BUST LICENSE AGREEMENT (NEPI)

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THIS BUST LICENSE AGREEMENT (NEPI) ("Agreement"), is made as of the 1st day of October, 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 **NEW ERA PUBLICATIONS INTERNATIONAL ApS**, whose address is Store Kongensgade 55, 1264 Copenhagen K, Denmark ("Publisher"), with reference to the following:

A. L. Ron Hubbard owned reproduction rights in two (2) busts of his likeness sculpted by Coert Steynberg, namely a one-fourth (1/4) scale plaster of paris version and a one and one-half (1-1/2) scale bronze bust, which are hereinafter referred to collectively as the "Busts".

B. L. Ron Hubbard, the founder of the religion of Scientology, died on January 24, 1986, and an executor of his Will was appointed by the San Luis Obispo County Superior Court on February 18, 1986. On January 3, 1989, the Superior Court ordered distribution of the estate of L. Ron Hubbard, including ownership of the Busts, to the Trustee.

C. Concurrently herewith, Trustee is granting Bridge Publications, Inc. ("BPI") the right to manufacture the Busts.

D. Publisher desires a license to distribute and sell reproductions of the Busts and Trustee is willing to grant such a license on the terms and conditions contained herein.

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 exclusive right to distribute and sell the Busts, which Publisher shall purchase from BPI at a mutually agreed upon price, in all countries except United States and Canada ("Territory"). Publisher may reproduce a likeness of the Busts on the containers and packaging thereof, on display material and in advertising matter customarily used in marketing similar articles; provided that all such uses of the Busts are submitted to Trustee and receive his written approval before Publisher commences production. In no event, however, shall Publisher use reproductions of the Busts for any purpose not directly connected or related to the sale of the Busts. Nothing contained herein shall prevent Publisher from displaying the Busts for purposes of promoting and enhancing the image of L. Ron Hubbard.

2. 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-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.

3. <u>Publisher's Responsibilities</u>.

(a) Publisher acknowledges and agrees that, in accepting the grant made by this Agreement to distribute and sell the Busts, 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 qualify of business practices in fulfilling this responsibility, including the active and effective advertising and promotion of the sale of copies of the Busts, vigorous exploitation of the market for such copies, 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 Busts. In this regard, Publisher shall periodically submit to the Trustee, upon his request, detailed plans for promoting and marketing the Busts. Moreover, Publisher shall solicit all channels for sale of the Busts, including without limitation, art galleries, museums and wholesalers and retailers of sculpture.

(ii) Publisher shall promptly deliver all orders for the Busts and shall diligently pursue collection of all accounts receivable generated by sales of the Busts.

(iii) Trustee or his designated representative shall have the right, upon ten (10) days' written notice, to terminate the right of Publisher to manufacture any Bust that is not being actively promoted and marketed or timely delivered, unless during such ten (10)-day period the Bust is actively promoted and marketed, or timely delivered, or an acceptable plan for such promotion and marketing or delivery is initiated.

(iv) Publisher shall establish and/or maintain adequate personnel to carry out its responsibilities hereunder.

4. Changes, Advertising. No one, except with Trustee's prior written approval, may make changes to the Busts. Advertising, or material written or prepared by others, may not be inserted in the packaging for the Busts. Further, all advertising by the Publisher which promotes the sale of the Busts shall be submitted in advance to Trustee for approval.

5. Royalties. Publisher shall pay Trustee eleven percent (11%) of Publisher's suggested retail price on each copy of the Busts 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.

6. Royalties in General; Payment.

(a) 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.

(b) No royalties shall be paid on copies 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 copies is commercially reasonable.

(c) No royalties shall be paid on the sale of copies of the Busts between Publisher and its wholly owned subsidiaries or between Publisher and Bridge Publications, Inc.

(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.

(e) Publisher may withhold from royalties payable under this Agreement such amounts as may be required to be withheld under local tax law. In the event Publisher withholds, it shall report the amount withheld to Trustee and shall cooperate with Trustee to effect a refund of such amounts withheld, in the event taxation is governed by a tax treaty.

7. Reservation of Rights. All rights in the Busts 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.

8. Calculation and Weekly Payments of Royalties. Royalties due the Trustee hereunder shall be (a) paid weekly, and (b) calculated on Publisher's suggested retail prices (excluding customs, shipping charged directly to customer as a separate item, sales taxes and value added taxes) and on net sales (i.e., gross sales less returns). If Publisher is required by local law to publish an aggregate price which includes the suggested retail price plus one or more of the items excluded in the previous sentence, then royalties will be calculated only on the suggested retail price. Royalties shall be due to the Trustee when monies from sales are received or become bad debts as defined herein; provided shipment of the Busts has occurred. For purposes of currency exchange, Publisher shall use the rate on the day monies from sales are received or become bad debts. 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.

9. Accounting and Quarterly Payments.

(a) Publisher shall maintain accurate books and records pertaining to the sale of copies of each of the Busts in sufficient detail to permit calculations and verification of royalties payable hereunder. Publisher shall prepare statements, in a form acceptable to Trustee, accounting for all royalties due

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 each such statement to Trustee within thirty (30) days after the close of each period. Each quarterly statement shall report, for each of the Busts, the number of copies sold to date (and total sales for the subject period), the Publisher's suggested retail price, the royalty rate, amount of royalties paid to Trustee during the quarter, the amount of royalties due Trustee, but unpaid, the number of copies of each of the Busts given away in the period, the number of saleable copies and the number of damaged copies on hand at the end of the period, and such other information as the Trustee may, from time to time, request. Each statement shall be certified as true and correct by an officer of Publisher. 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 particular Bust and all rights granted to Publisher shall thereupon automatically revert to Trustee.

11. Termination of Rights. If Publisher is adjudicated a bankrupt, makes an assignment for the benefit of creditors, liquidates it operations, comes under the control of persons hostile to L. Ron Hubbard, Trustee, or the religion of Scientology, this Agreement shall thereupon terminate and all rights granted to Publisher shall automatically revert to Trustee. Trustee may terminate this Agreement at any time, upon written notice to Publisher, if Trustee determines, in his sole and absolute discretion, that Publisher has failed to sell the Busts in accordance with the terms and provisions of this Agreement.

12. Sell Off Rights and Consequences of Termination.

(a) Publisher shall have the right for an additional six (6) month period ("Sell Off Period") after the expiration of the term of this Agreement to sell its existing inventory of copies in the Territory on a non-exclusive basis; provided, however, that Trustee shall have the option, exercisable by written notice, to purchase some or all of Publisher's inventory at Publisher's then current maximum standard wholesale distribution discount in which event Publisher's sell off rights shall be diminished accordingly. Publisher agrees, however, not to acquire excess copies of the Busts in anticipation of the expiration of this Agreement. Publisher acknowledges that no sell off rights shall exist with respect to a termination of this Agreement for cause. Upon expiration of the Sell Off Period, if any, or within 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 sale of copies of the Busts. 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.

10. Available; Termination.

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

(b) If Publisher fails to keep copies of either or both of the Busts available, Trustee may at any time thereafter serve a written request on Publisher that copies 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 Busts available as specified in subparagraph (a) within ninety (90) days after receipt of said request from Trustee, then, in either event, Publisher's right to distribute and sell shall automatically terminate as to the thirty (30) days of the termination of this Agreement, for cause, Publisher shall, at Trustee's election and upon his written instructions, either:

(i) Destroy any remaining inventory of copies of the Busts, and certify such destruction to Trustee in writing; or

(ii) Sell to Trustee, at Publisher's then current maximum standard wholesale distribution discount, its remaining inventory of copies of the Busts.

(b) Trustee shall be entitled to retain any sums paid to Trustee under this Agreement. Trustee's right to sums due to Trustee at termination or which accrue to Trustee thereafter shall survive the termination of this Agreement.

13. 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.

14. Proper Use of Copyrights. Publisher acknowledges its full responsibility for the proper use of the copyrights under this Agreement, and for the copies of the Busts 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 employed by or affiliated with any of the foregoing. 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 and court costs, 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 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 Busts. All such claims and actions shall be defended at the expense of Publisher through legal counsel acceptable to Trustee.

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

16. 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.

17. 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.

18. 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 ten (10) days after deposit in the mail, if all of the foregoing conditions of notice shall have been satisfied.

19. 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.

20. 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.

21. Entire Agreement. This Agreement supersedes and replaces all previous agreements between the parties hereto regarding the Busts and may not be amended except in writing signed by both parties hereto.

22. 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 relief 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.

23. Severability. Each and every provision of this Agreement is severable from any and all other provisions of this Agreement. Should any provision or provisions of this Agreement be for any reason unenforceable, the balance shall nonetheless be of full force and effect.

24. 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"

NEW ERA PUBLICATIONS
INTERNATIONAL ApS

By

By

"Publisher"