

Dated as of: \_\_\_\_\_, 2015

Mr. [Artist]

Hoboken, NJ

Dear Mr. \_\_\_\_\_,

This agreement shall confirm and memorialize our discussions with reference to you and Company entering into an exclusive artist recording agreement regarding your performances as a musical recording artist. (You and Company are sometimes referred to herein as the "parties".) Although the parties contemplate the execution of a more formal long form recording agreement (the "Long Form Agreement"), this Letter Agreement, when signed by both you and Company, shall constitute a binding and enforceable agreement regardless of whether the Long Form Agreement is ultimately executed.

Following are the major terms and conditions which the parties agree shall form the basis of our contractual arrangement and which shall be incorporated in the Long Form Agreement (it being understood that such Long Form Agreement shall not be limited to these terms):

- 1) Artist: \_\_\_\_\_
- 2) Territory: World
- 3) Term: The "Initial Contract Period" shall run for fifteen (15) months from the completion and satisfactory delivery of the Initial Album hereunder. Each subsequent Contract Period, if any as provided for below, shall run for the longer of (i) 15 months from the completion and satisfactory delivery of the Masters to be delivered to Company during such Contract Period and (ii) 18 months from the commencement date of such respective Contract Period. At all times during the Term, you shall render your exclusive recording services to Company for the purpose of making Masters (as hereinafter defined) and for all other purposes as provided for herein.

*As discussed in the introduction, most production companies consist of one or two individuals with some experience in the record business who may or may not be producers but own or have access to a professional recording studio. Their goal is to land a deal for the Artist with a real label that has resources to provide the money and staff to properly market, promote, and distribute records and take the Artist to the next level or to the top.*

*Generally a production company has nine months to shop demos to secure a deal. An album is not necessary to shop an artist for a label deal. Note that under the language in Paragraph 3 since delivery does not occur unless the Company records the Artist, delivery may never occur. Therefore this Agreement could go on indefinitely.*

*This provision needs to be altered to give the Company a reasonable time to find a suitable label deal. If they do not find one within that time, the Artist should have the right to terminate.*

- 4) Recording Commitment/Future Options: During the Initial Contract Period, you shall record up to three (3) previously unreleased "singles" (the "Initial Track(s)"), the first of such Initial Tracks to be commercially released not later than five (5) months after the satisfactory delivery thereof (unless otherwise agreed by you and Company). During the period ending not later than nine (9) months after the commercial release of the Initial Track, Company shall have the right and option, in its sole discretion, to require you to record a full-length album comprised of not less than 10 songs (the "Initial Album"). Thereafter, Company shall have an option(s), to be exercised by Company in its sole discretion, for up to four (4) consecutive additional Contract Periods, comprised of one (1) full-length album during each Contract Period, each such option to be exercised, if at all, not later than the expiration of the then current Contract Period, subject to a ninety (90) day written notice and cure period in the event Company fails to exercise any such option. (The Initial Album, all additional audio only masters recorded by you during the Term hereunder, all audio-visual products, and all other recordings or other formats now or hereafter known embodying your musical performances are sometimes referred to individually and collectively herein as the "Master(s)".) Selection of the Masters to be recorded hereunder shall be subject to the mutual cooperation and agreement of the parties, it being understood and agreed that Company shall have the final word with respect to selection of Masters and for all other creative matters, including, but not limited to, the selection of the songs to be recorded, producers of Masters and album artwork.

*A good shopping deal for an artist makes a production company adhere to a firm deadline. If they do not find a deal within nine months, for instance, the Artist can walk away. On the other hand, the company should have the right to share in the Artist's success from a record deal that the production company helped the Artist secure. A typical provision to address this would read as follows:*

The term of this agreement ("Term") shall commence upon the date of this Deal Memorandum and continue until the commercial release by a Distributor in the United States of the fourth (4<sup>th</sup>) full-length, studio album containing Artist's featured performances and delivered to such Distributor in fulfillment the Artist's recording obligation to the Distributor. Notwithstanding the foregoing, if an agreement for Artist's exclusive recording services between the Company and a Distributor (a "Distribution Agreement") has not been executed within nine (9) months from the date of completion of production of the Initial Masters hereunder (the "Shopping Period"), the Artist may terminate the Agreement.

- 5) Recording Costs/Advances: Company shall administer and pay all pre-approved recording costs in connection with the production of the Masters. All master recording costs, video production costs, independent marketing and promotion costs, and all other sums paid by Company to you or on your behalf, (whether related to Other Music Activities or otherwise) and all other typically recoupable costs and expenses incurred by Company hereunder shall constitute "Advances", fully recoupable by Company from any royalties or other sums to be paid to you (or on your behalf) by us or any third party (excluding mechanical royalties) under this Agreement or any other agreement between you and Company.

*There are two things wrong with this provision. First, "all recording costs" should only be expenses that are reasonable, documented, and, if possible, approved by the Artist. Second, in a real recording agreement, the Artist should receive a real advance so they can quit their day gig and move out of their parents' house.*

- 6) Royalties: As your sole and complete consideration of your services rendered hereunder, Company shall pay you a sum equal to thirty five (35%) percent of the net revenues received by or credited to Company in connection with the exploitation of the Masters, after recoupment by Company of all Advances, recording costs and expenses and all other chargeable costs related to the distribution and/or exploitation of the Masters, including, but not limited to manufacturing costs, third party distribution fees and charges, and marketing and promotional expenses, it being understood that there shall be no so-called "double-dipping" and such recoupable expenses shall only be charged to your royalty account only. It is understood and agreed that Company's otherwise standard policies would apply to the calculation and payment of all royalties (e.g., free goods, program discounts, reserves, reductions, etc.). You acknowledge and

agree that no royalties of any kind nor any other compensation (other than mechanical royalties, if any) shall be due to you except as provided in this paragraph. Company shall account and pay you any sums due not semi-annually, within ninety days after the end of each semi-annual period ending on June 29<sup>th</sup> and December 31st. Company shall be entitled to withhold any and all taxes as required by law with respect to any sums payable to you hereunder.

*If the Company were a real label, a 35% percent royalty payable to the Artist on record sales would not be unfair. But because the Company is only a production company, the goal is not to sell records but rather to secure a suitable label deal. When the production company achieves that, it should share in the revenues generated by the major label, but not 65%. The following clause should be added to the royalties section of the agreement:*

"Notwithstanding anything to the contrary above, If Company enters into Distribution Agreement, with your prior approval, the Company shall receive [5% to 20%] (see introduction) of any advances or royalties payable by the Distributor for the recording services of the Artist. The Artist shall receive the balance, that is, 80% of such Advances or royalties for the first four (4) Albums. Notwithstanding anything to the contrary above, company shall have the right to deduct its actual documented approved recording costs that have not already been recouped by Company."

- 7) Name and Likeness Rights/Website: Company shall have the perpetual right, which such right shall be exclusive during the term and non-exclusive thereafter, without liability to any person, to use and to authorize other persons to use your name, likeness and biographical material for purposes of advertising, marketing, promotion and trade in connection with making and/or exploitation of Masters, recordings, audio-visual materials, and all other materials hereunder. You hereby grant to Company the exclusive right, during the Term (and the non-exclusive right thereafter, with respect to an alternate name), to establish and maintain all Artist-branded digital sites and social networking sites, including a website having the URL "\_\_\_\_\_.com" or any similar designation based on or containing your professional name. You shall make yourself available at Company's reasonable request and expense and upon reasonable notice to appear for photographs, posters, cover art, interviews with representatives of the media and publicity personnel and to perform other reasonable promotional functions.

*This clause should be added:*

"Notwithstanding, anything to the contrary above, (i) Artist shall have the right to continue his YouTube and Facebook pages; and (ii) all content in Artist branded sites shall be subject to Artist's approval."

- 8) Representation/Warranty/Indemnity: You warrant and represent that you have been, are and shall continue to be possessed of the full right to enter into this agreement and perform hereunder and that your entering into this agreement and performing hereunder shall not infringe upon the rights of any person or entity. Upon the expiration or other termination of this Agreement, you agree not to re-record any composition embodied on a Master hereunder until the date that is the later of (i) three years after the end of the Term and (iii) five years from the completion of recording of such Master hereunder. You indemnify us against any losses or damage (including reasonable attorneys' fees) arising out of any claims by any third parties which are inconsistent with any warranty made by you herein or any condition contained herein. You shall promptly pay us on demand any sums for which you are liable under the proceeding sentence and, alternatively, Company shall be entitled to withhold any such sums from monies otherwise payable to you hereunder.

- 9) Ownership: The Masters (including, but not limited to, any audio-visual recordings related thereto), all duplicates and derivatives thereof, all records made therefrom or duplicates or derivatives (including the copyright and renewal and/or extension of such copyright), and all artwork and other intellectual property created or obtained by Company, together with the performances embodied therein, all in any form, manner, or medium now or hereafter known, shall be exclusively and perpetually property of Company, free from any claim whatsoever by you or any person deriving any rights from you. The Masters shall be deemed a work made for hire within the meanings of the United States Copyright Act. If the Masters are determined not to be a work made for hire, they will be deemed transferred to Company by this agreement, together with all rights in it. Accordingly, the Masters, together with yours and all the performances embodied on them, shall be the sole property of Company, its assignees and successors in perpetuity and throughout the world, free from any claims by you or any other person; and Company shall have the exclusive right to copyright the Master in its name as the author and owner thereof and to secure any and all renewals and extensions of such copyright throughout the world. You will execute and deliver to Company such instruments of transfer and other documents regarding the rights of Company in the Master as Company may reasonably request to carry out the purposes of this Agreement, and Company may sign such documents in your name and make appropriate disposition of them.

*This paragraph states that all "Masters shall be deemed work for hire" for the company. Work for hire means that all the copyrights in the recordings are owned by the company, and that the company will have the right to use them for any purpose after the termination of the agreement. In a pro-artist agreement, the copyrights in the master recordings would be owned jointly by the Artist and the Company. This means that if the Agreement terminates, neither the Artist nor the company would have the right to exploit the master recordings without mutual approval.*

Without limiting the generality of the foregoing, Company, or any person authorized by Company shall have the perpetual unlimited, exclusive right, throughout the world: (i) to manufacture records, video-records, and any derivatives thereof derived from the Master in any form, in any medium, and/or by any method now or hereafter known; (ii) to sell, transfer or otherwise deal in the same under any trademarks, trade names and labels; (iii) to reproduce, adapt, transmit, distribute, broadcast, perform, communicate and otherwise use the Master in any medium or in any manner, including but not limited to use in physical, digital, electronic, mobile and internet formats; (iv) to cause or permit the public performance of the Master, or derivatives thereof, through any and all media; (v) to add to, delete from, edit, mix or otherwise alter the Master without restriction; and (vi) to exploit the Master and derivatives therefrom through any and all means, whether now or hereafter known, all without payment of any compensation to you except the royalties as described in this Agreement. In the alternative Company may, at its election, refrain from doing any or all of the foregoing.

- 10) Mechanical License: With respect to any musical compositions embodied on the Masters which are owned or controlled by you or your designees, you hereby grant to us and our designees the irrevocable non-exclusive right to reproduce the Song on records (including digitally delivered reproductions) and to distribute any of those records in the United States and Canada. Mechanical royalties shall be payable on a maximum of ten (10) songs on each album, on net sales of such records at the following rates: (i) on such records sold in the United States, the rate shall be the United States mechanical rate. The "United States mechanical rate" shall mean the amount equal to seventy-five percent (75%) of the minimum statutory royalty rate (without regard to playing time) provided for in the United States Copyright Act which is applicable to the reproduction of musical compositions as of the date of initial release of the Master concerned; and (ii) on such records sold in Canada, the rate shall be the Canadian mechanical rate. The "Canadian mechanical rate" shall mean the amount equal to seventy-five percent (75%) of the minimum statutory royalty rate (without regard to playing time) provided for in the Canadian Copyright Act which is applicable to the reproduction of musical compositions as of the date of initial release of the Master concerned; (iii) the mechanical royalty rate for a Song contained on a mid-price record or budget record shall be three-fourths (3/4ths) of the United States mechanical rate or the Canadian mechanical rate, as applicable; and no mechanical royalties shall be payable on any phonograph record for which no royalties are payable by Company. If the copyright in a musical composition is owned or controlled by a person, firm or corporation other

than you, you shall cause that person, firm or corporation to grant to us and our designees the same rights as you are required to grant to us and our designees hereunder. You hereby grant to us and our designees at no fee, royalty or other cost to us or our designees, the irrevocable, non-exclusive, worldwide right to reproduce and publicly perform each Song on audio-visual recordings, to distribute audio-visual records embodying those audio-visual recordings, and otherwise to exploit in any manner and through any media those audio-visual recordings. You grant to us and our designees, or shall cause to be granted to us, the irrevocable right to print and reproduce, at our election, the title and lyrics to the Song on the packaging of phonograph records embodying Masters throughout the world in perpetuity, without payment to you or any other person, firm or corporation of any monies or other consideration in connection therewith. Any assignment, license or other agreement made with respect to the Song shall be subject to the terms hereof.

*This paragraph is known as the "Controlled Composition Clause." It means that the Artist who writes his own songs does receive mechanical royalties from record sales by the Company, but the Company pays only 1/4 of the statutory rate of 9.1 cents per song instead of the full rate. It is a standard clause in any major label or major indie deal and usually cannot be negotiated away unless the Artist has tremendous bargaining power. However in the context of this Agreement, it is usually irrelevant as the Company will probably not sell records, or if it does, perhaps only one or two tracks in order to spark a real label's interest in the Artist.*

- 11) Co-Publishing. The parties agree that you (or your affiliated publishing company) and Company's designated publishing affiliate shall be co-publishers with respect to music and lyrics of all compositions written, owned and/or controlled by you during the Term. Accordingly, you (or your affiliated publishing company) hereby irrevocably and absolutely assign, convey and set over to Company (or its designee), or will cause Company (or its designee) to receive an assignment, of fifty (50%) percent of all right, title and interest (including the worldwide copyright and all extensions and renewals thereof) in and to each and every controlled composition which is recorded hereunder. Upon request, you agree to execute and deliver to Company, or to cause to be executed and delivered to Company (or its designee) a separate Co-publishing Agreement with respect to each such controlled composition in accordance with standard forms of such agreements. If you shall fail to promptly execute such agreements, you hereby grant to Company the right to sign same on your behalf, though Company's failure to exercise the rights granted to use such authority shall be deemed Company's rights as set forth within this Agreement. Company shall be the exclusive administrator of 100% of all rights in and to such controlled compositions, and it (and/or its designees) shall be entitled to exercise any and all rights with respect to the control, exploitation and administration of such compositions including, without limitation, the sole right to grant licenses, collect all income and to use the name, likeness and biographical material of each composer, lyricist and songwriter hereunder in connection with such composition for the full term of copyright (including all renewals and extensions thereof) in and to such Composition. From all sums actually earned and received by Company in the

United States of America from the exploitation of such Composition throughout the world (the "Gross Receipts"), Company shall: (i) deduct and/or retain all out-of-pocket costs incurred by Company in connection with the exploitation and protection of such Composition; (ii) deduct and pay royalties payable to the writers (including you) of the Composition (which you warrant and represent shall not exceed fifty (50%) percent of the Gross Receipts); and (iii) pay to you an amount equal to fifty (50%) percent of the balance remaining after deducting the aggregate sums set forth in subparagraphs (i), (ii) and (iii) above, and the remaining fifty (50%) percent thereof shall be retained by Company for its sole use and benefit. Accounting for such royalties shall be rendered semi-annually subject to all the terms and provisions of Paragraph 11 hereof.

*The Artist should delete this paragraph 11 completely. Since a production company is not a music publishing company, which is equipped to exploit songs and collect income from them all around the world, the Company should not become the Artist's publisher or share in publishing income at all.*

- 12) Other Music Activities. You shall pay to Company a sum equal to thirty (30%) percent of all OMA Income ("the OMA Payment", provided that the OMA Payment in connection with your touring and other live musical performances shall be deemed to be twenty (20%) percent). You authorize Company to collect all OMA Income on your behalf but to the extent such is not collected by Company, within fifteen (15) days of the end of each calendar quarter of the Term, you will send Company a detailed written account of all OMA Income received by you or on your behalf during such accounting period and the amount of the OMA Payment accordingly payable to Company. On receipt of each such accounting statement, Company will elect either to deduct the OMA Payment from monies (including royalties) due to you hereunder or to receive payment, in which case you shall pay the amounts shown to be due in each accounting statement within ten (10) days of the date of such statement. You agree to maintain complete and accurate books and records relating to OMA Income. At any time within two (2) years after any accounting statement is rendered to Company hereunder, Company shall have the right to inspect such books and records on reasonable notice but not more than once during each year. As used herein, "Other Music Activities" shall mean all of your professional activities connected to the entertainment industry including, without limitation, merchandising, advertising, sponsorship, endorsements and tie-ins, touring and all other live performances, and TV or film appearances (but specifically excluding music publishing, any fees or royalties you receive for acting as a "producer" of records for others, record royalties hereunder, and any other income payable to you which Company is otherwise participating in (i.e., there shall be no "double dipping" with respect to OMA Income). "OMA Income" shall mean all gross sums paid or payable to you with respect to your "Other Music Activities" during the Term or with respect to any and all agreements related thereto entered into during the Term and for a period of three months thereafter (whether received during the term or thereafter), after deduction of third party out-of-pocket expenses or deductions reasonably incurred in connection with the Other Music Activities, including booking agent commissions, monies payable to third party co-publishers and co-writers of musical compositions written by you and reimbursement for actual out-of-pocket expenses incurred by you in connection therewith (but which such deduction shall not

apply to production, travel, musician, or other show related costs for your live performance activities or management commissions). Upon request by Company, you hereby agree to execute standard Letters of Direction authorizing and directing any third parties to pay any such OMA Payments directly to Company.

*The Artist should delete this paragraph completely for the reasons discussed in the introduction to this installment (see 360 Provisions). But in fairness to the Company, if they do something to deserve ancillary revenues, there is nothing wrong with compensating them for their efforts. Here is an alternative to harsh 360 clauses compensating the Company if they actual help the Artist make money:*

Ancillary Rights.

(a) Company may, from time to time, secure and coordinate "synch" placements of any of the Artist's Songs in motion pictures, TV program, ad campaigns, video games etc. ("Company Synchs"). It is understood that Company is not a music publisher and shall not be required to procure any synchs for Artist. If Company does secure and coordinate any live personal appearance for the Artist, Company shall be entitled to collect all gross revenue from the Company Synchs. Company shall pay Artist seventy-five percent (75%) of gross revenue derived from such Company Synchs. Company shall make such payment to Artist within three (3) days of Company's receipt of such monies together with a comprehensive accounting statement. Notwithstanding anything to the contrary above, (i) Artist shall have the right to approve Company Synchs and the synch fee; (ii) Artist has no obligation to Company for any synch placement not secured by Company. Company shall have no other rights in Artist's songs except as set forth in this Subparagraph.

(b) Company may, from time to time, secure and coordinate live personal appearances for Artist and shall negotiate the Artist's compensation in connection therewith for concerts or live performances ("Company Shows"). It is understood that Company is not an employment agency or a talent agent and shall not be required to procure any employment for Artist, and that Company has not represented that it will procure employment for Artist. Any live personal appearance that Company does secure and coordinate for the Artist shall be incidental to its role as a record company. Company shall pay Artist seventy-five percent (75%) of Net Revenue derived from such Company Show. "Net Revenue" as used in this paragraph shall mean all gross revenue actually received by Company less documented reasonable expenses incurred by Company in connection with such Company Show such as lighting and sound. Company shall make such payment to Artist within three (3) days of Company's receipt of such Net Revenues together with a comprehensive accounting statement. Notwithstanding anything to the contrary above, (i) Artist shall have the right to pre-approve each Company show and her performance fee; (ii) Artist has no obligation to Company in connection with any live performance not secured by Company.

- 13) Miscellaneous. This agreement is the entire agreement between the parties with respect to the contents hereof, supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties, and shall not be modified, except by an instrument in writing, signed by each of the parties duly authorized to execute such modification. Company may assign its rights under this Agreement in whole or in part.

*There is a great deal of boilerplate language here that may be legally necessary but is not more favorable to one party than the other. But there is one truly insidious sentence:*

"Company may assign its rights under this Agreement in whole or in part."

*This would mean that the Company could assign the agreement (together with the five albums that the Company is entitled to) to any other company or individual. The Company could thereby literally sell the Agreement. This sentence should be modified to allow the Artist to approve any assignment of the Agreement to a third party.*

You may not assign this agreement or your rights or responsibilities hereunder without the prior approval of Company, such approval not to unreasonably withhold with respect to a so-called "furnishing company" owned or controlled by you which is exclusively entitled to your recording services. A waiver by either party of any term or condition of this agreement shall not be deemed or construed as a waiver of such term or condition for the future, or of any subsequent breach thereof. All remedies, rights, undertakings, obligations, and agreements contained herein shall be cumulative and none of them shall be in limitation of any other remedy, right, undertaking, obligation or agreement of either party. No breach of this agreement by either party shall be deemed material, unless the non-breaching party shall have given the other party notice of such breach and such breaching party shall fail to cure such breach within 30 days after receipt of such notice. If any part of this agreement shall be determined to be invalid or unenforceable, the remainder of this agreement shall remain in full force and effect. This Agreement has been entered into in the State of California and the validity, interpretation and legal effect of this Agreement shall be governed by the laws of California applicable to contracts entered into and performed entirely within California, with respect to the determination of any claim, dispute or disagreement which may arise out of the interpretation, performance or breach of this Agreement. All claims, disputes or disagreements which may arise out of the interpretation, performance or breach of this Agreement shall be submitted exclusively to the jurisdiction of the appropriate court in California. You acknowledge that Company has given you the right and opportunity to have this Agreement reviewed by an attorney of your choice having competence in the music industry, and you have done so. You further acknowledge that said attorney has reviewed with you the terms of this Agreement and that he/she has advised you as to all legal ramifications and consequences of your entering into this Agreement. You acknowledge that your services hereunder are of a special, unique, unusual, extraordinary and intellectual character and in the event of a breach by you of any material term, condition, representation,

warranty or covenant herein, Company will be caused irreparable injury and damage. You expressly agree that Company shall be entitled to the remedies of injunction and other equitable relief to prevent or remedy a breach, which relief shall be in addition to any other rights or remedies, for damages or otherwise, which Company may have.

*Under the last sentence above, the Company could seek a court to enjoin the Artist recording for another record label.*

If because of an Act of God, inevitable accident; fire; lockout; strike or other labor dispute; riot or civil commotion; act of public enemy; enactment, rule, order or act of any government or governmental instrumentality (whether federal, state, local or foreign); failure or delay of transportation facilities; or other cause of a similar or different nature not reasonably within Company's control, Company is materially hampered in the recording, manufacture, distribution or sale of records, then, without limiting Company's rights, Company shall have the option by giving you notice to suspend the running of the then current Contract Period for the duration of any such contingency plus such additional time as is necessary so that Company shall have no less than sixty (60) days after the cessation of such contingency in which to exercise its option, if any, to extend the Term of this Agreement for the next following Option Period.

The parties agree that, upon both of our signatures below, this letter shall constitute a valid and binding agreement regarding the exclusive rights to your services. Notwithstanding the contemplation of the Long Form Agreement, all legal and equitable rights, obligations and remedies of both parties attach hereto with no limitation.

ACCEPTED AND AGREED TO:

\_\_\_\_\_  
Records Inc.

\_\_\_\_\_  
Artist

\_\_\_\_\_  
An Authorized Signatory

\_\_\_\_\_  
SS#: