



Contract No.: FLE.MIR.081423

Merchandising Licensing Agreement

ZAG AMERICA, LLC MERCHANDISE LICENSE AGREEMENT & SCHEDULES

The following are the Merchandise License Agreement Schedules ("**Schedules**") dated 10/9/2023 ("**Effective Date**") between **ZAG America, LLC** located at 3002 Main Street, Santa Monica, California 90405, USA ("**Licensor**") and **FlexMetal S.L.** ("**Licensee**") as further identified on **Schedule A** hereto. Capitalized terms used in these Schedules shall have the same meaning as defined within these Schedules or the Agreement, as applicable.

SCHEDULE A – LICENSEE INFORMATION

Licensee Legal Name: FlexMetal S.L.

Licensee Contact: Rosa Soteras

Licensee Email: rsoteras@flexmetal.com

Licensee Address: C/Albert Einstein 36 08223, Terrassa, Barcelona, Spain

Licensee Telephone Number: +34 93 7862157

State/Country Licensee Organized: Spain

VAT#: ES B-58358128

Product Development Contact: Alex Tarazaga Soteras (alextarazaga@flexmetal.com)

SCHEDULE B – GRANT OF LICENSE; CHANNELS OF DISTRIBUTION

Rights Granted: Non-Exclusive

Permitted Channels of Distribution:

To the extent that the Territory includes countries in the European Economic Area (EEA) or the European Free Trade Association (EFTA), Licensee shall be permitted to sell in all channels of distribution. See **Schedule Q** for additional details.

To the extent that the Territory includes countries that are not a part of the EEA or EFTA, Licensee shall be permitted to sell in the following channels of distribution:

Airport Stores		Gift Stores	
Apparel Specialty Stores		Gourmet Food Specialty Stores	
Apparel Boutiques		Hardware Stores	
Athletic Apparel & Footwear Stores		High End Department Stores	
Automotive / Car Wash		Home Improvement Stores	
Baby Specialty Stores		Home Shopping Channels	

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Bookstores		Home Specialty Stores	
Book Clubs		Jewelry-Chain Stores	
Camera/Photo Specialty Stores		Jewelers – Guild	
Candy/Confectionery Specialty Stores		Jewelers - Independent	
Card Stores		Liquidation Outlets	
Catalogs		Mass Market Retailers	X
Coffee Specialty Stores		Medical Professional Offices	
College Bookstores		Mid-Tier Department Stores	
Computer Specialty Stores		Music/Video Stores	
Convenience Stores		U.S. Military Exchanges	
Craft Store - Chain		Office Specialty Stores	
Craft Store - Independent		Outdoor Sporting Goods – Specialty Chain	
Direct Response		Party Stores	X
Discount Stores		Pet Stores	
Distributors	X	Regional Stores	
Dollar and Under Stores		Souvenir Stores	
Drugstores		Supermarket / Grocery Stores	
Duty-Free Operators		Toy Store – Chain	X
E-retailers		Toy Store – Specialty	X
Electronic Stores		Value Discount Stores	
Faith Based Stores		Vending Machines	
Fashion Accessory Store		Wall Decor Stores	
Florists		Warehouse Clubs	
Footwear Specialty		Licensees Website	
Furniture Stores		Third-Party Websites of Other Approved Outlets	
Garden Supply Centers		Third-Party Websites - All	
OTHER (Specify)			

IMPORTANT NOTE: Loyalty Rewards Programs must have Licensor's prior written approval.

SCHEDULE C-PROPERTY

Property: Miraculous® – Tales of Ladybug & Cat Noir is a registered trademark in the United States and may be registered in foreign jurisdictions (Animated TV Series Title and Trademark)

Copyright and Trademark Notice:

© 2015 - 2022 ZAGTOON - METHOD ANIMATION - TOEI ANIMATION - AB DROITS AUDIOVISUELS - DE AGOSTINI EDITORE S.P.A. ALL RIGHTS RESERVED.

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Space Prohibitive:

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Motion Picture: In the event that an animated Motion Picture release (defined below) featuring the Property is scheduled to occur in the Territory during the Term, Licensee's rights to the Property (and associated Licensed Products) shall not include any rights to any such Motion Picture, unless such rights are specifically granted herein. A Motion Picture is defined as animated content exceeding one (1) hour in length in any format. Licensors shall provide Licensee with timely notice of such Motion Picture release, and if Licensee has not been granted rights to the Motion Picture herein, and Licensee desires to secure such Motion Picture rights, Licensors, in its sole discretion, may negotiate with Licensee on the securing of such Motion Picture rights, subject to mutual written agreement.

Live Action: Where a Live Action release (defined below) featuring the Property is scheduled to occur in the Territory during the Term, Licensee's rights to the Property (and associated Licensed Products) shall not include rights to any such release, unless such rights are specifically granted herein. A Live Action release is defined as any content that includes non-animated content in any format or duration.

The above may be revised at any time in Licensors's sole discretion, and Licensors will determine the final strategy.

SCHEDULE D – LICENSED PRODUCTS

<u>Licensed Products</u>		
<u>Main Category</u>	<u>Sub Category</u>	<u>Description/Restriction</u>
Party Supplies	Mylar Balloons (e.g., heart-shaped, round-shapes, mini balloons among other offerings)	Girls and Boys

Licensee shall not manufacture any of the following, which are Licensed Product exclusions:

- Toys reserved as part of Licensors's master toy agreement (including Specialty Collectible Figurines, Toy Figures and Dolls, Plush, Accessories and Playsets, Vehicles, Track systems and Road-Race Sets, Walkie-Talkies and Room Guards, Roleplay and Accessories, Keychains and Clip-on Characters (above 2.4 inches), Blind-packed toys);
- Publishing (Global publishing and English language excluded but regional publishing is not excluded);
- Video Games; Global Mobile/Digital Games (non-exclusive regional digital games are possible);
- Live Travelling Stage Show (regional, local language non-conflicting is not excluded);
- Audio video Exploitation - Home Video and DVD rights and music unless separately approved in writing;
- Promotional deals, including but not limited to loyalty rewards programs and QSR Promotions, unless previously approved in writing by Licensors. Licensors shall review submissions for approval from Agent on a case-by-case basis;

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- All surprise Eggs;
- Egg and spherical-shaped chocolate (filled or hollow) packaged with or without premiums;
- Egg-shaped or spherical hollow plastic containers filled with confectionery packaged with or without premiums; and
- Hollow character-shaped molded chocolate packaged with or without premiums.

MARKETING INTRODUCTION DATES (U.S. FORMAT)

Marketing Introduction Date: Ongoing (Section 7)

On-Shelf Date: Ongoing (Section 7)

If Marketing Introduction Dates or On-Shelf Dates vary based on the Licensed Products, parties agree to define in writing, the Licensed Products On-Shelf dates by Sub Category as defined in Schedule M below.

SCHEDULE E – PLACE OF MANUFACTURE

Licensee shall provide the following information for each manufacturer of Licensed Products either on this Agreement or shortly after execution of the same so that processes related to trademark and custom authorizations can be completed in a timely manner.

Manufacturer Name (English / Chinese): FlexMetal SL
Manufacturer Address: C/Albert Einstein 36 08223 Terrassa, Barcelona, Spain
Manufacturer Contact Name: Alex Tarazaga
Manufacturer Contact Information:
Telephone Number: +34 937862157
Fax Number: N/A
Email: alextarazaga@flexmetal.com
Manufacturer of the following Licensed Product(s) (description / SKU): Mylar Balloons
Place of Manufacture: Terrassa – Barcelona – Spain

For each additional manufacturer, Licensee shall complete the same block of required information. Additionally, Licensee shall be responsible for coordinating the timely and proper filing of customs recordation database forms, and payment of associated fees, as such forms and fees may be required by China or other countries where Licensed Products are manufactured.

SCHEDULE F - TERRITORY

Territory: Russia

Product Language(s): Russian

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SCHEDULE G – TERM OF AGREEMENT

Commencement Date: March 10, 2023 (Sections 3,7)

Expiration Date: June 30, 2025 (Sections 3,7)

SCHEDULE H – GUARANTEED ROYALTIES

A non-refundable, recoupable Guaranteed Royalties Payment of Twenty Thousand United States Dollars (U.S. \$ 20,000.00) which shall be due and payable on or before the date(s) and in the amount(s) according to the table below to the extent not earned out and offset by previously paid royalty payments ("Royalty" or "Royalties"), as follows:

- (i) U.S. \$ 20,000.00 upon Execution of this Agreement.

SCHEDULE I – ROYALTY RATES

Percentage Royalties—Non-F.O.B. Sales: N/A% of the Net Sales Price on all non-F.O.B. Sales of the Licensed Products.

Percentage Royalties—F.O.B. Sales: 22% of the Net Sales Price on all F.O.B. Sales of the Licensed Products.


Direct to Consumer Sales: N/A% of the Retail Sales Price.


Percentage Royalties – Distributor Sales: 14% of the Net Sales Price on all sales of Licensed Products to a Distributor's end consumer (if Distributor sales are permitted under **Schedule B**).

There will be a two-percentage point (2%) increase in the above Percentage Royalties for any Licensed Products sales during the Motion Picture or Live Action launch term. The Motion Picture or Live Action launch term consists of the twelve (12) month period based on calendar quarters (January 1, April 1, July 1 October 1) surrounding the launch, and determined as follows: (a) the calendar quarter preceding the launch date calendar quarter of the Motion Picture or Live Action in the Territory (three (3) months); (b) the calendar quarter in which the Motion Picture or Live Action launches (three (3) months); and (c) the two (2) calendar quarters following the launch date calendar quarter (six (6) months). For sake of clarity, if Motion Picture or Live Action content is launched in October, the Motion Picture or Live Action launch term would commence on July 1 of the previous calendar quarter and extend through June 30 of the following year.

At the end of the Motion Picture or Live Action Launch Term, the Percentage Royalties for Licensed Products sales shall revert back to the Percentage Royalties set forth in **Schedule I** of the Agreement.

Licensed Products specifically related to the Motion Picture or Live Action content shall be excluded from this agreement and negotiated as part of a separate agreement.

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SCHEDULE J – MARKETING COMMITMENT

Marketing Expense Commitment: N/A

Partnership Efforts: Licensee agrees to support Licensor's ongoing marketing of the brand in conjunction with Licensor's efforts within the retail and trade community; such activities and participation to include Licensor's use of product concepts, prototypes, production samples supplied by Licensee for Licensor's and Licensee's tradeshow, retail and public relations selling and promotion efforts, including but not limited, to Las Vegas Licensing Expo and participation in Licensor's promotional and press efforts throughout the term of the Agreement.

SCHEDULE K – MARKETING EXPENSE ROYALTIES/COMMON MARKETING FUND (CMF)

Marketing Expense Royalties/Common Marketing Fund: N/A% of the Net Sales Price of all Licensed Products sold.

SCHEDULE L – PRODUCTION SAMPLES / RIGHT TO OBTAIN LICENSED PRODUCTS

Production Samples: **(Licensor) 4 + (Agent) 0 = 4**

Licensed Products per SKU as defined in **Section 8** herein below.

Right to Obtain Licensed Product: Licensed Products at Licensee's manufacturer cost price plus ten percent (10%) as defined in **Section 5** herein below.

SCHEDULE M – PRODUCT ROLL-OUT AND MARKETING PLAN SUBMISSION DATE

Date Product and Marketing Plan Must Be Submitted By: Within sixty (60) days following execution of this Agreement and on a quarterly basis thereafter, or as requested by Licensor while this Agreement is in effect.

SCHEDULE N – BUDGETS AND SALES PROJECTIONS

Date Written Budget and Sales Projections for Next Succeeding Year Must Be Provided By: On October 1 of each year while this Agreement remains in effect, or as requested by Licensor.

Sales Projection Reports for Current Year Must Be Provided By: On or before each March 31, June 30, September 30, and December 31, while this Agreement remains in effect.

SCHEDULE O - SELL-OFF PERIOD

Sell-Off Period: 90 days.

SCHEDULE P – AGENT INFORMATION

Name and Address of Agent: N/A

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
**SCHEDULE Q – EUROPEAN ECONOMIC AREA (EEA) AND
EUROPEAN FREE TRADE ASSOCIATION (EFTA) PASSIVE SALES EXCEPTION**

To the extent that the Territory includes countries in the European Economic Area (EEA) or the European Free Trade Association (EFTA), the Licensee agrees that it shall not actively seek customers outside the Territory for sales of the Licensed Products; that it will not establish outside the Territory any branch for the sale of the Licensed Products; and that it will not maintain outside the Territory any distribution depot for the Licensed Products. However, nothing in the preceding sentence shall be deemed to prevent the Licensee from fulfilling orders for the Licensed Products received from unsolicited customers located in countries of the EEA or EFTA outside the Territory, including but not limited to Licensee Website sales ("Passive Sales").

Passive Sales within the EEA or EFTA shall be subject to the same terms and conditions contained in the Agreement (e.g., same Royalty rates). Licensee Royalties generated from Licensed Product sales from Passive Sales outside the Territory shall be reported separately for such countries as part of Licensee's required quarterly reporting statements.

As of the Effective Date, the countries belonging to the: (a) EEA include Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom; and (b) EFTA include Iceland, Liechtenstein, Norway and Switzerland.

For purposes of clarity, this **Schedule Q** applies only to those Licensees that have as part of their Territory countries included in the EEA or EFTA and for such Licensees, the provisions contained in this **Schedule Q** supersede any conflicting provisions contained in the Agreement, including Sections 10(h) – (j), and 11(b).

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MERCHANDISE LICENSE AGREEMENT

This Merchandise License Agreement ("**Agreement**") is entered as of the Effective Date between ZAG America, LLC ("**Licensor**") and FlexMetal S.L. ("**Licensee**"). Any reference herein to a Schedule or Exhibit shall refer to the applicable Schedules or Exhibits attached to this Agreement, which are incorporated herein and made a part of this Agreement; and any capitalized terms used in this Agreement shall have the same meaning as defined within the Schedules or Exhibits or the body of the Agreement, as applicable.

1. DEFINITIONS. For purposes of this Agreement the following definitions shall apply:

(a) The term "**Actual Sale Royalties**" shall mean Royalties payable to Licensor by the Licensee under this Agreement as a result of actual sales of the Licensed Products by the Licensee.

(b) The term "**Advertising Materials**" shall mean all advertising and promotional materials and all packaging, wrapping, and labeling materials for the Licensed Products (including, by way of illustration but not limitation, catalogs, trade advertisements, television advertisements, flyers, sales sheets, labels, package inserts, hangtags, displays, and materials designed for dissemination via the Internet or any other electronic form of dissemination) which are produced by or for the Licensee and which make use of any of the Property. The term "**Advertising Materials**" shall not include premium items (that is, merchandise items, used to promote the sale of the Licensed Products).


(c) The term "**Channels of Distribution**" shall mean those retail outlets identified and defined on **Schedule B** hereto.

(d) The term "**Distributor**" shall mean any person or entity who sells the Licensed Products to any person or entity other than the end-user of such Licensed Products, including, without limitation, distributors, wholesalers, and jobbers.

(e) The term "**F.O.B. Sale**" shall mean a sale of Licensed Products by the Licensee to a customer in the Territory where the Licensed Products are manufactured outside the Territory and the customer pays any portion of the costs of shipping the Licensed Products to the Territory (or any other costs or duties associated with the shipping arrangement), regardless of whether the parties to the shipping arrangement specifically characterize the sale as a free on board sale.

(f) The term "**Licensee Website**" shall mean the main web site of the Licensee, used to market and, if permissible pursuant to this Agreement, sell the Licensed Products directly to consumers, in operation as of the date of execution of this Agreement.

(g) The term "**Licensed Products**" shall mean those items identified on **Schedule D** hereto.

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(h) The term "**Net Sales Price**" shall mean the Licensee's actual invoiced billing price (i.e. sales quantity multiplied by the Licensee's actual selling price less shipping and taxes) on the date of sale to its Channels of Distribution for the Licensed Products and any other receivables or consideration of any kind received in payment for the Licensed Products, less documented returns for damaged Licensed Products, which shall not exceed three percent (3%) and customary trade discounts and allowances which shall not exceed five percent (5%) of the Licensee's total actual invoiced billings of the Licensed Products in any quarterly accounting period. Each permitted deduction percentage shall be independently calculated and shown on Licensee's required Royalty statements ("Royalty Statements"). No deductions other than those for documented returns for damaged goods shall be permitted. For avoidance of doubt, the Licensee shall have no right to deduct from the Net Sales Price any of the following: trade discount discounts granted as terms of payments, year-end rebates, early payment or cash discounts, allowances or discounts relating to advertising or promotion, logistical discounts, shrinkage allowances, costs and expenses incurred or allowances and discounts voluntarily given in connection with manufacturing, importing, selling the Licensed Products, listing or slotting fees or similar allowances, retailer partnership agreements, uncollectible accounts, and any discount due as a passage of time, or season rather than related to a specific purchase.

(i) The term "**Place of Manufacture**" shall mean those manufacturers identified on **Schedule E** hereto.

(j) The term "**Property**" shall mean all right, title and interest in and to the trademarks Miraculous®, listed on **Schedule C** hereto including all related trademarks, designs, copyrights, logos, names, and likenesses of characters portrayed in the Property, and other intellectual property as may be designated in writing by Licensor from time to time for use by Licensee under this Agreement.

(k) The term "**Retail Sales Price**" shall mean the Licensee's original suggested retail price at which the Licensee suggests a Licensed Product be sold by a retailer of such Licensed Product.

(l) The term "**Territory**" shall mean those countries specified on **Schedule F** hereto. However, in no event, shall Territory ever include any country that is subject to any U.S. embargo or sanction preventing the exploitation of this Agreement.

2. **GRANT OF LICENSE; CHANNELS OF DISTRIBUTION.**

(a) **Grant of License.** Licensor grants to the Licensee, upon the terms and conditions set forth in this Agreement, the non-exclusive right and license to use the Property in connection with the manufacture, distribution, sale, and advertising of the Licensed Products in the Territory via the Channels of Distribution as specifically set forth on **Schedule B**.

(b) **Channels of Distribution.** The Licensee shall not have the right to offer the Licensed Products directly to or through any retail outlets other than the Channels of Distribution. For the avoidance of doubt, the Licensee shall have no right to distribute the Licensed Products (or distribute the Licensed Products to any party the Licensee has reason to believe will distribute the Licensed Products) (i) to close-out retailers, buyers' clubs, jobbers, liquidators, or any other retailers selling goods at a deep discount; or (ii) except to the extent specifically included within the definition of Channels of Distribution, electronically or online, including, without limitation, via the Internet.

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
3. PERIOD OF AGREEMENT. The period of this Agreement shall commence and expire on the dates specified on **Schedule G** hereto. If the Licensee desires to extend the period of this Agreement beyond the foregoing expiration date, the Licensee shall provide Licensor with written notice of such desire at least six (6) months prior to said expiration date; provided, however, that the Licensee's giving of such notice shall not create any right on the part of the Licensee or obligation on the part of Licensor to extend the period of this Agreement.

4. ROYALTIES AND MARKETING EXPENSE ROYALTIES.

(a) **Guaranteed Royalties.** The Licensee agrees to pay to Licensor c/o Agent, on behalf of the Licensor, the non-refundable guaranteed Royalty amounts identified on **Schedule H** hereto ("**Guaranteed Royalty Amounts**") on the dates set forth on **Schedule H** hereto (each, a "**Payment Date**"), which amounts shall be set off as a credit against the Royalties due and payable to Licensor under Section 4(b) with respect to the Royalties earned during the term of this Agreement. The Guaranteed Royalty Amounts shall not be set-off as a credit against the amounts payable to Licensor under Section 4(c) or Section 4(d).

(b) **Percentage Royalties.** The Licensee shall pay the percentage Royalty equal to the percentage specified on **Schedule I** hereto of the Net Sales Price, F.O.B price or Retail Sales Price, as applicable and set forth on **Schedule I**, on all sales of the Licensed Products by the Licensee to the Channels of Distribution. If there is no Royalty rate for F.O.B. Sales specified on **Schedule I** and the Royalty rate is based on the Net Sales Price and Licensee makes F.O.B. Sales hereunder, the Royalty rate shall be one hundred and fifty percent (150%) of the Net Sales Price Royalty rate specified on **Schedule I**.

(c) **Marketing Commitment.** In addition to the amounts payable by the Licensee under Section 4(a) and Section 4(b), the Licensee shall be required to spend a minimum agreed percentage of Net Sales on Licensee's advertising, promoting and marketing of the Licensed Products, as identified on **Schedule J** hereto ("**Marketing Commitment**"). The Marketing Commitment shall require actual expenditures incurred by Licensee which are supported by verifiable documentation for such expenditures as non-trade print advertising, public relations, tradeshow, trade advertising, newspaper circular advertising (rotos), market research, in store signage, promotional pricing, television, radio and Internet advertising, co-operative advertising with retailers of the Licensed Products and point-of-sale and merchandising support materials for the Licensed Products, all directed to reach end consumers. Concurrent with the providing of Royalties and Royalty Statements, Licensee shall provide Licensor with quarterly Marketing Commitment reports in a format reasonably acceptable to Licensor confirming the total amounts spent and detailing the efforts undertaken on advertising, promoting, and marketing of the Licensed Products. If during any twelve (12) month period of the term, Licensee fails to meet its Marketing Commitment, Licensee shall remit to Licensor an amount equal to the difference between the amounts actually paid by Licensee for advertising and promotion of the Licensed Products and the Marketing Commitment no later than January 30 of the following year. Amounts spent annually by Licensee under this Section will be auditable by Licensor and if an audit determines that Licensee has not spent the Marketing Commitment, the Licensee shall be obligated to pay Licensor an amount equal to the difference between the amounts actually paid by Licensee for advertising and promotion of the Licensed Products and the Marketing Commitment plus an additional fifty percent (50%).

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(d) **Marketing Expense Royalties/COMMON MARKETING FUND (CMF).** As a contribution to Licensor's Property-related marketing expenses, the Licensee shall pay Licensor a Royalty percentage equal to the percentage specified on **Schedule K** hereto of the Net Sales Price, F.O.B price or Retail Sales Price, as applicable and set forth on **Schedule K**, of all Licensed Products sold by the Licensee to the Channels of Distribution.

(e) **Sales to Subsidiaries or Other Controlled Parties.** This Section shall apply if the Royalty payable by the Licensee is based on the Net Sales Price. If the Licensee sells a Licensed Product to a subsidiary or other party controlled by, or related to, the Licensee ("**Controlled Party**"), or a series of Controlled Parties, the percentage Royalty payable by the Licensee shall be as set forth on **Schedule I** and shall be based on the highest Net Sales Price for such Licensed Product charged by such Controlled Parties on resale of such Licensed Product to a third-party or third parties that are not Controlled Parties. Sales to Controlled Parties shall be conditioned on such Controlled Parties' agreeing in writing prior to the sale to be bound by all the terms and conditions of this Agreement, and the Licensee providing to Licensor copies of all such agreements between the Licensee and Controlled Parties within ten (10) days of execution of such agreements.

5. LICENSOR RIGHT TO PURCHASE LICENSED PRODUCT. During the term of this Agreement, Licensor shall have the right to purchase Licensed Products from the Licensee at the pricing set forth on **Schedule L** hereto. Licensor shall notify the Licensee in writing of its desire to obtain Licensed Products from the Licensee under this section, identifying the specific Licensed Products and the quantity of each such Licensed Product Licensor wishes to acquire. Within fifteen (15) business days of its receipt of any such request from Licensor, the Licensee shall ship the requested Licensed Products to Licensor free of charge and at the Licensee's expense. Licensee shall be required to pay Royalties for any Licensed Products purchased by Licensor under this section. Licensor may sell Licensed Products purchased under this section on the Licensor website and/or the Property website.

6. PRODUCT ROLL-OUT PLAN & MARKETING PLAN SUBMISSION DATE; SALES PROJECTIONS.

(a) **Product Roll-Out & Marketing Plans.** Product Roll-Out Plan and Marketing Plan must be submitted in accordance with **Schedule M** hereto while this Agreement remains in effect. The Licensee shall provide Licensor with a written marketing plan with respect to the Licensed Products in the form set forth on **Exhibit A** attached hereto, which form may be modified by Licensor on written notice by Licensor to the Licensee. Each marketing plan shall contain specific information for the one (1) year period immediately succeeding its submission and general estimates or projections for subsequent periods during which this Agreement remains in effect. Where available, the Licensee will provide online retail consumption information.

(b) **Budgets and Sales Projections.** The Licensee shall provide Licensor with a written budget and sales projection reports with respect to the Licensed Products on the dates set forth on **Schedule N** hereto. On the dates set forth on **Schedule N** hereto, the Licensee shall provide Licensor with a report indicating its good faith sales projections for the remaining period within the Term. Budgets and sales projection reports shall be provided to Licensor using the form in **Schedule N** hereto. In addition to the foregoing, the Licensee agrees at Licensor's request to provide re-forecasts of its budgets and sales projections.

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7. AVAILABILITY TO APPROVED RETAIL OUTLETS. The Licensee shall market the Licensed Products to the trade (i.e., introduce Licensed Products at tradeshow) ("**Marketing Introduction Date**") and make the Licensed Products generally available in the Channels of Distribution in the Territory (i.e., ship Licensed Products to its customers so that they will be available for initial sale to the public) ("**On-Shelf Date**") by the dates set forth on **Schedule D** hereto, and shall notify Licensor in writing that it has done so. If the Licensee fails to meet the foregoing obligations, Licensor shall have the right to either: (a) initiate reversion of specific Licensed Products due to Licensee's failure to meet either the Marketing Introduction Date or On-Shelf Date for those specific Licensed Products; or (b) terminate the Agreement with immediate effect based on Licensor's reasonable determination that Licensee's failure to meet either the Marketing Introduction Date or On-Shelf Date is widespread across a significant number of Licensed Products and as such, represents a material breach of the Agreement. Licensor's reversions or termination shall become effective concurrent with Licensee's receipt with written notice as the case may be.

8. APPROVAL PROCEDURES FOR LICENSED PRODUCTS AND ADVERTISING MATERIALS.

(a) **Approvals.** Prior to the manufacture, marketing or sale of any Licensed Product Licensee shall submit each Licensed Product to Licensor (or its designated Agent), at Licensee's expense, for Licensor's prior written approval at each stage of development (e.g., concept and sample). Upon request, Licensee shall submit prototype or preproduction samples. Licensee shall also submit all Advertising Materials to Licensor (or its designated Agent) for Licensor's prior written approval, including the proposed use for the Advertising Material (e.g., the medium of distribution and duration of display) prior to any use of such Advertising Materials. Licensor's approvals pursuant to this Agreement may be withheld in Licensor's sole discretion and approval of any Licensed Product or item of Advertising Material shall not constitute a waiver of Licensor's rights or the Licensee's duties under this Agreement. Any Licensed Products or Advertising Materials that Licensor has not approved or disapproved in writing within fifteen (15) days after Licensor's receipt of concept art or physical sample shall be deemed disapproved. Licensee acknowledges and agrees that any Licensed Products or Advertising Materials not approved pursuant to the terms hereof or not complying with the terms of this Agreement shall be treated as unlicensed and unauthorized and shall not be manufactured, offered for sale, sold, or distributed. On commencement of distribution of any approved Licensed Product, Licensee shall, at its sole cost, submit the number of production samples as required in **Schedule L** to Licensor and Agent in the numbers and at the addresses indicated in the preamble of this Agreement.

(b) **Maintenance of Quality of Licensed Products; Inspection of Production Facilities.** Licensee shall maintain the quality of each Licensed Product manufactured under this Agreement up to the specifications, quality, and finish of the production sample of such Licensed Product approved by Licensor and agrees to furnish, at Licensee's expense, additional production samples as requested to ensure that such samples so conform. Licensee shall not change any Licensed Product in any material respect without first submitting to Licensor samples showing such proposed changes and obtaining Licensor's written approval of such samples. The Licensee shall also furnish to Licensor upon request the addresses of the production facilities used by the Licensee for manufacturing the Licensed Products and shall make arrangements for Licensor or its representatives to inspect such production facilities during reasonable business hours.

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(c) **Consents.** Licensee shall obtain, at its sole cost and expense, all necessary licenses, clearances, consents, releases and other third-party permission (collectively, "Consents") necessary to permit it to use any Property voice or music associated with the Property or any other third-party proprietary content (e.g., trademarks, copyrights, names, likenesses, logos, etc.) authorized to be incorporated into the Licensed Products or Advertising Materials. Licensee is solely responsible for determining which Consents must be obtained, and Licensee shall provide evidence to Licensors that it has obtained such Consents upon request. Licensors' approval of any Licensed Product or Advertising Material shall not be deemed to waive Licensee's obligation to obtain any Consents, and Licensors shall have no liability to the Licensee for Licensee's use of any third-party proprietary content.

9. WARRANTY OF QUALITY; EMPLOYMENT PRACTICES WARRANTY; LICENSED PRODUCT RECALLS.

(a) **Warranty of Quality.** The Licensee warrants that the Licensed Products will be of very good quality in design, material, and workmanship and suitable for their intended purpose; that no injurious, deleterious, or toxic substances will be used in or on the Licensed Products; that the Licensed Products will not cause harm when used as instructed and with ordinary care for their intended purpose; and that the Licensed Products will be manufactured, tested, sold, and distributed in strict compliance with all applicable laws, rules and regulations; and that as applicable, Licensee's manufacturers and distributors also comply with all applicable laws, rules and regulations. The Licensee further warrants that all Licensed Products manufactured, distributed, sold, and advertised shall conform to the samples provided to and approved by Licensors under the terms of this Agreement.

(b) **Employment Practices Warranty.** The Licensee warrants that neither the Licensee nor any manufacturer used by the Licensee: (i) shall use in connection with the manufacture, distribution, and sale of the Licensed Products labor provided by persons younger than the age for completing compulsory education in the jurisdiction where the relevant activity occurs; (ii) shall use in connection with the manufacture, distribution, and sale of the Licensed Products any children younger than fifteen (15) years of age; (iii) shall employ any persons whose labor is provided involuntarily (such as prison laborers); (iv) shall use corporal punishment or other forms of mental or physical coercion in disciplining its employees; (v) shall discriminate in hiring and employment practices on grounds of race, religion, national origin, political affiliation, sexual orientation, or gender; and (vi) shall fail to comply with local labor laws and regulations, including, but not limited to, laws and regulations designed to provide employees with a safe and healthy workplace and wage and hour laws and regulations (including those setting minimum wages, maximum overtime, and maximum daily hours that may be worked).

(c) **Licensed Product Recalls.** The Licensee agrees to provide Licensors with prompt notice in the event of any voluntary or involuntary recall involving any of the Licensed Products and to provide Licensors with any documentation provided to it by any government agency or other entity relating to the cause(s) and/or procedures for the recall and any documentation that the Licensee provides to any government agency or other entity regarding same. In the event of such recall, the Licensee agrees to promptly inform Licensors and discuss with Licensors the nature and scope of the recall and the procedures it intends to follow for such recall. The Licensee shall immediately provide Licensors with any test results and other related documents upon Licensors' request. The Licensee agrees to cooperate in good faith with Licensors in managing and responding to any recalls. Upon request, the Licensee will provide to Licensors evidence, in the form of

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copies of test reports, demonstrating that all required product safety testing was conducted and that the Licensed Products passed all such tests.

(d) **Manufacturers and Distributors.** As applicable, Licensee shall have the right to enter into agreements with third parties for the manufacture and distribution of Licensed Products. Licensee shall remain fully responsible and liable for all actions and omissions of its selected manufactures and distributors. Licensee shall ensure that all companies involved on the production and distribution process of the Licensed Products comply with all terms and requirements of this agreement, especially those under 9.a., 9.b. and Addendum A, of this Agreement. Licensee binds that the manufacturers shall strictly comply with all provisions imposed by this Agreement for the protection of the Licensor and Agent; Licensee shall inform Licensor and Agent about any breaches to the same on part of the manufacturers and advise about corrective measures taken by the Licensee, as well as the results achieved; on request of Licensor and Agent, cancel such agreements with any manufacturer who breaches any such clauses for the protection of the Licensor and Agent. If the Licensee does not carry out such cancellation by means of a notification in writing to the other party within a thirty (30) day period after having been notified in writing by the Licensor or Agent, Licensee by means of this Agreement constitutes the Licensor or Agent power of attorney to send a notification on his behalf to the other party, with the purpose of cancelling the agreement or any rights granted to such party.

10. SPECIFIC UNDERTAKINGS OF THE LICENSEE.

(a) **Use of Address of Licensor Website; Link to Licensor Website.** Upon Licensor's request, the Licensee shall place (i) on all Licensed Products and on all Advertising Materials the address of Licensor's web site (the "**Licensor Website**") which is currently www.zag-inc.com; and (ii) on any Advertising Materials in electronic form a link to the Licensor Website, using a link icon supplied by Licensor.

(b) **Artwork for Licensed Products.** If the Licensee requests Licensor to furnish it with any special artwork or copies of material from the Property, the Licensee agrees to reimburse Licensor for the costs of supplying such materials to the Licensee, including, without limitation, travel expenses incurred at the Licensee's request by Licensor's in-house art personnel. All Property artwork and any media containing such artwork created by or for the Licensee pursuant to this Agreement shall remain the property of Licensor, and at Licensor's request the Licensee shall promptly, at the Licensee's expense, deliver to Licensor all such media containing Property artwork.

(c) **Translations.** All translations of written material used on or in connection with the Licensed Products or Advertising Materials shall be accurate, and the Licensee, when submitting the Licensed Products and the Advertising Materials for approval, shall provide Licensor with English translations of all such written materials in a language other than English.

(d) **Use of Property in Licensed Products and Advertising Materials.** No Property shall be shown endorsing the Licensee or the products or services of the Licensee, except that the Licensee shall be entitled to depict the Property endorsing the Licensed Products. The Property shall not be combined in any Licensed Product or Advertising Material with any other third-party properties without Licensor's prior written approval. The Licensee shall not, without Licensor's prior written consent, which may be granted or withheld in Licensor's absolute discretion, include, or display on any Licensed Product or in or on any item of Advertising Material any endorsement of or advertising of or for any third-party.

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(e) **Clearances.** To the extent that the Licensee is permitted under this Agreement to use any Property-related voice or music rights associated with the Property, the Licensee shall be solely responsible for securing, at the Licensee's sole cost and expense, all licenses necessary for the use, publication, performance, synchronization, and recording of such voice or musical composition. The Licensee shall be solely responsible for making any required report to any applicable union, trade association, music rights society, or organization in connection with the use of any Property-related voice or musical composition. Additionally, the Licensee shall be solely responsible for obtaining any licenses or other permission necessary to use in connection with the Licensed Products any third-party copyrights, trademarks or other intellectual property, if so, permitted under this Agreement.

(f) **Inclusion of Licensors Insert in Packaging of Licensed Products.** If requested by Licensors to do so, the Licensee shall include in the packaging of the Licensed Products a Licensors insert containing Property-related information as Licensors may determine. Licensors shall bear all costs incurred in connection with the design, production, and insertion of such inserts.

(g) **Licensee Customer Information.** If requested by Licensors to do so, the Licensee shall provide Licensors, in a format specified by Licensors, with customer lists (including names, street addresses and email addresses), customer demographic information, and any other information relating to all parties purchasing the Licensed Products from the Licensee. For the sake of clarity, the information sought by Licensors under this subsection relates to general information available to the public at large of entity-based or corporate customers, including, but not limited to, distributors, wholesalers, retailers, and developers.


(h) **Sales via Third-Party Websites.** If Third Party Websites are included as an approved Channel of Distribution on **Schedule B**, this provision shall apply to the Licensee. The Licensee agrees that its right to distribute and sell the Licensed Products on Third Party Websites is subject to the following conditions and limitations:


(i) Licensors shall have the right to revoke at any time the right of the Licensee granted by this section by providing the Licensee with written notice of revocation. Any such notice of revocation shall specify an effective date of revocation, which shall be at least thirty (30) days from the date of Licensors' notice. All orders currently in process at the time of such revocation shall be allowed to ship, barring extenuating circumstances such as a product recall or major branding change.

(ii) The use of the Property on the Third-Party Websites shall be limited to depictions of the Licensed Products themselves, and the Licensee shall have no right to authorize any other uses of the Property on the Third-Party Websites.

(i) **Marketing via the Licensee Website.** The following conditions and limitations shall apply to the Licensee's marketing of the Licensed Products via the Licensee Website:

(i) The Licensee Website shall not in any manner, express or implied, be identified or promoted as an official Property-related web site and may not be wholly or substantially devoted to the Licensed Products.

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(ii) Any special promotions on the Licensee Website with respect to the Licensed Products shall be subject to Licensors' prior written approval, on a case-by-case basis.

(iii) The Licensee shall be entitled to promote the presence of the Licensed Products on the Licensee Website via print, on-line, and other types of Advertising Materials; provided, however, that the use of the Property in such Advertising Materials promoting the presence of the Licensed Products on the Licensee Website shall be limited to depictions of the Licensed Products themselves; and provided further, that such Advertising Materials shall not be expressly targeted at potential customers outside the Territory.

(iv) The Licensee shall not place on the page or pages of the Licensee Website on which the Licensed Products are offered any advertising for the goods or services of any third-party.

(v) The Licensee shall not market or advertise to customers outside the Territory.

(vi) The Licensee Website shall not contain images or content that, in Licensors' sole judgment, are unethical, immoral, offensive to good taste, or would otherwise cause harm to the image or reputation of the Property.

If the Licensee Website is not included as an approved Channel of Distribution, sales on the Licensee Website are not permitted.

(j) **Sales via the Licensee Website.** If the Licensee Website is included as an approved Channel of Distribution on **Schedule B**, this Section shall apply to the Licensee. The Licensee agrees that its right to distribute and sell the Licensed Products on the Licensee Website is conditioned upon (i) the Licensee's compliance with Section 10(i), (ii) the Licensee Website offering a full range of retail services for the Licensed Products offered on the Licensee Website, including, but not limited to, automated order taking, credit card verification and customer service, and (iii) the Licensee not marketing or selling the Licensed Products to customers outside the Territory.

(k) **Licensee's Name to Appear on Licensed Products.** All Licensed Products shall bear the Licensee's name in a location specified by Licensors.

(l) **Recordation of Agreement.** In the event this Agreement is required to be filed or recorded with any governmental agency or body in the Territory, it shall be the Licensee's responsibility at its sole expense to take all steps necessary to accomplish such filing or recordation, or at the option of Licensors, Licensors may do such filing, at the Licensee's sole expense. The Licensee shall keep Licensors fully advised of its efforts to accomplish such filing and recordation and shall promptly notify Licensors when such filing or the recordation process is completed.

(m) **Establishment of Policies and Procedures.** The Licensee shall, at its sole expense, establish policies and procedures reasonably calculated to ensure that the Licensed Products are

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produced in accordance with this section. Upon request by Licensor, the Licensee shall produce documents evidencing such policies and procedures for Licensor to review.

11. DISTRIBUTORS; EFFORTS TO SELL LICENSED PRODUCTS; SPECIAL SALES PROHIBITION ON SALES OF LICENSED PRODUCTS AS PREMIUM ITEMS.

(a) **Distributors.**

(i) **Prohibition on Sales to Distributors Without Licensor Approval.**

If "Distributors" are not included as an approved Channel of Distribution on **Schedule B**, the Licensee shall not sell Licensed Products to Distributors unless authorized in writing to do so by Licensor on a case-by-case basis; and in seeking approval from Licensor to sell to Distributors, the Licensee must submit to Licensor the name of the Distributor, the country and, if applicable, area the Distributor will sell in (e.g. region, province, prefecture) and each distribution channel utilized or targeted by such Distributor.

(ii) **Distributor List.** Upon the request of Licensor, the Licensee shall provide to Licensor a list of all the approved Distributors permitted to sell the Licensed Products, which report shall include the name of the Distributor, the country if applicable, area the Distributor will sell in (e.g., region, province, region, prefecture) and each distribution channel utilized or targeted by such Distributor.

(iii) **Distributor Agreements.** The Licensee must have a fully executed distribution agreement with each Distributor used in connection with the Licensed Products prior to the commencement of any distribution of the Licensed Products by such Distribution which agreement shall be in a form substantially similar to **Exhibit B** attached hereto and made a part hereof (or such other form as provided by Licensor in writing) (the "**Distributor Agreement**"). Any such Distributor Agreement must also be presented to Licensor for express approval prior to the commencement of any distribution of Licensed Products by such Distributor. Such contracts of sale shall incorporate all conditions and restrictions set forth in this Agreement governing the sale and distribution of the Licensed Products and shall authorize Licensor to commence actions directly against the Distributor to enforce such conditions and restrictions. The Licensee agrees strictly to enforce against its Distributors all such terms and conditions, and to cooperate fully with Licensor in connection with actions taken by Licensor to enforce such terms and conditions. The Licensee further agrees to promptly furnish Licensor with copies of all agreements with such Distributors within thirty (30) days of the execution thereof by the Licensee. The Licensee shall be liable for any breaches of the terms of this Agreement by any of its Distributors.

(b) **Sales in Violation of This Agreement.** The Licensee shall pay to Licensor an amount equal to twice the Royalty rate set forth in Section 4(b) and Section 4(d) with respect to any sale or distribution of the Licensed Products in violation of this Agreement, including, without limitation, any unauthorized sale or distribution outside the Territory by the Licensee or any third party, or the sale or distribution of the Licensed Products outside the Licensee's Channels of Distribution by the Licensee or any third party, with the exception of Passive Sales. The foregoing is in addition to any other rights or remedies of Licensor under this Agreement.

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(c) **Efforts to Sell Licensed Products.**

(i) **General Obligation as to Manufacture and Sale of Licensed Products.** The Licensee agrees to manufacture the Licensed Products at the Licensee's own expense in sufficient quantities to meet the reasonably anticipated demand. The Licensee also agrees to exercise reasonable efforts to advertise and promote the Licensed Products at its own expense and to use its best efforts to sell the Licensed Products in the Territory.

(ii) **Failure to Submit Prototype.** If within three (3) months of the execution of this Agreement, the Licensee has failed to submit to Licensor a prototype of a particular Licensed Product, Licensor shall have the right to delete such Licensed Product from the definition of "Licensed Products," by giving written notice of such deletion to the Licensee and upon the sending of such notice, all rights to such Licensed Product shall revert to Licensor.

(iii) **Good Faith Effort to Exploit Rights.** If within three (3) months of the execution of this Agreement, the Licensee has failed to take any good faith steps to exploit the rights granted to it (for example, by seeking to obtain Licensor's approval of a proposed Licensed Product, or commencing to manufacture and sell an approved Licensed Product), Licensor shall have the right to terminate this Agreement immediately by giving written notice of termination to the Licensee.

(iv) **Licensor Right to Eliminate Country from Territory.** If at any time during the period of this Agreement, the Licensee is not making regular sales of more than a nominal nature of any of the Licensed Products in a country of the Territory, as determined by Licensor, Licensor shall have the right, upon giving thirty (30) days prior written notice to the Licensee, to terminate the Licensee's rights for all Licensed Products for such country.

(v) **Licensor Right to Terminate License for Specific Licensed Product.** If at any time during the period of this Agreement the Licensee is not making regular sales of more than a nominal nature of a particular Licensed Product in a country of the Territory, as determined by Licensor, Licensor shall have the right, upon giving thirty (30) days prior written notice to the Licensee, to terminate the Licensee's rights for such Licensed Product for such country. In order to assist Licensor in reviewing its marketing activities, the Licensee agrees to furnish Licensor upon request complete information evidencing on a country-by-country basis the Licensee's efforts to market the Licensed Products in such countries.

(vi) **Effect of Termination of Rights as to Licensed Product or Portion of Territory.** Licensor's termination, pursuant to Sections 11(c)(ii) through Section 11(c)(v), of the Licensee's rights with respect to a particular Licensed Product or a country of the Territory shall not reduce or otherwise alter the Guaranteed Royalty Amounts or, if applicable, the Guaranteed Marketing Expense Amounts due Licensor from the Licensee under this Agreement.

(d) **Prohibition on Sale of Licensed Products as Premium Items.** The Licensee shall not use or sell the Licensed Products as premium items or distribute the Licensed Products to parties which the Licensee has reason to believe intend to use or sell the Licensed Products as premiums. Nor

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shall the Licensee have the right to distribute, package or use any item, including premium items, with the Licensed Products without prior written consent of Licensor. For purposes of this provision use or sale of the Licensed Products as "premium items" shall mean use or sale of the Licensed Products in connection with the following kinds of promotional activities: self-liquidator programs; joint merchandising programs; giveaways; sales incentive programs; door openers; traffic builders; and any other kinds of promotional programs designed to promote the sale of the Licensed Products or other goods or services of the Licensee or a third-party. If the Licensee breaches the provisions of this Section by using or selling the Licensed Products as premium items, the provisions of this section shall apply, whether or not Licensor elects to exercise its rights under Section 20 with respect to such breach. On all Licensed Products used or sold by the Licensee as premiums, the Licensee shall pay Licensor an amount equal to twice the percentage Royalty for regular sales specified in Section 4(b); and such percentage Royalty shall be calculated as if such Licensed Products used or sold as premiums had been sold by the Licensee at a Net Sales Price equal to the average Net Sales Price if the percentage Royalty specified in **Schedule I** is based on the Net Sales Price or at a Retail Sales Price equal to the average Retail Sales Price if the percentage Royalty specified in **Schedule I** is based on the Retail Sales Price, in each case, for the same Licensed Products sold by the Licensee through its authorized channels of distribution during the calendar quarter in which the Licensee's use or sale of such Licensed Products as premiums occurred.

12. ROYALTIES; STATEMENTS; LICENSEE EXPENSES.

(a) **Computation of Royalties.** All royalties, including, without limitation, if applicable, Marketing Expense Royalties, due to Licensor shall accrue upon the sale of the Licensed Products, regardless of the time of collection by the Licensee. For purposes of this Agreement, a Licensed Product shall be considered "sold" as of the date on which such Licensed Product is billed, invoiced, shipped, or paid for, whichever event occurs first. If any Licensed Products are consigned to an approved Distributor by the Licensee, the Licensed Products shall be considered "sold" by the Licensee upon the date on which such Distributor bills, invoices, ships, or receives payment for any of the Licensed Products, whichever event occurs first.

(b) **Time of Payment.** All Guaranteed Royalty Amounts and Guaranteed Marketing Expense Royalties shall be paid by the dates set forth in Section 4(a) and Section 4(c). The Licensee shall pay all Royalties, including, without limitation, Marketing Expense Royalties, owing to Licensor c/o Agent under this Agreement for any calendar quarter within thirty (30) days following the end of the calendar quarter in question. All Royalty amounts and other payments required to be made under this Agreement shall be made in U.S. Dollars. All Royalty Statements and Marketing Expense Royalty Statements required to be submitted by the Licensee shall be submitted within thirty (30) days following the end of the calendar quarter to which they relate. All payments due under this Agreement shall be made by wire transfer or other method of electronic funds transfer to the following account (and the Licensee shall bear any bank charges incurred in connection with any wire or electronic funds transfer):

City National Bank, 400 N. Roxbury Drive, Beverly Hills, CA 90210
 Beneficiary – ZAG AMERICA, LLC
 3002 Main Street, Santa Monica, California 90405
 Account# 123 753577
 Routing# 1220 16066 (Please reference the contract number in the Agreement)

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Simultaneously with the payments above, all Royalty Statements and Marketing Expense Royalty Statements (as required by Section 4(c)) shall be sent electronically via email to royalties@zag.com.

Alternatively, if the Licensee is unable to make Royalty payments and Marketing Expense Royalty payments by wire transfer or other method of electronic funds transfer, Royalty checks, Marketing Expense Royalty checks (which shall be made payable to ZAG AMERICA, LLC), Royalty Statements and Marketing Expense Royalty Statements (in paper format) may be sent by the Licensee to the address listed on **Addendum A** hereunder.

(c) **Royalty Adjustments.** The receipt or acceptance by Licensor of any Royalty Statements furnished pursuant to Section 12 of this Agreement, or the receipt or acceptance of any Royalty or Guaranteed Royalty Amount or Guaranteed Marketing Expense Amount payments made, or the fact that Licensor has previously audited the periods covered by such Royalty Statements, shall not preclude Licensor from questioning their accuracy at any time. If any inconsistencies or mistakes are discovered in such statements or payments, appropriate adjustments shall be made immediately by the parties. The Licensee shall pay Licensor interest on any late payments, including minimum guarantees, under this Agreement at a rate of one point and a half percent (1.5%) per month plus, in each case, collection costs, which collection costs shall be deemed to equal the higher of the actual collection costs or ten percent (10%) of the overdue amount.

(d) **Deductions.** Except as may otherwise specifically be provided for herein, there shall be no deduction from the Royalties owed to Licensor for uncollectible accounts, or for taxes, fees, assessments, or other expenses of any kind which may be incurred or paid by the Licensee including, without limitation, in connection with: (i) Royalty payments to Licensor; (ii) the manufacture, sale, distribution, or advertising of the Licensed Products in the Territory; or (iii) the transfer of funds or Royalties or the conversion of any currency into U.S. Dollars. It shall be the Licensee's sole responsibility, at its expense, to obtain the approval of any foreign authorities; to take whatever steps may be required to effect the payment of funds from abroad; to minimize or eliminate the incidence of foreign taxes, fees, or assessments which may be imposed; to protect its investments in foreign territories; to enable it to commence or continue doing business in any foreign territory; and to comply in any and all respects with all applicable laws and regulations.

(e) **Taxes.** Notwithstanding the provisions of the preceding Section 12(d), if (i) any country imposes a withholding tax with respect to the Royalties payable to Licensor by the Licensee on sales of the Licensed Products in such country, or (ii) such tax is paid by the Licensee on behalf of Licensor, and (iii) such tax is an income tax as to which a foreign tax credit is allowable to Licensor under Section 901 of the Internal Revenue Code of 1986, as amended, the Licensee may deduct the amount of such withholding tax from the Royalties owing to Licensor on the condition that the Licensee furnishes to Licensor such information as Licensor requires to evidence Licensor's right to credit such withholding tax against its federal income tax liability in the United States.

(f) **Remittance Controls.** If any payment required to be made to Licensor pursuant to this Agreement cannot be made when due because of exchange controls imposed by a law or regulation of any country of the Territory, and such payment remains unpaid for such reason for one hundred and eighty (180) days, the Licensee shall, recommend to Licensor, in writing, either of the following alternative methods of handling such payment: (i) if local currency can be converted legally into currencies other than

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U.S. Dollars for purposes of foreign remittances, the Licensee may recommend that Licensor receive such payment in any such currency as Licensor may specify, and in such case the amount payable in foreign currency so selected shall be determined by reference to the then applicable rate of exchange most favorable to Licensor; (ii) the Licensee may recommend that Licensor elect to have payment made to it in local currency deposited to the credit of Licensor in a bank account in the foreign country in question designated by Licensor, upon which the Licensee shall furnish to Licensor evidence of such deposit. Licensor shall have the right, at its sole discretion, to elect which method of payment it will require the Licensee to adopt. The Licensee warrants and represents that it possesses the foreign exchange, or the ability to obtain the foreign exchange, necessary to make Royalty payments to Licensor under this Agreement.

(g) **Royalty and Marketing Expense Royalty Statements.**

(i) **Royalty Statements.** The Licensee shall furnish to Licensor, at the same time it makes payment of Royalties, a full and complete statement (either in paper or electronic format), duly certified by an officer of the Licensee to be true and accurate, showing the number of each stock keeping unit ("**sku**") of the Licensed Products manufactured during the calendar quarter in question if the Licensee is required to pay a Royalty based on the number of Licensed Products manufactured, the number of each sku of the Licensed Products by name and SKU of Licensed Product (which sku and name of each Licensed Product must match the name and sku used by the Licensee in connection with the Licensee obtaining approval by Licensor of the Licensed Product pursuant to Section 8 hereof) sold during the calendar quarter in question by distribution channel, the total gross sales revenues for each sku of the Licensed Products, an itemization of all allowable deductions, if any, the Net Sales Price for each sku of the Licensed Products sold if the basis for calculating Royalties is the Net Sales Price, the Retail Sales Price for each sku of the Licensed Products sold if the basis for calculating Royalties is the Retail Sales Price, or by FOB sales price, the amount of Royalties due with respect to such sales, breakdown of any deductions permitted from Retail Sales Price or the Net Sales Price, and copies of contracts for any sales to Controlled Parties as required by Section 4(e), together with such other pertinent information as Licensor may reasonably request from time to time. Unless otherwise requested by Licensor, the Licensee shall use Licensor's form Royalty Statement, which Royalty Statement shall be provided to the Licensee by Licensor, and which may be modified by Licensor on written notice by Licensor to the Licensee and which Licensor may request the Licensee to provide to Licensor in electronic and/or paper format. To the extent, Licensor authorizes the Licensee to make any sales not specifically covered or authorized by this Agreement, including, without limitation, any Royalty-free sales or sales outside the Territory, the Licensee agrees to separately identify such sales in its Royalty Statement. There shall be a breakdown of sales of sku's of the Licensed Products by country, and all figures and monetary amounts shall first be stated in the currency in which the sales were made. If several currencies are involved in any reporting category, that category shall be broken down by each such currency. Next to each currency amount shall be set forth the equivalent amount stated in U.S. Dollars, and the rate of exchange used in making the required conversion calculation. The rate of exchange shall be the actual rate of exchange obtained by the Licensee on the date of payment. Licensor shall have the right, on providing the Licensee with reasonable prior written notice, to modify the elements of the information the Licensee is obligated to provide Licensor in connection with its Royalty Statements provided to Licensor under this section. Additionally, Licensor shall be permitted to share such Royalty Statement information for prospective



sales and marketing efforts as they relate to the Property and Licensor (e.g., Licensed Product sales numbers per country; etc.).


(ii) **Marketing Expense Amount Royalty Statements**. If the Licensee is required to pay Marketing Expense Royalties pursuant to Section 4(d), in addition to the Royalty Statements required by Section 12(g)(i), the Licensee shall furnish to Agent, at the same time it makes payment of Royalties, a full and complete statement, duly certified by an officer of the Licensee to be true and accurate, showing the amount of the Marketing Expense Royalties due from the Licensee with respect to the Licensee's sales of the Licensed Products during the calendar quarter in question, together with such other pertinent information as Licensor may reasonably request from time to time. Except as otherwise specifically specified herein, all of the terms of this Agreement relating to royalties shall also apply to Marketing Expense Royalties.

(h) **Licensee's Expenses**. The Licensee shall be required to assume, without reimbursement from Licensor or any other party, all expenses it incurs in performing its obligations as licensee under this Agreement, including, without limitation, all salaries or commissions paid by the Licensee to its salespersons or other personnel, travel expenses, legal expenses, and all direct or indirect expenses of maintaining its office or offices.

(i) **Negotiation of Royalty on Deeply Discounted Sales**. If the Licensee proposes to sell any Licensed Product at a price which is reduced by twenty percent (20%) or more from the Licensee's published or average wholesale price, the Licensee shall so notify Licensor in writing prior to any such sales. Licensor shall have the right of prior approval over any such proposal, and if it approves such a proposal, Licensor shall have the right to increase the Royalty payable by Licensee on such deeply discounted sales to a percentage that is higher than that specified in **Schedule I**.

13. MAINTENANCE OF BOOKS AND RECORDS; AUDITS.

(a) **Retention of Records**. While this Agreement remains in effect, and for a period of two (2) years thereafter, the Licensee shall keep complete and accurate books of account and copies of all documents and other material relating to this Agreement and any prior agreement between Licensor and the Licensee at the Licensee's principal office. Complete records shall include, but are not limited to: (i) actual individual consecutively numbered customer invoices for all sales of all Licensed Products by the Licensee, whether in hard copy paper form or electronic images, showing the customer, items sold, item numbers, price and quantity; (ii) master list of all Licensed Products offered to customers showing item number, list price and a description of the Licensed Product; (iii) all purchase invoices for finished Licensed Products if the Licensee does not manufacture the Licensed Products, showing by each individual Licensed Product, the vendor, units purchased and purchase cost; and if the Licensee manufactures the Licensed Products, in lieu of purchase invoices, production records showing a description of each Licensed Product produced, quantity produced and cost of production, including, without limitation, labor, raw materials and overhead; (iv) inventory reports as of each calendar quarter end for all of Licensee's Licensed Products; (v) all physical inventory counts of Licensed Products done by the Licensee to the extent the Licensee conducts any such physical counts; (vi) information detailing all returns of Licensed Products showing customer, reason for return, items returned, item numbers, price and quantity; and (vii) information detailing all marketing and advertising expenses expended in connection with the Licensed Products.

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(b) **Audits by Licensors; Scheduling.** Licensors, by its duly authorized agents and representatives, shall have the right upon reasonable prior notice to audit such records referred to in Section 13(a), shall have access thereto during ordinary business hours, and shall be at liberty to make copies of such books, documents, and other materials. At Licensors request, the Licensee shall provide an authorized employee to assist Licensors in the examination of the Licensee's records. Upon reasonable notice, the Licensee shall agree to accommodate an audit by Licensors on the date requested by Licensors or must reschedule to a date convenient to Licensors which date shall be no later than ninety (90) days from the date of Licensors originally requested audit date. The Licensee shall, in advance of any audit, prepare any documents or schedules as Licensors may reasonably request.

(c) **Licensors Audit Findings.** In conducting an audit of the Licensee hereunder, Licensors may elect to review a period of the books and records of the Licensee relating to less than the entire audit period, and if Licensors determines that the Licensee erred in reporting during the period reviewed, resulting in underpaid Royalties to Licensors, Licensors shall have the right to apply the percentage error during the period reviewed over the entire audit period. In addition, if any audit of the Licensee's books and records reviewed reveals that the Royalties actually accounted for and paid to Licensors with respect to the audit period reviewed were underpaid by one percent (1%) or more, the Licensee shall, in addition to paying Licensors any underpaid Royalties, reimburse Licensors for professional fees and direct out-of-pocket expenses incurred in conducting such audit, together with interest on the underpaid Royalty amount at a rate of one point and a half percent (1.5%) per month plus collection costs, which collection costs shall be deemed to equal the higher of the actual collection costs or ten percent (10%) of the overdue amount.

(d) **Failure to Provide Adequate Accountings or Maintain Adequate Records.** If the Licensee fails to accommodate an audit by Licensors as required hereunder, or if the Royalty accountings submitted by the Licensee and required to be maintained by the Licensee hereunder do not contain all of the information required by the provisions of Section 12 and Section 13, or if Licensors schedules an audit of the Licensee's books and records and finds that the Licensee's books and records cannot be audited, the Licensee shall, without otherwise affecting any other rights and remedies available to Licensors under this Agreement, pay Licensors within fifteen (15) days of its receipt of notice from Licensors invoking the provisions of this Section, as liquidated damages and not as a penalty, an amount equal to the greater of twice the Guaranteed Royalty Amounts and, if applicable, Guaranteed Marketing Expense Amounts due Licensors under this Agreement, or twice the highest actual royalties paid by the Licensee pursuant to Section 4(b) of this Agreement during any calendar quarter during the term of this Agreement with respect to the periods as to which the Licensee fails to accommodate the audit, has provided inadequate information or Licensors was unable to audit.

14. TRADEMARK PROVISIONS.

(a) **Trademark Uses Inure to Licensors Benefit.** All uses of the Property by the Licensee shall inure to the benefit of Licensors, which shall own all trademarks and trademark rights created by such uses. The Licensee hereby assigns and transfers to Licensors all trademarks and trademark rights created by such uses of the Property, together with the goodwill of the business in connection with which such trademarks are used. The Licensee agrees to execute all papers and to perform such other proper acts as Licensors may deem necessary to secure for Licensors or its designee the rights herein assigned.

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(b) **Trademark Registrations.** Licensors shall have the right, but not the obligation, to file in the appropriate offices of countries of the Territory, at its own expense, trademark applications relating to the use or proposed use by the Licensee of any of the Property in connection with the Licensed Products, such filings to be made in the name of Licensors or in the name of any third-party selected by Licensors.

(c) **Records Relative to Trademark Uses.** The Licensee shall keep appropriate records (including copies of pertinent invoices and correspondence) relating to the dates when each of the Licensed Products is first placed on sale or sold in each country of the Territory, and the dates of first use in each country of each different trademark on the Licensed Products and Advertising Materials. If requested to do so by Licensors, the Licensee agrees to supply Licensors with samples of the trademark usages in question and other information which will enable Licensors to complete and obtain trademark applications or registrations, or to evaluate or oppose any trademark applications, registrations, or uses of other parties.

(d) **Registered User Laws.** As to those countries which require applications to register the Licensee as a registered user of a Property trademark or trademarks used on or in connection with the Licensed Products or which require the recordation of this Agreement, the Licensee agrees to execute and deliver to Licensors such documents as may be necessary and as are furnished by Licensors for such purposes.

(e) **Trademark Notices.** The Licensee agrees to affix or to cause its authorized manufacturing sources to affix to the Licensed Products and to the Advertising Materials such trademark notices as may be supplied by Licensors as specified in **Schedule C.**

(f) **Restrictions on Uses of Trademarks.** The Licensee shall not make any trademark usage of any Property trademark other than as permitted herein without the prior written consent of Licensors.

(g) **No Assertion of Rights.** The Licensee shall not, during the period of this Agreement or thereafter, directly or indirectly: (a) assert any interest or property rights in any of the Property or in any word or phrase confusingly similar with any of the Property trademarks, or in any other intellectual property rights associated with the Property; or (b) register, attempt to register, or adopt any of the Property trademarks, or any word or phrase confusingly similar with any of the Property trademarks or otherwise associated with the Property, as a trademark, service mark, trade name, corporate name, or Internet domain name; or (c) challenge or deny the validity of the Property or Licensors' ownership of the Property; or (d) permit or acquiesce in any of the foregoing activities by any of the Licensee's subsidiaries, manufacturers, approved distributors, shareholders or other owners of an equity interest, or the agents or employees of any of the foregoing, or of the Licensee.

15. **COPYRIGHT PROVISIONS.**

(a) **Copyright Notices.** The authorization of Licensors to the Licensee to make public distribution of the Licensed Products and Advertising Materials is expressly conditioned upon the following agreement of the Licensee. The Licensee agrees to place on all Licensed Products and on all

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Advertising Materials the copyright notice or notices in the name of Licensor as specified in writing by Licensor as specified in **Schedule C**.

(b) **Affixation of Notice; Name of Copyright Owner.** The Licensee acknowledges that proper copyright notices must be permanently affixed to all Licensed Products and Advertising Materials and to any separate portions of Licensed Products or Advertising Materials which contain the Property, and which are intended to be used separately by the purchaser or ultimate user. The Licensee agrees that it will not, without Licensor's prior written consent, affix to the Licensed Products or the Advertising Materials a copyright notice in its name or the name of any person, firm, or corporation other than Licensor.

(c) **Ownership of Intellectual Property.** The Licensee hereby acknowledges and agrees that all copyrights created under this Agreement by the Licensee or at the Licensee's direction, that are based on, feature, are derived from, or incorporate the Property shall be "works for hire" made for and owned by Licensor under US Copyright Law. To the extent that any such copyright is deemed not to qualify as a work for hire, the Licensee hereby assigns and transfers to Licensor, the entire right, title and interest in and to such copyrights, along with all other intellectual property based on, featuring, derived from, or incorporating the Property, including, patents and trademarks (and any associated goodwill), and any registrations and applications relating thereto and any renewals and extensions thereof and in and to all income, royalties, damages, claims, and payments now or hereafter due or payable with respect thereto, and in and to all causes of action, either in law or in equity for past, present, or future infringement based on the intellectual property, and in and to all rights corresponding to the foregoing throughout the world. The Licensee shall obtain from all third parties that contribute to any work assigned to Licensor an assignment of rights such that the foregoing assignment by the Licensee vests in Licensor full rights in the intellectual property, free of any claims, interests, or rights of other parties. The Licensee further agrees to execute all papers and to perform such other acts as Licensor may deem necessary to secure for Licensor or its designee the rights herein assigned. The Licensee agrees not to permit any of its employees to obtain or reserve by oral or written employment agreements any rights in any such intellectual property. Notwithstanding the foregoing, any copyright, trademark, or other proprietary rights owned by Licensee and heretofore used by it, which are used in connection with the Licensed Products as approved by Licensor as provided herein, shall continue to be owned by Licensee and shall not become the property of Licensor.

(d) **Copyright Registrations.** Licensor has the right, but not the obligation, to register with the United States Copyright Office in its own name any work created by the Licensee or at the Licensee's direction based on or derived from the Property or containing materials relating to the Property. The Licensee shall not apply to register with the United States Copyright Office any work based on the Property or containing materials relating to the Property.

(e) **Licensee Not to Assert Interest in the Property.** The Licensee agrees that it will not, during the period of this Agreement or thereafter, directly or indirectly assert any interest in or property rights in any of the Property. The Licensee agrees that it will not, during the period of this Agreement or thereafter, contest the validity of the Property or Licensor's ownership thereof.

(f) **Specific Licensed Products Requirements.** For the following Licensed Products, Licensee shall undertake additional steps to further confirm Licensor's ownership of trademark, copyright, and all associated rights hereunder:

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- (i) For applicable publishing-related Licensed Products, Licensee shall provide to Licensors at Licensee's expense, a complete source file for each Licensed Product within ninety (90) days from the applicable Licensed Product's on-sale date, consisting of the following:
- Layered, InDesign files of the completed, press ready, source files;
 - Artwork and the editorial, which should be in separate layers, as well as any photography or photograph elements;
 - The fonts used should be referenced and provided. Should the fonts be under license, the font name and copyright should be included; and
 - Should any of the art or photography be licensed from a third party, the licensor of the art or image should be included.


Each required complete source file may be delivered to the Licensors either electronically or on a CD-ROM.


- (ii) For applicable digital media-related Licensed Products, Licensee shall provide to Licensors at Licensee's expense, no later than ninety (90) days from on-shelf date, the animation, design, and audio files created for any digital application with the understanding that Licensors have ownership of animation, design and audio files created for any app.

16. INDEMNIFICATION; PRODUCT LIABILITY INSURANCE.

(a) **Licensee's Indemnification.** The Licensee agrees to indemnify and hold Licensors, and its affiliates, agents and legal representatives and their respective officers, directors, employees, successors and assigns (individually, "**Indemnified Party**") harmless from any and all claims, liabilities, judgments, penalties, losses, costs, damages, and expenses resulting therefrom, including reasonable attorneys' fees), (a) made by third parties against any Indemnified Party or suffered or incurred by any Indemnified Party by reason of or in connection with any act under or in violation of this Agreement by the Licensee, its subsidiaries, manufacturers, distributors, or other persons, or the employees or agents of any of the foregoing or of the Licensee, including, but not limited to, the manufacture, distribution, exploitation, advertising, sale, or use of the Licensed Products by any of them, but excluding any claims based solely upon the use of the Property by the Licensee in strict accordance with the terms of this Agreement; or (b) suffered or incurred by any Indemnified Party as a result of: (i) the sale or distribution of the Licensed Products outside the Territory by the Licensee or any third party; (ii) the sale or distribution of the Licensed Products outside the Licensee's authorized channels of distribution by the Licensee or any third party; (iii) the Licensee's breach or alleged breach of this Agreement; or (iv) the sale or distribution of the Licensed Products in violation of any other restriction on the sale or distribution of the Licensed Products, including, but not limited to, those restrictions set forth in Section 11(b) and Section 11(c).

(b) **Licensors' Indemnification.** Licensors agree to indemnify and hold the Licensee harmless from any and all claims (and liabilities, judgments, penalties, losses, costs, damages, and expenses resulting therefrom, including reasonable attorneys' fees) made by third parties against the Licensee asserting rights in the Property and based solely upon the use of the Property by the Licensee in strict accordance with the terms of this Agreement.

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(c) **Claims Procedures.** With respect to any claims falling within the scope of the foregoing indemnification provisions: (a) each party agrees promptly to notify the other of and keep the other fully advised with respect to such claims and the progress of any suits in which the other party is not participating; (b) each party shall have the right to assume, at its sole expense, the defense of a claim or suit made or filed against the other party; (c) each party shall have the right to participate, at its sole expense, in any suit instituted against it and to approve any attorneys selected by the other party to defend it, which approval shall not be unreasonably withheld or delayed; and (d) a party assuming the defense of a claim or suit against the other party shall not settle such claim or suit without the prior written approval of the other party, which approval shall not be unreasonably withheld or delayed.

(d) **Product Liability Insurance.** The Licensee agrees to obtain and maintain during the period of this Agreement, and for three (3) years following expiration or termination of this Agreement, at its own expense, product liability insurance providing protection (at a minimum, in the amount of U.S.\$2,000,000 per occurrence/U.S.\$5,000,000 annual aggregate (or equivalent value in local currency)) applicable to any claims, liabilities, damages, costs, or expenses arising out of any defects or alleged defects in the Licensed Products. Such insurance shall include coverage of Licensor, its directors, officers, agents, employees, assignees, and successors. Within thirty (30) days after execution of this Agreement by Licensor, the Licensee shall cause the insurance company issuing such policy to add Licensor to such policy as an additional insured and to issue a certificate to Licensor, to the attention of Licensor's Contracts Administrator, confirming that such policy has been issued and is in full force and effect and provides coverage of Licensor as required by this section, and also confirming that before any cancellation, modification, or reduction in coverage of such policy, the insurance company shall give Licensor thirty (30) days prior written notice of such proposed cancellation, modification, or reduction. Any insurance carried by Licensor shall be deemed excess insurance, not subject to contribution.

17. RESERVATION OF RIGHTS.

All rights in and to the Property not explicitly granted to the Licensee herein are retained by Licensor. Notwithstanding anything contained herein, Licensor reserves the right to use, and to license other parties to use, the Property in the Territory for any purpose Licensor may determine, including, without limitation, the use of the Licensed Products as premium items or as merchandise products co-branded with any other third-party brand or property.

18. INFRINGEMENTS; CLAIMS.

(a) **Infringements.** The Licensee shall promptly notify Licensor in writing of any alleged unauthorized usage of the Property of which the Licensee has knowledge. Such notice shall include the full extent of Licensee's knowledge of the identity and actions of the alleged infringing party or parties. Licensor shall have the sole right to determine what, if any, action shall be taken to address such unauthorized uses. Licensee shall have no rights against Licensor for damages or other remedy by reason of Licensor's decision not to prosecute any alleged unauthorized use of the Property. The Licensee agrees not to make any demands or claims, bring suit, effect any settlements, or take any other action against such party without the prior written consent of Licensor and to cooperate with Licensor, at no out-of-pocket expense to the Licensee, in connection with any action taken by Licensor to terminate infringements. Licensor shall retain 100% of all net amounts recovered from infringers. To assist Licensor in combating infringements, the Licensee shall insure

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that each Licensed Product marketed by the Licensee is marketed in conjunction with some item of Advertising Material (for example, a hangtag or sewn-in label) which bears one or more of the copyright notices.

(b) **Claims.** If claims or suits are made against Licensor or the Licensee by a party asserting the ownership of rights in a trademark, name, design or copyright that is the same as or similar to the Property, and asserting further that the use of the Property by the Licensee infringes the rights of such party, or if the parties hereto learn that another party has or claims rights in a trademark, name, design or copyright that would or might conflict with the proposed or actual use of the Property by the Licensee, Licensor and the Licensee agree in any such case to consult with each other on a suitable course of action. In no event shall the Licensee have the right, without the prior written consent of Licensor, to acknowledge the validity of the claim of such party, to obtain or seek a license from such party, or to take any other action which might impair the ability of Licensor to contest the claim of such party if Licensor so elects. The Licensee agrees at the request of Licensor to make reasonable modifications requested by Licensor in the Licensee's use of the Property in question or to discontinue their use in the country of the Territory in question on the particular Licensed Product or Licensed Products which are involved, if Licensor, in its sole discretion, reasonably exercised, determines that such action is necessary or desirable to resolve or settle the claim or suit or eliminate or reduce the threat of a claim or suit by such party. Licensor shall have the right to participate fully at its own expense in the defense of any claim or suit instituted against the Licensee with respect to the use by the Licensee of the Property.

19. **NO SUBLICENSING**

The Licensee shall not have the right to sublicense any of the rights granted to it under this Agreement. For purposes of this Agreement, "sublicense" means authorizing a third party to use the Property of the Licensed Products in connection with the manufacture, distribution, sale, and advertising, for such third party's own account.

20. **BREACH AND TERMINATION.**

(a) **Immediate Right of Termination.** Licensor shall have the right to terminate this Agreement immediately, by giving written notice to the Licensee, in any of the following situations:

(i) If the Licensee breaches any of the provisions of Section 9, Section 11, Section 16(d), Section 19, and Section 21(a).

(ii) If the Licensee makes, sells, offers for sale, or distributes or uses any Licensed Product or Advertising Material without having the prior written approval of Licensor, as required by Section 8, or makes any uses of the Property not authorized under this Agreement.

(iii) If the Licensee fails to submit Royalty Statements and/or Royalty payments, or Guaranteed Royalty Amounts payments pursuant to Section 4 and Section 12(g); or if applicable, the Licensee fails to submit Marketing Expense Royalty Statements, Guaranteed Marketing Expense Amounts, or Marketing Expense Royalties payments pursuant to Section 4 and Section 12(g); or if the Licensee fails to provide the budget and sales projections as required by Section 6(b); or if the Licensee fails to submit any Royalty Statement and/or Royalty payment to

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Licensors by the date required under any other agreement between the Licensee and Licensors or any other third-party for which Licensors represents as licensing agent.

(iv) If the Actual Sale Royalties for any period are less than the total of all Guaranteed Royalty Amount payments required to be made by the Licensee with respect to such period.

(v) If the Licensee becomes subject to any voluntary or involuntary order of any governmental agency involving the recall of any of the Licensed Products because of safety, health, or other hazards or risks to the public.

(vi) If the Licensee is in financial distress and Licensors has reason to believe that the Licensee will not comply with its obligations hereunder or the Licensee ceases to be, or Licensors has reason to believe that the Licensee, will cease to be, a going concern.

(vii) If the Licensee is in breach of any other agreement between the Licensee and Licensors or any other third-party for which Licensors represents as licensing agent.

(viii) If the Licensee sells Licensed Products to any Distributor and that distributor sells a substantial quantity of such Licensed Products outside the Territory.

(b) **Bankruptcy, Insolvency, Etc.** In any of the following circumstances, Licensors shall have the right to terminate this Agreement without notice: (i) if the Licensee becomes insolvent or unable to pay its debts as they mature; (ii) a petition is filed by or against the Licensee under any existing or future enacted insolvency law seeking to reorganize or liquidate its business; (iii) if the Licensee makes an assignment for the benefit of its creditors; (iv) a receiver, trustee or similar person is appointed to manage or liquidate the Licensee's business; (v) the Licensee ceases to conduct business as a going concern; or (vi) if any distress, execution, or attachment is levied on such of its manufacturing or other equipment as is used in the production and distribution of the Licensed Products and remains undischarged for a period of thirty (30) days. If Licensors terminates this Agreement under any of the foregoing provisions, the Licensee, its receivers, trustees, assignees, or other representatives shall have no right to sell, exploit, or in any way deal with the Licensed Products, the Advertising Materials, or the Property, except with the special written consent and instructions of Licensors. The Licensee acknowledges that this Agreement cannot be sold or assigned as part of any foreclosure or bankruptcy proceeding.

(c) **Curable Breaches.** If Licensee breaches any of the terms and provisions of this Agreement, other than those specified in Sections 20(a) or (b), Licensors shall have the right to terminate on twenty (20) days prior written notice specifying the particulars of the breach.

(d) **Effect of Termination.** Termination of this Agreement under the provisions of this section or the provisions set forth elsewhere in this Agreement shall be without prejudice to any rights or claims which Licensors may otherwise have against the Licensee. Upon the termination of this Agreement, all royalties and, if applicable, Marketing Expense Royalties on sales previously made and all Guaranteed Royalty Amount payments and if applicable, Guaranteed Marketing Expense Amounts payments that would have been payable by the Licensee following termination shall become immediately due and payable to Licensors. Upon

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the termination of this Agreement under the provisions of Section 20(b) of this Agreement, the Licensee, its receivers, trustees, assignees, or other representatives shall have no right to sell, exploit, or in any way deal with the Licensed Products, the Advertising Materials, or the Property, except with the special written consent and instructions of Licensor.

(e) **Discontinuance of Use of the Property.** Subject to the provisions of Section 20(f), upon the expiration or earlier termination of this Agreement, the Licensee agrees immediately and permanently to discontinue manufacturing, selling, advertising, distributing, and using the Licensed Products and Advertising Materials; immediately and permanently to discontinue using the Property; at Licensor's option, immediately to destroy, in the presence of Licensor's designated representative, any films, molds, dies, patterns, or similar items from which the Licensed Products and Advertising Materials were made, where any Property is an integral part thereof, or, alternatively, deliver such films, molds, dies, patterns, or similar items to Licensor's designated representative; immediately deliver to Licensor or its designated representative, at the Licensee's expense, all Property materials in the Licensee's possession, custody, or control, whether created by the Licensee or supplied to the Licensee by Licensor, including, but not limited to, Property art banks, style guides, and analogous materials; and immediately to terminate all agreements with manufacturers, approved distributors, and others which relate to the manufacture, sale, distribution, and use of the Licensed Products. On termination of this Agreement by Licensor for cause, the Licensee shall, at Licensor's option and at the Licensee's expense, either deliver its inventory of the Licensed Products to Licensor or Licensor's designated representative, or destroy its inventory of the Licensed Products and supply Licensor with a notarized certificate of destruction. If the parties negotiate beyond the expiration date of this Agreement with respect to the terms and conditions of an extension of the period of this Agreement and then fail to reach agreement on such terms and conditions, such period of negotiation shall not be deemed to extend the period of this Agreement beyond its expiration date or, if applicable, to extend the sell-off period provided for in Section 20(f). The Licensee shall pay percentage royalties and, if applicable, percentage Marketing Expense Amounts on all Licensed Products sold by the Licensee during any such period of negotiation even if the Licensee has not earned out one hundred percent (100%) of any Guaranteed Royalty Amount payments, or, if applicable, Guaranteed Marketing Expense Royalties made by the Licensee pursuant to this Agreement. If the Licensee is not entitled to the sell-off period set forth in Section 20(f) and breaches the provisions of this Section by manufacturing or selling the Licensed Products after the expiration of this Agreement, the Licensee shall pay Licensor, as liquidated damages, and not as a penalty, a percentage Royalty three (3) times the percentage Royalty specified in Section 4(b) and Section 4(d) with respect to such Licensed Products manufactured and sold in violation of this Section.

(f) **Disposition of Inventory upon Expiration.** Notwithstanding the provisions of Section 20(e), if this Agreement expires in accordance with its terms, and is not terminated for cause by Licensor, the provisions of this section shall apply. If the Licensee delivers to Licensor on or before the date thirty (30) days prior to the expiration of this Agreement a written inventory listing, on a Licensed Product-by-Licensed Product basis, all Licensed Products in the Licensee's possession, custody, or control as of the date of such inventory, the Licensee shall have the non-exclusive right to sell any Licensed Products listed on such inventory for the period of time set forth on **Schedule O** immediately following such expiration, subject to the payment of royalties to Licensor on any such sales in accordance with the terms of this Agreement. The Licensee shall pay percentage royalties and, if applicable, percentage Marketing Expense Royalties on all Licensed Products sold by the Licensee during said sell-off period even if the Licensee has not earned out one hundred percent (100%) of any Guaranteed Royalty Amount payments or, if applicable, Guaranteed Marketing

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Expense Amounts made by the Licensee pursuant to this Agreement. Licensor shall have the right (but not the obligation) to buy any or all of the Licensed Products listed on such inventory at the Licensee's cost of manufacture. The sell-off right granted the Licensee under this section shall in no event apply to a quantity of any Licensed Product exceeding fifty percent (50%) of the Licensee's average quarterly unit sales of such Licensed Product during the one-year period immediately preceding the expiration of this Agreement. If the Licensee breaches the provisions of this section by manufacturing or selling the Licensed Products after the sell-off period or exceeds the permitted quantity of Licensed Products permitted to be sold during the sell-off period, the Licensee shall pay Licensor, as liquidated damages, and not as a penalty, a percentage Royalty three (3) times the percentage Royalty specified in Section 4(b) and Section 4(d) with respect to such Licensed Products manufactured and sold in violation of this Section. On expiration of the foregoing sell-off period, the Licensee shall, at Licensor's option and at the Licensee's expense, either deliver its remaining inventory of the Licensed Products to Licensor or Licensor's designated representative, or destroy its remaining inventory of the Licensed Products and supply Licensor with a notarized certificate of destruction.


21. MISCELLANEOUS PROVISIONS.


(a) Restrictions on Assignments and Encumbrances.

(i) **Restriction on Assignments.** Without the prior written consent of Licensor, the Licensee shall not directly or indirectly assign, transfer, or sublicense any of its rights under this Agreement. The foregoing provision shall apply to transfers of ownership interests in the Licensee (including the stock of the Licensee) which would result in a change in control of the Licensee. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Licensor.

(ii) **Restriction on Encumbrances.** Without the prior written consent of Licensor, the Licensee shall not encumber any of its rights under this Agreement in any fashion, including, but not limited to, the granting of a security interest in this Agreement or any of the Licensed Products.

(iii) **Transfer and Encumbrance Fees.** If at any time while this Agreement remains in effect, the Licensee wishes to obtain Licensor's consent to assign or encumber this Agreement, the Licensee shall so notify Licensor in writing, at the same time providing Licensor with all information and documentation necessary to permit Licensor to evaluate the contemplated transaction. Licensor shall be entitled to condition its consent to any assignment or encumbrance of this Agreement to such reasonable terms and conditions as Licensor deems appropriate, including, but not limited to, payment by the Licensee of a transfer or encumbrance fee. The amount of the transfer or encumbrance fee shall be determined by Licensor based on the circumstances of the particular transaction, taking into account such factors as the estimated value of the license being assigned or encumbered; the risk of business interruption or loss of quality, production, or control Licensor may suffer as a result of the assignment or encumbrance; the identity, reputation, creditworthiness, financial condition, and business capabilities of the proposed assignee or other entity involved in the assignment or encumbrance; and Licensor's internal costs related to the assignment or encumbrance; provided, however, that in no event shall the transfer or encumbrance

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fee be less than twenty five percent (25%) of the Guaranteed Royalties due Licensor under this Agreement.

(b) **Parties Not Joint Venturers.** Nothing contained in this Agreement shall be construed so as to make the parties partners or joint venturers or to permit the Licensee to bind Licensor to any agreement or purport to act on behalf of Licensor in any respect. The Licensee shall not represent to any third party that it is authorized to bind Licensor in any way.

(c) **No Inducement.** Neither party has been induced to enter into this Agreement by, nor is either party relying on, any representation not expressly stated in this Agreement.

(d) **Modifications of Agreement; Remedies.** No waiver or modification of any of the terms of this Agreement shall be valid unless in writing, signed by both parties. Failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of such rights, and a waiver by either party of a default in one or more instances shall not be construed as a continuing waiver or as a waiver in other instances.

(e) **Invalidity of Separable Provisions.** If any term or provision of this Agreement is for any reason held to be invalid, such invalidity shall not affect any other term or provision, and this Agreement shall be interpreted as if such term or provision had never been contained in this Agreement.

(f) **Notices.** All notices and other communications provided for under this Agreement shall be in writing. All notices and other communications relating to a breach or alleged breach of this Agreement shall be mailed by registered or certified mail, postage paid, or delivered personally, by overnight delivery service, or by email, or by facsimile, with confirmation of receipt. Notices sent by facsimile, or by email, shall be effective upon confirmation of receipt, notices sent by mail or overnight delivery service shall be effective upon receipt, and notices given personally shall be effective when delivered. Notices to the parties shall be sent to address below with respect to Licensor and the address set forth on **Schedule A** with respect to the Licensee.

If to Licensor:

ZAG AMERICA, LLC
3002 Main Street
Santa Monica, CA 90405
ATTN: Julian Zag

With a copy to:

ZAG AMERICA, LLC
3002 Main Street
Santa Monica, CA 90405
ATTN: Benjamin C. Johnson
Email: legal@zag.com / bjohnson@zag.com

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Licensor Initials

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Each party may designate by notice in writing a new address to which any notice may be given, served, or sent.

(g) **Headings.** The Section and section headings of this Agreement are inserted only for convenience and shall not be construed as a part of this Agreement.

(h) **Entire Understanding.** This Agreement contains the entire understanding of the parties with respect to its subject matter. Any and all representations or agreements by any agent or representative of either party to the contrary shall be of no effect.

(i) **Choice of Law and Venue.** This Agreement shall be governed by and construed under and in accordance with the laws of the State of California (without regard to conflict of law principles) as an agreement made and wholly to be performed therein and, subject to any agreement hereunder with respect to arbitration, Licensee hereby consents to the exclusive jurisdiction of the State Courts of California and the Federal Courts located in Los Angeles County, California.

(j) **Arbitration.** California law shall govern interpretation and enforcement of this Agreement, regardless of conflicts of laws principles. IF A DISPUTE ARISES, THE PARTIES WILL: (a) RESOLVE ALL DISPUTES BY BINDING ARBITRATION HELD IN LOS ANGELES COUNTY, CALIFORNIA BEFORE A SINGLE ARBITRATOR FROM JUDICIAL ARBITRATION AND MEDIATION SERVICES, INC. ("JAMS"); AND (b) WAIVE ANY RIGHT TO CIVIL TRIAL BY JUDGE OR JURY. Notwithstanding the foregoing, all claims alleging violation of restrictive covenants, mishandling of confidential information, or transgression of intellectual property rights, shall be subject to the exclusive jurisdiction, in Los Angeles, CA, of either the California state courts or the US District Court. Before accepting appointment, the arbitrator shall agree: (a) that the arbitrator's award shall be made within nine (9) months of the filing of a notice of intention (or demand) to arbitrate (but it may be extended by written agreement of the parties); (b) to base any decision or award on governing law; (c) to not award punitive or other damages that are not measured by the prevailing party's actual damages, except as may be required by statute; and (d) to issue an award in writing within ten (10) days of concluding the presentation of evidence and briefs. Judgment may be entered in any court having jurisdiction thereof. The prevailing party shall be entitled to recover from the other party its costs and expenses, including reasonable attorney's fees.

(k) **Limitation of Liability.** LICENSOR, ITS AFFILIATES, OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, LEGAL REPRESENTATIVES, SUCCESSORS, AND ASSIGNS SHALL NOT UNDER ANY CIRCUMSTANCES BE LIABLE TO THE LICENSEE FOR INCIDENTAL, CONSEQUENTIAL, INDIRECT, SPECIAL, OR PUNITIVE DAMAGES, OR LOST OR IMPUTED PROFITS AND/OR ROYALTIES ARISING OUT OF THIS AGREEMENT OR ITS TERMINATION OR EXPIRATION, WHETHER LIABILITY IS ASSERTED IN CONTRACT OR TORT AND IRRESPECTIVE OF WHETHER LICENSOR HAS BEEN ADVISED OF THE POSSIBILITY OF ANY SUCH LOSS OR DAMAGE. THE LICENSEE HEREBY WAIVES ANY CLAIM THAT THESE EXCLUSIONS DEPRIVE IT OF ANY ADEQUATE REMEDY.

(l) **Confidentiality.** The Licensee agrees to treat this Agreement and the terms and conditions of this Agreement as confidential information. In addition, the Licensee acknowledges that, pursuant to the terms of this Agreement, it will come into possession of certain marketing and other proprietary information and records relating to the business of Licensor. The Licensee agrees that any such information

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Licensor Initials JZ




shall be treated as the confidential property of Licensor. The Licensee agrees that it shall take every reasonable precaution to safeguard the confidentiality of such information with the same degree of care that it exercises to protect the confidentiality of its own proprietary information. The Licensee shall only transmit such confidential information to such of its agents, employees, and professional advisers who need to know such information for purposes of effecting this Agreement and who shall agree to be bound by the terms and conditions of this section. The Licensee agrees that confidential information shall not be disclosed to others, except as necessary to carry out or enforce the terms of this Agreement or as may be required by law or legal process (provided Licensor is given sufficient advance notice, in writing, in order to oppose any such required disclosure). Confidential information provided or approved by Licensor in writing for distribution without restriction to third parties, and information which is or becomes independently known to the Licensee (other than as a result of the Licensee's breach of its confidentiality obligations) shall not be subject to this prohibition.

(m) **Survival.** The rights and obligations of the parties with respect to Sections 4, 9, 12, 13, 14, 15, 16, 17, 18, 19, 20(f) and 21 of this Agreement and any remaining Royalty obligations of the Licensee, as well as any term, provision, or condition which expressly continues beyond the date of expiration or termination of this Agreement, or which is required for the interpretation of this Agreement or necessary for the full observation and performance by each party of all rights and obligations arising prior to the date of expiration or termination of this Agreement, shall survive any expiration or termination of this Agreement.

(n) **No Injunctive Relief.** The Licensee acknowledges that no breach of this Agreement by Licensor will result in irreparable harm to the Licensee, and Licensee will be adequately compensated by monetary damages for any breach of this Agreement by Licensor.

(o) **Force Majeure.** Neither party shall be deemed to be in default or material breach of any provision of this Agreement for failures in performance resulting from acts or events beyond its reasonable control (a "**Force Majeure Event**") for the duration of the Force Majeure Event. Such Force Majeure Events shall include but not be limited to, acts of God, civil or military authority, terrorists, civil disturbance, war, strikes, fires, other catastrophes, epidemic or pandemic diseases, labor disputes, parts shortages, or other events beyond the parties' reasonable control. The parties agree that economic hardship or changes in market conditions are not considered Force Majeure Events and that no event will be considered a Force Majeure Event if the affected party could have prevented the event, or the consequent failure in performance, by the exercise of due diligence. Each party will promptly notify the other party upon becoming aware that any Force Majeure Event has occurred or is likely to occur and the anticipated length of delay, will use its best efforts to minimize any resulting delay and resume performance whenever and to whatever extent possible without delay. If: (i) any Force Majeure Event substantially prevents, interferes with, or delays a party's performance hereunder for a period of more than sixty (60) calendar days; (ii) any Force Majeure Event causes a party to miss a deadline that, in the other party's reasonable judgment, is critical to the execution of the present contract; or (iii) the other party reasonably anticipates that the circumstances specified in either subparagraph (i) or (ii) will occur, then such other party may terminate this Agreement by written notice to the party subject to the Force Majeure Event, without any obligation to pay any termination charges or other penalties or fees. In such force majeure event, all Royalties due with respect to sales by Licensee of the Licensed Products shall become immediately due and payable and no portion of the Advance shall be repayable or returnable to Licensee. Notwithstanding any Force Majeure Event, the parties will retain all remedies contained herein.

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(p) **Counterparts.** This Agreement may be executed in one or more counterparts, and by different parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by email shall be as effective as delivery of a manually executed counterpart of this Agreement.

(q) **No Third-Party Beneficiaries.** This Agreement is for the sole benefit of the parties and their permitted assigns, and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under this Agreement.

(r) **Licensee Acknowledgment.** The Licensee by executing this Agreement acknowledges that it has reviewed and understands all provisions of this Agreement and is bound thereby.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

LICENSOR
ZAG America, LLC

DocuSigned by:
By: Jeremy Zagueda
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Name: Jeremy Zag

Title: CEO

Date: 10/9/2023

LICENSEE
FlexMetal S.L.

DocuSigned by:
By: Rosa Soteras
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Name: Rosa Soteras

Title: CFO

Date: 9/26/2023

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Addendum A
Principal's Account

City National Bank, 400 N. Roxbury Drive, Beverly Hills, CA 90210
Beneficiary – ZAG AMERICA, LLC
3002 Main Street, Santa Monica, California 90405
Account# 123 753577
Routing# 1220 16066

[Please reference any contract number/agreement]

Simultaneously with the payments above, all Royalty Statements and Marketing Expense Royalty Statements (as required by Section 4(c)) shall be sent electronically via email to royalties@zag.com. Alternatively, if the Licensee is unable to make Royalty payments and Marketing Expense Royalty payments by wire transfer or other method of electronic funds transfer, Royalty checks, Marketing Expense Royalty checks (which shall be made payable to ZAG America, LLC) Royalty Statements and Marketing Expense Royalty Statements (in paper format) may be sent by the Licensee to the following address:

ZAG America, LLC
3002 Main Street
Santa Monica, CA 90405
ATTN: royalties@zag.com

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Addendum B

Foreign Corrupt Practices Act Information

The U.S. Foreign Corrupt Practices Act (the "FCPA") prohibits bribery and certain other practices in connection with the business activities of U.S. companies, their subsidiaries, and certain other entities. ZAG conducts all operations in compliance with the FCPA. The FCPA carries criminal and monetary penalties and must be taken seriously.

Prohibitions

The FCPA prohibits directly or indirectly offering, giving or authorizing the giving of money or other things of value to a non-U.S. government official, a non-U.S. political party or party official, a candidate for political office, or officials of certain international agencies, such as the United Nations and the World Bank, for the purpose of:

- Influencing any official act or decision of that person;
- Inducing the official to do or omit to do any act in violation of his or her lawful duty; or
- Securing any improper advantage

In order to obtain or retain business or direct business to any person. In other words, the FCPA prohibits bribery of government officials where the purpose of the bribe is to benefit business. The FCPA also imposes criminal liability on persons who make payments to third parties, such as agents, if the person knows or is substantially certain that the payments will be used by the third party for the activities listed above.

Applicability

The FCPA's anti-bribery provisions apply to

- U.S. corporations and non-U.S. corporations that are issuers of U.S. securities;
- Officers, employees and agents acting on behalf of U.S. issuers; and
- U.S. citizens, nationals and residents; and any person while within the territory of the United States.

Exceptions to the FCPA

The FCPA does permit certain payments to government officials. Specifically, the FCPA allows "facilitating" payments, which are payments of small value that are made in order to obtain routine government actions such as securing permits, licenses, visas, mail, utilities hook-ups and the like. This exception does not apply if the government action sought requires the exercise of discretion on the part of the government official. In addition, it is a defense to a violation of the FCPA if (1) the payment is considered lawful under the written laws of the country in which the action takes place; or (2) the payment represents reasonable promotional or

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marketing expenses made in good faith, such as meals, travel and lodging expenses for a government official directly related to performing an existing contract or promoting, demonstrating or explaining company products and services.

No payments should be made to a government official on behalf of ZAG, even if it thought that the payments are permissible under the FCPA, without first obtaining authorization to make the payment from ZAG's Chief Legal Officer.

Enforcement

Suspected violations of the FCPA are vigorously investigated and prosecuted by the United States government. Violations can result in substantial fines and prison time for individuals.

COMPLIANCE STATEMENT AND FCPA CONTRACT PROVISION

I acknowledge that I and the other employees of **FLEXMETAL S.L.** who are involved in work on behalf of ZAG America, LLC, with an address of 3002 Main Street, Santa Monica, CA 90405, (known as "**ZAG**") have received and reviewed the memorandum entitled "Foreign Corrupt Practices Act Information" that is attached hereto, and that we are familiar with the requirements of the U.S. Foreign Corrupt Practices Act (the "**FCPA**")

We have been advised that it is the policy of ZAG to comply with applicable U.S. and other countries' laws and regulations, including the FCPA. We represent that we have not taken and will not take any action that is in violation of the FCPA.

We are aware that the FCPA prohibits persons from directly or indirectly offering or giving money or other things of value to a government official, political party or party official, a candidate for political office, or officials of international agencies for the purpose of:

- Influencing any act or decision of that person in his or her official capacity;
- Inducing the official to do or omit to do any act in violation of his or her lawful duty; or
- Securing any improper advantage

In order to obtain or retain business or direct business to any person.

We represent that no such payments have been made by us in connection with our relationship with ZAG.

We are aware that the FCPA prohibits firms and individuals from making payments to third parties when the firm or individual knows or is substantially certain that the payments will be used by the third party for making payments that are prohibited by the FCPA. We represent that no such payments have been made by us in connection with our relationship with ZAG.

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We acknowledge and understand that the fees and expenses paid by ZAG to us are intended solely as compensation for the goods or services provided by us and are not to be shared with, or paid to, any other person or persons.

We will bring any questions regarding the FCPA to the attention of ZAG's Chief Legal Officer or Principal Compliance Officer.

We represent that, in connection with our work for ZAG, we will comply with all applicable law, and we will not engage in public or commercial bribery, extortion, kickbacks or any other unlawful or improper means of obtaining business.

We represent that we will advise ZAG in advance of any change in ownership of our enterprise or if we associate with any other person in connection with our relationship with ZAG.

Dated: 9/26/2023

Name: Rosa Soteras


Title: CFO


Company: FLEXMETAL SL

Address: ALBERT EINSTEIN 36 08223 TERRASSA

E-Mail: rsoteras@flexmetal.com

Signature:

DocuSigned by:

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Exhibit A
Form of Marketing Plan

LICENSEE ANNUAL MARKETING PLAN

LICENSEE ANNUAL MARKETING PLAN (PART B):
ANNUAL REVIEW

* Due annually on September 15th

Licensee Name:

Major Category:

Property:

ANNUAL REVIEW:

A. LICENSE OVERVIEW:

1. Annual sales projections (approximate by country):
2. Annual Marketing / Promotional Budget (per property):
3. Industry Trends:
4. Key Distribution Channels:
5. Competitor Analysis:
 - a. List 3 – 5 competitors in within your territory:
 - b. Property or Brand Challenges:
6. Current Year in Review (please include specific examples with a full explanation as necessary):
 - a. Summary of annual sales performance:
 - b. Top 3 best performing items:
 - c. Poor performing items:
 - d. Delayed or discontinued items:

B. MARKET / SITUATION ANALYSIS & OVERVIEW:

1. Competitor Analysis:
2. Market Trends:
3. Challenges:
4. Consumer Analysis:

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C. BRAND POSITIONING:

1. Target Audience:
2. Brand Positioning:

D. RETAIL STRATEGY:

1. Retail Distribution Analysis:
 - a. List top 10 current retail accounts and the number of doors for each retailer
 - b. List top online accounts and catalogs:
2. Online / Catalog Analysis:

E. ADVERTISING & MARKETING SUPPORT:

1. Summarize any advertising and marketing initiatives for current year:
2. What was the total advertising and marketing spend for the current year?
3. Please include a recap each of the advertising and marketing initiatives implemented in the current year, and their effect on sales, please include a copy of all placements.
 - Consumer Advertising
 - Retail Promotion
 - Trade Advertising
 - Public Relations Campaign
 - Other (please specify)
4. Do you have an advertising or marketing agency?

If yes, please provide the following information:

Agency Name:

Contact Person:

Email:

Telephone:

Address:

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Exhibit B—Form Distributor Agreement

DISTRIBUTOR AGREEMENT

THIS AGREEMENT, dated this ____ day of _____, 20____, between _____, a _____ corporation with its principal office at _____ (the "Licensee"), and _____, a _____ corporation with its principal office at _____ (the "Distributor"), is to evidence:

1. **Definitions.** For purposes of this Agreement the following definitions shall apply:

(a) The term "**Advertising Materials**" shall mean all of the Distributor's advertising and promotional material for the Licensed Products, including, but not limited to, catalogs and other materials depicting the Licensed Products or using any of the Property.

(b) The term "**Licensed Products**" shall mean the following items: _____.

(c) The term "**Property**" shall mean all right, title and interest in and to the trademarks _____, including all related trademarks, designs, copyrights, the names and likenesses of the characters portrayed in the Property and other intellectual property as may be designated in writing by Licensor from time to time for use by Licensee under this Agreement.

(d) The term "**Territory**" shall mean **[insert country where distribution will occur]** _____.

(e) The term "**Licensor**" shall mean _____.

2. **Right to Sell Licensed Products; Channels of Distribution.**

(a) **Right to Sell Licensed Products.** The Distributor shall have the non-exclusive right to sell the Licensed Products, which the Distributor shall purchase only from the Licensee, only in the Territory and only via the channels of distribution specified in Section 2(b). The Licensee shall manufacture the Licensed Products or cause them to be manufactured as reasonably requested by the Distributor by written purchase order from time to time, at prices agreed to by the parties.

(b) **Channels of Distribution.** The Distributor shall have the right to offer the Licensed Products directly to or through the following channels of distribution only: _____. The Distributor shall in no event distribute the Licensed Products (or distribute the Licensed Products to any party the Distributor has reason to believe will distribute the Licensed Products) (i) to a theme park or an amusement park; (ii) via television or other broadcast home shopping channels or services; or (iii) to discount

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stores, buyers' clubs, jobbers, liquidators, or any other retailers selling goods at a deep discount.

3. **Period of Agreement.** The period of this Agreement shall commence on _____, 20____, and end on either party's providing the other party with written notice of termination.

4. **Limitations on Rights.**

(a) **No Manufacture of Licensed Products.** The Distributor agrees not to manufacture or arrange for the manufacture of any of the Licensed Products.

(b) **No Manufacture of Infringing Items.** The Distributor agrees not to manufacture, distribute, or sell any product, package, label, or other item which infringes any of the Property.


(c) **No Premium Uses.** The Licensed Products shall be sold to the public only in the manner in which merchandise articles of the same general description are customarily merchandised to the public. The Distributor shall not use or sell the Licensed Products as premiums or distribute the Licensed Products to parties which the Distributor has reason to believe intend to use or sell the Licensed Products as premiums. Use or sale of the Licensed Products as "premiums," for purposes of the foregoing provisions, shall mean use or sale of the Licensed Products in connection with the following kinds of promotional activities: self-liquidator programs; joint merchandising programs; giveaways; sales incentive programs; door openers; traffic builders; and any other kinds of promotional programs designed to promote the sale of the Licensed Products or other goods or services of the Distributor or a third-party.

5. **Rights in Property.**

(a) **Recognition of Goodwill.** The Distributor recognizes that there is great value to Licensor in the Property and in the goodwill associated with the Property; that Licensor has licensed others to use the Property on a wide variety of goods and services throughout the world; and that nothing contained in this Agreement gives the Distributor any interest or property rights in the Property.

(b) **No Assertion of Rights.** The Distributor shall not, during the period of this Agreement or thereafter, directly or indirectly: (i) assert any interest or property rights in any of the Property or in any word or phrase confusingly similar with any of the Property trademarks, or in any other intellectual property rights associated with the Property; or (ii) register, attempt to register, or adopt any of the Property trademarks, or any word or phrase confusingly similar with any of the Property trademarks or material associated with the Property, as a trademark, service mark, trade name, corporate name, or Internet domain name; or (iii) challenge or deny the validity of the Property or Licensor's ownership of the Property.

6. **No Acquiescence.** The Distributor agrees that it will not permit or acquiesce in any of the activities prohibited by Section 4 and Section 5 taken by any of the Distributor's affiliated companies or shareholders or other owners of an equity interest in the Distributor, or the agents or employees of any of the foregoing, or of the Distributor.

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 Licensee Initials _____

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 Licensor Initials _____



7. **Inspection Rights.** If the Licensee or Licenser has reason to believe that the Distributor is violating the terms of Section 4, Section 5, or Section 6 of this Agreement, representatives of either shall, after prior notice to the Distributor, have the right to inspect the books, offices, and facilities of the Distributor, and the related entities described in Section 6, in order to determine whether the Distributor is in compliance with said Sections.

8. **Termination.**


(a) **Rights of Termination.** As provided in Section 3, either party shall have the right to terminate this Agreement at any time by providing the other party with written notice of termination. Also, Licenser, as a third-party beneficiary of this Agreement, shall have the right to terminate this Agreement, with immediate effect, by providing written notice to the Distributor, with a copy to the Licensee, if the Distributor breaches Sections 4, 5, 6, or 7 of this Agreement. Licenser shall have the right, as a third-party beneficiary of this Agreement, to enforce all of the rights of the Licensee under this Agreement.


(b) **Cessation of Certain Activities.** On the expiration or sooner termination of this Agreement, the Distributor agrees to discontinue immediately and permanently its distribution of the Licensed Products and its distribution and use of the Advertising Materials and agrees not to represent to the public or its customers that it is an authorized distributor for the Licensed Products or any other merchandise items bearing any of the Property.

(c) **Irreparable Damage.** The Distributor acknowledges that its failure to cease the distribution of the Licensed Products and the use of the Advertising Materials on termination of this Agreement will result in immediate and irreparable damage both to the Licensee and to Licenser. The Distributor acknowledges that there is no adequate remedy at law for such failure; and that in the event of such failure, the Licensee and Licenser shall each be entitled to equitable relief and such other further relief as any court with jurisdiction may deem appropriate.

(d) **Derivative Nature of Licensee's Rights.** The Distributor acknowledges that the right of the Licensee to use the Property in connection with the manufacture, distribution, sale, and advertising of the Licensed Products is derived from the Licensee's license agreement with Licenser, and that if said license agreement between Licenser and the Licensee expires or terminates for any reason, this Agreement shall automatically terminate as of the date of such expiration or termination.

9. **Benefit of Agreement.** The Distributor agrees that its obligations and agreements in this Agreement (other than the Distributor's obligation to pay for the Licensed Products) are for the benefit of both the Licensee and Licenser and their respective successors and assigns. However, nothing in this Agreement shall be deemed to obligate Licenser to the Distributor in any way. In the event of a breach or claimed breach of this Agreement by the Licensee, the Distributor agrees that it shall have no right to make a claim against or file a suit against Licenser or join Licenser in any suit filed against the Licensee. With respect to any proceeding or claim instituted or made by Licenser against the Distributor as a result of the breach of this Agreement by the Distributor, the Distributor agrees not to assert against Licenser any claims, damages, offsets, counterclaims, or defenses which it may have or claim against the Licensee.

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Licenser Initials



10. **Restrictions on Advertising Materials; Copyright Notices.**

(a) **Restrictions on Advertising Materials.** No Advertising Materials shall be unethical, immoral, or offensive to good taste, and no Advertising Materials shall be used without the prior written approval of the Licensee and Licensor, which may be granted or withheld in the Licensee's and Licensor's absolute discretion. The proposed uses and duration thereof of the Advertising Materials shall be stated by the Distributor when submitting the Advertising Materials for approval, and the approval of the Licensee and Licensor for any such Advertising Materials shall extend only to the said proposed uses and duration thereof. There shall be no billboard or radio advertising of the Licensed Products. The approval by the Licensee and Licensor of any artwork utilizing the Property for a specific piece of Advertising Materials shall extend only to the use of such artwork on the particular Advertising Materials so approved. If the Distributor desires to use artwork previously approved for use on specific Advertising Materials on different Advertising Materials, the Distributor shall submit samples of the different Advertising Materials, in accordance with this Section 10(a), for approval by the Licensee and Licensor.

(b) **Copyright Notices.** The approval by Licensor and the Licensee of Advertising Materials and their authorization to the Distributor to make public distribution of the Advertising Materials are expressly conditioned upon the agreement of the Distributor to place on all Advertising Materials the form of copyright notice or notices in the name of Licensor specified by Licensor.

11. **Efforts to Sell Licensed Products.** The Distributor agrees to exercise all reasonable efforts to exploit and to promote at its own expense the sale and use of the Licensed Products and to sell the Licensed Products as widely as possible in the Territory.

12. **Books of Account and Other Records.** The Distributor shall keep full and accurate books of account and all documents and material relating to this Agreement at the Distributor's principal office at all times during the period of this Agreement and for two (2) years thereafter. The Licensee and Licensor and the duly authorized agent or representative of either shall, after prior notice to the Distributor, have the right to examine such books, documents, and other material, shall have full and free access thereto during all ordinary business hours, and shall be at liberty to make copies of all or any part of such books, documents, or other materials. At the Licensee's or Licensor's request, the Distributor shall provide an authorized employee to assist in the examination of the Distributor's records.

13. **Reservation of Rights.** The Distributor acknowledges that all ownership, right, title, and interest in and to the Property (including premium rights in the Licensed Products), are retained by Licensor for its own use.

14. **Infringements.** When the Distributor learns that a party is or may be making unauthorized uses of the Property, the Distributor agrees promptly to give the Licensee and Licensor written notice giving full information with respect to the actions of such party. The Distributor agrees it will not make any demands or claims, bring suit, effect any settlements, or take any other action with respect to the infringement of rights of Licensor. The Distributor agrees to cooperate with Licensor and the Licensee at no out-of-pocket expense to the Distributor in connection with any action taken by Licensor and the Licensee to terminate infringements. Licensor shall retain one hundred percent (100%) of all net amounts recovered from infringers.

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15. **Trademark Protection.**


(a) **Trademark Uses Inure to Licensor's Benefit.** All trademark uses of the Property by the Distributor under the terms of this Agreement shall inure to the benefit of Licensor, which shall own all trademarks and trademark rights created by such uses. The Distributor hereby assigns and transfers to Licensor all trademarks and trademark rights created by such uses, together with the goodwill of the business in connection with which such trademarks are used.

(b) **Trademark Filings and Notices.** Licensor shall have the right, but not the obligation, to file at its sole expense one or more trademark applications in the Territory relating to the Licensed Products in the name of the Licensee or of Licensor or parties licensed by or affiliated with Licensor. The Distributor shall keep records (including copies of pertinent invoices and correspondence) of and advise the Licensee of the dates when each Licensed Product is first distributed in the Territory. If requested by either the Licensee or Licensor, the Distributor agrees to supply Licensor promptly with such samples, facsimiles, or photographs of the trademark usages in question and any other information necessary and desirable to enable Licensor to complete and obtain any trademark applications or registrations or to evaluate or oppose any trademark applications, registrations, or uses by other parties. The Distributor agrees to affix to the Advertising Materials such trademark notices as may be supplied by the Licensee or Licensor. The Distributor agrees not to affix its name to the Licensed Products or to any packaging, containers, labels, or point-of-sale displays therefor without the prior written consent of the Licensee and Licensor.

16. **Indemnification.** The Distributor agrees to defend, indemnify, and hold the Licensee and Licensor, including its Agent, harmless from any and all claims, liabilities, judgments, penalties, losses, costs, damages, and expenses, including reasonable attorneys' fees, arising by reason of or in connection with any act under or in violation of this Agreement by the Distributor, its subsidiaries and affiliates, and the employees or agents of any of the foregoing. With respect to any claims or suits falling within the scope of the foregoing indemnification: (a) the Licensee and Licensor shall each have the right to require the Distributor to defend it and to approve any attorney selected by the Distributor to defend it; (b) the Licensee and Licensor shall each have the right to assume the defense of a claim or suit made or filed against it with counsel selected by it; (c) the Licensee and Licensor shall each have the right to participate at their expense in any suit or claim instituted against it and being defended by the Distributor; (d) with respect to any claim or suit being defended by the Distributor, the Distributor agrees to keep the party subject to the claim or suit fully and promptly advised with respect thereto and agrees not to settle any such claim or suit without the prior written approval of the party involved.

17. **Miscellaneous.**

(a) **Restriction on Assignments.** The Distributor shall not directly or indirectly assign, transfer, sublicense, or encumber any of its rights under this Agreement without the prior written consent of the Licensee and Licensor. The foregoing provision shall apply to transfers of ownership interests in the Distributor (including the stock of the Distributor) which would result in a change in control of the Distributor. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Licensee.

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(b) **Modification of Agreement; Remedies.** No waiver or modification of any of the terms of this Agreement shall be valid unless in writing, signed by both parties. Failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of such rights, and a waiver by either party of a default in one or more instances shall not be construed as a continuing waiver or as a waiver in other instances.

(c) **Invalidity of Separable Provisions.** If any term or provision of this Agreement is for any reason held to be invalid, such invalidity shall not affect any other term or provision, and this Agreement shall thereafter be interpreted as if such term or provision had never been contained in this Agreement.

(d) **Notices.** All notices to be given under this Agreement (which shall be in writing) shall be given at the respective addresses of the parties as set forth on page one (1), unless notification of change of address is given in writing. Copies of all notices sent by either party shall be sent simultaneously to Licensor. The date of mailing shall be deemed to be the date the notice is given.

(e) **Headings.** The Section headings of this Agreement are inserted only for convenience and shall not be construed as a part of this Agreement.

(f) **Entire Understanding.** This Agreement contains the entire understanding of the parties with respect to its subject matter. Any and all representations or agreements by any agent or representative of either party to the contrary shall be of no effect.

(g) **Parties Not Joint Venturers.** Nothing contained in this Agreement shall be construed so as to make the Licensee and the Distributor or the Distributor and Licensor joint venturers or partners, or to permit the Distributor to bind the Licensee or Licensor to any Agreement or purport to act on behalf of the Licensee or Licensor in any respect.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date set forth above.

[Insert name of Licensee]

By _____
Name:
Title:

[Insert name of Distributor]

By _____
Name:
Title:

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Exhibit C—Form Manufacturer Agreement

MANUFACTURER AGREEMENT

THIS AGREEMENT, made as of the ____ day of _____, 20____,
between _____, a _____ corporation with its principal office at
_____ (the "Licensee"), and _____, a
_____ corporation with its principal office at _____ (the
"Manufacturer"), is to evidence:

1. **Definitions.** For purposes of this Agreement the following definitions shall apply:

(a) The term "**Licensed Products**" shall mean the following items: _____

_____.

(b) The term "**Property**" shall mean all right, title and interest in and to the trademarks _____, including all related trademarks, designs, copyrights, the names and likenesses of the characters portrayed in the Property and other intellectual property as may be designated in writing by Licensor from time to time for use by Licensee under this Agreement.

(c) The term "**Territory**" shall mean [**insert country where manufacture will occur**] _____.

(d) The term "**Licensor**" shall mean _____

2. **Manufacture of Licensed Products; Warranty of Quality; Employment Practices.**

(a) **Manufacture of Licensed Products.** The Manufacturer shall manufacture the Licensed Products in the Territory in strict compliance with all the specifications and quality controls of the Licensee and in sufficient quantities to supply the reasonable orders placed by the Licensee for the Licensed Products from time to time during the period of this Agreement.

(b) **Warranty of Quality.** The Manufacturer warrants that the Licensed Products will be of very good quality in design, material, and workmanship and suitable for their intended purpose; that no injurious, deleterious, or toxic substances will be used in or on the Licensed Products; that the Licensed Products will not cause harm when used as instructed and with ordinary care for their intended purpose; and that the Licensed Products will be manufactured in strict compliance with all applicable laws and regulations.

(c) **Employment Practices.** The Manufacturer warrants that the Manufacturer will not: (i) use in connection with the manufacture of the Licensed Products labor provided by persons younger

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than the age for completing compulsory education in the jurisdiction where the manufacture occurs; (ii) use in connection with the manufacture of the Licensed Products any children younger than fifteen (15) years of age; (iii) employ any persons whose labor is provided involuntarily (such as prison laborers); (iv) use corporal punishment or other forms of mental or physical coercion in disciplining its employees; (v) discriminate in hiring and employment practices on grounds of race, religion, national origin, political affiliation, sexual orientation, or gender; (vi) fail to comply with local labor laws and regulations, including, but not limited to, laws and regulations designed to provide employees with a safe and healthy workplace and wage and hour laws and regulations (including those setting minimum wages, maximum overtime, and maximum daily hours that may be worked).

3. **Period of Agreement: Derivative Nature of Manufacturer's Rights.**

(a) **Period of Agreement.** The period of this Agreement shall commence on _____, 20____, and end on _____, 20____. No extension of this Agreement beyond _____, 20____, shall occur except through a formal written amendment to this Agreement signed by both parties.

(b) **Derivative Nature of Manufacturer's Rights.** The Manufacturer recognizes that the manufacturing rights granted to it by the Licensee under this Agreement are based on the rights granted the Licensee by Licensor under their agreement, and that on the termination of their agreement this Agreement shall automatically terminate, without further liability on the part of the Licensee and the Manufacturer to one another. In the event of a termination of the agreement between Licensor and the Licensee, Licensor shall thereafter be deemed a beneficiary of all obligations owed to the Licensee under this Agreement by the Manufacturer.

4. **Limitations on Manufacturer.**

(a) **Limitations on Manufacture of Licensed Products.** The Manufacturer agrees not to manufacture, print, sell, or distribute the Licensed Products or any components of the Licensed Products except as expressly permitted by the terms of this Agreement and pursuant to specific written instructions and purchase orders from the Licensee. The Manufacturer shall not sell or deliver the Licensed Products to any party other than the Licensee. The Manufacturer agrees that it will not have any of the Licensed Products or components of the Licensed Products bearing any of the Property manufactured by any other person, firm, or corporation. All copyright notices shall be placed on the Licensed Products in the exact size, form, location, number, and permanency specified by the Licensee, and all such notices shall be fully legible.

(b) **Damaged or Excess Licensed Products.** The Manufacturer shall not have the right to sell, distribute, or use for promotional or other purposes any Licensed Products or component parts of Licensed Products containing any of the Property (i) when they are damaged, defective, seconds, or otherwise unacceptable to the Licensee, including, in the case of printed fabric, remnants, scraps, and rags, and including Licensed Products containing illegible or otherwise defective copyright notices, and (ii) when they are in excess of the quantity ordered by the Licensee or for which the Licensee is not obligated to pay.

(c) **No Infringement.** The Manufacturer agrees not to manufacture, print, distribute, or sell any product, package, label, or other item which infringes the Property.

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(d) **Artwork.** All Property artwork and any media containing such artwork used by the Manufacturer pursuant to this Agreement shall remain the property of Licensor, and at Licensor's request the Manufacturer shall promptly, at the Manufacturer's expense, deliver to the Licensee or Licensor all such media containing Property artwork.

5. **Rights in Property.** The Manufacturer recognizes that there is great value to Licensor in the Property and in the goodwill associated with the Property; that Licensor has licensed others to use the Property on a wide variety of goods and services throughout the world; and that nothing in this Agreement gives the Manufacturer any interest or property rights in the Property. The Manufacturer agrees that it will not, during the period of this Agreement or thereafter, assert any interest in or property rights in any of the Property.

6. **No Acquiescence.** The Manufacturer agrees that it will not permit or acquiesce in any of the activities prohibited by Sections 4 and 5 taken by any company or firm which it owns or controls or in which it is a partner or joint ventures, or the employees or agents of any of the foregoing or of the Manufacturer.

7. **Inspection Rights.** If the Licensee or Licensor has reason to believe that the Manufacturer is not complying with the terms of Sections 4, 5, or 6 of this Agreement, representatives of either shall, after prior notice to the Manufacturer, have the right to inspect the books, offices, and facilities of the Manufacturer, and the related entities described in Section 6, in order to determine whether the Manufacturer is in compliance with said Sections.

8. **Termination.**

(a) **Termination.** The Licensee shall have the right to terminate this Agreement or specific rights under this Agreement upon written notice to the Manufacturer if the Manufacturer breaches Sections 4, 5, 6, or 7 of this Agreement, or if the agreement which the Licensee has with Licensor covering the use of the Property on the Licensed Products is terminated, or if there is a termination under said agreement of rights relating to one or more of the Licensed Products. If the Licensee fails to exercise its rights to terminate this Agreement or certain rights under this Agreement by giving written notice to the Manufacturer within twenty (20) days after being requested to do so by Licensor, the Licensee confirms that it has appointed Licensor its irrevocable attorney-in-fact to send a notice of termination to the Manufacturer in the name of the Licensee. Any such notice shall have the same effect as if sent by the Licensee.

(b) **Cessation of Use on Termination.** On the expiration or termination of this Agreement, the Manufacturer agrees: (i) to discontinue immediately and permanently its manufacture, printing, and distribution of the Licensed Products; (ii) not to represent to the public or its customers that it is authorized to manufacture the Licensed Products or any other articles bearing any of the Property; (iii) immediately to destroy, in the presence of the Licensee's or Licensor's designated representative, any films, molds, dies, patterns, or similar items from which the Licensed Products were made, where any Property is an integral part thereof, or, alternatively, deliver such films, molds, dies, patterns, or similar items to the Licensee's or Licensor's designated representative; (iv) immediately deliver to the Licensee or Licensor or their designated representative, at the Manufacturer's expense, all Property materials in the Manufacturer's possession, custody,

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or control, including, but not limited to, Property art banks, style guides, and analogous materials; and (v) at the Licensee's or Licensor's option and at the Manufacturer's expense, either deliver its inventory of the Licensed Products to the Licensee or Licensor or their designated representative or destroy its inventory of the Licensed Products and supply the Licensee and Licensor with a notarized certificate of destruction.

(c) **Irreparable Damage to Licensee and Licensor.** The Manufacturer acknowledges that its failure to comply with any of the provisions of Section 8(b) on the expiration or termination of this Agreement will result in immediate and irreparable damage both to the Licensee and to Licensor. The Manufacturer acknowledges that there is no adequate remedy at law for such failure, and that in the event of such failure the Licensee and Licensor shall each be entitled to equitable relief and such other further relief as any court with jurisdiction may deem appropriate.

(d) **Bankruptcy of Manufacturer and Additional Rights of Termination.** In any of the following situations, the Licensee shall have the right to terminate this Agreement upon sixty (60) days' notice in writing to the Manufacturer: (i) if the Manufacturer becomes insolvent, or if a petition in bankruptcy or for reorganization is filed by or against it, or if any insolvency proceedings are instituted by or against it; (ii) if it makes an assignment for the benefit of its creditors, or if a receiver is appointed for any of its assets; or if it liquidates its business in any manner; (iii) if any distress, execution, or attachment is levied on any of its equipment used in the manufacture or printing of the Licensed Products, and remains undischarged for a period of twenty (20) days; (iv) if the Manufacturer abandons the manufacture and/or printing of the Licensed Products; or (v) if the Manufacturer fails to produce the Licensed Products in accordance with the specifications, quality controls, and delivery dates required by the Licensee.

9. **Benefit of Agreement.** The Manufacturer agrees that its obligations pursuant to this Agreement are for the benefit of both the Licensee and Licensor and their respective successors and assigns. However, nothing in this Agreement shall be deemed to obligate Licensor to the Manufacturer in any way. With respect to any proceeding or claim instituted or made by Licensor against the Manufacturer as a result of the breach of this Agreement, the Manufacturer agrees not to assert against Licensor any claims, damages, offsets, counterclaims, or defenses which it may have or claim against the Licensee.

10. **Books of Account and Other Records.** The Manufacturer shall keep full and accurate books of account and all documents and material relating to this Agreement at the Manufacturer's principal office at all times during the period of this Agreement and for two (2) years thereafter. The Licensee or Licensor or the duly authorized agent or representative of either shall have the right to examine such books, documents, and other materials, shall have full and free access thereto during all ordinary business hours, and shall be at liberty to make copies of all or any part of such books, documents, or other materials.

11. **Reservation of Rights.** The Manufacturer acknowledges that all ownership, right, title, and interest in and to the Property are retained by Licensor for its own use.

12. **Infringements.** When the Manufacturer learns that a party is or may be making unauthorized uses of the Property, the Manufacturer agrees promptly to give the Licensee and Licensor written notice giving full information with respect to the actions of such party. The Manufacturer agrees it will not make any demands or claims, bring suit, effect any settlements, or take any other action with respect to infringement of rights of Licensor. The Manufacturer agrees to cooperate with Licensor and the Licensee

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at no out-of-pocket expense to the Manufacturer in connection with any action taken by Licensor and the Licensee to terminate infringements.

13. **Indemnification.** The Manufacturer agrees to defend, indemnify, and hold the Licensee and Licensor harmless from any and all claims, liabilities, judgments, penalties, losses, costs, damages, and expenses, including reasonable attorneys' fees, arising by reason of or in connection with any act under or in violation of this Agreement by the Manufacturer, its subsidiaries and affiliates, and the employees or agents of any of the foregoing. With respect to any claims or suits falling within the scope of the foregoing indemnification: (a) the Licensee and Licensor shall each have the right to require the Manufacturer to defend it and to approve any attorney selected by the Manufacturer to defend it; (b) the Licensee and Licensor shall each have the right to assume the defense of a claim or suit made or filed against it with counsel selected by it; (c) the Licensee and Licensor shall each have the right to participate at their expense in any suit or claim instituted against it and being defended by the Manufacturer; and (d) with respect to any claim or suit being defended by the Manufacturer, the Manufacturer agrees to keep the party subject to the claim or suit fully and promptly advised with respect thereto and agrees not to settle any such claim or suit without the prior written approval of the party involved.

14. **Miscellaneous Provisions.**

(a) **Restriction on Assignments.** Without the prior written consent of the Licensee and Licensor, the Manufacturer shall not directly or indirectly assign, transfer, sublicense, or encumber any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Licensee.


(b) **Parties Not Joint Venturers.** Nothing contained in this Agreement shall be construed so as to make the parties partners or joint venturers or to permit the Manufacturer to bind the Licensee or Licensor to any agreement or purport to act on behalf of the Licensee or Licensor in any respect.

(c) **Modifications of Agreement, Remedies.** No waiver or modification of any of the terms of this Agreement shall be valid unless in writing, signed by both parties. Failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of such rights, and a waiver by either party of a default in one or more instances shall not be construed as a continuing waiver or as a waiver in other instances.

(d) **Invalidity of Separable Provisions.** If any term or provision of this Agreement is for any reason held to be invalid, such invalidity shall not affect any other term or provision, and this Agreement shall be interpreted as if such term or provision had never been contained in this Agreement.

(e) **Notices.** All notices to be given under this Agreement (which shall be in writing) shall be given at the respective addresses of the parties as set forth on page one (1) unless notification of a change of address is given in writing. The date of mailing shall be deemed to be the date the notice is given.

(f) **Headings.** The Section headings of this Agreement are inserted only for convenience and shall not be construed as a part of this Agreement.

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(g) **Entire Understanding.** This Agreement contains the entire understanding of the parties with respect to its subject matter. Any and all representations or agreements by any agent or representative of either party to the contrary shall be of no effect.

(h) **Governing Law.** This Agreement shall be construed and governed in accordance with the laws of the State of California, U.S.A., regardless of the place or places of its physical execution and performance.

IN WITNESS, WHEREOF, the parties have executed this Agreement on the date set forth above.

[Insert name of Licensee]

By: _____

Name:

Title:

[Insert name of Manufacturer]

By: _____

Name:

Title:

ZAG

Schedule C*



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***For the sake of clarity, the license under this Agreement permits use of these standard logos as well as others that will be available on the Licensor's Property Style Guide.**

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