

## **LICENSE AGREEMENT**

This License Agreement (the "Agreement") is effective as of the \_\_\_\_ day of \_\_\_\_\_, 2007 (the "Effective Date") by and between Stussi, Inc., an Illinois corporation d/b/a Sniplits ("Sniplits") and \_\_\_\_\_ ("Licensor"). For the purposes of this Agreement, the foregoing are sometimes referred to individually as a "party" and collectively as the "parties."

### **RECITALS**

WHEREAS, Licensor has authored a written short story titled, "ZINGZONG," a copy of which is attached hereto as Exhibit A (the "Story"); and

WHEREAS, Sniplits desires to obtain from Licensor a license to create certain derivative works from the Story pursuant to the terms and conditions of this Agreement.

In consideration of the mutual promises and covenants described herein, the receipt, adequacy and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Grant of License to Derivative Works From Story. Licensor grants to Sniplits, and Sniplits hereby accepts from Licensor, a right and license to create and produce Derivative Works (as defined herein) from the Story and to license, sell and/or distribute such Derivative Works. For the purposes of this Agreement, the term "Derivative Works" shall mean (i) audio recordings of the Story made available by Sniplits through any medium (including, without limitation, CDs, memory sticks, hand-held devices, the Internet or any other future technologies which would allow for listening of the Story by licensees or purchasers); (ii) reproduction of the Story on the Internet for downloading, viewing and/or listening by licensees or purchasers; and (iii) reproduction of the Story in any other electronic form for downloading, viewing and/or listening by licensees or purchasers. Sniplits shall also be allowed to include any of the Derivative Works in any anthologies (i.e., inclusion of the Story in a collective presentation by Sniplits with other works) marketed by Sniplits. The license granted herein shall not allow Sniplits to reproduce and license, sell or distribute the Story via "hard copy" media (such as books, magazines, etc., but not including the Internet or other electronic media). Licensor acknowledges and agrees that Sniplits may license, sell and/or distribute the Derivative Works without "digital rights management" technology. Sniplits shall also have the right to license, sell and/or distribute the Derivative Works in MP3 or any other audio/visual technology that accommodates file sharing. The license granted to Sniplits hereunder shall apply to all territories in the world, without limitation.

2. Exclusivity. The license described in Section 1 herein shall be exclusive to Sniplits for a period of twelve (12) months from the Effective Date (the "Exclusivity Period"). During the Exclusivity Period, Licensor may not grant any third party a license to copy, reproduce, create derivative works from, license, sell or distribute the Story in any form of media other than "hard copy" media (such as books, magazines, etc., but not including the Internet or other electronic media). The foregoing exclusivity shall not prohibit Licensor from granting any third party a license to copy, reproduce, license, sell or distribute the Story in "hard copy" media

(such as books, magazines, etc., but not including the Internet or other electronic media). The foregoing shall also not prohibit Licensor from including on Licensor's website a link to Sniplits' website containing the Derivative Works, but Licensor may not post or otherwise license, sell and/or distribute the Derivative Works without Sniplits' prior written consent.

3. Grant of License to Story, Title of Story and to Licensor's Name, Photograph, Likeness and Signature. Licensor grants to Sniplits a right and license to use the Story, the name of the Story and Licensor's name, photograph, likeness and signature in connection with the advertising, merchandising, promotion, production, license, sale and/or distribution of the Story in the Derivative Works allowed hereunder. Licensor will cooperate in all advertising, promotion and publicity, and will furnish and permit the use of photographs, cuts and slides of Licensor, and a specimen or reproduction of Licensor's signature, for use in connection with the foregoing and also for use with endorsements and testimonials attributed Licensor, with respect to the advertising, merchandising, promotion, license, sale and/or distribution of the Story in the Derivative Works allowed hereunder. Sniplits may, at its sole discretion, use, promote or distribute artwork related to or with the Story in connection with its marketing of the Derivative Works. Sniplits agrees that Licensor's name, photograph, likeness, and signature will be used only with respect to advertising and promotion with respect to the Derivative Works of the Story allowed hereunder and for no other purpose. Licensor shall not be required to make any personal appearances with respect to advertising and promotional purposes unless and until Licensor and Sniplits execute a separate written agreement regarding the same. Sniplits agrees that no promotion or advertising copy with respect to Licensor's name, likeness, photograph or signature shall be unflattering or detrimental to Licensor. Sniplits shall not attribute any endorsements or testimonials from Licensor with respect to the Derivative Works of the Story allowed hereunder without the prior written approval of Licensor. Licensor acknowledges and agrees that Sniplits, at its discretion, may create a "Fan Club" page on its website. If Sniplits creates such a "Fan Club" page on its website, Licensor agrees to provide Sniplits with suitable materials to post on such website (such as photographs, information regarding the Story and Licensor, relevant web links to any websites maintained by Licensor with respect to Licensor's literary business, etc.). Licensor also agrees that Licensor will make reasonable efforts to be available for "on-line chats" with fans at times mutually agreed upon by Sniplits and Licensor. Licensor agrees to visit and update such website (by providing such updates to Sniplits) as needed but at least on a monthly basis with respect to information about Licensor or the Story. Sniplits shall maintain all ownership rights with respect to its website and has the right to decline to post or to remove any materials which Sniplits considers inappropriate. Sniplits also has the sole discretion to terminate any "Fan Club" pages on its website at any time.

4. Hiring of Talent with Respect to Derivative Works. Sniplits reserves sole discretion to select the production studio, actors, music, sound effects, and other talent used in connection with production of any Derivative Works. Licensor may be engaged to provide such talent with respect to the production of Derivative Works if agreed upon by Sniplits in writing (it being acknowledged that facsimile or electronic communications shall be deemed a "writing" hereunder). No additional compensation will be provided to Licensor for performing in the production of any Derivative Works unless otherwise agreed upon by Sniplits in writing.

5. Compensation. Licensors shall be compensated as described in Exhibit B attached hereto. Sniplits makes no guarantees whatsoever to Licensors with respect to the compensation Licensors might expect with respect to Sniplits' exploitation of the Derivative Works of the Story allowed hereunder.

6. Term; Termination. This Agreement shall become effective on the Effective Date and shall continue in full force and effect until terminated as described in this Section 6. The parties agree that unless terminated hereunder, this Agreement shall remain in full force and effect (including being in effect during the duration of any copyrights with respect to the Story).

(a) This Agreement may be terminated by a party by written notice to the other party if the other party breaches any material term of this Agreement and fails to cure such breach(es) within thirty (30) days of written notice from such party describing such breach(es) in reasonable detail.

(b) This Agreement may be terminated by Sniplits at any time following Licensors' death.

(c) This Agreement may be terminated by any party upon written notice to the other party if the parties do not reach agreement on edits to the Story requested by Sniplits in connection with Sniplits' creation of Derivative Works. The parties acknowledge that they shall negotiate in good faith edits/adaptations to the Story desired by Sniplits. If the parties cannot agree upon such edits desired by Sniplits within ninety (90) days following the Effective Date, then any party may terminate this Agreement upon written notice to the other party.

(d) Sniplits may terminate this Agreement upon thirty (30) days written notice to Licensors if Sniplits determines that it will no longer market the Derivative Works to the public. Licensors acknowledges that even if Sniplits terminates this Agreement pursuant to this Section 6(d), the Derivative Works may continue to exist electronically by virtue of Sniplits' previous licensing, sale or distribution of the Derivative Works. If Sniplits elects to terminate this Agreement pursuant to this Section 6(d), Sniplits agrees that it shall not actively market or promote the Derivative Works following such termination, provided that the foregoing shall at all times be subject to Section 6(e) below.

(e) In the event of the termination of this Agreement for any reason, the licenses described hereunder shall immediately terminate and Sniplits shall no longer market any Derivative Works; provided, that (i) Sniplits may fulfill any contracts entered into by Sniplits prior to the date of termination of this Agreement; and (ii) due to the nature of the Internet and the other technology on which Derivative Works will be viewed or listened to, Sniplits can make no guarantees with respect to any Derivative Works continuing to exist on the Internet or through any other electronic form.

7. Representations and Warranties; Indemnification.

(a) Licensors represents and warrants that: (i) Licensors is the sole creator of the Story; (ii) Licensors has all rights to provide the licenses with respect to the Story described

herein; (iii) as of the Effective Date, Licensor has not granted any licenses to any third party with respect to the Story except as follows: \_\_\_\_\_; (iv) the execution and delivery of this Agreement by Licensor will not contradict or breach any other agreement, whether oral or written, between Licensor and any third party with respect to the Story (including, without limitation, any agreement between the Licensor and any publisher); (v) the Story does not infringe upon any rights (including, without limitation, copyrights or other intellectual property rights) of any third party; (vi) Licensor has not published the Story prior to the Effective Date except as follows: \_\_\_\_\_; (vii) prior to the Effective Date, the Story has not been in the public domain; (viii) the Story is not obscene, libelous or violative of any third party's right of privacy or publicity; (ix) any statements of purported fact in the Story are true and based on diligent research by Licensor; (x) if the Story contains biographical elements, any such biographical elements are authentic, true and accurate based on diligent research by Licensor; and (xi) following the Effective Date, Licensor will not enter into any agreements, contracts or understandings, whether oral or written, which would conflict with the terms and conditions of this Agreement or cause a breach of the terms and conditions of this Agreement. If Licensor has entered into any agreement (whether oral or written) with any publisher with respect to the Story, Licensor further represents and warrants that Licensor has the written permission of the publisher to grant the licenses described in this Agreement.

(b) Licensor agrees to indemnify, defend, and hold harmless Sniplits, and Sniplits' officers, directors, shareholders, employees and agents (collectively, the "Sniplits Indemnified Parties") from and against any and all losses, liabilities, causes of action, suits, demands, damages, costs and expenses (including, without limitation, attorneys' fees and expenses and court costs) incurred by any of the Sniplits Indemnified Parties arising from, related to or in connection with: (i) Licensor's breach of any provision of this Agreement; or (ii) any claim by any third party that the Story infringes upon the rights of any third party.

(c) The representations and warranties made hereunder shall survive the termination of this Agreement for any reason.

(d) If any Sniplits Indemnified Party seeks indemnification under this Section 7, such Sniplits Indemnified Party shall promptly (and, in any event, within sixty (60) days) give written notice ("Claim Notice") to Licensor after receiving written notice of any action, lawsuit, investigation, claim or other proceeding against such Sniplits Indemnified Party (if by a third party) or discovering the facts giving rise to such claim for indemnification, describing the claim, the amount thereof (if known and quantifiable), and the basis thereof; provided that the failure to so notify Licensor shall not relieve Licensor of Licensor's obligations hereunder except to the extent such failure shall have prejudiced Licensor's ability to defend such claim. In that regard, if any action, lawsuit, investigation, claim or other proceeding shall be brought or asserted by any third party which, if adversely determined, would entitle a Sniplits Indemnified Party to indemnity pursuant to this Section 7, the Sniplits Indemnified Party shall promptly notify Licensor of the same in writing, specifying in detail the basis of such claim and the facts pertaining thereto and Licensor shall be entitled to participate in the defense of such action, lawsuit, investigation, claim or other proceeding giving rise to the Sniplits Indemnified Party's claim for indemnification at Licensor's expense and option (subject to the limitations set forth below). Licensor shall be entitled to control and appoint legal counsel of such defense with legal

counsel reasonably acceptable to the Sniplits Indemnified Party; provided that, as a condition precedent to Licensor's right to assume control of such defense, Licensor shall provide the Sniplits Indemnified Party with written notice stating that Licensor would be liable under the provisions hereof for indemnity and the amount of such claim if such claim were valid and that Licensor shall be fully responsible for all liabilities relating to such claim; and provided further that Licensor shall not have the right to assume control of such defense and pay the fees and expenses of counsel retained by the Sniplits Indemnified Party if the claim which Licensor seeks to assume control (each, a "Sniplits Indemnified Party Controlled Proceeding") (i) involves a claim which the Sniplits Indemnified Party reasonably believes could be detrimental to or injure the Sniplits Indemnified Party's reputation, customer relations or future business prospects; (ii) seeks non-monetary relief (except where non-monetary relief is merely incidental to a primary claim or claims for monetary damages); (iii) involves criminal allegations; (iv) is one in which Licensor is also a party and joint representation would be inappropriate or there may be legal defenses available to the Sniplits Indemnified Party which are different from or additional to those available to Licensor; or (v) involves a claim which, upon petition by the Sniplits Indemnified Party, the appropriate court rules that Licensor failed or is failing to vigorously prosecute or defend. If Licensor is permitted to assume and control the defense and elects to do so, the Sniplits Indemnified Party shall have the right to employ counsel separate from counsel employed by Licensor in any such action and to participate in the defense thereof, but the fees and expenses of such counsel employed by the Sniplits Indemnified Party that are incurred after Licensor's assumption and control of the defense shall be at the expense of the Sniplits Indemnified Party unless the employment thereof has been specifically authorized by Licensor in writing. If Licensor shall control the defense of any such claim, Licensor shall obtain the prior written consent of the Sniplits Indemnified Party (which shall not be unreasonably withheld) before entering into any settlement of a claim or ceasing to defend such claim. If the Sniplits Indemnified Party assumes control in a Sniplits Indemnified Party Controlled Proceeding, Licensor will be bound by any determination of a proceeding so defended, but will not be bound by any compromise or settlement effected without Licensor's consent (which shall not be unreasonably withheld).

8. Control by Sniplits of Business. Notwithstanding anything herein to the contrary, Sniplits shall have the sole authority to determine the mode and method of advertising, merchandising, promoting, producing, licensing, selling and/or distributing the Derivative Works of the Story allowed hereunder, and to fix the prices, discounts and terms of sale to all purchasers or licensees of the Derivative Works. It is also acknowledged by the parties that Sniplits shall have all ownership rights to any titles, trade dress and other identifying characteristics with respect to any Derivative Works; provided that ownership rights shall not vest in the title to the Story itself.

9. Credits to Licensor. Sniplits agrees that any Derivative Works allowed hereunder shall indicate that the Story was authored by Licensor.

10. Survival. Any and all provisions of this Agreement which are intended to survive the termination of this Agreement for any reason shall so survive, including, without limitation, the provisions described in Sections 5, 6, 7, 8, 10 and 11 hereunder.

11. Miscellaneous. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois, without regard to conflicts of law principles. Any disputes arising from or related to this Agreement shall be resolved in the circuit courts located in the county of Snipplits' then-current principal place of business. Any failure on the part of any party to comply with any of its obligations, agreements or conditions hereunder may be waived in writing by any other party to whom such compliance is owed. No waiver of any provision of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and assigns. This Agreement may not be assigned by Licensor directly, indirectly or by operation of law without Snipplits' prior written consent. This Agreement constitutes the entire agreement between the parties hereto and supersedes any prior agreements, representations, warranties, or communications, whether oral or written, among the parties hereto relating to the subject matter herein. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated except by an agreement in writing signed by the party against whom the enforcement of such change, waiver, discharge or termination is sought. Should any provision of this Agreement for any reason be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining provision(s), which shall continue in full force and effect as if this Agreement had been executed with the invalid provision(s) eliminated therefrom. If any arbitration, litigation or other legal proceeding occurs between the parties relating to this Agreement, the prevailing party shall be entitled to recover (in addition to any other relief awarded or granted) its reasonable costs and expenses including, without limitation, attorneys' fees and expenses and court costs. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. Facsimile and electronic signatures shall be treated the same as an original signature for this Agreement.

STUSSI, INC.

LICENSOR

By: \_\_\_\_\_  
Anne M. Stuessy, President

\_\_\_\_\_  
Name of Licensor: \_\_\_\_\_

**EXHIBIT B TO LICENSE AGREEMENT BETWEEN**  
**STUSSI, INC. AND** \_\_\_\_\_

**Copy of Story**

See Attached

**EXHIBIT B TO LICENSE AGREEMENT BETWEEN**  
**STUSSI, INC. AND** \_\_\_\_\_

**Compensation to Licensor**

1. Sniplits will pay Licensor, as an advance on royalty fees described herein, the sum of Seventy Five (\$75) U.S. Dollars within ten (10) days of the date that any Derivative Work is published on Sniplits' website. The foregoing amount shall be deducted from any royalty fees due and owing to Licensor pursuant to the remaining terms and provisions of this Exhibit B.
2. Licensor will be paid certain royalty fees based on sales of the Derivative Works after Sniplits has collected all sums due from the first 500 sales of the Derivative Works. After Sniplits has collected all sums due from the first 500 sales of the Derivative Works, Licensor shall thereafter be paid royalty fees based on the "Net Sales Price" (as defined herein) collected by Sniplits from sales of the Derivative Works as follows: (i) Licensor shall be paid royalty fees of 30% of the "Net Sales Price" collected by Sniplits from the 501<sup>st</sup> through the 1,000<sup>th</sup> sale of Derivative Works; (ii) Licensor shall be paid royalty fees of 40% of the "Net Sales Price" collected by Sniplits from the 1,001<sup>st</sup> through the 1,500<sup>th</sup> sale of Derivative Works; and (iii) Licensor shall be paid royalty fees of 50% of the "Net Sales Price" collected by Sniplits from the 1,501<sup>st</sup> sale of Derivative Works and on. On or before the sixtieth (60<sup>th</sup>) day following the expiration of each calendar quarter, Sniplits shall pay Licensor the appropriate royalty fees based on Sniplits' collections during the immediately preceding calendar quarter with respect to sales of the Derivative Works. When each payment is made, Sniplits will also provide Licensor with a schedule which indicates how the applicable royalty payment was calculated. For the purposes of this Agreement, the term "Net Sales Price" is defined as the gross invoice price, less (i) any discount provided by Sniplits; (ii) any sales tax, value added tax, or other tax with respect to such sale; and (iii) any amount which constitutes a reimbursement of incidental expenses incurred on behalf of a customer, including without limitation, separately itemized packaging, transportation, and insurance charges billed to and paid by the customer.
3. In the event any Derivative Works are included in an anthology, Sniplits and Licensor will memorialize agreement with respect to royalties based on sales of such anthology in a separate written instrument.
4. With respect to the royalty rate described above, Licensor acknowledges and agrees that Sniplits shall be able to license, sell or distribute Derivative Works (either alone or through anthologies) without charge from time to time for promotional purposes. No royalties will be paid to Licensor with respect to Sniplits' license, sale or distribution of the Derivative Works for no charge.
5. The accounts and records of Sniplits upon which Licensor's royalties are based shall be open and available to Licensor and its representatives once per calendar year. In January of each calendar year during the term of this Agreement, Sniplits and Licensor will



arrange for such reviews to be had if Licensor requests. Such reviews will take place at Sniplits' corporate headquarters unless an alternative arrangement is agreed upon by the parties. Any and all results of such review shall be kept confidential by Licensor.

6. In the event Sniplits is required to refund any monies paid by any customer with respect to the Derivative Works after Licensor has already received royalties based on such sales, any royalties paid with respect to such returns shall be recoverable by Sniplits. Sniplits shall be entitled to recover any such amounts by a credit against the next-to-come-due royalty payment, or, if no further royalty payments are due, by direct reimbursement from Licensor upon Sniplits' written demand.
7. Upon the termination of this Agreement for any reason, Licensor shall be entitled to receive royalty payments with respect to collections received by Sniplits during the calendar quarter of the termination of this Agreement. Thereafter, no further royalty payments shall be due and owing to Licensor hereunder.