

## MASTER USE LICENSE

This agreement ("Agreement") made on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between \_\_\_\_\_ ("Owners") and \_\_\_\_\_ ("Licensee") for the following terms:

### 1. **LICENSE GRANTED:**

- (a) Whereby Owners are the owners of the certain master recordings described below. Owners hereby grant to Licensee a non-exclusive license to use the master recording(s) embodying the performances of the artists(s) known professionally as \_\_\_\_\_ ("Artist") comprising the compositions (hereinafter "Compositions") listed on schedule "A" ("Licensed Masters(s)") annexed hereto and made a part of this Agreement, for the purpose of manufacturing, distributing and selling phonograph records, tapes and compact discs ("Records"). Under this Agreement Licensee is granted the limited right to include the Licensed Master(s) in the following manner:  
\_\_\_\_\_  
\_\_\_\_\_ (hereinafter "New Record").
- (b) For and in consideration of the agreements set forth in this Agreement, Licensor agrees to pay Owner an advance in the amount of \$\_\_\_\_\_. Such payment shall be an advance against royalties payable hereunder and shall be charged against the record royalties or monies payable to Owner under this Agreement.

### 2. **RIGHTS GRANTED:**

Owners hereby grant to Licensee the following right subject to the following:

- (a) The right to manufacture, distribute, sell, advertise, publicly perform and broadcast on a non-exclusive basis, Records containing the performance embodied in the Licensed Masters made hereunder.
- (b) The right to use the names, likeness and a biography of Artist in connection with the advertising, publicizing or sale of Records manufactured therefrom, provided that Licensee shall be bound by any restrictions imposed upon Owners with respect thereto of which Licensee shall have been informed by Owners in writing at the time of signing this Agreement.
- (c) Owners shall notify Licensee in writing at the time of executing this Agreement the owners of the Compositions and any Publishing Company owning any right to the Composition(s).
- (d) Any rights not specifically granted and set forth in this License are hereby reserved by the Owner.
3. **LICENSED TERM:** Licensee shall have the non-exclusive right to manufacture and sell records, tapes and compact discs derived from the Licensed Master in perpetuity.

- (a) Licensee agrees to pay Owners a Record Royalty of \_\_\_\_\_ percent (\_\_\_\_%) of the retail list price ("Owners Basic Rate") of all Records SOLD and NOT RETURNED, after all Licensee recoups from the sale of all Records all advance payments paid to Owner, and Owner's proportional share of recording costs, artwork charges, and promotional costs.
- (b) The specified percent royalty rate for a given Record embodying the Licensed Master shall be equal to a fraction of Owner's Basic Rate, the numerator of which is the total number of times the License master is embodied on the Compilation Album and the denominator of which is the total number of master recordings (including the Licensed Master) embodied on the New Record.
- (c) In respect of Records sold outside of the United States, Licensee shall pay Owner a royalty at the rate of one-half (1/2) of the otherwise applicable "Basic Rate."
- (d) Notwithstanding the foregoing:
  - i) The royalty rate in respect of the sale of Records on a Mid-Priced Record Line shall be three-fourths (3/4) of the otherwise applicable "Basic Rate" as calculated in accordance with the foregoing provisions and the royalty rate in respect of the sale of Records on a Budget Record Line or Low-Priced Record Line shall be one-half (1/2) of the otherwise applicable royalty rate as calculated in accordance with the foregoing provisions;
  - ii) The royalty rate in respect of Records sold for use as premiums or in connection with the sale, advertising, or promotion of any other product or service shall be one-half (1/2) of the otherwise applicable "Basic Rate" as calculated in accordance with the foregoing provisions, and shall be based upon price received by Licensee for such Records sold by Licensee and upon the price utilized by Licensee's licensees in accounting to Licensee for such Records sold by Licensee's licensees;
  - iii) The royalty rate in respect of Records sold to the United States Government, its subdivisions, departments or agencies (including Records sold for resale through military facilities), and in respect of Records sold to educational institutions or libraries, shall be one-half (1/2) of the otherwise applicable "Basic Rate" as calculated in accordance with the foregoing provisions; and
  - iv) The royalty rate in respect of Masters licensed by Licensee for a Record use on a flat-fee basis and for all other types of use (other than Record use) on a flat-fee or royalty shall be an amount equal to fifty percent (50%) of the net flat-fee or gross royalty, as the case may be, received by Licensee in respect of each such use.
- (e) Notwithstanding the foregoing, no royalties shall be payable on Records
  - (i) furnished as free or bonus Records to members, applicants, or other participants in any record club or other direct mail Distribution method;

- (ii) on Records distributed for promotional purposes to radio stations, television stations or networks, record reviewers or other customary recipients of promotional Records;
  - (iii) on so-called "promotional sampler" Records; All promotional copies will bear a sticker "For Promotional Use Only" or "Not for Resale Use." Record Royalties will be paid directly to Owners at the address of Owners on this Agreement.
  - (iv) on Records sold as scrap or so-called "cut-outs";
  - (v) on Records distributed on a so-called "no-charge" or "free" basis (such as, but not limited to, Records commonly described in the record industry as "free-goods" or "freebies", and which shall be fifteen percent (15%) of the aggregate number of units of each LP or EP hereunder and it shall be twenty five (25%) of the aggregate number of units on each Single hereunder; or
  - (vi) on Records sold at less than fifty (50%) percent of their regular wholesale price to Distributors, sub-Distributors, dealers, or others, whether or not the recipients of such Records are affiliated with Licensee and whether or not such Records are intended for sale by the recipients thereof.
- f) Notwithstanding any of the foregoing:
- i) For purposes of computing royalties there shall be deducted from the SRLP (or other applicable price, if any, upon which royalties are calculated) on Records hereunder an amount equal to any excise, sales, value-added, or comparable or similar taxes;
  - ii) Royalties shall be computed and paid on one hundred (100%) percent of Net Sales for which payment has been received or credited.
  - iii) Records Distributed in the United States by any of Licensee's affiliated branch wholesalers shall be deemed sold for the purposes of this Agreement only if sold by any such affiliated branch wholesaler to one of its independent third party customers.
- g) All royalty rates in this Agreement are "all-in" rates, which is to say that they include all royalties due to Owners as well as any other artist, engineer, producer or other third parties.

#### 4. PAYMENT SCHEDULE:

- (a) Payment of accrued royalties shall be made within ninety (90) days after the close of each semi-annual period being the 1st day of March for six months ending January 1; and on the 1st day of September for the six months ending July 1 in each year to Owner at Owner's address set forth in this Agreement. However, Licensee shall have the right to deduct from the amount of royalties due any and all advance payments, recording costs, mastering charges, artwork charges, and promotional costs or any master use licensing fees paid to Owner hereunder.

- (b) All royalty statements, and all other accounts rendered by Licensee to Owner shall be binding upon Licensee, and not subject to any objection by Owner for any reason unless specific objection in writing, stating the basis thereof, is given to us within one (1) year from the date rendered and unless an action, suit or proceeding is commenced against Licensee in a court of competent jurisdiction within one (1) year from the date such specific objection is made in writing.
  - (c) In computing royalties hereunder, Licensee shall have the right to withhold reasonable reserves for record returns and for credits of any nature. Such reserves shall not be greater than thirty percent (30%) of the monies otherwise due to you as royalties in connection with such records, and we agree to liquidate the reserves within two accounting periods subsequent to the accounting periods in which the reserves were originally withheld.
  - (d) No royalties shall be payable to Owner in respect of sales of Records by any of Licensee's licensees until payment therefore has been received by Licensee or credited to Licensee's account. Sales by any such licensees shall be deemed to have occurred in the semi-annual accounting period during which such licensees shall have rendered to Licensee accounting statements for such sales.
5. ACCOUNTING: Licensee shall maintain books of account concerning the sale of Records hereunder. Owner or a certified public accountant, in Owners behalf, may, at Owner's sole expense, examine Licensee's said books (relating to the sale of Records hereunder) solely for the purpose of verifying the accuracy thereof, only during Licensee's normal business hours and upon reasonable written notice. Licensee's books relating to any particular royalty statement may be examined as aforesaid only within one (1) year after the date rendered and Licensee shall have no obligation to permit Owner to so examine Licensee's such books relating to any particular royalty statement more than once.
6. RIGHTS RETAINED BY OWNER: Owner will retain all rights in and to the Licensed Masters excepts as is granted in this Agreement.
7. RESTRICTIONS: This license does not include any right or authority
- (a) to make changes or alter the Licensed Master.
  - (b) make any other use of the Licensed Master not set forth herein.
8. WARRANTIES:
- (a) Owners warrant they are the sole owners of the Licensed Masters and hereby have the right to grant the terms of this Agreement. Owners warrant it has been granted the rights in writing from all producers, artists, side artists and musicians for the intellectual property rights associated with the Licensed Masters.
  - (b) All reproductions made from the Licensed Masters embodied in the New Record together shall be entirely the property of Licensee, free of any claims whatsoever by Owner or any person deriving any rights or interest from Owner or Artist. Such ownership in the reproductions or sound recording of

the New Record shall not include ownership in the Licensed Masters, which are solely owned by Owner. Owner warrants it is the sole owners of the Licensed Masters and has been granted all rights associated with the recording of the Composition embodied on the Licensed Masters and hereby has the right to grant the terms of this Agreement. The songs and performances embodied in the Recordings, and any use thereof by Licensee or its grantees, licensees, or assigns, will not violate or infringe upon the rights of any third party. Owner warrants it has secured all proper licenses for the right to perform and record all or any part of the performances or recording embodied on the Licensed Master for the use of a song or recording appearing in the Licensed Master from a "sample," an "interpolation" or a "replay."

- 9. ASSIGNMENT: Licensee shall not have the right to assign this Agreement without the express written consent of Owner.
- 10. INDEMNIFICATION: Both parties indemnify and hold harmless the other party, its officers, agents, employees, attorneys and assignees, from and against any and all claims, damages, liabilities, costs and expenses including but not limited to attorney's fees, arising out of any breach by the other party of any representation, warranty, term or agreement made or to be performed by this Agreement.
- 11. MISCELLANEOUS PROVISIONS:
  - (a) This Agreement shall endure in perpetuity for the territory of the entire world,
  - (b) Any and all actions under the law shall be instituted in a court of competent jurisdiction in the State of \_\_\_\_\_ and shall be deemed construed according to the laws of the State of \_\_\_\_\_.
  - (c) Owner shall receive an appropriate credit in like kind to all others of the same stature on the jackets, labels, covers, long boxes or liner notes of Records embodying the Licensed Masters.
  - (d) Owner agrees to issue any such licenses or written agreements to effectuate this Agreement if either is further required by Licensee or by Licensees assignors or licensees.

This Agreement shall be effective as of the first date set forth herein.

Owner: \_\_\_\_\_

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

\_\_\_\_\_  
Printed Name & Title

Address: \_\_\_\_\_  
\_\_\_\_\_

Licensee: \_\_\_\_\_

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

\_\_\_\_\_  
Printed Name & Title

Address: \_\_\_\_\_  
\_\_\_\_\_

**SCHEDULE "A"**

Composition:

Artist(s):