

## CONTRACT

This contract is dated on

Between:

**Silver First Ltd**, with registered office at 1  
Assenovgradsko Shosse Str Plovdiv, Bulgaria  
telephone: +35932 392460 fax: +359 32 392461  
Svetoslav Valkov, hereinafter

referred as **THE COMPANY** and

with its registered office

Contact address:

VAT No \_\_\_\_\_, represented by:  
hereinafter referred to as **THE CLIENT**,

WHEREAS:

The **COMPANY** is a producer of CD and DVD Discs;

The **CLIENT** wishes to assign to the **COMPANY** the manufacturing of such CD and DVD discs;

It is agreed as follows:

### D FINITIONS:

1. **INTELLECTUAL PROPERTY RIGHTS** – shall mean all present and future intellectual property rights of any nature including, but not limited to design rights, trade marks, domain names and others.
2. **INPUT MATERIALS** – information source (DLT, DVD, DVD R, STAMPERS, HARD DRIVES etc.) delivered by the **CLIENT** and conforming to the technical specification provided by the **COMPANY**, Appendix No 1 to this contract.
3. **Preparatory works** – testing of the incoming materials, projecting, design and arrangement, color separation etc., ordered by the **CLIENT**.
4. **Order form (PURCHASE ORDER)** – the document specifying the technical terms, conditions and requirements for the production of the **GOODS**, which is signed by the **CLIENT**, Appendix No 2 to this contract.
5. **OFFER** – a document prepared under an **ORDER FORM**, containing information as to the quantity, prices, means of delivery, insurance and other parameters, which is signed by the **COMPANY**.

### I. Subject of the Contract

1. The **CLIENT** hereby assigns and the **COMPANY** agrees to manufacture

#### **DVD and CD Replication**

according to **PURCHASE ORDERS**, placed by the **CLIENT**, hereinafter referred to as **THE GOODS** which the **CLIENT** is authorized to reproduce and distribute.

The **COMPANY** will also produce

#### **DVD Stamper and CD Stamper**

necessary for the manufacturing of **THE GOODS**.

2. Each order shall be individualized by a written **PURCHASE ORDER (PO)**. **THE PURCHASE ORDER** shall be integral part of this Contract.

3. In case that **THE GOODS** are specifically designed to be exported, the **COMPANY** shall appear as the exporter, unless agreed otherwise.

4. In case that **THE GOODS** shall be delivered with packaging, the **COMPANY** performs the packaging and packages at **CLIENT**'s expense. The **CLIENT** warrants and declares that he irrevocably accepts the quality of the packages offered by the **COMPANY**.

5. If the **CLIENT** assigns the authoring and pre-mastering of the input materials to the **COMPANY**, he shall pay all expenses and confirm with written declaration the final master, which will be used as input material for the Production, before the commencement of the Production.

### II. General Conditions of the Contract

6. The **CLIENT** hereby warrants and declares that he is the legal holder of the intellectual property rights to reproduce on the Territory of Bulgaria, distribute and import the **GOODS** subject of the present Contract, on the Territory for which they have been specifically designed, and that he has not infringed nor shall infringe any third party rights. The **CLIENT** hereby also warrants and declares that he is the legal holder of the rights over all materials submitted to the **COMPANY**, and that he has received all required permissions, authorizations and licenses in this connection and in conformity with the applicable rules. The **CLIENT** hereby warrants and declares that, upon request by the **COMPANY** he will supply copies of the above mentioned documents evidencing such copyrights.

7. The **CLIENT** shall assume any liability claims deriving from the existence and use of the intellectual property rights, as well as from the production and the distribution of the **GOODS**. The **COMPANY** shall not be held liable for any third party claims for breach or misuse of intellectual property rights.

8. The **CLIENT** hereby warrants and declares that the materials covered by the Order, do not contain child's pornography, sodomy, etc. which is prohibited by the Bulgarian and international law.

9. The performance of the **PO** can be canceled by a written request of the **CLIENT** before the definitive commencement of the performance of the assigned work, only after consent by the **COMPANY**, which shall be granted after the definitive payment of all expenses and lost profits to the **COMPANY** by the **CLIENT**.

10. The **CLIENT** shall pay for all preparatory works performed by the **COMPANY** at **CLIENT**'s request.

11. The performance of each **PO** by the **COMPANY** starts after the occurrence of the following conditions:

a) The **CLIENT** has delivered to the **COMPANY** all necessary materials described in the **PO**, according to the technical specification and necessary to complete the production process and objectives.

b) The **CLIENT** has performed his obligations deriving from the terms and conditions of this Contract

c) The **COMPANY** has received in due course the License (Certificate) from the Ministry of Culture of the Republic of Bulgaria for execution of the order, issued in accordance with the Act on Administrative Regulation of the

Manufacture and Trade in Optical Disks, Stampers and Other Storage Media Loaded with Subject Matter of Copyright and Neighboring Rights and other provisions of the current regulations.

### **III. Prices and Ways of Payment**

12. The prices of all assigned works are specified in the OFFER in accordance with the valid COMPANY's Price-list. The COMPANY can change unilaterally the prices, set forth in the Price-list with 30 days written notice to the CLIENT.

13. The Total PURCHASE Price shall be paid in the terms set forth in the OFFER (**30 days from invoice date**).

14. All expenses for the delivery of the incoming materials to the COMPANY, packing, preparatory works etc. shall be born by the CLIENT.

15. The payment shall be performed via a bank transfer, unless otherwise agreed between the parties. All bank charges related to the transfer are to be born by the CLIENT.

16. CLIENT shall submit separate invoices for each ORDER. Invoices shall be denominated in euro.

### **IV. Deliveries**

17. The delivery of the GOODS from the COMPANY to the CLIENT shall be performed after the CLIENT has completed all the terms and conditions of this Contract and the OFFER.

18. The means of delivery and the place of receipt of the GOODS are specified by the CLIENT in the ORDER FORM.

19. All risks, including damages caused by destruction or loss or failure to deliver or untimely delivery of the GOODS, shall be at the CLIENT's expense and the COMPANY shall not bear any liability with respect to the GOODS outside the production site, unless the parties agree otherwise.

### **V. Rights and Obligations of the Parties**

20. The COMPANY shall manufacture the GOODS subject of the present Contract in accordance with the terms and conditions as specified in the ORDER FORM and in accordance with the requirements of the current international standards defined by the DVD FORUM ASSOCIATION.

21. The CLIENT is obligated to own a second copy of the input materials and if the COMPANY requests a second copy to provide it.

22. The CLIENT has the right to request the COMPANY to organize the delivery of the GOODS, which can be carried out by the COMPANY in accordance with Section IV "DELIVERIES".

23. The COMPANY has the right to hold the input materials, after reception of the GOODS by the CLIENT, during the term of claim.

24. The CLIENT is obligated to accept the GOODS within 10 working days from the date of delivery, as determined in the ORDER FORM. After expiration of this term he shall pay storage fees amounting to 1 % (one percent) daily of the total price, according to the OFFER where the total

period for which the COMPANY shall keep the GOODS will not extend to more than 20 (twenty) working days. After this period the COMPANY shall not bear any liability for the damage or destruction of the GOODS.

25. The parties agree that in case of technical problems or any other reasons, where the capacity of production output of the COMPANY is not sufficient, the COMPANY has the right to subcontract the production of the GOODS but such subcontracting shall not affect the performance of the present contract.

26. The input materials shall be kept by the COMPANY for a period no longer than 3 months, as of the date of delivery of the GOODS, after which the COMPANY has the right to destroy them.

### **VI. Claims and Penalties**

27. In case of cancellation of the contract because of a guilty behavior or misconduct of the CLIENT, he shall pay a penalty equal to the expenses made by the COMPANY multiplied by 10%.

28. In case of a delay in the payment of the amounts due, according to Art.13, the CLIENT shall pay a penalty equal to the payments due and the accrued interest on the current amount due.

29. In case of delay in the performance of the order, the CLIENT shall have the right to receive the payment of a penalty equal to the accrued interest.

30. The CLIENT has the right to make a claim within a period of 7 (seven) days as of the date of receipt of the GOODS.

31. THE COMPANY is not liable for mistakes or losses in process before replication (authoring and pre-mastering).

### **VII. Duration of the Contract**

32. The contract enters into force on the date of signing of both parties stated above and will be valid for 1(one) year.

33. Said term of validity may be extended by written agreement between the Parties hereto.

### **VIII. Termination of the Contract**

34. The present Contract shall be terminated in the following cases:

- a) Upon explicit mutual agreement between the parties
- b) In case of bankruptcy or liquidation of one of the parties.
- c) With 3 months prior notice from each party.

### **IX. Exoneration from Responsibility**

35. The COMPANY shall not bear any liability in case that the quality input materials including stampers which have been submitted by the CLIENT do not adhere to the quality standards.

36. The COMPANY shall not bear any liability in case of non-performance of the terms and conditions of the Contract due to circumstances outside its control, including the occurrence of a force majeure according to Art. 37 and other circumstances which prevent the normal operations and functioning of the COMPANY.

37.1. The Parties shall not be liable for whole or part failure to perform in the event of force majeure.

37.2. Force majeure are any events or actions of an emergency nature that could not have been foreseen or avoided by the Parties, and have occurred following conclusion of this Contract as a result of war, blockade, an act of God, strike, embargo, governmental and administrative restrictions and other events and actions that are beyond the reasonable control of such party.

37.3. The preceding provision 37.1. shall not apply if the party asserting it has failed to use reasonable due diligence to remedy the situation.

37.4. If the force majeure event is remedied, performance hereunder shall resume and continue until expiration of the term hereof.

37.5. The party which refers to force majeure shall send to the other party a registered letter, cable, telex or fax notice of the event within ten days after the event of force majeure and a written confirmation by an authorised organisation indicating the causal link between the force majeure and the inability to perform delivery in due course, to effect payment or to fulfil another obligation under this Contract.

37.6. Should the above notices and confirmations fail to be sent within the foregoing time limits and under the specified ways, no party may enjoy the rights subject to force majeure.

#### **X. Intellectual Property Rights**

38. The Intellectual Property rights in any Goods created and supplied in the furtherance of the fulfillment of this Contract shall be owned by CLIENT for the full period of copyright including any extensions or renewals throughout the world.

#### **XI. Title and Risk of the Goods**

39.1. Ownership of the Goods shall transfer from the COMPANY to the CLIENT in the moment of taking them from the COMPANY' s site.

39.2. The risks of the Goods shall transfer to CLIENT depending on the Incoterms clause, set forth in the OFFER.

#### **XII. Notices**

40. The Parties agree that all notices shall be in writing delivered by: post, by fax to the addresses and fax numbers specified in this agreement, or by e - mail provided the recipient confirms in writing (by email or otherwise) that the notice has been safely received.

#### **XIII. Additional Conditions**

41. The parties agree not to disclose to any third party the terms and the conditions of the present contract or any information concerning the other party, which they have obtained in the process of performance of their obligation under the contract.

42. The CLIENT is entitled to transfer his rights deriving from or connected with the present contract to third parties only after receiving a prior written consent from the COMPANY with an original signature and seal.

#### **XIV. Transitive and Conclusive Orders**

43. The parties declare that they have full power and authority to enter into and to perform this Contract pursuant to the terms and conditions hereunder.

44. The present Contract can be amended or supplemented only after the explicit written agreement between the parties.

45. This Contract supersedes all prior oral or written agreements, notices etc., in respect of the subject matter set forth in this Contract.

46. Each party shall not be bound by any provisions in terms or conditions or other provisions in orders, quotation, acknowledgment or acceptance forms or other documents which propose any terms or conditions differing with the terms and conditions of this Contract.

47. The present Contract raises rights and obligations for the parties irrespective of possible future changes in the property or the management of some of them.

48. Failure or delay of any party to assert a right under this Contract shall not be construed as a waiver of such right or from the right to ask performance of each or all obligations, due to this contract.

49. The Bulgarian law shall apply for all unsettled questions in this contract.

50. The invalidity of any provision of the contract or additional stipulated conditions, shall not affect the validity of any other provision of the Contract or of the whole contract.

51. Any dispute regarding the existence and validity of this Contract, or in relation to any violations thereof, incl. disputes and/or disagreements regarding the validity, interpretation, termination, performance or non-performance hereof, shall be resolved amicably between the parties. Should no agreement is reached by way of negotiations between the parties within 30 (thirty) days, such dispute shall be referred for examination and resolution by the Arbitration Court or the Bulgarian Chamber of Commerce and Industry, in accordance with the Rules of the same, by a panel of three arbitrators. The Bulgarian substantive law shall apply. The decision of the Arbitration Court shall be final and subject to immediate execution.

Done in two identical counterparts, one for each Party, and signed by them, as follows:

**For the COMPANY:**

**Name:**

**Title:**

**Date:**

**For the CLIENT:**

**Name:**

**Title:**

**Date:**