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AUDIO PUBLISHING LICENSE AGREEMENT (MISSION EARTH) (BPI)

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AUDIO PUBLISHING LICENSE AGREEMENT (MISSION EARTH) (BPI)

THIS AUDIO PUBLISHING LICENSE LITERARY AGREEMENT (MISSION EARTH) (BPI) ("Agreement"), is made as of the 28<sup>th</sup> day of February, 1991, by and between NORMAN F. STARKEY, Trustee of Author's Family Trust-B, whose address is 6515 Sunset Boulevard, Suite 202, Hollywood, California 90028 ("Trustee"), and BRIDGE PUBLICATIONS, INC., whose address is 4751 Fountain Avenue, Los Angeles, California 90029 ("Publisher"), with reference to the following:

A. L. Ron Hubbard is the author of certain fiction literary works, described in Exhibit "A" attached hereto ("Works"). Random House Audio Publisher ("RHAP"), whose address is 201 East 50th Street, New York, New York 10022, produced master recordings of a reader or readers uttering aloud an abridged version of each of the Works in the English language, with background music and sound effects ("Master Recordings"), for the purpose of manufacturing, distributing and selling tape cassettes thereof.

B. Trustee has acquired the Master Recordings from RHAP and has also acquired boxed tape cassette packages, each package consisting of two cassettes ready for sale ("Cassette Package").

C. Publisher desires to purchase Cassette Packages for resale and to secure a license to manufacture, distribute and sell Sound Recordings from the Master Recordings.

NOW, THEREFORE, in consideration of the foregoing Recitals, which are incorporated by this reference, and of the mutual covenants and conditions contained herein, the parties agree as follows:

1. Grant of Rights. Except as hereinafter reserved, Trustee hereby grants Publisher, for the term of this Agreement, the sole and exclusive right in the United States and Canada ("Territory") to manufacture, distribute and sell sound recordings of each Master Recording in the Territory, and to license those rights in the Master Recordings set forth in subparagraph 12(b) below. For purposes of this Agreement, "Sound Recording" means any device, consisting of one or more units, whether now or hereafter known, on or by which sound alone may be recorded for later transmission to listeners, including, without limitation, tape cassettes, records and compact discs. Trustee, upon request by Publisher, shall furnish to Publisher the Master Recordings, or copies thereof, for purposes of manufacturing Sound Recordings therefrom. Publisher agrees to return such Master Recordings, or copies, upon completion of the manufacturing process.

2. Consideration for Rights. Publisher shall pay to Trustee the sum of Ten Thousand Dollars (\$10,000.00), receipt of which is hereby acknowledged, in consideration of the grant of rights from the Trustee. This payment is not an advance on royalties and is not recoupable therefrom.

3. Term. The term of this Agreement shall commence as of the date hereof and shall continue until the 1st day of January,

1995. Thereafter, this Agreement shall be renewed automatically and indefinitely for additional and successive one (1)-year terms; provided that after the 1st day of January, 1992, this Agreement may be terminated at any time by either party upon two (2) months' written notice.

4. Purchase of Cassette Packages.

(a) Publisher has heretofore purchased Cassette Packages from Trustee. Publisher agrees to pay royalties on the sale of Cassette Packages in accordance with Paragraph 12.

(b) When Publisher exhausts its inventory of Cassette Packages, it may manufacture such items, subject to the Trustee's prior approval. It is acknowledged that Publisher may sell J-Cards, boxes and tape cassettes to New Era Publications International ApS. No royalties shall be due on such sales.

5. Labels and Sale of Cassettes.

(a) Publisher shall affix its ISBN number to each Cassette Package.

(b) Publisher may sell the Cassette Packages for a period of one (1) year from the date hereof. Thereafter, Publisher may only sell Sound Recordings from the Master Recordings under Publisher's name.

(c) Publisher shall edit from each Master Recording the opening and closing RHAP musical signature for Sound Recordings manufactured after the date hereof.

6. Marketing Sound Recordings; Price.

(a) Trustee grants Publisher the right to use the name and likeness of the author of the Works, and to excerpt limited portions of each Master Recording, not to exceed a total of five (5) minutes, for purposes of advertising, promotion, publicity or marketing of each Sound Recording by Publisher. Notwithstanding the foregoing, the manner and style of Publisher's use of the name and/or likeness shall be subject to Trustee's prior approval.

(b) Publisher shall determine the price of each Sound Recording based upon the price charged for comparable programs, subject to the Trustee's approval.

7. Warranties and Indemnification.

(a) Trustee represents and warrants that:

(i) All rights granted hereunder are free of liens or encumbrances; and Trustee has full power to execute this Agreement;

(ii) L. Ron Hubbard is the sole author of the Works and they are original with him;

(iii) The Works do not, to the best of Trustee's knowledge, infringe statutory copyrights or common law literary rights of others, and, to the best of Trustee's knowledge, do not violate the rights of privacy of, or libel, other persons.

(b) (i) Trustee agrees to indemnify and hold harmless the Publisher against any final judgment for damages (after all appeals have been taken) against it in any action

arising out of facts which constitute a breach of the foregoing warranties and against reasonable costs and attorneys' fees incurred by it in defending an action in which such judgment is recovered.

(ii) The aforesaid indemnity shall not apply to the Master Recordings or to any material which Publisher could have determined, from a reading of the Works, violated any rights specified in subparagraph (a)(iii) above.

(c) (i) Publisher shall give Trustee prompt notice of any suit brought against Publisher alleging facts which, if proven, would constitute a breach of the warranties in subparagraph (a). Trustee may, if Trustee chooses, defend such suit with counsel of his own choosing, at his own expense, provided that if he does, Publisher may nonetheless participate in the defense with counsel of its choosing and at its own expense. Publisher shall not settle any claim, demand, action or proceeding without Trustee's consent.

(ii) If Trustee shall defend such suit, Trustee shall not be responsible for Publisher's attorneys' fees or costs, subparagraph (b) notwithstanding.

8. Publisher's Responsibilities.

(a) Publisher acknowledges and agrees that, in accepting the grant of rights made by this Agreement to manufacture, distribute and sell copies of each Cassette Package and each Sound Recording produced hereunder, it is undertaking an important responsibility in executing the terms of this Agreement

and that it is of the essence of this Agreement that the Publisher shall use its best efforts, due diligence, and the highest quality of business practices in fulfilling this responsibility, including the active and effective advertising and promotion of the sale of Cassette Packages and Sound Recordings produced hereunder, vigorous exploitation of the market for Cassette Packages and Sound Recordings, and prompt and careful satisfaction of the demand for such copies, all in accordance with the highest standards of prevailing business practices.

Without limiting the generality of the foregoing, it is expressly agreed that:

(i) Publisher shall actively promote and market the Cassette Packages and Sound Recordings produced hereunder. Moreover, Publisher shall promptly deliver all orders for Cassette Packages and Sound Recordings. Trustee or his designated representative shall have the right, upon ten (10) days' written notice, to terminate the right of Publisher to manufacture and sell with respect to the Master Recordings, if it is not being actively promoted and marketed or timely delivered, unless during such ten (10)-day period Cassette Packages and/or Sound Recordings are actively promoted and marketed, or timely delivered, or an acceptable plan for such promotion and marketing or delivery is initiated.

(ii) Publisher shall maintain an adequate sales force in the Territory.

(iii) Publisher shall not employ any persons hostile to L. Ron Hubbard, Trustee, the Works or Scientology.

(b) Publisher shall not manufacture and sell sound recordings by other authors that are similar to or competitive with the Programs.

9. Copyright Notice. Publisher shall print on every Sound Recording a proper United States copyright notice, satisfactory to Trustee, sufficient to protect United States copyright and Universal Copyright Convention rights in the respective Work and Master Recording for Trustee; and sufficient to obtain and protect copyright rights in all jurisdictions in which the respective Work and Sound Recordings, or either of them, are published and/or sold.

10. Copyright Administration. Publisher shall, within three (3) months of first publication of a Sound Recording cause to be duly registered in the United States Copyright Office a claim for United States copyright in the Sound Recording in the name of "L. Ron Hubbard Library" (the registered fictitious name of Trustee). Currently, Publisher furnishes services to others in connection with the registration of copyrights. Should the provision of the aforementioned services be transferred to another entity, Publisher shall contract with such entity for copyright services and shall pay its share of expenses arising out of the registration process.

11. Packaging and Advertising.

(a) All packaging, including, without limitation, J-Cards, boxes, wrapping, artwork, label credits and liner notes, shall be submitted to Trustee for his prior approval. Publisher shall not include any advertising of any other products or services or insert materials in each Sound Recording or in packaging of Cassette Packages or Sound Recordings without Trustee's prior consent.

(b) Upon request, all advertising relating to each Sound Recording shall be submitted to the Trustee for his prior approval.

12. Royalties. For the rights granted herein, Publisher shall pay the following:

(a) Publisher shall pay Trustee ten percent (10%) of Publisher's suggested retail price for each Cassette Package or Sound Recording sold by Publisher, less returns. For purposes of this Agreement, "Publisher's suggested retail price" shall be deemed to be without discount of any kind.

(b) Publisher shall pay Trustee sixty percent (60%) of the licensing revenue from licenses of record club rights, the rights to make closed circuit audio transmissions to hospital rooms, airlines and the like, or any other audio-only subscription services; provided, however, that all such licensing arrangements shall be subject to Trustee's prior approval.

(c) Publisher shall pay RHAP seven and one-half percent (7-1/2%) of the net receipts received from the sale of

Sound Recordings manufactured from the Master Recordings after the date hereof until such time as RHAP has collectively received from all licensees of Trustee the sum of One Hundred Thousand Dollars (\$100,000.00). Amounts payable under this subparagraph (c) shall be payable semi-annually within sixty (60) days following June 30 and December 31 of each year of the term or until the above amount has been paid to RHAP. For purposes of this Agreement, "net receipts" shall mean actual cash proceeds received by Publisher less returns and taxes, and (only with respect to mail order sales) shipping and handling charges which may be included in the price of the Cassette Package or Sound Recording.

13. Royalties in General; Payment.

(a) The Trustee's prior approval is required for sales of Cassette Packages or Sound Recordings at a discount in excess of sixty percent (60%) of the Publisher's suggested retail price (i.e., without discount). If the Trustee approves such sales, Trustee shall receive ten percent (10%) of the gross received by Publisher.

(b) No reduction in royalties shall be allowed for bad debts or for discounts allowed for payment by Publisher's customers within a specified time limit. For purposes of this Agreement, a "bad debt" is defined as a debt outstanding for more than one hundred fifty (150) days from the date of shipment.

(c) No royalties shall be paid on Sound Recordings or Cassettes furnished without charge and not for resale:

(i) To Trustee;

(ii) For purposes of copyright registration;  
and

(iii) For review, advertising, public relations or other promotional actions; provided the number of Sound Recordings of each Work furnished for such purposes shall not exceed three hundred fifty (350); provided, however, that a full royalty shall be paid on each copy of each Sound Recording given without charge for resale (for advertising or promotional allowances or other purposes) in connection with the sale of each of the Works or the sales of other literary works. For purposes of this subparagraph (c)(iii), Publisher shall pay a royalty on the net proceeds that it would have received had it sold, instead of given away, Sound Recordings.

(d) All payments under this Agreement shall be payable in U.S. currency. Publisher shall be responsible for handling all currency and exchange controls. No reduction in royalties shall be allowed on account of such controls.

14. Reservation of Rights. All rights in each of the Works and Master Recordings not specifically granted herein to Publisher are reserved to Trustee and may be exercised or disposed of by Trustee at any time during the term of this Agreement.

15. Calculation and Weekly Payments of Royalties. Royalties due the Trustee hereunder shall be paid weekly. Royalties shall be due to the Trustee when monies from sales are received, or become bad debts as defined hereinabove; provided shipment of Cassette Packages or Sound Recordings has occurred. In

the event monies are received prior to shipment, royalties shall not be due until shipment. Weekly payments shall be accompanied by an informal statement indicating the basis for the payment.

16. Accounting and Quarterly Payments.

(a) Publisher shall maintain accurate books and records pertaining to the sale of copies of each Cassettes and Sound Recordings, in sufficient detail to permit calculation and verification of royalties payable hereunder. Publisher shall prepare statements, in a form acceptable to Trustee, accounting for all royalties payable Trustee under this Agreement during each of the following periods in every year:

From January 1 to March 31;

From April 1 to June 30;

From July 1 to September 30;

From October 1 to December 31.

Publisher shall mail the statement to Trustee within thirty (30) days after the close of each period. Each quarterly statement shall report the number of Cassette Packages and/or Sound Recordings sold to date (and total sales for the subject period), the Publisher's suggested retail price, the royalty rate, amount of royalties paid to the Trustee during the quarter, the amount of royalties due to the Trustee, but unpaid, the gross amount from licensing rights granted hereunder, the number of Sound Recordings given away in the period, the number of saleable Sound Recordings of each Master Recording on hand at the end of the period, and such other information as the Trustee may from time to time request.

Any amounts shown to be due on the statement shall be paid with the statement. Should such payment not be made within thirty (30) days following the close of the quarter, the amount due shall bear interest from the first day of the month following the end of the quarter for which it is due until paid at the higher of (1) ten percent (10%), or (2) five percent (5%) plus the Federal Reserve Bank of San Francisco's discount rate on the twenty-fifth (25th) day of the last month of the quarter for which payment is due. Should the quarterly statement show an overpayment to Trustee, such overpayment shall be deducted proportionately from the weekly payments during the quarter following the one in which the overpayment was made.

(b) Upon Trustee's written request, Trustee may examine the books and records of Publisher which relate to sales of copies or licenses of each respective Master Recording. If such examination discloses an error of five percent (5%) or more with respect to any royalty statement, Publisher shall reimburse Trustee for Trustee's costs of the examination, otherwise such costs shall be borne by Trustee.

17. Trustee's Copies. Publisher shall give to Trustee twenty (20) free Sound Recordings of each Master Recording, and Trustee may purchase additional Sound Recordings at Publisher's maximum standard distributor discount available at time of transaction.

18. Unavailable Provision, Termination.

(a) For the purposes of this Agreement, a Sound Recording shall be deemed "available" only when copies are obtainable and offered for sale, through usual retail channels. Publisher shall notify Trustee at such time as a Sound Recording of a Master Recording is not available.

(b) If Publisher fails to keep a particular Sound Recording available, Trustee may at any time thereafter serve a written request on Publisher that the Sound Recording be made available. Within ten (10) days from receipt of such request, Publisher shall notify Trustee in writing whether it intends to comply with said request. If Publisher fails to give such notice or, having done so, fails to make the Sound Recording available as specified in subparagraph (a) within ninety (90) days after receipt of said request from Trustee, then, in either event, Publisher's rights with respect to the respective Master Recording shall automatically terminate and all rights granted to Publisher shall thereupon automatically revert to Trustee.

(c) Upon the expiration or other termination of this Agreement, except for termination of this Agreement by Trustee by reason of Publisher's breach or default of any of the terms hereof or by reason of Trustee's exercise of its rights under subparagraph (b) above, Publisher shall have the right to sell the inventory of Sound Recordings, previously manufactured hereunder; provided that Publisher agrees that during the final three (3) months of the initial term of this Agreement, or subsequent renewal

term, it shall not maintain its inventory at levels higher than the number of units sold through normal retail channels for the previous three (3)-month period. Such sales shall be subject to the payment of royalties by Publisher under the terms of this Agreement. After the expiration or other termination of this Agreement, Trustee shall have the right to purchase from Publisher at Publisher's factory cost, devoid of overhead and storage surcharges, all or part of the inventory not theretofore sold by Publisher, it being agreed that Publisher shall not make any sale of its post-term inventory to a third party without first offering said inventory to Trustee upon the same terms and conditions proposed to or by such third party purchaser. Such sale to Trustee shall not be subject to the payment of royalties under this Agreement.

(d) Upon the expiration of the term of this Agreement or upon any other termination of this Agreement, except as otherwise provided herein, all rights granted to Publisher hereunder shall expire and all manufacturing of Sound Recordings of each Master Recording shall cease. With respect to each Master Recording used in manufacturing Sound Recordings, Publisher shall deliver same to Trustee, free of charge, but at Trustee's shipping expense, to such address as Trustee shall designate.

19. Termination of Rights. If Publisher is adjudicated a bankrupt or makes an assignment for the benefit of creditors or liquidates its business or comes under the control of persons hostile to L. Ron Hubbard, Trustee, the Works, or Scientology, this

Agreement shall thereupon terminate and all rights granted to Publisher shall automatically revert to Trustee.

20. Suits and Infringement.

(a) If there is an infringement of any rights granted to Publisher, Trustee and Publisher shall have the right to participate jointly in an action for such infringement; and if both participate, they shall share the expenses of the action equally and shall recoup such expenses from any sums recovered in the action. The balance of the proceeds shall be divided equally between them. Each party will notify the other of infringements coming to its attention. Notwithstanding the foregoing, Publisher shall have the primary responsibility of prosecuting such infringement action.

(b) If either party declines to participate in such action, the other may proceed. The party maintaining the action shall bear all costs and expenses which shall be recouped from any damages recovered from the infringement; the balance of such damages shall be divided equally between them.

21. Proper Use of Copyrights. Publisher acknowledges its full responsibility for the proper use of the copyrights under this Agreement, and for the copies of each Sound Recording it sells pursuant to this Agreement, and covenants that neither it nor any of its officers, directors, employees, agents, representatives, or affiliates ("Affiliates") will make any claim against the Trustee, Trustee's representatives or any person associated with either. Publisher shall indemnify Trustee and his agents, employees,

representatives, successors, assigns and affiliates, and hold them harmless from and against all costs, liabilities, claims and actions of any kind, including attorneys' fees, which arise from or relate to any activity of Publisher under this Agreement, including, without limiting the generality of the foregoing, any and all claims and actions based upon or arising out of advertising statements and claims made by Publisher or Publisher's Affiliates, or based upon or arising out of any alleged failure by Publisher or any of its Affiliates to perform any of their obligations with respect to the Works. All such claims and actions shall be defended at the expense of Publisher through legal counsel acceptable to Trustee.

22. Governing Law. This Agreement shall be interpreted under the internal laws and judicial decisions of the State of California, U.S.A.

23. Binding on Successors. This Agreement shall be binding on the parties and upon their respective heirs, administrators, successors and assigns. This Agreement may not be assigned by either party without written notice sent to the other.

24. No Waiver. This Agreement constitutes the complete understanding of the parties and no waiver or modification of any provisions shall be valid unless in writing, signed by Trustee and Publisher. The waiver of a breach or of a default under any provision hereof shall not be deemed a waiver of any subsequent breach or default.

25. Notice. Any notice required to be sent hereunder shall be sent by first-class mail, postage prepaid, return receipt requested, to the Trustee or Publisher at the addresses given in the Preamble of this Agreement, which addresses may be changed by either of them by written notice to the other. Any such notice deposited in the mail shall be conclusively deemed delivered to and received by the addressee four (4) days after deposit in the mail if all of the foregoing conditions of notice shall have been satisfied.

26. Headings. The headings and captions of the various paragraphs are for convenience only, and they shall not limit, expand or otherwise affect the construction or interpretation of this Agreement.

27. Trustee's Representatives. Any rights or privileges conferred on Trustee hereunder may be exercised by one or more of Trustee's representatives as Trustee may specify in written notice(s) to Publisher. Such notice shall contain the name and address of any designated representative empowered to act on Trustee's behalf hereunder. Where the Trustee has designated a representative, Publisher shall furnish both Trustee and such representative with a copy of each notice required to be given under this Agreement.

At present, Author Services, Inc., whose address is 7051 Hollywood Boulevard, Suite 400, Hollywood, California 90028, is the designated representative of Trustee pursuant to this paragraph.

28. Entire Agreement. This Agreement supersedes and replaces all previous agreements between the parties hereto regarding the subject matter of this Agreement and may not be amended except in writing and signed by both parties hereto.

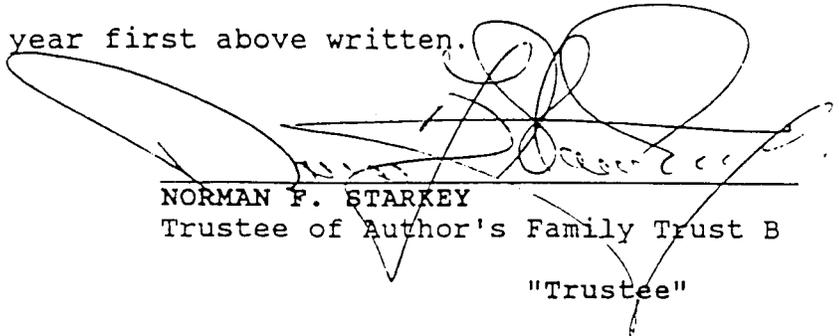
29. Arbitration. Any controversy or dispute which arises out of or relates to this Agreement, including, without limitation, the adequacy of performance by Publisher and of any demands made by Trustee, which cannot be settled by informal means or through the aid of a third party arbitrator mutually acceptable to the parties and through procedures mutually acceptable to the parties, shall be settled through arbitration held in Los Angeles or at such other location as the Trustee may choose. If the parties are unable to settle the matter through informal means, then either party may demand arbitration by serving upon the other party a written demand for arbitration containing the name of an arbitrator to participate in the proceedings. Within ten (10) days after receipt of such notice, the party upon whom demand was served shall select an arbitrator. The two arbitrators shall select a third arbitrator. The decision in writing of the arbitrator or a majority of the arbitrators appointed by the parties shall be final and conclusive as to all parties to the dispute. Should any party fail or refuse to appear or participate in an arbitration proceeding, the arbitrator or arbitrators so appointed may decide the dispute on the evidence presented in the arbitration proceeding by the other party or parties to this dispute. The arbitrator or arbitrators shall have the power to award to any party or parties

to the dispute any sums for costs, expenses, and attorneys' fees that the arbitrator or arbitrators may deem proper. Judgment may be entered on the award in any court of competent jurisdiction. Arbitration shall not be required with respect to any matter in connection with which injunctive relieve or specific performance is sought by all or any of the parties hereto.

Each arbitrator shall be a member in good standing under the Scientology Scriptures, a minister of the Religion of Scientology, a member of the Sea Org, and well versed in the Scientology Scriptures, in particular those Scientology Scriptures pertaining to Scientology ethics and justice. As used herein, Scientology Scriptures are defined as the written and recorded spoken words of L. Ron Hubbard regarding Scientology applied religious philosophy and Dianetics spiritual healing technology.

30. Facsimile Transmissions. The parties each agree to accept a signed copy of this Agreement transmitted by facsimile (telecopier) and to rely upon such transmitted copy as if it bore original signatures. If a signed copy of this Agreement is transmitted by facsimile, each party agrees to provide to each other party, within a reasonable time after transmission, the Agreement bearing the original signatures.

IN WITNESS WHEREOF, the parties have duly executed this Agreement the day and year first above written.



NORMAN F. STARKEY  
Trustee of Author's Family Trust B  
"Trustee"

BRIDGE PUBLICATIONS, INC.

By   
"Publisher"

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EXHIBIT "A"

Fiction Literary Works

- |                      |                        |
|----------------------|------------------------|
| 1. The Invaders Plan | 6. Death Quest         |
| 2. Black Genesis     | 7. Voyage of Vengeance |
| 3. The Enemy Within  | 8. Disaster            |
| 4. An Alien Affair   | 9. Villainy Victorious |
| 5. Fortune of Fear   | 10. The Doomed Planet  |