

2. TERM.

2.01 The Term will consist of an initial contract period ("First Contract Period") and each of the renewal contract periods ("Contract Periods") for which we will have exercised the options set forth in the next sentence. We will have an automatic renewal option, each to extend the Term for a further One Year Contract Period. The decision whether or not to exercise any such option will be made by Company in our sole discretion. The second Contract Period will be called the "Second Contract Period", the third Contract Period will be called the "Third Contract Period", and so on.

2.02 The First Contract Period will commence upon the date hereof and will continue through the later of:

(a) The date thirty six (36) months from the date hereof; or

(b) The date six (6) months after the last day of the month in which we Commercially Release in the United States the Album made in fulfillment of the Recording Commitment for the first Contract Period.

2.03 Each subsequent Contract Period will run consecutively, commencing upon the expiration of the immediately preceding Contract Period, and will continue through the later of:

(a) The date twelve (12) months from the commencement of the particular Contract Period; or

(b) The date six (6) months after the last day of the month in which we Commercially Release in the United States the Album made in fulfillment of the Recording Commitment for that Contract Period.

2.04 We may exercise each option to extend the Term for an additional Contract Period by giving Artist notice of our election to do so at any time prior to the expiration of the then-current Contract Period. Notwithstanding anything to the contrary contained in paragraph 2.02 or 2.03, if we so provide expressly in such notice, the then-current Contract Period will end on the date of such notice and the next Contract Period will commence immediately thereafter.

2.05 Notwithstanding anything to the contrary contained in this Article 2, if we do not give Artist notice of our election to exercise (or not to exercise) an option within the time limits set forth in paragraphs 2.02, 2.03, and 2.04, Artist will give Company notice of our failure to make such election and we will have fifteen (15) business days after our receipt of such notice from Artist (the "Grace Period") to exercise the option concerned. In that event, the expiring Contract Period will continue through the end of the Grace Period, except that, if we exercise our option for the next Contract Period, such next Contract Period will be deemed to commence, and the expiring Contract Period will be deemed to end, on the same date that would have been the commencement date for such next Contract Period if we had exercised our option within the time limits set forth above in this Article 2.