

DISTRIBUTORSHIP AGREEMENT

(Sample of the State of Delaware Distributorship Agreement)

This Distributorship Agreement is made and entered into by and between **XXX CORPORATION**, a U.S. corporation incorporated under the laws of the State of Delaware, U.S.A., having its principal place of business at 1000 XXXX Street, XXX, XX 10000, U.S.A., (hereinafter referred to as "Company") and **YYY**, a corporation incorporated under the laws of China, having its principal place of business at 1000 XXXX Street, XXX, XX, Beijing, China 100071 (hereinafter referred to as "Distributor").

Appointment of Distributor. Subject to the terms and conditions set forth in this Agreement and the payment of a non-refundable \$5,000.00 (USD) distributorship fee by Distributor, Company hereby appoints Distributor as a **non-exclusive** distributor in the People's Republic of China (the "Territory") to distribute and sell merchandise purchased from the Company in the Territory only, excluding merchandise under private labels containing the name "XXX" or "XXXX." Distributor is not an agent of Company and shall not at any time represent itself as such, nor shall Distributor incur, assume or create any debt, obligation, contract or release of any kind in the name of or on behalf of Company.

Term and Termination. The initial term of this Agreement shall commence on the date set forth below and shall continue for a period of twelve (12) months thereafter (the "Initial Term"). Upon the expiration of the Initial Term, this Agreement shall continue on a month to month basis. Either party may terminate this Agreement at any time for any reason upon thirty (30) days written notice to the other. Company reserves the right to terminate this Agreement at any time: (i) upon three (3) days advance written notice in the event that any payment owing to Company for merchandise or services supplied to Distributor is not received within fifteen (15) days after the date on which such payment is due; and (ii) immediately upon written notice of termination by Company in the event that Distributor is in breach of any provision hereof and fails to cure such breach following written notice of breach by Company and a reasonable period to cure such breach, which need not exceed thirty (30) days from the date of notice. **IN THE EVENT OF TERMINATION OF THIS AGREEMENT AS SET FORTH HEREIN, NEITHER PARTY SHALL BE ENTITLED TO DAMAGES FOR SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES OR DAMAGES FOR LOSS OF PROFITS.**

Orders and Prices. All orders for merchandise placed by Distributor shall be subject to acceptance or non-acceptance by Company at its corporate headquarters, now located in XXX, XX, U.S.A. Company shall cause all items ordered by Distributor to be delivered to Distributor's designated receiving terminal in the United States. Title to all such merchandise and supplies and risk of loss shall pass to Distributor at the time of delivery to such receiving terminal. Distributor shall pay Company all costs and charges related to the delivery of merchandise and supplies to Distributor's receiving terminal.

Payment. Distributor agrees to pay all amounts shown as currently due on Company's billing statements for purchases of merchandise with such promptness as shall enable Company to receive payment no later than the 10th day following the date of the statement (it being understood that all invoices for merchandise purchased on extended payment terms become currently due when other items billed are not paid when due), and pay Company's then current service charge, presently equal to .77%, per bi-weekly billing statement on any past due balance. All prices shall be exclusive of tariffs, customs duties, sales and goods and services taxes, insurance, and freight charges, all of which shall be the responsibility of Distributor. All amounts becoming payable by Distributor pursuant to Company's billing statements shall be stated and payable in United States currency. If requested by Company, Distributor shall provide Company with a standby irrevocable letter of credit, issued or confirmed by a bank approved by Company, or with such other instruments or collateral as Company may deem appropriate in order to secure the prompt payment of the indebtedness to it incurred by Distributor from time to time.

Minimum Purchase Requirement. The minimum volume of merchandise to be purchased by Distributor hereunder shall be \$200,000.00 (USD).

Warranties and Limitation of Liability. Company warrants that it has good and marketable title to the merchandise sold to Distributor hereunder. NO OTHER EXPRESS OR IMPLIED WARRANTY IS MADE WITH RESPECT TO MERCHANDISE SOLD HEREUNDER, SUCH BEING SUBJECT TO WARRANTIES MADE BY THEIR RESPECTIVE MANUFACTURERS. COMPANY'S TOTAL LIABILITY TO DISTRIBUTOR RESULTING FROM THE SALE OF MERCHANDISE SHALL NOT EXCEED THE PRICE PAID BY DISTRIBUTOR FOR SUCH MERCHANDISE. Distributor agrees not to return any merchandise to Company except in compliance with Company's standard return policy for defective merchandise.

Proprietary Rights. Company retains the sole and exclusive authority to license its trademarks, and to select, approve and enter into licenses or agreements with retailers in the Territory for the purpose of authorizing them to establish or operate stores under the name "XXX," "XXXX," or other trademarks owned by the Company. All trademarks, copyrights, trade names and other proprietary rights in and with respect to the Company's products and services, including, but not limited to, Company's computer software programs, are and will remain the exclusive property of Company. Nothing herein shall be deemed to constitute a license to Distributor to use the Company's trademarks in connection with its business in the Territory.

Confidentiality. Distributor agrees that all microfiche film, videotapes, computer and CD disks, bulletins, catalogs, price lists, order forms and other documents and information furnished by Company with respect to the merchandise, programs and services which are available from Company, or through Company from its vendors (the "Confidential Information") are the Company's confidential, proprietary business information, which Distributor shall safeguard in the same manner as it safeguards its own confidential business information, and Distributor agrees not to divulge or display any of the Confidential Information other than in connection with Distributor's transactions with Company. Upon the termination of this Agreement, Distributor agrees to immediately return to Company all of the Confidential Information and any equipment related thereto which has been provided by Company. The confidentiality obligations herein shall survive the termination of this Agreement.

Force Majeure. Except with respect to Distributor's payment obligations hereunder, delays or failure of either party in the performance of its obligations hereunder shall be excused if and to the extent caused by circumstances beyond the reasonable control of the party affected.

Compliance with Laws and Indemnification. Distributor agrees to comply with any and all laws, regulations and governmental orders of the Territory which may be applicable to the sale and distribution of the merchandise purchased by Distributor from Company. Distributor agrees to indemnify Company and hold it harmless from and against any and all claims, suits, proceedings, judgments, orders, fines or penalties arising in connection with the purchase and sale or distribution of Company's products in , except for such claims arising out of Company's sole negligent or intentional wrongful acts or omissions.

Modifications and Amendments. Except as set forth above, this Agreement may not be modified or amended, nor may any obligations hereunder be waived, except by written instrument signed by both parties.

Assignment. This Agreement and the rights, duties and obligations hereunder may not be assigned or delegated by either party without the prior written consent of the other party.

Governing Law. This Agreement shall be interpreted and construed in accordance with the substantive laws of the State of Illinois, U.S.A. The parties agree that this agreement shall be translated into Chinese

and that each version shall have equal effectiveness. Notwithstanding the foregoing, in the event of any variation between the English version and the Chinese version, the English version of this Agreement shall govern.

Non-Waiver. The failure of either party to enforce its rights under any provision hereof shall not be deemed a waiver of such rights for purposes of future enforcement.

Severability. Any provision hereof which is contrary to applicable law shall, to the extent of such contravention, be severed from this Agreement and shall not impair the validity of any other term, condition or provision hereof.

International Sales Convention. The parties agree that the provisions of the United Nations Convention on Contracts for the International Sale of Goods will not apply to the transactions contemplated by this Agreement.

IN WITNESS WHEREOF, this Distributorship Agreement has been executed by the parties on this _____ day of _____, 2001.

Company:

XXX CORPORATION

By: _____

Printed Name: _____

Title: _____

Distributor:

YYY CORPORATION

By: _____

Printed Name: _____

Title: _____