accordance with the laws of [State] without regard to conflicts of law principles. All disputes under this Agreement shall be resolved by the courts of the state of [State], including the United States District Court for the District of [State]. The parties all consent to the jurisdiction of such courts, agree to accept service of process by mail, and hereby waive any jurisdictional or venue defenses otherwise available to it.

## **25. Execution in Counterparts.**

This Agreement may be executed in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. The parties may execute this Agreement and exchange counterparts of the signature pages by means of facsimile transmission, and the receipt of such executed counterparts by facsimile transmission will be binding on the parties. Following such exchange, the parties will promptly exchange original versions of such signature pages.

## **26. Force Majeure.**

If the performance of any part of this Agreement by either party is prevented, hindered, delayed or otherwise made impracticable because of an Act of God, riot or civil commotion, act of public enemy, terrorism, order or act of any government or governmental instrumentality (whether federal, state, local or foreign) or similar cause beyond the control of either party, that party shall be excused from such performance to the extent that performance is prevented, hindered or delayed by such causes.

## **27. Integration.**

This Agreement constitutes the entire understanding of the parties, and revokes and supersedes all prior agreements between the parties, including any option agreements which may have been entered into between the parties, and is intended as a final expression of their Agreement. It shall not be modified or amended except in writing signed by the parties hereto and specifically referring to this Agreement. This Agreement shall take precedence over any other documents which may be in conflict with said Agreement.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the Effective Date.

**LICENSOR**

**LICENSEE**

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**SCHEDULE A**  
**TO LICENSE AGREEMENT**

1. **PROPERTY:**
2. **TRADEMARKS:**
3. **LICENSED TERRITORY:**
4. **LICENSED PRODUCTS:**
5. **CHANNELS OF DISTRIBUTION:**
6. **APPROVED CUSTOMERS:**
7. **ROYALTY RATE:**
  - Domestic Sales Rate:
  - FOB Sales Rate:
  - Direct Sales Rate:
8. **GUARANTEED MINIMUM ROYALTY:**
9. **ADVANCE:**
10. **MARKETING FEE:**
11. **PRODUCT INTRODUCTION DATE:**
12. **INITIAL SHIPMENT DATE:**
13. **MINIMUM ANNUAL SALES:**
14. **MINIMUM ADVERTISING EXPENDITURE:**
15. **TERM:**
16. **INSURANCE REQUIREMENTS:**
17. **MARKETING REQUIREMENTS:**

# Appendix-6

## MANUFACTURER'S REPRESENTATIVE AGREEMENT

**THIS AGREEMENT** is made this \_\_\_\_day of \_\_\_\_\_, by and between \_\_\_\_\_ with offices at \_\_\_\_\_ (the "Representative") and \_\_\_\_\_ with offices at \_\_\_\_\_ (the "Manufacturer").

### WITNESSETH:

**WHEREAS**, Manufacturer is in the business of manufacturing and marketing certain products including, but not limited to, products bearing properties licensed by third party licensors;

**WHEREAS**, Representative is in the business of consulting with and obtaining and developing licenses for various manufacturers;

**WHEREAS**, Manufacturer would like to retain the services of Representative to seek out and obtain for Manufacturer new licenses for its products.

**NOW, THEREFORE**, in consideration of the promises and agreements set forth herein, the parties, each intending to be legally bound hereby, do promise and agree as follows:

### 1. APPOINTMENT OF REPRESENTATIVE

Manufacturer hereby appoints Representative to act as its exclusive representative during the Term of this Agreement to recommend new licensed properties from third party licensors (the "New Licensed Properties") to Manufacturer and/or its affiliated and related companies for incorporation on Manufacturer's products for sale in the Territory identified in Schedule A attached hereto (the "Licensed Products") as well as to provide general consulting services relative to licensing matters. It is understood and agreed that Representative shall serve as Manufacturer's exclusive representative in its dealing with all third party licensors except for those licensors listed in Schedule A (the "Excluded Licensors"). It is understood and agreed that Manufacturer shall refer all inquiries from or contacts with third party licensors (except for the Excluded Licensors) concerning licensing matters to Representative.

### 2. TERM OF AGREEMENT

This Agreement shall commence upon execution by both parties and shall extend for an Initial Term as defined in Exhibit A attached hereto. This Agreement may be automatically renewed for an unlimited number of additional Extended Terms as defined in Exhibit A unless one party provides written notice to the other party at least sixty (60) days prior to the expiration of the then in-effect Term of its intention not to renew the Agreement.

### **3. DUTIES AND OBLIGATIONS OF PARTIES**

A. Representative shall use reasonable efforts during the Term of this Agreement to find and recommend New Licensed Properties to Manufacturer that are suitable for adoption and use by Manufacturer and/or its affiliated or related companies to incorporate on or in association with its products. Any New Licensed Property acquired by Manufacturer or any affiliated or related entity during the Term of this Agreement from a licensor other than an Excluded Licensor shall be deemed a New Licensed Property for purposes of this Agreement and shall be added to Exhibit B attached hereto whether or not recommended by Representative. Moreover, in the event that Manufacturer should enter into any license agreement with a licensor within one (1) year after termination or expiration of this Agreement based on negotiations initiated by Representative during the Term of this Agreement, any licensed property covered by such license agreement shall also be deemed a New Licensed Property for purposes of this Agreement and shall be added to Exhibit B attached hereto. It is understood that Exhibit B shall be periodically updated during the Term of this Agreement.

B. In the event that Manufacturer is interested in procuring any New Licensed Property, Representative will assist Manufacturer in scheduling preliminary meetings with the respective licensor(s) of such New Licensed Property, attend subsequent meetings wherever possible if requested by Manufacturer, and assist Manufacturer wherever possible in obtaining such New Licensed Property.

C. It is understood that Representative has in the past and will continue to work with other manufacturers.

D. Manufacturer shall be solely responsible for all costs and expenses associated with the obtaining of New Licensed Properties from the applicable licensor(s), including any legal fees associated with the drafting and negotiation of any agreement with such licensor.

### **4. COMPENSATION**

A. In consideration for the services rendered by Representative, Manufacturer agrees to and shall pay Representative, during the Term of this Agreement, a non-refundable, non-creditable monthly retainer fee in the amount recited in Schedule A attached hereto (the "Retainer Fee").

B. In addition to the foregoing Retainer Fee, Manufacturer agrees to pay Representative a Commission on Manufacturer's Net Sales of its licensed products or services bearing the New Licensed Properties or by its affiliated or related companies in accordance with the schedule recited in Schedule A (the "Commission"). The definition of Net Sales with respect to each New Licensed Property shall be governed by such definition provided in the respective license agreement with the applicable licensor.

C. Representative's right to receive this Commission shall survive termination or expiration of this Agreement for any reason, Representative shall be entitled to continue to receive its full Commission based on those contracts or agreements entered into by Manufacturer with third party licensors during the Term of this Agreement or based on any contracts or agreements entered into by Manufacturer within one (1) year from the date of termination or expiration thereof resulting from presentations or negotiations made by Representative during the Term of this Agreement for which Representative would have received a Commission had the Agreement not been terminated or expired. Representative shall be entitled to such post termination Commission for so long as the Manufacturer

continues to sell such licensed products or services under such agreements and any renewals, modifications or extensions thereof.

D. Manufacturer agrees to reimburse for all reasonable expenses incurred by Representative on behalf of Manufacturer, provided that any expenses in excess of \$1000 must be approved in writing by Manufacturer prior to their being incurred.

## **5. STATEMENTS AND PAYMENTS**

A. The Commission owed Representative shall be calculated on a quarterly calendar basis (the "Commission Period") and shall be payable no later than thirty (30) days after the termination of the preceding full calendar quarter.

B. For each Commission Period, Manufacturer shall provide Representative with a written Commission Statement in a form acceptable to Representative. Such Commission Statement shall be certified as accurate by a duly authorized officer of Manufacturer and shall be broken down on a Property by Property basis. With respect to each of the New Licensed Properties, Manufacturer shall further provide Representative with copies of Manufacturer's royalty statements to the respective licensor. Such Commission Statements shall be furnished to Representative regardless of whether any Licensed Products were sold during the Commission Period or whether any actual Commission was owed.

C. The receipt or acceptance by Representative of any Commission statement or payment shall not prevent Representative from subsequently challenging the validity or accuracy of such statement or payment.

D. All payments due Representative shall be made in United States currency by check drawn on a United States bank, unless otherwise specified by Representative.

F. Late payments shall incur interest at the rate of ONE PERCENT (1%) per month from the date such payments were originally due.

## **6. RECORD INSPECTION AND AUDIT**

A. Representative shall have the right, upon reasonable notice, to inspect Manufacturer's books and records and all other documents and material in Manufacturer's possession or control with respect to the subject matter of this Agreement. Representative shall have free and full access thereto for such purposes and may make copies thereof and Manufacturer shall fully cooperate with Representative in connection with such inspection.

B. In the event that such inspection reveals an underpayment by Manufacturer of the actual Commission owed Representative, Manufacturer shall pay the difference, plus interest calculated at the rate of ONE PERCENT (1%) per month. If such underpayment be in excess of ONE THOUSAND UNITED STATES DOLLARS (\$1,000.00) for any Commission Period, Manufacturer shall also reimburse Representative for the cost of such inspection.

C. All books and records relative to Manufacturer's obligations hereunder shall be maintained and made accessible to Representative for inspection at a location in the United States for at least two (2) years after termination of this Agreement.

## **7. INDEMNIFICATION**

Manufacturer hereby agrees to defend, indemnify and hold Representative, its shareholders, directors, officers, employees, Representatives, parent companies,

subsidiaries, and affiliates, harmless from and against any and all claims, liabilities, judgments, penalties, and taxes, civil and criminal, and all costs, expenses (including, without limitation, reasonable attorneys' fees) incurred in connection therewith, which any of them may incur or to which any of them may be subjected, arising out of or relating to the manufacture or sale of any Licensed Products based on the New Licensed Properties including, but not limited to, actions for infringement or product liability.

## **8. NOTICES AND PAYMENTS**

A. Any notice required to be given under this Agreement shall be in writing and delivered personally to the other designated party at the above stated address or mailed by certified, registered or Express Mail, return receipt requested or by Federal Express.

B. Either party may change the address to which notice or payment is to be sent by written notice to the other under any provision of this paragraph.

## **9. TERMINATION**

A. This Agreement may be terminated by either party upon thirty (30) days written notice to the other party in the event of a breach of a material provision of this Agreement by the other party, provided that, during the thirty (30) days period, the breaching party fails to cure such breach.

B. Representative shall have the right to terminate this Agreement for any reason on thirty (30) days written notice to Manufacturer subject to the provisions of this Agreement and, in particular, to the post termination compensation provisions concerning commissions as provided for in paragraph 4.

## **10. JURISDICTION/DISPUTES**

A. This Agreement shall be governed in accordance with the laws of [State].

B. All disputes under this Agreement shall be resolved by litigation in the courts of the State of [State] and the parties all consent to the jurisdiction of such courts, agree to accept service of process by mail, and hereby waive any jurisdictional or venue defenses otherwise available to it.

## **11. AGREEMENT BINDING ON SUCCESSORS**

The provisions of the Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their heirs, assigns and successors.

## **12. WAIVER**

No waiver by either party of any default shall be deemed as a waiver of prior or subsequent default of the same of other provisions of this Agreement.

## **13. SEVERABILITY**

If any term, clause or provision hereof is held invalid or unenforceable by a court of competent jurisdiction, such invalidity shall not affect the validity or operation of any other term, clause or provision and such invalid term, clause or provision shall be deemed to be severed from the Agreement.

## **14. INDEPENDENT CONTRACTOR**

Representative shall be deemed an independent contractor and nothing contained herein shall constitute this arrangement to be employment, a joint venture or a partnership. Representative shall be solely responsible for and shall hold Manufacturer harmless for any

and all claims for taxes, fees or costs, including but not limited to withholding, income tax, FICA, workman's compensation.

**15. INTEGRATION**

This Agreement constitutes the entire understanding of the parties, and revokes and supersedes all prior agreements between the parties and is intended as a final expression of their Agreement. It shall not be modified or amended except in writing signed by the parties hereto and specifically referring to this Agreement. This Agreement shall take precedence over any other documents which may conflict with this Agreement.

**IN WITNESS WHEREOF**, the parties hereto, intending to be legally bound hereby, have each caused to be affixed hereto its or his/her hand and seal the day indicated.

**MANUFACTURER**

**MANUFACTURER'S REPRESENTATIVE**

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**SCHEDULE A**  
**TO MANUFACTURER'S REPRESENTATIVE AGREEMENT**

- 1. LICENSED PRODUCTS:**
  
- 2. TERRITORY:**
  
- 3. TERM:**
  
- 4. RETAINER FEE:**
  
- 5. COMMISSION:**
  
- 6. EXCLUDED LICENSORS:**