

LICENSING AGREEMENT

The Novelty Source, located at 26 Susan Drive Saugus, MA 01906 USA (hereinafter referred to as LICENSOR) has given _____ located at _____ (hereinafter referred to as LICENSEE) the exclusive production and marketing rights to this new product concept as herein described and as per drawings, patent applications, and/or prototype samples previously submitted. In exchange, LICENSEE agrees to pay LICENSOR a royalty in the amount and under the terms outlined in this Agreement.

PRODUCT DESCRIPTION:

1. ROYALTY PAYMENTS

A _____% (_____percent) royalty, based on net selling price, will be paid by LICENSEE to LICENSOR on all sales of subject product line and all subsequent variations thereof by LICENSEE, its subsidiaries, and/or associate companies. The term "net selling price" shall mean the price LICENSEE receives from its customers, less any discounts for volume, promotion, defects, or freight.

Royalty payments are to be made monthly, by the 30th day of the month following shipment to LICENSEE'S customers, and LICENSOR shall have the right to examine LICENSEE'S books and records as they pertain thereto. Further, LICENSEE agrees to reimburse LICENSOR for any legal costs he may incur in collecting overdue royalty payments.

2. TERRITORY

LICENSEE shall have the right to market this product (s) throughout the United States, its possessions, and territories, and Canada. It may do so through any legal distribution channels it desires and in any manner it sees fit without prior approval from LICENSOR. However, LICENSEE agrees that it will not knowingly sell to parties who intend to resell the product(s) outside of the licensed territory.

3. ADVANCE PAYMENT

Upon execution of this Agreement, LICENSEE will make a nonrefundable payment to LICENSOR of \$_____, which shall be constructed as an advance against future earned royalties.

4. COPYRIGHT, PATENT, AND TRADEMARK NOTICES

LICENSEE agrees that on the product, its packaging and collateral material there will be printed notices of any patents issued or pending and applicable trademark and /or copyright notices showing the LICENSOR as the owner of said patents, trademarks or copyrights under license to LICENSEE.

In the event there has been no previous registration or patent application for the licensed product(s), LICENSEE may, at LICENSEE'S expensed, make such application or registration in the name of the LICENSOR. However, LICENSEE agrees that at termination or expiration of this Agreement, LICENSEE will be deemed to have assigned, transferred and conveyed to LICENSOR all trade rights, equities, good will, titles or other rights in and to licensed product which may have been attained by the LICENSEE. Any such transfer shall be without consideration other than as specified in this Agreement.

5. TERMS AND WARRANTIES

This Agreement shall be considered to be in force for so long as LICENSEE continues to sell the original product line or subsequent extensions and/or variations thereof. However, it is herein acknowledged that LICENSEE has made no warrants to LICENSOR in regard to minimum sales and/or royalty payment guarantees.

6. PRODUCT DESIGNS

LICENSOR agrees to furnish conceptual product designs, if requested, for the initial product line all subsequent variations and extensions at no charge to LICENSEE. In addition, if requested, LICENSOR will assist in the design of packaging, point-of-purchase material, displays, etc. at no charge to LICENSEE. However, costs for finished art, photography, typography, mechanical preparation, etc. will be borne by LICENSEE.

7. QUALITY OF MERCHANDISE

LICENSEE agrees that Licensed products(s) will be produced and distributed in accordance with federal, state and local laws. LICENSEE further agrees to submit a sample of said products, its cartons, containers, and packing material to LICENSOR for approval (which approval shall not be unreasonably withheld). Any item not specifically disapproved at the end of fifteen (15) working days after submission shall be deemed to be approved. The product(s) may not thereafter be materially changed with out approval of the LICENSOR.

8. DEFAULT, BANKRUPTCY, VIOLATION, ETC.

A. In the event LICENSEE does not commence to manufacture, distribute and sell licensed product(s) within ____ months after this license agreement is executed, and in addition to all other remedies available to him, LICENSOR shall have the option of canceling this Agreement. Should this event occur, to be activated by registered letter, LICENSEE agrees not to continue with the product's development and is obligated to return all prototype samples and drawings to LICENSOR.

B. In the event LICENSEE files a petition in bankruptcy, or if the LICENSEE becomes insolvent, or makes an assignment for the benefit of creditors, the license granted hereunder shall terminate automatically without the requirement of a written notice. NO further sales of licensed products(s) may be made by LICENSEE, its receivers, agents, administrators or assigns without the express written approval of the LICENSOR.

C. If LICENSEE shall violate any other obligations under the terms of this Agreement, and upon receiving written notice of such violation by LICENSOR, LICENSEE shall have (30) days to remedy such violation. If this has not been done, LICENSOR shall have the option of canceling the Agreement upon ten (10) days written notice. If this event occurs, all sales activity must cease and any royalties owing are immediately due.

9. LICENSEE'S RIGHT TO TERMINATE

Notwithstanding anything contained in this Agreement, LICENSEE shall have the absolute right to cancel this Agreement at any time by notifying LICENSOR of his decision in writing to discontinue the sale of the product(s) covered by this Agreement. This cancellation shall be without recourse from LICENSOR other than for the collection of any royalty payment that may be due him.

10. INDEMNIFICATION

LICENSEE agrees to obtain, at its own expense, product liability insurance for at least \$1,000,000 combined single unit for LICENSEE and LICENSOR against claims, suits, loss or damage arising out of any alleged defect in the licensed product(s). As proof of such insurance, LICENSEE will submit to LICENSOR a fully paid certificate of insurance naming LICENSOR as an insured party. This submission is to be made before any licensed product is distributed or sold.

11. NO PARTNERSHIP, ETC.

This Agreement shall be binding upon the successors and assigns of the parties hereto. Nothing contained in this Agreement shall be construed to place the parties in the relationship of legal representatives, partners, or joint venturers. Neither LICENSOR nor LICENSEE shall have the power to bind or obligate in any manner whatsoever, other than as per this Agreement.

12. GOVERNING LAW

This Agreement shall be construed in accordance with the laws of the state of Massachusetts. IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the day and year written below.

LICENSEE
Accepted and agreed to this ____ day of _____ 2003

LICENSOR
Accepted and agreed to this ____ day of _____ 2003

Company Name: _____

Company Name: _____

Name & Title (printed): _____

Name & Title (printed): _____

Signature: _____

Signature: _____