

Digital Nations

DIGITAL DISTRIBUTION AGREEMENT

This Agreement is entered on (**DATE**), between Digital Nations, a subsidiary of Favored Nations LLC, located at 17328 Ventura Blvd. #165, Encino, California 91316, (“Company”) and (**ARTIST NAME/OWNER OF THE MASTERS**), located at (**ADDRESS**) (“Licensor”).

WHEREAS, Licensor is the sole and exclusive owner of the master sound recordings featuring the performances of “(**ALBUM NAME**)” (the “Recordings”);

WHEREAS, Licensor desires to exploit the Recordings via digital distribution throughout the world;

WHEREAS, Company desires to receive the non-exclusive right and license to distribute, sub-distribute, promote, market, sell, and otherwise exploit the Recordings via digital distribution; and

THEREFORE, in consideration of the foregoing and the mutual covenants and conditions below, the parties agree as follows:

1. GRANT OF RIGHTS.

A. Licensor irrevocably grants to Company, throughout the world and during the Term (as defined below), the non-exclusive right:

(i) to sell, copy, distribute, license, sub-license and otherwise exploit the Recordings by all digital means and media (whether now known or existing in the future) including, without limitation, through any and all digital Internet consumer stores (as listed on Exhibit “A” hereto, and as amended from time to time, hereinafter, “Digital Distributors”) now operational or hereafter available. Licensor hereby acknowledges that Company shall sell, distribute, license, sub-license and otherwise exploit the Recordings via the Digital Distributors listed on Exhibit “A” attached hereto, and may do so via other digital distribution outlets (“Additional Outlet”).

(ii) to collect all income derived there from; and

(iii) to use clips of the Recordings (up to ninety (90) seconds in length), the name(s), photographs and likenesses, artwork images, biographical and other information (the “Materials”) provided by Licensor or the artists whose performances are embodied on the Recordings in connection with the publicity, advertising and promotion of the Recordings and Company's general business, and to allow purchasers of Recordings to download the Materials in connection with the purchase of the Recordings.

B. The rights granted hereunder shall include sale of permanent digital downloads, temporary digital downloads, interactive streaming (both tethered and non-tethered) and non-interactive streaming, both promotional and fee based (hereinafter, “Digital Downloads”).

C. For the avoidance of doubt, Physical distribution of the Recordings via traditional pre-manufactured sound carriers, such as vinyl records, cassettes, CDs and DVDs, are not granted to Company or otherwise affected by this Agreement.

2. RECORDINGS.

A. The Recordings subject to this Agreement are the sound recordings and audio/visual recordings submitted by Licensor to Company upon Licensor's acceptance of this Agreement, as well as any other sound and/or audio/visual recordings that Licensor chooses to submit thereafter by giving Company notice and appropriate copies thereof. Company reserves the right to reject any Recordings or Materials submitted by Licensor, in its sole discretion. Licensor agrees to submit all Recordings and Materials, at Licensor's sole expense, in the format(s) required by Company and/or its sub-licensees, and as detailed in the Frequently Asked Questions ("FAQ") attached hereto and incorporated herein. Technical descriptions of such format(s) will be provided to Licensor upon request.

B. It is Licensor's responsibility to deliver all necessary Recordings, Materials or any other information in any required specifications. Licensor acknowledges that Company will not be obligated to furnish its services hereunder until receipt of said Recordings and Materials as specified.

C. As between the parties hereto, Company acknowledges that all right, title and interest (including intellectual property rights) in and to the Recordings and Materials are the sole property of Licensor, except as licensed to Company hereunder. Company shall not contest, or assist others in contesting the validity of Licensor's rights or interests in the Recordings. Company shall take possession of the Recordings only for the purpose of facilitating the sale, distribution and licensing of Recordings to third parties pursuant to this Agreement, and shall not be deemed to have taken ownership of, or title to, the Recordings.

3. PAYMENTS.

A. Company will pay Licensor **seventy percent (70%)** of all Net Income (as defined below) derived from sales of the Recordings throughout the Territory (the "Royalty"), less any Expenses (as defined below) paid by Company in connection with the Recordings. Company shall not pay any advance of any kind in connection with the rights granted herein.

"Net Income" means all gross amounts actually received by Company from Digital Distributors related to the sale of the Recordings, less any amounts expended by Company in connection with the marketing of any and all Recordings subject to this Agreement. Any recoupable funds expended by company in connection with marketing shall receive written approval from artist before the expenses are incurred.

B. Company will compute Net Income, if any, for each three (3) month period ending, March 31, June 30, September 30, and December 31 during which there are sales of your Records, and will send a statement indicating the number of digital sales sold on a store-by-store basis, Gross Receipts, Net Income, expenses deducted from Gross Receipts to arrive at Net Income, any charges recoupable from your royalty account, and any amount due hereunder within one-hundred-twenty (120) days after each such period. Company will maintain and preserve complete and accurate records relating to its obligations hereunder for at least one (1) year after the issuance of each statement of account in its principal place of business. Licensor, at Licensor's sole cost and expense, may hire a certified public accountant to audit such records once a year during reasonable business hours and upon thirty (30) days written notice to Company. Such certified public accountant must agree to protect Company's confidential information and all information provided by Company during such audit shall be hereby deemed confidential. Licensor may audit a particular statement only once. Licensor shall be deemed to have accepted all statements rendered by Company as final and shall not be subject to any audit or

objection by Licensor unless notice is given to Company of such objection within twelve (12) months from the date the statement is issued.

C. Upon execution of this Agreement, Licensor shall pay to Company a flat fee of One Hundred United States Dollars (US\$100.00, the “Initial Fee”) in connection with the Initial Term (as defined below), and shall pay an additional flat fee of One Hundred United States Dollars (US\$100.00, each a “Yearly Fee”) for each Additional Term (as defined below) . To the extent that Licensor owes any amounts to Company as a consequence of this Agreement, including but not limited to Third Party Payments (as defined below), that are assumed and paid by Company, Company shall have the right to deduct all or a portion of such amounts from any Royalties payable to Licensor.

4. THIRD PARTY PAYMENT OBLIGATIONS.

A. Licensor shall be solely responsible for securing and paying any digital phonorecord delivery (“DPD”), mechanical and any other licenses required from musical composition copyright owners (or their agents), royalties due to artists, producers and other persons who performed in the making of the Recordings and all payments that may be required under collective bargaining agreements in connection with Company's exploitation of rights hereunder (“Third Party Payments”). Outside of the United States, Company customarily requires the Digital Distributors to secure and pay for music publishing licenses (and such license fees may or may not be deducted by the Digital Distributor concerned from the gross amounts payable to Company). If with respect to any Digital Distributor outside of the United States, Company is not able to do so, Company shall have the right, at its option, to either (i) decline to license the Recordings to such Digital Distributor, or (ii) assume the responsibility to clear and pay for the music publishing licenses required in connection with such Digital Distributors’ sales, which license fees Company shall have the right to deduct from Royalties payable to Licensor hereunder. To the extent Company is required, or elects (in its sole discretion), to pay any music publishing licenses, or any other Third Party Payments, such payments will be deducted from any Royalties otherwise due to Licensor in connection with paragraph 3 above.

B. To the extent that Company permits Licensor to select certain tracks from Licensor’s catalog to distribute free to fans, Licensor agrees that Licensor will be solely responsible for any of the above referenced Third Party Payment obligations resulting from such deliveries.

5. WARRANTIES; REPRESENTATIONS; INDEMNITIES.

A. Warranties and Representations: Licensor warrants and represents that Licensor has the right and authority to enter into this Agreement and to grant to Company all rights specified; all of the Recordings, including any sampled third party material embodied therein, artwork, metadata, videos and any other materials furnished by Licensor to Company or relating to the Recordings are owned or controlled by Licensor and shall not infringe on the copyrights or other rights of any person or entity; and that Company shall have the right to exploit same in all manner hereunder free from adverse claim and without any obligation to make any payment of any nature to any person or entity, other than the Royalties due to Licensor described in paragraph 3 above.

B. Indemnification: Licensor shall defend and indemnify Company and any of its affiliates (including any directors, members, officers, employees and other representatives) against any third party claims or expenses and losses resulting from breach, or a claim which, if true, would constitute a breach of the foregoing warranties, including reasonable attorneys' fees and litigation expenses. Company shall give Licensor prompt notice of any claim and Licensor shall defend Company at Licensor’s expense with counsel approved by Company (which approval shall not be unreasonably withheld). If a claim is

made, Company shall have the right to withhold payment of any monies due to Licensor hereunder in an amount reasonably related to the claim and potential expenses. Any settlement of any claim shall be subject to Company's prior written approval.

C. Neither party shall be held liable to the other for damages or claims of any type resulting from the illegal activity of any end user or third party as it concerns piracy of the Recordings or Materials hereunder, nor for any special, indirect, consequential or incidental damages (including lost profits or goodwill) relating to this Agreement, even if it has been advised of the possibility of such damages.

6. TERRITORY. The Territory of this Agreement shall be the Universe.

7. TERM.

The Term of this agreement shall be for a period of twelve (12) months commencing on the date hereof (the "Initial Term"). Unless Licensor notifies Company via written notice of Licensor's desire to terminate the Term thereafter, the Term shall automatically be renewed on a year-to-year basis thereafter, provided Licensor pays the Yearly Fee, as defined above (each, an "Additional Term"). In the event of any such notice of termination from Licensor, Company shall have Thirty (30) days to notify all Digital Distributors to cease hosting Licensor's Recordings. Furthermore, Company shall have the right to terminate this Agreement at any time, including for failure to pay any Yearly Fee due, provided that Company provides Licensor with thirty (30) days notice thereof.

8. CONFIDENTIALITY.

The parties acknowledge and agree that in the course of negotiating and transacting business under this Agreement each party may become aware of certain otherwise confidential information related to the other's business and business practices. Except to the extent that such information is otherwise generally available to third parties or is required to be divulged by operation of law, Licensor will not disclose such confidential information to anyone other than Licensor's personal manager, agent, music publisher, and/or attorney, who agree to maintain such information as confidential.

9. ASSIGNMENT AND OTHER AGREEMENTS.

Company may assign and transfer this agreement or all or any part of its rights hereunder to any Digital Distributor, provided, however, that any such assignment shall not relieve Company of its obligations to Licensor. Licensor acknowledges that in providing the services and payments hereunder, Company will be required to enter into certain sub-licensing agreements with various Digital Distributors ("Sub-Licenses"). Licensor agrees that the terms of this Agreement shall be subject to any applicable terms and conditions of Sub-Licenses Company enters into with Digital Distributors.

10. BAR CODES AND UNIVERSAL PRODUCT CODES.

Company provides free UPCs to all of its licensors. The UPCs provided to Licensor are for the use of the Licensor only and may not be transferred or resold. If transferred or resold, Company charges \$25.00 per UPC plus any revenue made from the transfer or resale. Company may deduct such charges from any Royalties owed to Licensor.

11. MISCELLANEOUS.

A. This Agreement sets forth the entire understanding of the parties relating to the subject matter of this Agreement. No modification, amendment, waiver or discharge of any provision of this Agreement will be binding upon either party unless confirmed by a written instrument signed by such party. The waiver by either party of any provision of this Agreement shall not be deemed to waive it for the future.

B. Company may assign its rights under this agreement in whole or in part. Licensor shall not assign this Agreement without prior written consent of Company.

C. Nothing contained in this Agreement will constitute a partnership or a joint venture between Licensor and Company. Neither party will hold itself out contrary to the terms of this section. Neither party will be liable for any representation, act or omission of the other contrary to the provisions of this Agreement. This Agreement will not be deemed to give any right or remedy to any third party unless such right or remedy is specifically granted by both parties in writing to such third party.

D. All notices given under this Agreement, and all statements and payments tendered, will be addressed to the respective parties at the addresses above or at such other address as each party designates in writing from time to time. Notices must be made by first-class certified mail (return receipt requested), overnight carrier, or personal delivery. Notice will be deemed given five (5) business days after mailed, two (2) business days after deposited with an overnight carrier, or upon personal delivery.

E. Neither party shall be deemed in breach of this agreement unless the other party has given the breaching party notice, and the breaching party has failed to cure such breach within 30 days after receipt of such notice. In no event shall any breach entitle either party to rescind the rights granted hereunder, but rather the aggrieved party shall only be entitled to damages reasonably related to the breach concerned and no penalty shall be awarded to either party.

F. This Agreement is entered into and shall be subject to the laws of the State of California. If any provision of this Agreement shall be held to be void, the remainder of this Agreement shall remain in full force and effect as though such void provision was not a part of this Agreement. In the event of material breach by either party hereunder, the parties agree to submit their dispute to arbitration in Los Angeles County, California, with the American Arbitration Association and further agree to be bound by the decision of the Arbitrator(s) as long as the Arbitrator(s) agrees to follow California law and the decision is in conformity with the rules and regulations of the American Arbitration Association. The prevailing party in any arbitration or court action shall be entitled to receive attorney's fees actually incurred.

G. This Agreement may be executed in counterparts, each of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile shall be equally effective as delivery of a manually executed counterpart of this Agreement. Any party delivering an executed counterpart by facsimile shall also deliver a manually executed counterpart of this Agreement, but failure to do so shall not affect the validity, enforceability, or binding effect of this Agreement, and the parties hereby waive any right they may have to object to said treatment.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

Digital Nations.
"Company"


"Licensor"

/s/ Sean Capenter
Digital Nations Manager

/s/ 

EXHIBIT "A"

"DIGITAL DISTRIBUTORS"

USA

9Squared/Zed
Airborne/Cellus
Alltel
Altnet
Amazon
Amie Street
AOL
Apple/iTunes
AT&T (Cingular/QPass)
BET Mobile
Blinck
Boost
Borders.com MP3
Brightcove
Buongiorno
Buy.com
Cellmania
CIMS-Junketboy (being
finalized)
DADA
Digital Transaction Machines
(Jukebox)
ECast (Jukebox)
Ericsson
FOX
GoTV
Helio (being taken over by
Virgin)
Hip Digital
Imeem (rev-share)
Infospace/Moviso
Jamster (JV deal with Verisign)
La-La
Last FM
Leo Mobile (pending)
Liquid/Wal-mart.com
(Downloads)
Loudeye (Downloads)
Masterbeats

Mix 'N' Burn (Kiosk)
MobiTV
Mod System (Downloads)
Moderati
Moontaxi/Puretracks: Univision
(Downloads)
Motricity - BET
Motricity - MTV
mSpot
mTraks (pending)
MTV Networks
MTV Mobile
Music Choice
Music Giants
MusicNet: Zune
(Downloads/Subscriptions)
MySpace Music
Napster
(Downloads/Subscriptions/OTA
for AT&T)
Neurotic (Direct to Consumer)
Nextel
NextRadio
(Downloads/Subscriptions)
Passalong: fye.com, storeblocks
(Downloads)
Playlist.com
Playphone
Premium Wireless Services
Pruetracks/Moontaxi
Real Networks/Rhapsody: Urge,
Verizon MP3, Yahoo
(Downloads/Subscriptions)
Rowe (Jukebox)
Ruckus (Subscriptions)
Shockhound
Slide (newly executed)
Sony Music Box
Sprint
Starbucks/HearMusic
Thumbplay
T-Mobile
TouchTunes (Jukebox)
Univision

Verizon Wireless
Virgin
Virtual Music Stores (Kiosk)
Vocel
Wurldmedia (Downloads)
Xringer
Youtube (google)
ZVue
ITunes

**China (including Hong Kong,
Macau and Taiwan)**
Beijing Wireless Star Music
Ltd.

International

Amazon
eMusic
GroupieTunes
iTunes Australia/NZ
iTunes Canada
iTunes Japan
iTunes UK/European Union
Shockhound

Poland

Serwis Music

(UK)

iTunes
Napster
Amazon
Play
Hmv
Tesco
7digital
Tune tribe
Nokia
We7
Spotify
Vodafone
O2