

BUSTIN RECORDS
JOINT VENTURE AGREEMENT

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JOINT VENTURE AGREEMENT

This Joint Venture Agreement ("Agreement") is made as of the ___ day of _____ 1990 by and between Capitol BJV, Inc., a California Corporation ("Capitol") on the one hand, and Bustin' Productions, Inc., a _____ corporation ("Bustin'"), Louis Burrell and Kirk Burrell, as individuals (the "Principals"), jointly and severally, on the other hand. Bustin' and each of the Principals shall be referred to hereinafter jointly and severally as "the Bustin' Parties".

RECITALS

A. Capitol's affiliates are actively engaged in the music business throughout the world.

B. Bustin' owns certain contracts with recording artists (the "Bustin' Artist Contracts") and the exclusive rights to manufacture and distribute sound recordings of said artists (the "Bustin' Artists") throughout the world, including their musical compositions, and audio-visual recordings.

C. Bustin' also owns and controls the exclusive rights to the services of Kirk Burrell, pka M.C. Hammer ("M.C. Hammer"), as a producer of sound recordings.

D. M.C. Hammer presently is a recording artist under exclusive contract to furnish Capitol Records, Inc. ("CRI") with recordings of his own performances, and he has developed a strong public following, a unique award winning sound, and a successful management team.

E. The parties hereto desire to form a joint venture between Capitol and Bustin' for the purpose of utilizing the unique talents of M.C. Hammer and the organization of CRI to acquire and commercially exploit additional music properties (described hereinafter) in all media throughout the world for financial gain.

NOW, THEREFORE, in consideration of these premises, the parties hereby agree as follows:

1. Formation, Ownership and Name of the Joint Venture

Capitol and Bustin' do hereby form a joint venture (the "Joint Venture") and voluntarily associate themselves to carry on the purpose of the Joint Venture under the name of "Bustit Records." Subject to the other terms and conditions of this Agreement, Capitol and Bustin' each shall own fifty per cent (50%) of the Joint Venture. Any and all property and assets of the Joint Venture as well as all intangible rights, copyrights, trademarks, trade names, licenses, contracts, inventory, master recordings, and Videos (as defined in Paragraph 13(f) below), and all rights

1 therein and all forms of exploitation thereof, and all ancillary
2 merchandising and publishing rights, shall be owned by, and the title held
3 in the name of, the Joint Venture. The Joint Venture initially shall
4 maintain its principal office at _____, California.
5

6 2. The Joint Venture Business Purpose

7

8 (a) Subject to the terms and conditions of this Agreement, the
9 purpose and business of the Joint Venture shall be (i) contracting for the
10 exclusive services of recording artists (including the Bustin' Artists) to
11 make master sound recordings, and related audio-visual recordings; and
12 (ii) exploiting rights to such recordings throughout the world, including,
13 without limitation, by the sale of audio and video records derived therefrom
14 and by means of master use and copyright licensing. Each artist
15 contracting to make master recordings for the Joint Venture (including the
16 Bustin' Artists) shall be considered a "Joint Venture Artist" with respect to
17 such recordings.
18

19 (b) The relationship between the parties shall be limited to the
20 performance of the Joint Venture purpose and business according to the
21 terms of this Agreement. The Joint Venture shall have no power to conduct
22 any other business; and, each party covenants to the other that such party
23 shall not engage in any other activity in the name of the Joint Venture.
24 None of the parties to this Agreement shall be deemed or construed to be a
25 partner or joint venturer of the other except for the specific purposes of this
26 Joint Venture. Nothing in this Agreement shall be construed to create a
27 general partnership between the parties, or to authorize any party to bid for
28 or to undertake any contracts for the other party.
29

30 (c) Notwithstanding the foregoing purpose and business of the
31 Joint Venture, it is agreed that Capitol (and its affiliates) may engage in
32 any activity, be retained by or affiliated with any person or entity, or possess
33 any interest, in the music industry aside from this Joint Venture, whether
34 or not such activity, person or interest: (i) is considered to be in competition
35 with the Joint Venture or (ii) may deprive the Joint Venture of any business
36 opportunity; and, neither this Joint Venture nor any of the Bustin' Parties
37 shall have or acquire any right, interest, or control in such activities, or to
38 income or profits derived therefrom.
39

40 3. The Term

41

42 (a) Initial Term. The term of this Agreement shall commence
43 upon _____ (the "Effective Date"), and it shall continue for
44 an initial term of three (3) years from the Effective Date (the "Initial Term").
45 The Joint Venture shall terminate automatically upon the end the Initial
46 Term unless it is extended pursuant to the terms of Paragraph 3(b) below or
47 terminated earlier pursuant to the terms of this Agreement.
48

1 (b) Option Period. Capitol shall have the option, in its sole
2 discretion, to extend the term of this Agreement for a period of two (2)
3 additional years (the "Option Period") by giving Bustin' notice of such
4 extension within sixty (60) days prior to the end of the Initial Term. If the
5 option is exercised, the Joint Venture shall terminate automatically upon
6 the end the Option Period unless it is terminated earlier pursuant to the
7 terms of this Agreement.

8
9 4. Assignment of the Bustin' Artist Contracts

10
11 (a) Concurrently with the execution of this Agreement, the
12 Bustin' Parties shall assign to the Joint Venture all their right, title and
13 interest in the Bustin' Artist Contracts attached hereto as Exhibits 1A
14 through 1E. The Bustin' Parties shall cause the Joint Venture to receive
15 good and sufficient title to, and complete ownership of, the Bustin' Artist
16 Contracts, including any and all master recordings made at any time
17 pursuant thereto, and shall execute an assignment in the form of Exhibit 2
18 hereto. In addition, the Bustin' Parties shall deliver to Capitol an artist
19 inducement letter fully executed by each Bustin' Artist agreeing to the
20 assignment of its Bustin' Artist Contract to the Joint Venture, which
21 inducement letters shall be in the form of Exhibit 3 hereto.

22
23 (b) The following constitute the professional names of all Bustin'
24 Artists whose contracts and master recordings are being assigned to the
25 Joint Venture pursuant to Paragraph 4(a) above at the commencement of
26 the Agreement: (i) Special Generation, (ii) Parole (iii) Ho Frat Ho (iv) Too
27 Big MC, and (v) Angela Boyd Early pka B. Angie B. During the term of the
28 Joint Venture, Bustin' shall not negotiate with or sign talent for record
29 exploitation by anyone other than the Joint Venture or Capitol, subject only
30 to the provisions in Paragraph 11(e) hereof with respect to Dropped Artists.

31
32 (c) Subject to the full and complete performance by the Bustin'
33 Parties of this Agreement and the truth and accuracy of the
34 representations and warranties of the Bustin' Parties contained herein, the
35 Joint Venture shall assume and agree to perform and discharge, when
36 due, all obligations and liabilities of Bustin' under the Bustin' Artist
37 Contracts, but only to the extent that they arise after the Effective Date of
38 this Agreement with respect to matters occurring after said Effective Date.

39
40 (d) At its own cost and expense, Bustin' shall perform and
41 satisfy all duties, obligations and liabilities under the Bustin' Contracts
42 which arose before the Effective Date (the "Pre-existing Obligations"), such
43 as for services rendered prior to the Effective Date or for any performance of
44 the Bustin' Parties required to be performed prior to the Effective Date.
45 Neither Capitol nor the Joint Venture is assuming hereby any of the Pre-
46 existing Obligations of the Bustin' Parties nor their federal, state, local or
47 foreign taxes of any kind or nature. The Bustin' Parties shall defend,
48 indemnify and hold the Joint Venture, Capitol and Capitol's affiliates

1 harmless from and against the Pre-existing Obligations and any tax
2 liability of the Bustin' Parties.
3

4 5. Roster Limitations. Unless Capitol agrees to increase the limit,
5 the Joint Venture shall sign only the five Bustin' Artists listed in
6 Paragraph 4(b) above (the "Roster"). However, Bustin' shall be allowed to
7 add one Artist to the Joint Venture Roster, for each Joint Venture Artist
8 that (i) achieves net U.S. sales in excess of 500,000 "Full Price Units" for a
9 long playing album ("LP") released by the Joint Venture, or (ii) is dropped
10 from the Joint Venture Roster. For this purpose, a "Full Priced Unit" is a
11 record sold in the U.S. through Capitol's normal retail channels,
12 excluding, for example, any records sold: (i) through record club
13 distribution plans, (ii) for export outside the U.S., (iii) at budget line or mid-
14 line prices, (iv) as premium records, (v) or to the military. Each LP shall
15 contain at least eight (8) master recordings of normal length, with at least
16 30 minutes cumulative playing time. An artist shall be deemed to have been
17 dropped from the Roster if Capitol notifies Bustin', in writing, that it will
18 not exercise its option to extend the term of said artist's contract, or if the
19 Management Committee (as defined in Paragraph 10 below) determines to
20 drop an Artist from the Roster ("Dropped Artist"). The following acts are
21 currently signed to CRI and are excluded from being added to the Roster:
22 M.C. Hammer, Ace Juice, and Oaktown's 3*5*7. Each artist signed by the
23 Joint Venture shall be required to enter into an exclusive contract with the
24 Joint Venture as described in Paragraph 13(b) hereof.
25

26 6. Exclusive Producer Services of M.C. Hammer
27

28 (a) Except as otherwise provided herein, the Bustin' Parties
29 shall cause the Joint Venture to be furnished with the exclusive producer
30 and A&R services of M.C. Hammer on a full time basis, to the best of his
31 ability and skill, during the entire term of the Joint Venture and any
32 extension thereof. Accordingly, M.C. Hammer shall not furnish such
33 services to any other person or entity during the term of this Joint Venture;
34 and he shall be regarded as a key man ("Key Man") under this Agreement.
35 As a material condition precedent to the commencement of this
36 Agreement, M.C. Hammer shall execute the inducement letter and a
37 personal services contract in the form set forth in Exhibit 4 hereto.
38

39 (b) Pursuant thereto, the Bustin' Parties shall cause M.C.
40 Hammer personally to produce, to the best of his ability and skill, every
41 master recording on the first album released by each Joint Venture Artist,
42 and not less than one-half (1/2) of the master recordings on the second and
43 each subsequent album of each Joint Venture Artist. Additionally, the
44 Bustin' Parties shall cause him to perform as the "Executive Producer" for
45 the balance of each such album. In his capacity as Executive Producer, M.
46 C. Hammer shall oversee the production of the masters and furnish such
47 other assistance and advice as is customarily furnished by an executive
48 producer. The Joint Venture shall have the right to use M. C. Hammer's
49 name and likeness on the album artwork or credits, and in any

1 promotional material concerning the album, or it may refrain from doing
2 so, in its sole discretion.
3

4 (c) For each year of the term of this Agreement, not less than six
5 thousand dollars (\$6,000) per annum shall be paid to M.C. Hammer out of
6 the Profit Advances set forth in Paragraph 8 below. It is further
7 acknowledged and agreed that M.C. Hammer's promised services under
8 this Agreement are special, unique, unusual, extraordinary and of an
9 artistic and intellectual character which has a special value the loss of
10 which cannot be reasonably or adequately compensated in damages in an
11 action at law. Except for his share of the proceeds of this Agreement, which
12 it is acknowledged exceeds six thousand dollars (\$6,000) per annum for
13 each year of the term, M.C. Hammer shall not be entitled to receive any
14 compensation whatsoever from Capitol or the Joint Venture for any of M.C.
15 Hammer's services furnished pursuant to this Agreement. For example,
16 and without limitation, M.C. Hammer shall not be entitled to draw any
17 salary or other payment from the Joint Venture, and he shall not be entitled
18 to receive any producer royalty or fee from the Joint Venture or any Joint
19 Venture Artist.
20

21 (d) Notwithstanding the foregoing commitments, M.C. Hammer
22 shall devote sufficient time and energy to fulfill all his obligations under his
23 artist recording contract with CRI; and, nothing herein shall be construed
24 or deemed to reduce, modify or change any of the requirements under that
25 contract, including the schedules set forth therein for the delivery of master
26 recordings.
27

28 7. Full Time Services of Louis Burrell. The Bustin' Parties shall
29 cause the Joint Venture to be furnished with the exclusive services of Louis
30 Burrell on a full time basis, to the best of his ability and skill, during the
31 entire term of the Joint Venture and any extension thereof. Accordingly,
32 Louis Burrell shall not furnish such services to any other person or entity
33 during the term of this Joint Venture, and shall be regarded as a Key Man
34 under this Agreement. As a material condition precedent to the
35 commencement of this Agreement, Louis Burrell shall execute the
36 inducement letter and a personal services contract in the form set forth in
37 Exhibit 5 hereto. For each year of the term of this Agreement, not less than
38 six thousand dollars (\$6,000) per annum shall be paid to Louis Burrell out of
39 the Profit Advances set forth in Paragraph 8 below. It is further
40 acknowledged and agreed that Louis Burrell's promised services under
41 this Agreement are special, unique, unusual, extraordinary and of an
42 artistic and intellectual character which has a special value the loss of
43 which cannot be reasonably or adequately compensated in damages in an
44 action at law. Except for his share of the proceeds of this Agreement, which
45 it is acknowledged exceeds six thousand dollars (\$6,000) per annum for
46 each year of the term, Louis Burrell shall not be entitled to receive any
47 compensation whatsoever from Capitol or the Joint Venture for any of his
48 services furnished pursuant to this Agreement.
49

1 8. Non-Returnable Advances

2
3 (a) Provided that the Bustin' Parties are not then in default in
4 the performance of any of their obligations under this Agreement, Capitol
5 shall pay to Bustin' the sum of One Million Dollars (\$1,000,000.00) within
6 ten (10) working days after the Effective Date. In addition, if Capitol
7 exercises its option to extend the term of this Joint Venture as allowed in
8 Paragraph 3(b), and provided the Bustin' Parties are not then in default in
9 the performance of any of their obligations under this Agreement, Capitol
10 shall pay to Bustin' the sum of Two Million Dollars (\$2,000,000.00) within
11 ten (10) working days after the commencement of the renewal term.
12

13 (b) Each of the payments set forth in Paragraph 8(a) above shall
14 be treated as non-returnable advances of Bustin's share of Profits (the
15 "Profit Advances") in consideration for the promises, representations, and
16 warranties of the Bustin' Parties contained in this Agreement, and in
17 particular (i) for assignment to the Joint Venture of the Bustin' Artist
18 Contracts and (ii) for the full time services (as described herein) of the Key
19 Men throughout the term of this Agreement, each of which commitments
20 are unique, non-substitutable, and indispensable to the Joint Venture's
21 purpose. Notwithstanding anything to the contrary herein, each of the
22 payments set forth in Paragraph 8(a) above are subject to, and conditioned
23 upon all the other terms and conditions of this Agreement, and the full
24 performance of the Bustin' Parties hereunder, including without limitation
25 Capitol's right of recoupment as set forth in Paragraph 18(d) below.
26

27 9. Manufacture and Distribution of Joint Venture Recordings

28
29 (a) Within the United States. The Joint Venture will exploit its
30 recorded music repertoire in the United States by way of the
31 "Manufacturing Agreement" and "Distribution Agreement" attached
32 hereto as Exhibits 6 and 7. Capitol and Bustin' shall execute said
33 agreements concurrently herewith. The payment of manufacturing and
34 distribution charges and fees, set forth in Paragraph 14 hereof and the
35 Manufacturing and Distribution Agreements, shall be obligations of the
36 Joint Venture, and shall be deducted from the distribution income payable
37 to the Joint Venture. The Bustin' Parties acknowledge that manufacturing
38 and distribution will be furnished to the Joint Venture on a non-exclusive
39 basis, similar to the manner in which such services are furnished directly
40 to CRI for its own artists. All day to day administration of the distribution
41 contracts shall be handled by Capitol on behalf of the Joint Venture,
42 including all financial, marketing, sales, manufacturing, merchandising
43 and promotional liaison issues. The administrative duties under said
44 contracts shall be subject to change from time to time in accordance with
45 CRI's requirements, and as Capitol deems necessary or appropriate in the
46 interest of the Joint Venture. CRI shall not be required to perform anything
47 more onerous for the Joint Venture than it performs for comparable artists
48 on the Capitol label of CRI, nor to treat the Joint Venture as a client
49 separate from the Capitol label of CRI. Capitol shall not be liable to the Joint

1 Venture or the Bustin' Parties for the failure to achieve any particular level
2 of sales or shipments, nor for any inaccuracies or other defects in the
3 accountings received by Capitol.
4

5 (b) Outside the United States. The Joint Venture will exploit its
6 recorded music repertoire throughout the world, excluding the United
7 States, by way of an exclusive license in the form attached as Exhibit 8
8 hereto ("Foreign License Agreement"). Capitol and Bustin' shall execute
9 said license concurrently herewith. The terms and conditions of the
10 Foreign License Agreement shall be on substantially the same terms as
11 apply to the CRI reciprocal licensing agreement with its EMI Music
12 Worldwide affiliates as the same may be revised or amended from time to
13 time. Such terms shall include, without limitation, the following: (i) No
14 advances; (ii) a net royalty of 21.6% [i.e., a 24% all-in rate, less 2.4% in
15 consideration of the services of EMI Music Worldwide's International
16 Marketing Division] on 100% of the net sales, computed on the respective
17 affiliates dealer price with no packaging allowance; (iii) reduced rate
18 royalties will apply to midline and budget exploitation, consistent with the
19 policies of EMI Music Worldwide then in effect; and, (iv) a term expiring no
20 earlier than six (6) months following the termination of the Joint Venture.
21 Neither Capitol nor its affiliates shall be liable to the Joint Venture or the
22 Bustin' Parties for any failure to achieve any particular level of sales or
23 shipments, nor for any inaccuracies or other defects in the foreign
24 accountings received by Capitol. The Bustin' Parties acknowledge that the
25 license does not require the foreign associates to distribute any particular
26 recording; and, that such foreign distribution will be furnished to the Joint
27 Venture on a non-exclusive basis. All contacts with Capitol's foreign
28 associates for the administration of the Joint Venture license shall be
29 handled by Capitol on behalf of the Joint Venture, including all financial,
30 marketing, sales, manufacturing, merchandising and promotional liaison
31 issues.
32

33 (c) The Joint Venture may grant such additional master use,
34 copyright and other licenses of master recordings owned by the Joint
35 Venture as shall not be inconsistent with the exclusive rights provided
36 hereinabove in Paragraphs 9(a) and 9(b).
37

38 10. The Management Committee 39

40 (a) Responsibilities. The Joint Venture shall be managed by a
41 committee (the "Management Committee") which shall be responsible for
42 all matters relating to the management and control of the Joint Venture
43 and its business. The Bustin' Parties and Capitol shall report monthly to the
44 Management Committee in such detail and in such manner as any
45 member of the Management Committee reasonably may require. The
46 Management Committee shall have the power and the duty to review, and
47 approve or disapprove, all financial commitments of the Joint Venture in
48 excess of ___ dollars, including any decision by the Joint Venture to
49 borrow or loan funds. Capitol and the Bustin' Parties shall submit all

1 proposed contracts to the Management Committee for approval prior to
2 their execution on behalf of the Joint Venture, including all artist
3 contracts, producer contracts, Joint Venture licenses or other grants of
4 rights to third parties by the Joint Venture, employment contracts, leases,
5 borrowings, agreements settling any dispute or litigation and similar
6 items. The Management Committee shall establish one or more bank
7 accounts in the name of the Joint Venture to receive Joint Venture income
8 and to pay Joint Venture expenses and liabilities pursuant to the provisions
9 of this Agreement. Any disbursement from a Joint Venture bank account
10 in excess of _____, shall require the signature of Capitol and Bustin' except
11 Capitol shall have the right to control disbursement of funds it advances
12 pursuant to Paragraph 12(a) through 12(g) hereof in such manner as it
13 may determine to verify that such monies are used for the authorized
14 purposes hereunder. The Management Committee shall appoint persons
15 who shall be empowered to execute contracts on behalf of the Joint Venture,
16 and only such persons shall sign contracts in the name of the Joint
17 Venture. No contract shall be executed and no Joint Venture funds shall be
18 disbursed in violation of the decisions of the Management Committee.
19

20 (b) Meetings. Meetings of the Management Committee shall be
21 held quarterly at a time and place mutually agreed by the members of the
22 committee, and at such other times and places as the parties mutually
23 shall determine. A quorum for the transaction of business at any meeting
24 of the Management Committee shall be not less than two (2) members of the
25 Committee present in person or by proxy, one (1) of whom shall be a
26 representative of Capitol and one (1) of Bustin'. If any member of the
27 Management Committee, is unable to attend any meeting of the
28 Management Committee, then the party hereto which he represents shall
29 be entitled to appoint another individual to attend such meeting in his place
30 or the absent committee member may appoint a proxy to vote on such
31 member's behalf. If the other members in attendance consent, a member
32 may be represented at a meeting by telephone, and in that case shall be
33 considered to be in attendance at that meeting. All decisions of the
34 Management Committee at such meetings shall require the unanimous
35 vote of the Members present and shall be final and binding upon Bustin'
36 and Capitol respectively. The Management Committee shall maintain
37 minutes of its formal meetings which, when approved by the Management
38 Committee, shall constitute an official record of its decisions.
39

40 (c) Employees. Except as specifically provided in this Agreement,
41 the number of employees, the selection of employees, the hours of labor, and
42 compensation to employees shall be determined by the Management
43 Committee. Only employees selected or approved by the Management
44 Committee shall be the employees of the Joint Venture. Except for those
45 particular matters specifically reserved to the Bustin' Parties or Capitol as
46 set forth in this Agreement, the day-to-day operation of the Joint Venture
47 shall be the responsibility of the Management Committee, and it shall have
48 the power to delegate any of its responsibilities to the Bustin' Parties or
49 Capitol, and to hire third persons to perform such activities, as it

1 determines to be necessary or appropriate. Notwithstanding the foregoing,
 2 nothing herein shall be construed to give Bustin' or the Joint Venture any
 3 control over the persons or entities Capitol or CRI engage to fulfill their
 4 responsibilities hereunder.
 5

6 (d) Appointment of Members. The Management Committee shall
 7 consist of ___ individuals duly appointed by Capitol and ___ individuals
 8 duly appointed by Bustin'. Concurrently with the execution of this
 9 Agreement, each party to the Joint Venture shall furnish the other with a
 10 written statement in the form attached hereto as Exhibit 9, signed by an
 11 authorized officer of said party, setting forth the names of the individuals
 12 presently appointed to the Management Committee for that party. At any
 13 time, by notice in writing to the other, signed by an authorized officer for
 14 such party, either party may remove any individual it appointed to the
 15 Management Committee, and may replace the person so removed.
 16

17 11. Responsibilities Reserved and Delegated to Capitol
 18

19 The following responsibilities and duties are reserved and entrusted
 20 solely to Capitol. Capitol shall perform all of these responsibilities, on behalf
 21 of the Joint Venture, for the fees set forth in Paragraph 14 below. Capitol
 22 may delegate all or any part of the performance of any of its duties in this
 23 Paragraph 11(a) to 11(g) to CRI.
 24

25 (a) Joint Venture Books and Records. Capitol shall maintain
 26 proper books of account and financial records of the Joint Venture. The
 27 Joint Venture shall adopt a fiscal year starting _____ and ending
 28 _____ (the "Fiscal Year"). Within a reasonable time following the end
 29 of each Fiscal Year of the term hereof, Capitol shall furnish Bustin' with
 30 an accounting of the affairs of the Joint Venture, including all Profits and
 31 Losses thereof, prepared in accordance with generally accepted accounting
 32 principles ("GAAP") and the provisions of this Agreement. Such books of
 33 account and financial records of the Joint Venture shall be made available
 34 to Bustin' to inspect, examine and copy at reasonable times and upon
 35 reasonable advance notice; and, Bustin' shall make any objections to the
 36 accountings and perform any audits of said books as set forth in Paragraph
 37 31 hereto. Bustin' shall furnish Capitol with all documentation and other
 38 information in its possession or control to enable Capitol to perform the
 39 duties set forth in this Paragraph 11(a). Capitol shall not be liable for any
 40 errors or omissions in the books and records, and Capitol may revise such
 41 books and records from time to time to correct errors or make other
 42 changes deemed necessary or appropriate, without any liability arising out
 43 of such changes.
 44

45 (b) Joint Venture Royalty Accounting. Capitol shall prepare and
 46 mail royalty statements to the Joint Venture Artists on a semi-annual basis
 47 in accordance with the Joint Venture Artists Contracts, and it shall
 48 furnish Bustin' with a copy of each such statement. In addition, Capitol

1 shall prepare and mail publisher statements quarterly in accordance with
2 the applicable mechanical licenses.
3

4 (c) U.S. and Foreign Distribution Accountings. Within sixty (60)
5 days following the end of each month of the term of this Agreement, Capitol
6 shall submit a monthly statements to Bustin' showing all Joint Venture
7 income received and amounts deducted therefrom (or otherwise charged to
8 the Joint Venture) during that month for services furnished by Capitol and
9 its affiliates. In addition, Capitol shall make available to Bustin' copies of
10 reports it receives showing shipments to customers, returns and finished
11 goods inventories of Joint Venture recordings.
12

13 (d) Inventory Management. Capitol shall be responsible for
14 inventory management and obsolescence of Joint Venture records,
15 including any write-off on Joint Venture books for obsolescence. Pursuant
16 thereto, it shall determine the quantity of records to be manufactured in all
17 configurations, and it shall decide when particular recordings may be
18 deleted from the current catalog, and sold as overstock, cut-outs, or
19 otherwise disposed of by scrapping or similar means. The Bustin' Parties
20 acknowledge that the optimal quantities of records to manufacture are
21 difficult or impossible to determine, and that neither Capitol nor CRI shall
22 be liable to the Joint Venture or the Bustin' Parties, under any condition,
23 for any oversupply or undersupply of records or component parts, or write-
24 offs thereof, resulting from Capitol's exercise of its responsibilities set forth
25 in this Paragraph.
26

27 (e) Artist Options. Capitol, in its sole discretion, shall decide
28 which artist options are to be exercised by the Joint Venture, and which
29 shall not be exercised. Upon request from Bustin', the Joint Venture shall
30 assign to Bustin' (or its nominee) all its rights and duties in the executory
31 portion of the contract of any Dropped Artist, provided Bustin' delivers a full
32 release of Capitol and the Joint Venture from all executory obligations
33 under such Dropped Artist's contract, in a form satisfactory to Capitol and
34 executed by Bustin' and the Dropped Artist. Such assignment shall be
35 without warranty of any kind or nature. In the event of such assignment,
36 Bustin' (and its nominee, if any) shall assume and be responsible for all
37 manufacturing, distribution (including accepting all returns of that
38 Artist's recordings), and all other duties with respect to such artist's
39 recordings released thereafter; and, Bustin' shall defend, indemnify and
40 hold Capitol and the Joint Venture harmless from and against all cost,
41 expense, liability and claims arising out of the assignment and the
42 continuation of the assigned artist contract.
43

44 (f) Business Affairs and Legal Services. In consideration of the
45 Administrative Fee discussed below in Paragraph 14(c), Capitol shall
46 furnish the Joint Venture, on a non-exclusive basis, with in-house
47 Business Affairs and Legal services to draft Joint Venture Artist contracts
48 and amendments thereto, to exercise artist options, to obtain mechanical
49 licenses on Joint Venture masters which Bustin' shall cause to issue from

1 the proper parties, to handle any artist audits (but any settlement or liability
 2 arising therefrom shall be an expense paid by and liability of the Joint
 3 Venture), and for other routine Business Affairs and Legal functions
 4 which Capitol determines should be handled in-house. It is the intention of
 5 the parties that these activities will be handled by CRI employees with its
 6 existing staff; and, nothing herein shall be construed to require Capitol or
 7 CRI to hire additional staff for these functions. These services shall be
 8 furnished on a schedule determined by Capitol, and shall be subject to the
 9 availability of personnel. In the event litigation is threatened or commenced
 10 against the Joint Venture, or if legal, tax or accounting expertise is
 11 required for the Joint Venture, Capitol may engage such law firms,
 12 accountants, tax advisors and other persons as it determines to be
 13 necessary or appropriate in the interests of the Joint Venture, and the cost
 14 of doing so shall be an authorized expense of the Joint Venture. All monies
 15 advanced pursuant to this Paragraph shall be deemed to be Variable Costs
 16 as defined hereinafter in Paragraph 12(d). Capitol may recover all such
 17 expenses by deduction from Joint Venture income. Any liability or
 18 settlement costs arising out of any claims, suits or threatened suits against
 19 the Joint Venture shall be borne as set forth in Paragraph 29 hereof.
 20 Neither Capitol or CRI, nor any employee of either, shall be liable to the
 21 Joint Venture or the Bustin' Parties, on any theory, for any inadvertent or
 22 administrative error, nor for consequential damages or loss resulting from
 23 its performance or failure to perform Business Affairs, Legal or
 24 Accounting services.

25
 26 (g) Co-op Advertising and Incentive Programs. CRI branch sales
 27 offices shall distribute the Basic Co-op Advertising Fund (as set forth in
 28 Paragraph 12(e) below) to customers in the branches' sole discretion, for
 29 advertising of Joint Venture records. All such advertising costs shall be an
 30 expense of the Joint Venture and deducted from income. In addition, when
 31 authorized by the Management Committee, CRI may utilize additional
 32 amounts from Joint Venture net sales revenue for use in co-op advertising,
 33 product discounts, free goods, dating and other sales incentive programs.

34 35 12. Joint Venture Funding by Capitol

36
 37 Subject to and contingent upon the full, complete and timely
 38 performance by the Bustin' Parties of all their duties and obligations under
 39 this Agreement, Capitol shall advance the following money as working
 40 capital of the Joint Venture to be used solely for the purposes specified
 41 herein. Such money shall not be used for, or applied to, any other purpose.
 42 All monies advanced by Capitol (except Profit Advances), including any
 43 monies different from or in excess of the sums provided in this Paragraph,
 44 shall be deemed to be loans to the Joint Venture ("Loan Capital"), and shall
 45 be recoupable by deduction from income of the Joint Venture, as more fully
 46 set forth in Paragraph 17(b) below, and the unrecouped portion (if any) shall
 47 be repayable at the termination of this Agreement out of Joint Venture
 48 assets, as more fully set forth in Paragraph 21 below.
 49

1 (a) Overhead Allowances. Capitol shall advance up to, but not
 2 more than, the following maximum yearly sums (shown under "Maximum
 3 Amount" in the chart below) which may be expended by Bustin' for its
 4 general overhead purposes as more specifically set forth in Paragraph 13(a)
 5 through 13(j) hereof (the "Overhead Allowances"). The sums shown for
 6 years 4 and 5 shall apply only in the event Capitol elects to extend the term
 7 of this Joint Venture as provided in Paragraph 3(b) above. Any general
 8 overhead expenditure by the Bustin' Parties in excess of the following
 9 amounts shall be the sole responsibility of the Bustin' Parties, and they
 10 promptly shall pay such expenses when due.
 11
 12

Year	Maximum Amount
1	\$400,000
2	\$450,000
3	Prior year allowance, plus a 6% cost of living increase
4	Prior year allowance, plus a 6% cost of living increase
5	Prior year allowance, plus a 6% cost of living increase

13 (b) Marketing Fund. Capitol shall advance up to, but not more
 14 than, the following maximum aggregate sums for marketing and
 15 promotion of each Joint Venture album or single as described in Paragraph
 16 13(c) hereof, but strictly allocated for use as shown under "Authorized
 17 Purpose" in the chart below (the "Marketing Fund"). Such Marketing Fund
 18 shall not be used to pay salaries of in-house promotion staff or for general
 19 overhead expenses, as those items are to be covered out of available
 20 Overhead Allowances.
 21
 22
 23

Amount	Authorized Purpose
\$40,000	For each album released
\$40,000	For the first single from each album released
\$20,000	For each follow-up single after the first single
\$120,000	Maximum aggregate total for the above 3 listed items to promote any Joint Venture album and singles contained therein
\$40,000	For "Pop" cross-over purposes as provided in Paragraph 13(e)

24 (c) Recording Funds. Capitol shall advance up to, but not more
 25 than, the following aggregate amounts per Joint Venture Artist to be used
 26 for actual recording costs, artist advances and producer advances, (the
 27 "Recording Funds"). The Recording Funds shall not be used, directly or
 28 indirectly, to compensate any of the Bustin' Parties, or any person or entity
 29 related to the Bustin' Parties, such as, for example, any person or entity
 30 affiliated with any of the Bustin' Parties by common ownership or control,
 31 the Principals, their family members, the corporate parents or subsidiary
 32

1 companies of Bustin', etc. The Recording Fund for the first LP (and any
 2 singles released therefrom) of each Joint Venture Artist shall be the sum of
 3 one hundred thousand dollars (\$100,000). The amount of the Recording
 4 Fund for each successive album thereafter shall be equal to two-thirds
 5 (2/3rds) of the net royalties accrued on the sale of Full Priced Units of the
 6 artist's preceding studio album, computed using the chart below and the
 7 formula set forth in Paragraph 3d. of the Artist Contract Form attached
 8 hereto as Exhibit 10. Notwithstanding the foregoing formula, the amount of
 9 Recording Fund for any Joint Venture album shall not be less than the
 10 Floor, nor more than the Ceiling shown in the chart below:
 11
 12

LP No.	Floor	Ceiling
1	\$100,000	\$100,000
2	\$125,000	\$250,000
3	\$150,000	\$300,000
4	\$175,000	\$350,000
5	\$200,000	\$400,000
6	\$225,000	\$450,000
7	\$250,000	\$500,000
8	\$275,000	\$550,000

13
 14 (d) Variable Costs. Subject to the terms of the Manufacturing
 15 and Distribution Agreements attached hereto as Exhibits 6 and 7, Capitol
 16 shall arrange for CRI to advance costs of manufacturing and distribution of
 17 Joint Venture recordings. In addition, Capitol shall advance monies for the
 18 payment of artist royalties, producer royalties, mechanical license fees,
 19 AFM Recording and Pension Fund Payments and similar royalties and
 20 fees required to be paid on the net sales of Joint Venture recordings
 21 ("Variable Costs").
 22

23 (e) Co-op Advertising Fund. Capitol shall arrange for CRI to
 24 advance up to, but not more than, one and one-half per cent (1.5%) of Joint
 25 Venture net sales revenue for co-op advertising (the "Basic Co-op
 26 Advertising Fund") and such additional monies as may be authorized by
 27 the Management Committee for co-op advertising, discounts, free goods,
 28 dating and other sales incentive programs. Any costs of co-op advertising,
 29 discounts and other sales incentive programs are expenses of the Joint
 30 Venture, which shall be deducted from monthly distribution income.
 31

32 (f) Video Fund. Subject to Paragraph 13(f) hereof, Capitol shall
 33 advance up to, but not more than, fifty thousand dollars (\$50,000) to make
 34 the First Video for each Joint Venture album; and, up to, but not more
 35 than, fifty thousand dollars (\$50,000) to make the Second Video for each
 36 Joint Venture album (the "Video Fund").
 37

38 (g) Artwork Fund. Capitol shall advance up to, but not more
 39 than, seven thousand five hundred dollars (\$7,500) for artwork design cost
 40 for each Joint Venture album (the "Artwork Fund").
 41

1 **13. Responsibilities Reserved and Delegated to Bustin'**
2

3 The following responsibilities and duties are reserved and entrusted
4 solely to the Bustin' Parties. The Bustin' Parties shall perform all of these
5 responsibilities, on behalf of the Joint Venture, with respect to each Joint
6 Venture Artist and each Joint Venture recording. The Bustin' Parties
7 hereby promise Capitol that they shall be carried out diligently, in good
8 faith, in a lawful manner, within the authorized financial limits set forth
9 in this Agreement and with the best efforts, energy and skill that the
10 Bustin' Parties possess. The full and complete performance of these
11 responsibilities by the Bustin' Parties, within the authorized financial
12 limits set forth in this Agreement, and in a timely, efficient, and
13 businesslike manner, is a condition precedent to the formation and
14 continuation of this Joint Venture Agreement.
15

16 (a) A&R Activities. The Bustin' Parties shall perform all
17 customary artist and repertoire activities for the Joint Venture, including,
18 without limitation, locating new recording artists and established
19 recording artists available to be signed by the Joint Venture; selecting
20 which artists should be signed by the Joint Venture within the Roster
21 Limitations described in Paragraph 5 hereof; negotiating with the selected
22 artists the principal terms of a proposed contractual engagement by the
23 Joint Venture, including all the standard terms set forth in Paragraph
24 13(b) below; selecting or otherwise obtaining the compositions and other
25 material for recordings by the artist and causing the requisite mechanical
26 licenses to be issued to the Joint Venture; developing or otherwise obtaining
27 a complete recording budget for Management Committee approval, in
28 advance of the start of any recording project; limiting and controlling all
29 financial commitments and expenditures to those authorized by the
30 Management Committee and this Agreement; causing M.C. Hammer to
31 produce each master as set forth in Paragraph 6 hereinabove; assisting the
32 artist in all customary ways to produce high quality, commercial master
33 recordings using the Recording Funds provided in Paragraph 12(c) hereof;
34 insuring that the approved budget for each album is not exceeded without
35 prior approval of the Management Committee; obtaining delivery of master
36 recordings to the Joint Venture, free and clear of all claims, together with
37 all customary documentation, information for mechanical licenses,
38 credits, legal releases, artwork and licenses, all in a form approved by
39 Capitol for compilation into records and manufacturing copies of said
40 recordings; and performing all other aspects of A&R administration for the
41 Joint Venture recordings.
42

43 (b) Standard Contract Provisions. The Bustin' Parties represent
44 and warrant that the assigned contracts of the Bustin' Artists referred to in
45 Paragraph 4 below, and each artist contract it negotiates pursuant to
46 Paragraph 13(a) above, shall contain standard provisions, normal in the
47 industry for artists of the stature signed by Bustin', and that each such
48 contract shall include at least the following terms and conditions: (i) the
49 rights granted shall be exercisable by the Joint Venture on a worldwide

1 basis; (ii) each artist shall be bound to furnish his recording services
2 exclusively to the Joint Venture; (iii) the Joint Venture shall own all
3 master recordings, free and clear of any claims; (iv) each contract shall
4 require delivery to the Joint Venture of, at least, six (6) overcall albums in
5 addition to one album due during the initial term of the recording
6 agreement; (v) the contractual royalty rates payable by the Joint Venture
7 shall not exceed the basic 12% "all-in" royalty rate, computed, reduced,
8 paid, and not paid, all on the quantity basis and by category, in accordance
9 with CRI's form artist agreement attached as Exhibit 10 hereto ("Artist
10 Contract Form"); and, (vi) at least fifty per cent (50%) of video costs
11 advanced pursuant to Paragraph 12(f) shall be recoupable from royalties
12 payable to artists and producers. Any improvements on these terms that
13 Bustin' negotiates shall inure to the benefit of the Joint Venture. All artists
14 contracts shall be in the form of the Artist Contract Form, and shall become
15 binding on the Joint Venture only after the terms of such contract are
16 approved and the contract is fully executed by an authorized signer of the
17 Joint Venture pursuant to the terms of this Agreement.

18
19 (c) Marketing and Promotion. Bustin' shall oversee and
20 supervise, all marketing and promotion personal and activities for the Joint
21 Venture (but not including those responsibilities specifically delegated to
22 CRI pursuant to the distribution and foreign associate agreements referred
23 to in Paragraph 9 hereinabove, or those responsibilities reserved to Capitol
24 in Paragraph 11 hereinabove, each of which Capitol shall oversee and
25 supervise), including, without limitation, arranging to obtain as much
26 radio airplay, press coverage and other media coverage of Joint Venture
27 Artists and their recordings as is possible using authorized methods and
28 expenditures hereunder. It shall be Bustin's responsibility to work with the
29 Joint Venture Artists to obtain Artist photos, biographical information,
30 personal appearances and other information for press releases, and to
31 develop and shape their public image for the promotion of their records. For
32 this purpose, Bustin' may negotiate reasonable rates and obtain customary
33 promotional work from independent promoters or other outside parties.
34 Authorized expenses incurred by Bustin' for such marketing and
35 promotion activities, up to the limit set forth in Paragraph 12(b), shall be
36 deemed to be Joint Venture expenses chargeable to the Marketing Fund.
37 Bustin' alone shall be responsible for, and shall pay when due, any such
38 expenses in excess of the applicable Marketing Fund.

39
40 (d) Hiring In-House Promotional Staff. Using the Overhead
41 Allowance funds to be furnished by Capitol as set forth in Paragraph 12(a)
42 hereinafter, Bustin' also is authorized to hire national director(s) of
43 marketing and promotion for the Joint Venture, and a promotion field staff
44 of up to six (6) people in the first year of the term of the Joint Venture, and
45 up to eight people during the remainder of the term of the Joint Venture, at
46 an average starting salary of approximately \$35,000 for the entire
47 marketing and promotion staff discussed in this Paragraph. Such persons
48 shall furnish their full time services to the Joint Venture, solely for
49 promotion of the Joint Venture recordings. Bustin' alone shall be

1 responsible for, and shall pay when due, any such expenses in excess of the
2 applicable Overhead Allowance.
3

4 (e) Use of Cross Over Funds. If any Joint Venture single achieves
5 top five (5) in the Billboard Hot Black Singles chart and Bustin' determines
6 that single has significant potential to cross over onto the pop charts,
7 Bustin' may consult with Capitol about further advances. If Capitol agrees
8 that the single has such potential, and approves the expenditure in writing,
9 Bustin' may commit additional promotional funds for that single, up to the
10 amounts authorized in Paragraph 12(b) for "pop" cross over purposes.
11

12 (f) Video Production. Bustin' may arrange for the production and
13 delivery to the Joint Venture of one audio-visual recording (the "First
14 Video") based upon a single record released from each Joint Venture
15 album, which single shall be selected by the Management Committee. The
16 First Video shall be completed and delivered to the Joint Venture in a
17 timely manner for promotion of the single and the album. If the single
18 featured in the First Video achieves top ten (10) on Billboard's Hot Black
19 Single chart, or if Capitol's net sales of Full Priced Albums exceeds 75,000
20 records within three (3) months after release of such single in the U.S.,
21 Bustin' may arrange for the production and delivery to the Joint Venture of
22 an additional video (the "Second Video") based upon another master
23 recording contained within the album, which recording shall be selected by
24 the Management Committee. The Second Video shall be delivered in a
25 timely manner so that it can be used effectively to promote continuing
26 album sales. Bustin' shall obtain all videos, free and clear of all claims, and
27 it shall furnish the Joint Venture with all customary documentation,
28 information, credits, legal releases, consents, and licenses, all in a form
29 satisfactory to Capitol. All videos shall be owned by the Joint Venture,
30 including all copyrights therein. It shall be Bustin's responsibility to cause
31 distribution of the videos for promotional airplay, and Bustin' shall fully
32 exploit each Video to achieve the maximum positive sales impact on Joint
33 Venture recordings. Subject to the provisions of this Paragraph, Capitol
34 shall advance the funds for production of videos up to, but not more than,
35 the Video Fund set forth in Paragraph 12(f) hereof. Bustin' alone shall be
36 responsible for, and shall pay when due, any such expenses in excess of the
37 applicable Video Fund.
38

39 (g) Album Artwork. Bustin' shall be responsible for obtaining,
40 creating and furnishing all album artwork, including, without limitation,
41 album cover graphics and mechanical layouts, inserts, liner notes, label
42 copy, film, color separations, credits, clearances, consents and legal
43 releases required by CRI to manufacture albums. Bustin' may utilize the
44 creative services of the Art Department of CRI, on a non-exclusive basis, to
45 assist in preparing suitable album cover art work and point of purchase
46 displays; provided, however, such Art Department services shall be
47 scheduled by Capitol according to reasonable availabilities. Bustin' alone
48 shall be responsible for, and shall pay when due, any such expenses in
49 excess of the applicable Artwork Fund.

1
2 (h) Bustin' Accounting Responsibilities. Within fourteen (14) days
3 following the end of each month of the term of this Agreement, the Bustin'
4 Parties shall submit detailed and complete monthly statements to the
5 Management Committee, prepared in accordance with GAAP, showing all
6 Joint Venture expenditures and any expenditure commitments made by
7 the Bustin' Parties during that month.
8

9 (i) Use of Overhead Allowances. The parties hereto plan that the
10 amount of Overhead Allowances to be advanced by Capitol (as provided in
11 Paragraph 12(a)) shall be sufficient to cover Bustin's general overhead
12 expenses for its Joint Venture activities described in Paragraphs 13(a)
13 through 13(h), inclusive, during the entire term of this Agreement,
14 including all Bustin's expenses for (i) rent and related office expenses, (ii)
15 the salaries, fringe benefits and related costs of employing national
16 director(s) of marketing and/or promotion, and (iii) the salaries, fringe
17 benefits and related costs of employing a promotion field staff as referred to
18 in Paragraph 13(d) above. Any shortfall in such allowance shall be made up
19 by Bustin', out of its own funds. Bustin' shall use its best efforts to insure
20 that each of its general overhead expenses actually incurred on behalf of the
21 Joint Venture are reasonable in amount and kind, consistent with the
22 aforesaid plan, and that its yearly total does not exceed the maximum
23 Overhead Allowances for that year of the term. Subject to the foregoing,
24 Bustin' shall be entitled to utilize up to, but not more than, the maximum
25 amount of the Overhead Allowance for each year of the term (set forth in
26 Paragraph 12(a) above), without limitation, for its general overhead costs
27 incurred to perform its duties set forth in Paragraphs 13(a) through 13(h),
28 inclusive. Notwithstanding the foregoing, it is agreed that Overhead
29 Allowances may not be used to pay, directly or indirectly, any salary or
30 fringe benefits to either of the Principals, which shall be the sole
31 responsibility of Bustin'; and, any such salary or fringe benefits Bustin'
32 pays either of the Principals shall not be considered a Joint Venture
33 expense.
34

35 (j) Billings Submitted to Capitol. To utilize such Overhead
36 Allowance, Marketing Fund, Recording Funds, Video Fund, Artwork
37 Fund, and any other cost or expense to be advanced by Capitol hereunder,
38 Bustin' must submit billings for all covered items for direct payment by
39 Capitol and otherwise comply strictly with the terms of this Agreement.
40 Pursuant thereto, Bustin' shall carefully review all billings to verify they
41 are for authorized services; and, an authorized officer of Bustin' shall
42 approve each of such bills in writing to show the correct amounts to be paid
43 and the particular fund or funds under Paragraph 12 hereof to which each
44 bill applies. Provided Bustin' furnishes such approved billings to Capitol in
45 a timely manner, together with all required artwork, graphics, credits,
46 consents, clearances, legal releases, licenses and other detail to explain the
47 charges to Capitol's reasonable satisfaction, Bustin' may direct Capitol to
48 pay such approved bills, and Capitol shall advance the funds to comply with
49 such direction, up to the maximum amounts set forth in Paragraph 12

1 above. In the case of recurring expenses or for the convenience of the
 2 parties, such as rent and authorized salaries, Bustin' may arrange for
 3 automatic payments, or such other reasonable procedures for the advance
 4 of funds hereunder as the Management Committee shall determine.
 5

6 **14. Fees Payable to Capitol**
 7

8 The following fees are Joint Venture expenses due and payable out of
 9 proceeds of the Joint Venture; and, they may be deducted monthly from
 10 current cash receipts, income, revenue, or other monies in CRI's
 11 possession or control which are owed or payable to the Joint Venture. Such
 12 fees shall be payable monthly by the Joint Venture before any Loan Capital
 13 is recouped or repaid; and the assets of the Joint Venture shall be allocated
 14 for the payment of these fees ahead of all other Joint Venture Expenses.
 15

16 (a) Distribution Fees. The Joint Venture shall pay CRI a monthly
 17 distribution fee, based on a percentage of annual net sales ("Annual Net
 18 Sales") of Joint Venture records, which Annual Net Sales shall be
 19 calculated in accordance with the Distribution Agreement attached hereto
 20 as Exhibit 7. The following chart shows the applicable percentage of annual
 21 net sales to be charged as a distribution fee for each sales tier:
 22
 23

Annual Net Sales	Fee
First \$10 Million	18%
\$10 Million to \$20 Million	16%
\$20 Million to \$30 Million	14%
Over \$30 Million	12%

24
 25 (b) Manufacturing Fees. The Joint Venture shall pay CRI all
 26 manufacturing fees and charges for manufacture of Joint Venture records,
 27 at the prices and calculated in accordance with the Manufacturing
 28 Agreement attached hereto as Exhibit 6.
 29

30 (c) Administrative Fees. The Joint Venture shall pay CRI a
 31 monthly administrative fee (the "Administrative Fee") based on a
 32 percentage of Annual Net Sales of Joint Venture records. The following
 33 chart shows the applicable percentage of Annual Net Sales to be charged as
 34 the Administrative Fee for each sales tier:
 35

Annual Net Sales	Fee
First \$5 Million	12%
\$5 Million to \$10 Million	10%
\$10 Million to \$15 Million	8%
\$15 Million to \$20 Million	6%
Over \$20 Million	5%

36
 37 **15. Royalty Payable to Bustin'**
 38

39 For net sales in the U.S. of each Joint Venture album produced by
 40 Bustin', Capitol shall pay to Bustin' a royalty (the "Bustin' Royalty") at the

1 rate of 2% of the same royalty base applicable to artist royalties under the
 2 Artist Contract Form attached as Exhibit 10 hereto. The Bustin' Royalty
 3 shall be included within the artist's "all-in" rate, and shall be computed in
 4 the manner set forth in the Artist Contract Form. Total royalties payable to
 5 the artists, producers, Bustin', and all other parties combined, shall not
 6 exceed the applicable "all-in" royalty. Notwithstanding the foregoing, the
 7 Bustin' Royalty shall not be earned or payable until after full recoupment by
 8 Capitol of all Recording Funds and any other costs advanced for such
 9 album. For this purpose, such recoupable "Recording Funds" for any
 10 particular album shall be deemed to include, without limitation, (i) all
 11 artist, producer and other advances, whether or not directly related to that
 12 particular album, (ii) all fees, union scale payments and other sums paid
 13 or payable to the artist (and any third party furnishing services of the
 14 artist), (iii) all recording costs advanced by Capitol for the applicable
 15 masters (as the term "recording costs" is used in the Artist Contract Form),
 16 and (iv) all other sums, advanced, paid or incurred by Capitol or CRI with
 17 respect to the applicable Artist. Payment of the Bustin' Royalty shall
 18 commence with Capitol's first semi-annual accounting to the artist
 19 following recoupment of all such "Recording Funds", and shall be
 20 retroactive to the first record of the applicable album sold after Capitol's
 21 recoupment of all producer advances for that particular album.

22 23 16. Obligations of Bustin' Parties

24
25 The Bustin' Parties shall be responsible for and pay out of their own
 26 funds: (i) all costs or expenses required for activities covered hereunder in
 27 Paragraphs 13(a) through 13(j), inclusive, in excess of advances due from
 28 Capitol under Paragraphs 12(a) through 12(g) hereof ("Excess Expenses"),
 29 and (ii) any and all expenses and commitments that any Bustin' Party
 30 incurs or makes which are not authorized pursuant to this Agreement
 31 ("Unauthorized Expenses"). Excess Expenses shall be considered to be Joint
 32 Venture expenses to the extent they actually are paid by Bustin' on behalf of
 33 the Joint Venture, and shall be added to Bustin's Loan Capital account
 34 pursuant to Paragraph 17 below. Bustin' shall furnish Capitol a monthly
 35 statement setting forth any Excess Expense incurred in the prior month,
 36 together with reasonable documentation thereof requested by Capitol.
 37 Unauthorized Expenses shall be Bustin's sole obligation and shall not be
 38 considered to be Joint Venture expenses; and, they shall not be recoupable
 39 by Bustin' as loans or otherwise. The Bustin' Parties shall defend,
 40 indemnify and hold Capitol harmless from and against all liability, cost
 41 and expenses for Excess Expenses and Unauthorized Expenses.

42 43 17. Working Capital Loans.

44
45 (a) Loan Capital Accounts. Subject to the provisions of Paragraph
 46 16 above concerning Unauthorized Expenses and the provisions of
 47 Paragraph 29 below concerning settlement costs and liability, any monies
 48 provided to the Joint Venture by Capitol or Bustin' shall be treated as Loan
 49 Capital, including all advances by Capitol pursuant to Paragraphs 12(a)

1 through 12(g) hereof. Capitol shall maintain Loan Capital accounts
 2 showing all increases and decreases therein, and the unrecouped balances
 3 of Capitol's and Bustin's Loan Capital as of the end of each month of the
 4 term of this Agreement, including therein any Excess Expense for which
 5 Capitol has received documentation pursuant to Paragraph 16 hereof.
 6 Following the end of the month, Capitol shall furnish the Joint Venture
 7 with a monthly statement showing the Loan Capital account balances at
 8 the end of the month, and a report showing activity in such accounts for
 9 such month.

10
 11 (b) Recoupment of Loan Capital. At the end of each month, if the
 12 Joint Venture has paid all its current expenses (including, without
 13 limitation, all fees payable pursuant to Paragraphs 14(a) through 14(c) to
 14 Capitol and CRI hereunder, and the Bustin' Royalty), and it has taken
 15 appropriate reserves for accrued expenses (including, without limitation,
 16 all record royalties and mechanical license fees) it shall distribute any
 17 remaining cash on hand ("Net Receipts") to repay Capitol and Bustin' Loan
 18 Capital in proportion to the unrecouped balance of their Loan Capital
 19 accounts as of the end of the month, up to the balance of their then
 20 outstanding Loan Capital account. For example, as of the end of a monthly
 21 accounting, if Capitol's Loan Capital balance is \$190,000 and Bustin's Loan
 22 Capital balance is \$10,000, and the Joint Venture's cash on hand (after
 23 appropriate reserves have been taken and all current expenses have been
 24 paid) is \$100,000, the Joint Venture shall apply such cash on hand to repay
 25 \$95,000 to Capitol and \$5000 to Bustin', and reduce their Loan Capital
 26 accounts accordingly. Net Receipts remaining after the Loan Capital
 27 accounts are fully repaid shall be applied as set forth in Paragraphs 18(a)
 28 through 18(d) below.

29
 30 (c) Working Capital Deficiency. As used in this Agreement,
 31 "working capital" shall mean the excess of current assets over current
 32 liabilities. For purposes of this Agreement, the aggregate balance of
 33 unrecouped Loan Capital plus all other loans to the Joint Venture
 34 outstanding at any time, whether or not then due or payable, shall be
 35 included in current liabilities. The "Working Capital Deficiency" of the
 36 Joint Venture, at any time, shall mean the excess of current liabilities over
 37 current assets, determined in accordance with GAAP and this Agreement.
 38 The Profit Advances provided for in Paragraph 6 hereof shall not be
 39 included in any computation of Working Capital Deficiency.

40
 41 18. Profits and Losses.

42
 43 (a) [Periodic] Profit Determination. Within a reasonable time
 44 following the end of each _____ of the term of this Agreement, Capitol
 45 shall furnish the Joint Venture with a statement of profit and loss, showing
 46 net profits or losses for that _____ and cumulative profits or losses for the
 47 Joint Venture from inception. For this purpose, the Joint Venture shall not
 48 book any income until actually received, and appropriate reserves for
 49 returns and Joint Venture expenses shall be maintained. Joint Venture

1 "Profits" and "Losses" shall be determined, before income tax, in
2 accordance with GAAP, except as provided herein.
3

4 (b) Division of Profits and Losses. Subject to recoupment rights
5 and the other terms of this Agreement, the net Profits and Losses from the
6 Joint Venture shall be split fifty per cent (50%) to Capitol ("Capitol's Share")
7 and fifty per cent (50%) to Bustin' ("Bustin's Share"). Notwithstanding the
8 foregoing, and conditioned upon Bustin's full and complete performance of
9 its duties and obligations under this Agreement, Capitol will bear the
10 burden of costs and liability to third parties for Bustin's Share of Losses, but
11 only to the extent such Losses exceed Bustin's Share of previously
12 distributed Profits. For example, if Bustin' fully performs its duties and
13 obligations hereunder and the Joint Venture suffers a Loss after some
14 Profits have been distributed to Bustin', then the parties shall be obligated
15 equally for such Loss up to the aggregate amount of Profits previously
16 distributed to Bustin' (from inception of this Agreement), with Capitol alone
17 liable for the balance of such loss, if any. In the event of Losses after a
18 previous distribution of Profits, Bustin' promptly shall repay to the Joint
19 Venture the portion of such previously distributed Profits required to cover
20 its share of the Losses. Capitol shall not be responsible for reimbursing the
21 Bustin' Parties for Losses, if any, of Bustin's Loan Capital, nor for any
22 Losses resulting from or arising out of any breach by the Bustin' Parties of
23 the term and conditions of this Agreement.
24

25 (c) Distributions. From time to time, but no less than
26 _____, Profits shall be distributed out of retained earnings of
27 the Joint Venture, if any, in an amount determined by the Management
28 Committee. Profits distributed shall not exhaust the reasonable needs of the
29 Joint Venture for working capital and reserves as determined by the
30 Management Committee. No Profit distributions shall occur until such
31 time as cumulative Profits exceed cumulative losses (measured from
32 inception of this Agreement), all current liabilities are satisfied (including
33 all Loan Capital has been repaid), and there is remaining cash on hand to
34 distribute.
35

36 (d) Capitol's Profit Recoupment. Notwithstanding anything to the
37 contrary in this Agreement, Bustin's Share of Profits shall be paid to
38 Capitol until Capitol has fully recouped its Profit Advances paid pursuant
39 to Paragraph 8 hereof, it being agreed that Bustin' shall have no right to
40 receive any Profit distribution prior to Capitol's recoupment of all its Loan
41 Capital balances and Profit Advances.
42

43 (e) Bank Account. All funds of the Joint Venture shall be
44 deposited in an account or accounts in the name of the Joint Venture at
45 Bank of America. Any withdrawals from any such account or accounts
46 shall be made by check or other written instrument which shall be signed
47 by the party or parties as are authorized pursuant to this Agreement and
48 Paragraph 10 hereof.
49

1 19. Early Termination Option. Without constituting an election of
2 remedies or otherwise limiting any other rights or remedies of Capitol at
3 law, in equity, or under this Agreement, which rights and remedies shall
4 be cumulative, Capitol shall have the option, exercisable by notice to
5 Bustin', to terminate this Agreement at any time if one or more of the
6 following events occurs: (i) cumulative Joint Venture Losses (measured
7 from inception of the Agreement) exceed one million dollars (\$1,000,000), or
8 (ii) The Joint Venture Working Capital Deficiency (as defined in Paragraph
9 17(c) above) exceeds two million dollars (\$2,000,000), or (iii) Louis Burrell
10 works less than full-time for Bustin' or in a job capacity less than his
11 current job capacity for Bustin', or (iv) M.C. Hammer fails to perform his
12 obligations hereunder, or (v) a petition or proceeding in bankruptcy is filed
13 or instituted by or against Bustin' or for its reorganization or liquidation, or
14 Bustin' becomes insolvent, or makes any assignment of its assets for the
15 benefit of its creditors, or (vi) the Bustin' Parties fail or refuse to perform
16 their duties under Paragraphs 13(a) through 13(j) hereof, or otherwise
17 materially breach any provision of this Agreement, or (vii) Bustin'
18 transfers or assigns, or attempts to transfer or assign any of its rights or
19 duties hereunder without Capitol's consent, which consent may be
20 withheld for any reason, or (viii) the present owners of the stock of Bustin'
21 transfer or assign any part of their stock in Bustin' without Capitol's
22 consent, which consent may be withheld for any reason. The unrecouped
23 portion of Loan Capital shall be due and payable immediately upon the
24 exercise of Capitol's early termination option.
25

26 20. Right of Suspension. If, for any reason, the Bustin' Parties or
27 any one of them are in default under this Agreement at the time a payment
28 is due hereunder from Capitol, without limiting any other rights or
29 remedies of Capitol at law, in equity, or under this Agreement, which
30 rights and remedies shall be cumulative, Capitol shall have the option,
31 exercisable by notice to Bustin', to suspend all or any part of Capitol's
32 obligations to make payments to Bustin' and the Joint Venture under this
33 Agreement until the Bustin' Parties have cured the default.
34

35 21. Winding Up and Dissolution. Upon termination of the
36 Agreement for any reason, the business of the Joint Venture shall be
37 wound up and the assets and properties of the Joint Venture shall be
38 liquidated and distributed as follows. Capitol no longer will fund the Joint
39 Venture from and after such termination. The Joint Venture shall engage
40 in no further business, other than that necessary to protect the assets of the
41 Joint Venture, wind-up its business and distribute its assets as provided
42 herein. Any expenses of winding up and liquidating assets of the Joint
43 Venture (other than those expenses Capitol has agreed to advance
44 pursuant to Paragraphs 12(a) through 12(g) hereof) shall be borne equally
45 by Capitol and Bustin'. Any debts of the Joint Venture shall be paid as set
46 forth in this Agreement.
47

48 (a) If Loan Capital not Recovered. In the event Bustin' and
49 Capitol have not both recovered their respective Loan Capital, then the

1 following procedures for the liquidation of the Joint Venture assets,
2 including Joint Venture Artist contracts, shall be followed:

- 3
- 4 1. Bustin' and Capitol shall collectively determine which
5 Joint Venture assets they desire to purchase ("Available
6 Assets").
7
- 8 2. The Joint Venture party purchasing a particular
9 Available Asset may fund the purchase either by paying
10 cash to the Joint Venture or by reducing such party's
11 Loan Capital balance in the Joint Venture.
12
- 13 3. Bustin and Capitol, on an alternate basis, shall each set
14 the purchase price to those Available Assets they elect to
15 purchase.
16
- 17 4. The Joint Venture party who does not set the price of a
18 particular Available Asset shall have the first
19 opportunity to purchase same. If such party does not
20 purchase such Available Asset, then the party setting
21 the price must purchase the Available Asset at the set
22 price.
23
- 24 5. Those Joint Venture assets which neither party hereto
25 has chosen to purchase shall be sold to outside third
26 parties at the best price.
27
- 28 6. At the conclusion of the liquidation procedure set forth
29 in items 1 through 5 above, all monies in the Joint
30 Venture will be distributed to Capitol and Bustin' in
31 proportion to their respective Loan Capitol account
32 balances at the start of the liquidation procedure until
33 their Loan Capital accounts have been repaid.
34 Thereafter, all monies shall be split in accordance with
35 the Joint Venture Agreement.
36

37 (b) If Loan Capital Recovered. If Capitol and Bustin' have both
38 recovered their respective Loan Capital, then the following procedures for
39 the liquidation of the Joint Venture assets, including Joint Venture Artist
40 contracts, shall be followed:

- 41
- 42 1. Capitol shall set a price for Bustin's share of the Joint
43 Venture and Bustin', at its election, shall either
44 purchase Capitol's share of the Joint Venture at that
45 price, or sell Bustin's share of the Joint Venture to
46 Capitol for the same price.
47
- 48 2. If neither Capitol nor Bustin' purchase the others
49 interest, the Joint Venture will be liquidated under