FORM SB-2/A

Optional form for registration of securities to be sold to the public by small business issuers [amend]

Filing Date: **1996-12-30**
SEC Accession No. 0000912057-96-030403

FILER

PARADISE MUSIC & ENTERTAINMENT INC

CIK:**1024464**| IRS No.: **133906452** | State of Incorp.:**DE** | Fiscal Year End: **0630**
Type: **SB-2/A** | Act: **33** | File No.: **333-13941** | Film No.: **96687388**
SIC: **7900** Amusement & recreation services

Mailing Address
420 WEST 45THE ST. 5TH FLOOR
NEW YORK NY 10036

Business Address
420 WEST 45TH STREET 5TH FLOOR
NEW YORK NY 10036
2129579393

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 30, 1996

REGISTRATION NO. 333-13941

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

PRE-EFFECTIVE
AMENDMENT NO. 1
TO
FORM SB-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PARADISE MUSIC & ENTERTAINMENT, INC.
(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

<TABLE>
<S> <C> <C>

DELAWARE	7929	13-3906452
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

</TABLE>

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420 West 45th Street, 5th Floor
New York, NY 10036
(212) 957-9393
(ADDRESS AND TELEPHONE NUMBER OF PRINCIPAL EXECUTIVE OFFICES AND PRINCIPAL PLACE OF BUSINESS)

John Loeffler
President
420 West 45th Street, 5th Floor
New York, NY 10036
(212) 957-9393
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

With copies to:

<TABLE>
<S> <C>

Walter M. Epstein, Esq.	Michael DiGiovanna, Esq.
Rubin Baum Levin Constant & Friedman	Parker Duryee Rosoff & Haft
30 Rockefeller Plaza	529 Fifth Avenue
New York, NY 10112	New York, NY 10017
(212) 698-7758	(212) 599-0500

</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on

a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), check the following box. /X/

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering. / / _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act Registration Statement number of the earlier registration statement for the same offering. / / _____

If the delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

<TABLE>
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TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SECURITY(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
<S>	<C>	<C>	<C>	<C>
Units, each consisting of one share of Common Stock, par value $.01 per share, and one Warrant, each to purchase one-half share of Common Stock	1,150,000(2)	$7.00	$8,050,000	$2,439.40
Common Stock, par value $.01 per share, issuable upon exercise of the Warrants(3)	575,000(2)	$8.40	$4,830,000	$1,463.64
Representative's Warrants, each to purchase one Unit, each consisting of one share of Common Stock, par value $.01 per share, and one Warrant, each to purchase one-half share of Common Stock(4)	100,000	$.001	$100	$.04
Units, each consisting of one share of Common Stock, par value $.01 per share, and one Warrant, each to purchase one-half share of Common Stock, issuable upon exercise of the Representative's Warrants(3)	100,000	$7.70	$770,000	$233.34
Common Stock, par value $.01 per share, issuable upon exercise of the Warrants contained in the Units issuable upon exercise of the Representative's Warrant(3)	50,000	$8.40	$420,000	$127.28
Common Stock, par value $.01 per share, to be sold by Selling Stockholders(5)	78,333	$7.00	$548,331	$166.17
Total Registration Fee			$ 14,618,431	$4,429.87(6)

</TABLE>

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933.

(2) Assumes the Representative's over-allotment option to purchase up to 150,000 additional Units is exercised in full.

(3) Pursuant to Rule 416, there are also being registered such indeterminable additional shares of Common Stock as may become issuable pursuant to anti-dilution provisions contained in the Warrants and the Representative's Warrants.

(4) Represents warrants to be issued by the Company to the Representative at the time of delivery and acceptance of the securities to be sold by the Company to the public hereunder.

(5) Represents 78,333 shares of Common Stock owned by stockholders of the Company which are being registered for offer and sale on a delayed basis pursuant to Rule 415.

(6) $4,412.19 of this amount has been previously paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF

THE SECURITIES ACT OF 1933 OR UNTIL SUCH REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

EXPLANATORY NOTE

This Registration Statement covers the registration of:

(i) 1,150,000 Units ("Units"), including Units to cover over-allotments for sale by the Company in an underwritten public offering (the "Offering"), each Unit consisting of:

(a) one share of Common Stock, $.01 par value per share (the "Common Stock"), of Paradise Music & Entertainment, Inc. (the "Company"), for an aggregate of 1,150,000 shares of Common Stock; and

(b) one Redeemable Warrant (the "Warrants"), with two Warrants entitling the holder thereof to purchase one share of Common Stock, for an aggregate of 575,000 shares of Common Stock;

(ii) the Representative's Warrants, exercisable into 100,000 Units and the underlying Common Stock and Warrants, for an aggregate of 100,000 Warrants and 150,000 shares of Common Stock; and

(iii) an additional 78,333 shares of Common Stock (the "Selling Stockholder Securities") for sale by the holders thereof (the "Selling Stockholders").

Following the Prospectus for the Offering are certain pages of the Prospectus relating solely to the Selling Stockholder Securities, including alternate front and back cover pages and sections entitled "Public Offering" and "Selling Stockholders and Plan of Distribution" to be used in lieu of "Offering by Selling Stockholders" and "Underwriting" contained in the Prospectus relating to the Offering. All other sections of the Prospectus for the Offering are to be used in the Prospectus relating to the Selling Stockholder Securities.

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS DATED DECEMBER 30, 1996

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

PROSPECTUS

PARADISE MUSIC & ENTERTAINMENT, INC.

1,000,000 UNITS

CONSISTING OF 1,000,000 SHARES OF COMMON STOCK
AND 1,000,000 REDEEMABLE COMMON STOCK PURCHASE WARRANTS

Paradise Music & Entertainment, Inc. (the "Company") is offering (the "Offering") hereby 1,000,000 Units (the "Units"), each consisting of one share of its common stock (the "Common Stock") and one redeemable common stock purchase warrant (the "Warrants"). The shares of Common Stock and Warrants will be separately transferable immediately upon issuance. Two Warrants will entitle the registered holder thereof to purchase one share of Common Stock at a price of $ per share [120% of the initial public offering price of the Units], subject to adjustment, at any time commencing on the date of this Prospectus and terminating on , 2001 [four years from the date of this Prospectus]. The Warrants will be redeemable, at the option of the Company, at a price of $0.05 per Warrant upon not less than 30 days' written notice if the average closing bid price of the Common Stock has been equal to or greater than 120% of the then exercise price of the Warrants for 20 consecutive trading days ending on the fifth day prior to the notice of redemption. See "Description of Securities" for additional terms of the Warrants.

Concurrently with the Offering, the Company also has registered on behalf of certain stockholders (the "Selling Stockholders") an additional 78,333 shares of Common Stock (the "Selling Stockholder Securities"). The Selling Stockholders have agreed not to sell any of the Selling Stockholder Securities for at least one year after the closing of the Offering. Sales of Selling Stockholder Securities or even the potential of such sales at any time may have an adverse effect on the market prices of the securities offered hereby. The Company will not receive any proceeds from the sale of the Selling Stockholder Securities. See "Offering by Selling Stockholders."

Prior to the Offering there has been no public market for the Common Stock or Warrants. It is currently estimated that the initial public offering price of the Units will be between $6.00 and $7.00 per Unit. For factors considered in determining the initial public offering price, see "Underwriting." The Company has applied to have the Common Stock and Warrants approved for quotation on The Nasdaq SmallCap Market ("Nasdaq SCM") under the symbols "PDSE" and "PDSEW", respectively.

THESE ARE SPECULATIVE SECURITIES. THIS OFFERING INVOLVES A HIGH DEGREE OF RISK.
SEE "RISK FACTORS" COMMENCING ON PAGE 7 HEREOF.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS(1)	PROCEEDS TO COMPANY (2)
<S>	<C>	<C>	<C>
Per Unit	$	$	$
Total (3)	$	$	$

</TABLE>

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(1) Does not include additional compensation to Donald & Co. Securities Inc., acting as representative (the "Representative") of the several underwriters identified elsewhere herein (the "Underwriters"), in the form of a nonaccountable expense allowance of 3% of the gross proceeds of the Offering. The Company has also agreed to sell to the Representative warrants to purchase up to 100,000 Units at an exercise price of $ per Unit, subject to adjustment, exercisable over a period of four years commencing one year from the date hereof (the "Representative's Warrants") and to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). See "Underwriting."

(2) Before deducting estimated expenses payable by the Company, including the Representative's nonaccountable expense allowance of $ ($ if the Representative's Over-Allotment Option, as hereinafter defined, is exercised in full), estimated at $ ($ if the Over-Allotment Option is exercised in full).

(3) The Company has granted the Representative a 45-day option (the "Over-Allotment Option") to purchase up to 150,000 Units upon the same terms and conditions as set forth above, solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, the total Price to Public, Underwriting Discounts and Proceeds to Company will be $, $ and $, respectively. See "Underwriting."

The Units are being offered by the Underwriters subject to receipt and acceptance by the Underwriters, subject to approval of certain legal matters by counsel and subject to prior sale. The Underwriters reserve the right to withdraw, cancel or modify the Offering and to reject any order in whole or in part. It is expected that delivery of certificates will be made against payment therefor on or about , 1997, at the offices of Donald & Co. Securities Inc., 65 East 55th Street, New York, New York 10022.

DONALD & CO. SECURITIES INC.

THE DATE OF THIS PROSPECTUS IS , 1997

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AND/OR THE WARRANTS OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Company intends to furnish its stockholders with annual reports containing audited financial statements of the Company, after the end of each fiscal year, and make available such other periodic reports as the Company may deem appropriate or as may be required by law.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY INFORMATION IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS. EACH PROSPECTIVE INVESTOR IS URGED TO READ THIS PROSPECTUS IN ITS ENTIRETY. UNLESS OTHERWISE INDICATED, ALL REFERENCES TO THE COMPANY IN THIS PROSPECTUS GIVE PRO FORMA EFFECT TO THE EFFECTIVENESS OF (I) THE EXCHANGE AGREEMENT (THE "EXCHANGE AGREEMENT") DATED OCTOBER 9, 1996 AMONG THE COMPANY, JOHN LOEFFLER, JON SMALL, BRIAN DOYLE AND RICHARD FLYNN, AND (II) THE EMPLOYMENT AGREEMENTS, AS AMENDED (THE "EMPLOYMENT AGREEMENTS"), EACH DATED OCTOBER 9, 1996 BETWEEN THE COMPANY AND EACH OF JOHN LOEFFLER, JON SMALL, BRIAN DOYLE AND RICHARD FLYNN. UNLESS OTHERWISE INDICATED, ALL REFERENCES TO THE COMPANY INCLUDE JOHN LEFFLER MUSIC, INC. D/B/A RAVE MUSIC AND ENTERTAINMENT ("RAVE"), PICTURE VISION, INC. ("PICTURE VISION") AND ALL ACCESS ENTERTAINMENT MANAGEMENT GROUP, INC. ("ALL ACCESS"), EACH OF WHICH IS A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY. UNLESS OTHERWISE INDICATED, INFORMATION IN THIS PROSPECTUS ASSUMES (I) NO EXERCISE OF THE OVER-ALLOTMENT OPTION, (II) NO EXERCISE OF THE REPRESENTATIVE'S WARRANTS AND (III) NO EXERCISE OF ANY OTHER WARRANT OR OPTION OF THE COMPANY.

THE COMPANY

GENERAL

The Company is a music and entertainment company focused on providing music driven content for the music and entertainment industry. The Company's current businesses include: the commercial production of original music scores and advertising themes for television, radio and film; the production of music videos and music specials for television; and music artist management. The Company's operations are currently conducted through its three wholly-owned operating subsidiaries: Rave, Picture Vision, and All Access. The Company provides a range of in-house products and services for music driven content production, which combination of in-house products and services, the Company believes, is not provided by other independent music companies. The Company believes that this combination of in-house products and services provide it with certain competitive advantages potentially resulting in lower costs and greater convenience for its customers. See "Business."

Following the Offering, the Company's strategy is to: (i) invest in and expand its current businesses; (ii) establish one record label; and (iii) commence an acquisition program to acquire or develop small complementary music driven businesses. Through the implementation of this strategy, the Company intends to expand the range of music driven products and services it provides and the size of its business.

CURRENT BUSINESS

The Company's commercial music production business is conducted through Rave, which was founded in 1986 by John Loeffler, the President of the Company. The Company creates original music scores and advertising themes for television,

radio, and film. This business involves creating original music, hiring musicians, recording music in its in-house recording studios and submitting final, ready to use, compositions. Rave has composed and produced more than 2,000 commercial scores and has received various awards, including awards from the American Society of Composers, Authors and Publishers ("ASCAP"). See "Business--Current Business--Commercial Music."

The Company's music video and television music special production business is conducted through Picture Vision, which was founded in 1984 by Jon Small, an Executive Vice President of the Company. The Company produces music videos used to promote music artists as well as music specials and programs for television networks and other video broadcasters. In connection with this business the Company, utilizing both in-house capabilities and independent contractors, directs, produces, story-writes, art directs, scouts locations, produces special effects, edits, contracts, and manages the production. Picture Vision has produced numerous music videos and television music video specials for many well known artists and has won MONITOR and ACE awards. For work he directed for Picture Vision, Mr. Small was awarded the "1995 Music Video Director Of The Year" by the Country Music Association. See "Business--Current Business--Video Production."

The Company's music artist management services are provided by All Access, which currently manages the careers of the following eight music artists and/or music groups: Carly Simon; Daryl Hall; Daryl Hall & John Oates; Thin Lizard Dawn; Screaming Headless Torsos; Stacy Wilde; Coward; and Fat. All Access was founded in 1994 by Brian Doyle and Richard Flynn, each an Executive Vice President of the Company. The services provided to clients include securing recording and publishing contracts, advising on the creative aspects of their music and public image and organizing the many aspects of touring, publicity, television appearances, videos, and business affairs. See "Business--Current Business-- Music Artist Management."

Each of the Company's businesses will seek to make substantial use of the capabilities of its other businesses in order to lower costs and increase efficiency. There can be no assurance that any such efficiencies will be achieved.

DEVELOPMENT OF RECORDED MUSIC BUSINESS

The Company will enter into the recorded music business by establishing one independent record label under a soon-to-be formed subsidiary referred to in this Prospectus as PRM. It is anticipated that this record label will be a contemporary label featuring alternative and adult contemporary artists. The Company will seek to sign artists believed to have commercial appeal, but who will not require substantial advances or special production facilities. Typically these artists will be commercially unknown recording artists. The Company will also seek to hire established producers who are attracted to the potentially greater independence and flexibility which it is believed can be offered by an independent music company. PRM will be under the direction of Brian Doyle and Richard Flynn and will, to the extent practicable, utilize the in-house recording studios and video production facilities of the Company. Until it can support a higher level of overhead, PRM will, to the extent practicable, use the existing resources of the Company, particularly those employed in its artist management services business. It is anticipated that additional record labels may be acquired pursuant to the acquisition program. See "Use of Proceeds" and "Business--Development of Recorded Music Business" and "--Acquisition Program."

ACQUISITION PROGRAM

The music and entertainment industry includes six major companies in the area of recorded music and thousands of smaller independent music entities in the area of recorded music and the broader music business. The Company believes that many owners of independent music entities do not enjoy certain benefits which the Company intends to offer. These benefits include the ability to provide a broader range of services to their clients and greater liquidity and potential for capital enhancement through ownership of a publicly traded entity. Other benefits that the Company believes it can provide acquired entities are access to capital, management expertise and a broad range of industry contacts. See "Business--Acquisition Program."

The Company's acquisition program will concentrate on acquisitions of small complementary music driven businesses in the music and entertainment industry. For purposes of this Prospectus, the term "acquisition" includes not only the purchase of existing businesses but also joint ventures or similar arrangements with existing businesses and with individuals seeking to establish businesses in specific areas of the music and entertainment business. The Company initially will target acquisitions of up to $5 million. In its business acquisitions, the Company will seek to acquire established companies and engage in other acquisitions which the Company believes may generate, under its management, profits and opportunities for growth. The Company anticipates that by targeting acquisitions in areas in which the Company's existing management has expertise, the Company will be better able to attempt to achieve operating efficiencies by merging a portion of the overhead of acquired entities into the Company's existing infrastructure. The Company intends to use equity, cash, debt instruments or a combination thereof in making acquisitions. The Company believes that larger companies are not interested in acquisitions of this size, and that smaller companies, due to the complexity involved in acquiring and integrating additional smaller entities, will not compete as aggressively for such acquisitions. The Company further believes that,

consistent with the broad range of experience of its management combined with the development of its businesses, that it will be able to compete effectively with other small companies for acquisitions. To accomplish its acquisition program, the Company, in the future, may need to obtain additional financing. See "Risk Factors--Future Capital Needs; Uncertainty of Future Funding" and "Business--Acquisition Program."

The Company has no present agreements, understandings or negotiations relating to any current or pending acquisitions. There can be no assurance that the acquisition program will be successful, that companies acquired by the Company will be profitable or that the Company will be able to achieve substantial growth. See "Risk Factors."

CORPORATE INFORMATION

The Company was incorporated in Delaware in July 1996. On October 9, 1996, the Company consummated the Exchange Agreement, pursuant to which it issued an aggregate of 873,000 shares of Common Stock to John Loeffler, Jon Small, Brian Doyle and Richard Flynn in exchange for all of the outstanding common stock of each of Rave, Picture Vision and All Access.

The Company's principal executive offices are currently located at 420 West 45th Street, New York, New York 10036. The Company's telephone number is (212) 957-9393. Subsequent to the Offering, the Company will relocate its New York operations. See "Business--Facilities."

THE OFFERING

<TABLE>

<S>	<C>
Securities Offered.....	1,000,000 Units, each Unit consisting of one share of Common Stock and one Warrant. Two Warrants entitle the holder thereof to purchase, at an exercise price of $7.20 per share (at an assumed initial public offering price of $6.00 per Unit), one share of Common Stock at any time prior to , 2001. The exercise price of the Warrants is subject to adjustment and the Warrants are subject to redemption in certain circumstances. See "Description of Securities--Warrants."
Common Stock Outstanding Prior to the Offering.....	1,080,333 shares
Common Stock Outstanding After the Offering.....	2,080,333 shares
Use of Proceeds.....	The net proceeds of the Offering will be used for: (i) the establishment of the Company's recorded music business; (ii) the acquisition program, (iii) expanding existing businesses; (iv) the purchase of new equipment; and (v)

working capital and general corporate purposes. See "Use of Proceeds."

Proposed Nasdaq SCM Trading Symbols(1):

Common Stock	PDSE
Warrants	PDSEW

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(1) Notwithstanding quotation on the Nasdaq SCM, there can be no assurance that an active trading market for the Company's securities will develop, or, if developed, that it will be sustained.

RISK FACTORS

An investment in the securities offered hereby is speculative in nature and involves a high degree of risk. Prior to making any investment decision, prospective investors should read and carefully review the "Risk Factors" section of this Prospectus.

SUMMARY FINANCIAL AND OPERATING DATA

The summary financial information set forth below is derived from the consolidated financial statements included elsewhere in this Prospectus and should be read in conjunction with such consolidated financial statements and the notes thereto.

	FISCAL YEARS ENDED JUNE 30,		THREE MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
STATEMENT OF OPERATIONS DATA:				
Revenues	$ 3,638,192	$ 3,379,848	$ 1,087,988	$ 1,149,660
Operating expenses:				
Cost of sales	1,939,807	2,096,076	559,701	567,288
Marketing, selling general and administrative	1,610,097	1,386,270	455,160	387,283
Total operating expenses	3,549,904	3,482,346	1,014,861	954,571
Income (loss) before income taxes	88,288	(102,498)	73,127	195,089
Income taxes	10,500	--	1,200	9,000
Net income (loss)	$ 77,788	$ (102,498)	$ 71,927	$ 186,089
Income (loss) before pro forma income taxes (credits) (1)	$ 88,288	$ (102,498)	$ 73,127	$ 195,089
Pro forma income taxes (credits) (1)	26,000	(37,000)	22,000	78,000
Pro forma net income (loss) (1)	$ 62,288	$ (65,498)	$ 51,127	$ 117,089
Pro forma net income (loss) per common share (1)(2)	$ .06	$ (.07)	$ .05	$ .11
Weighted average shares outstanding	1,039,167	990,667	1,039,167	1,039,167

	JUNE 30, 1996	SEPTEMBER 30, 1996	
			AS

	ACTUAL	ACTUAL	ADJUSTED(3)(4)(5)(6)
BALANCE SHEET DATA:			
Working capital	$ 39,754	$ 112,932	$ 5,142,931
Total assets	330,009	361,266	5,381,265
Total current liabilities	190,029	149,359	149,359
Retained earnings	119,160	191,087	13,245
Total stockholders' equity	139,980	211,907	5,231,906

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(1) Pro forma data gives effect to two of the Company's subsidiaries terminating their "S" corporation status effective on October 9, 1996 and restates the prior periods.

(2) Pro forma net income (loss) per common share is computed based upon the weighted average number of shares of Common Stock outstanding during the periods and gives effect to certain adjustments described below. Pursuant to the requirements of the Securities and Exchange Commission (the "Commission"), all stock issued within the 12 months immediately preceding the initial filing of the Registration Statement (as herein defined) for the Offering at a price below the anticipated initial public offering price, totaling 1,080,333 shares of Common Stock, have been included in the calculation for all periods presented.

(3) As adjusted to give effect to the pro forma reclassification of retained earnings to capital in excess of par value of two subsidiaries which had been previously classified as "S" corporations.

(4) As adjusted to give effect to the sale of 1,000,000 Units in the Offering (after deduction of underwriting discounts and estimated expenses to be incurred by the Company in connection with the Offering) at an assumed initial public offering price of $6.00 per Unit. See "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(5) As adjusted to give effect to the sale of 78,333 shares of Common Stock subsequent to September 30, 1996 at a price of $3.00 per share.

(6) As adjusted to give effect to the issuance of 4,000 shares of Common Stock to an attorney subsequent to September 30, 1996.

RISK FACTORS

AN INVESTMENT IN THE COMPANY INVOLVES A HIGH DEGREE OF RISK. IN ADDITION TO THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS, PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS BEFORE PURCHASING UNITS OFFERED HEREBY.

RECENTLY CONSOLIDATED ENTITY; NO ASSURANCE OF FUTURE PROFITABILITY

While the Company's subsidiaries have operating histories, the Company was recently organized and has no history as a consolidated enterprise. The integration of the consolidated entities may take a significant amount of time to achieve successfully, if ever. The failure to successfully integrate the business of its subsidiaries would have a materially adverse effect on the Company. There can be no assurance that the Company will achieve or sustain profitability. Future operating results will depend on many factors, including demand for the Company's products and services, the level of competition, the Company's ability to acquire, develop and market new artists, products and services and the ability of its officers and key employees to manage the Company's business and control costs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business."

DEPENDENCE ON SENIOR MANAGEMENT; ATTRACTION AND RETENTION OF KEY PERSONNEL

The business of the Company is highly dependent on the skill and creativity of its employees. The success of the Company will be largely dependent on the skills, experience and efforts of its senior management, John Loeffler, Jon Small, Brian Doyle and Richard Flynn, each of whom has an employment agreement with the Company. In addition, the Company's success will depend in large part upon its ability to attract and retain qualified management, marketing and sales personnel. The Company competes for personnel with other companies and organizations. There can be no assurance that the Company will be successful in hiring or retaining qualified personnel. The loss of the services of any of John Loeffler, Jon Small, Brian Doyle or Richard Flynn, or the Company's inability to hire or retain qualified personnel, could have a materially adverse effect on the Company. Prior to the consummation of the Offering, the Company will have in place "key man" life insurance policies, in the amount of $500,000 each, covering the lives of each of John Loeffler, Jon Small, Brian Doyle and Richard Flynn. See "Management."

CERTAIN RISKS INHERENT IN THE RECORDED MUSIC INDUSTRY

By entering into the recorded music business, the Company will be subject to all the risks of establishing a new business. Additionally, the recorded music industry, which has experienced a recent reduction in its growth rate, contains certain particular risks. Each recording is an individual artistic work, and its commercial success is primarily determined by consumer taste, which is unpredictable and constantly changing. Accordingly, there can be no assurance as to the financial success of any particular release, the timing of such success or the popularity of any particular artist. Furthermore, changes in the timing of new releases can cause significant fluctuations in quarterly operating results. There can be no assurance that the Company will be able to generate sufficient revenues from successful releases to cover the costs of unsuccessful releases. In accordance with industry practice, the Company's future recorded music products will be sold primarily on a returnable basis. The Company will establish reserves for future returns of products based on its return policies and return experience. An increase in returns over the Company's reserves could adversely affect the Company's results of operations. See "Risk Factors-- Quarterly and Yearly Fluctuations; Seasonality."

Following the Offering, the Company will attempt to contract with a recorded music company, or other entity, to manufacture and distribute the Company's recorded music products through such entity's manufacturing facilities and distribution network. There can be no assurance that such an agreement will be reached or, if reached, that the terms will be advantageous to the Company. See "Business-- Development of Recorded Music Business--Manufacturing and Distribution."

Following the Offering, the Company may be engaged, with respect to its recorded music business, in licensing activities involving both the acquisition of rights to certain master recordings and compositions for its own projects and the granting of rights to third parties in the master recordings and compositions it owns. There can be no assurance that the Company will be able to obtain licenses from third parties on terms satisfactory to the Company or at all. See "Business--Copyrights."

RISKS ASSOCIATED WITH TALENT DEVELOPMENT

Currently, the Company has not entered into recording contracts with any artists. There can be no assurance that the Company will be able to attract artists, or, if the Company is able to attract such talent, that the Company will be able to develop that talent successfully or in such a manner that significant sales of artist product results. The Company will have to pay advances consistent with industry standards to secure the services of music artists. Should the artist's album not sell well, or should the artist fail to produce an album, the amount of the advance already paid to the artist is generally not recovered. There can also be no assurance that any of the artists to whom the Company makes advances will produce sales revenue for the Company, or if they do, that such revenue will be sufficient to recoup any advances made to them by the Company. In addition there can be no assurance that any artist developed by the Company will not request a release from his or her agreement with the Company. Because of the highly personal and creative nature of the artist's contractual obligations to the Company, it is not feasible to force an unwilling artist to perform the terms of his or her contract with the Company. If artists are signed, the loss of an artist could have a materially adverse

effect on the Company. See "Business--Development of Recorded Music Business--Relationship with Artists."

MANAGEMENT OF GROWTH

Following the Offering, the Company intends to grow and expand its business through internal expansion and through acquisitions. If such growth occurs, it will place demands on the Company's management, employees, operations and physical resources. To manage such growth, the Company will be required to continue to implement and improve its operating systems, attract and train additional qualified personnel and expand its facilities. The failure of the Company to effectively manage growth could have a materially adverse effect on the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business."

RELIANCE ON AND RISKS OF UNSPECIFIED ACQUISITIONS

Following the Offering, the Company will initiate its acquisition program which will focus on small complementary music and entertainment entities. Some of these acquisitions could be material in size and scope. The Company believes that its future growth depends, in part, upon the successful implementation of this program. The failure of the acquisition program could have a materially adverse effect on the Company. Many of these activities may require substantial working capital in addition to the direct acquisition costs. See "Business--Acquisition Program."

While the Company will continually be searching for acquisition opportunities, there can be no assurance that the Company will be successful in identifying attractive acquisitions. If any potential acquisition opportunities are identified, there can be no assurance that the Company will consummate such acquisitions or, if any such acquisition does occur, that it will be successful in enhancing the Company's business. The Company may in the future face increased competition for acquisition opportunities, which may inhibit the Company's ability to consummate suitable acquisitions and increase the expense of completing acquisitions. In addition, to the extent that the Company's acquisition program results in the acquisition of businesses, such acquisitions could pose a number of special risks, including the diversion of management's attention, the assimilation of the operations and personnel of the acquired companies, the integration of acquired assets with existing assets, adverse short-term effects on reported operating results, the amortization of acquired intangible assets and the loss of key employees.

Pursuant to its acquisition program, the Company will issue additional Common Stock which may dilute investors in the Offering. Additionally, with respect to most of its future acquisitions, the Company's stockholders will not have a chance to review the financial statements of companies being acquired or to vote on such acquisitions. See "Risk Factors--Dilution" and "Business--Acquisition Program."

FUTURE CAPITAL NEEDS; UNCERTAINTY OF FUTURE FUNDING

In order to implement its acquisition program or establish additional record labels or other businesses in the future, the Company may, in the future, require additional capital. In addition, even if the Offering is successfully completed, cash generated from operations may not be sufficient to fund the Company's requirements beyond the 12-month period following the date of this Prospectus. If and when the Company needs additional cash for such activities or requirements or if the Company otherwise requires additional funding, it may make additional equity or debt offerings or may borrow on the security of existing assets, the assets it is seeking to acquire or otherwise. The issuance of debt securities or borrowings could result in increased leverage and reduced or negative working capital. There can be no assurance that the Company will be able to obtain either equity or debt financing on terms acceptable to the Company, and the inability to obtain such financing could limit the Company's growth or have an adverse effect on its operations. The Company could issue debt or equity securities without the consent of persons who purchase Units in the Offering. The issuance of additional Common Stock could result in additional dilution. See "Use of Proceeds" and "Business--Acquisition Program."

COMPETITION

The Company currently competes with numerous other businesses and individuals who produce original music scores and advertising themes for television, radio and film, produce music videos and music specials for television and provide music artist management. Many of these businesses and individuals, including Crushing Enterprises, Elias Associates and JSM Music, Inc., with respect to commercial music, The End, Propaganda and DNA, with respect to video production and Gold Mountain Entertainment, Left Bank Management and H.K. Management, with respect to artist management, have greater financial resources, and in many instances have longer operating histories, than the Company. Following the Offering, the Company intends to establish an independent record label. With respect to this and future record labels, if any, the Company will face intense competition for discretionary consumer spending from numerous other record companies and other forms of entertainment offered by film companies, video companies and others. The Company will compete directly with other recorded music companies, including the six major recorded music companies, which distribute contemporary music, as well as with other record companies for signing artists and acquiring music catalogs. Many of these competitors have significantly longer operating histories, greater financial resources and larger music catalogs than the Company. The Company's ability to compete successfully in the recorded music business will be largely dependent upon its ability to sign and retain artists who will prove to be successful and to introduce music products which are accepted by consumers. See "Business--Competition."

QUARTERLY AND YEARLY FLUCTUATIONS; SEASONALITY

The Company believes the results of operations of its operating subsidiaries will be subject to seasonal variations, which variations may initially offset each other. However, once the Company enters into the recorded music business, the Company's results of operations from period to period may be materially affected by the timing of new record releases and, if such releases are delayed beyond the peak holiday season, the Company's operating results could be materially adversely affected. Additionally, due to the success of particular artists, artists touring schedules and the timing of music television specials, it is possible that the Company could also experience material fluctuations in revenue from year to year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

DEPENDENCE UPON MAJOR CUSTOMERS

Approximately $365,000 and $413,000 of commercial music production revenues (approximately 10% and 12% of total revenues) for the years ended June 30, 1996 and 1995, respectively, were derived from one advertising agency (Grey Advertising). For the three months ended September 30, 1996 and 1995, approximately $99,000 and $141,000, respectively, of commercial production revenues (approximately 9% and 12% of total revenues) were derived from the same advertising agency. Approximately $700,000 and $185,000 of music artist management revenues (approximately 19% and 5% of total revenues) for the years ended June 30, 1996 and 1995, respectively, were derived from two musical artists (Carly Simon and Daryl Hall & John Oates). For the three months ended September 30, 1996 and 1995, approximately $273,000 and $320,000, respectively, of music artist management revenues (approximately 25% and 28% of total revenues) were derived from three music artists (Carly Simon, Daryl Hall & John Oates and Coward) and two musical artists (Carly Simon and Daryl Hall & John Oates), respectively. For the years ended June 30, 1996 and 1995, approximately $518,000 and $778,000, respectively, of video production revenues (approximately 14% and 23% of total revenues) were derived from the production of videos for two artists (Meatloaf and Garth Brooks) and one artist (Reba McEntire), respectively. For the three months ended September 30, 1996 and 1995, approximately $468,000 and $374,000, respectively, of video production revenues (approximately 43% and 32% of total revenues) were derived from the production of videos for six and five artists, respectively. With respect to video production, the artists for whom videos are produced are varied and constantly changing and in any given year significant revenues may or may not be derived from the production of videos from any given artist. The loss of such customers or artists could have a materially adverse effect on the Company. Revenues generated by one customer or client in one year may not be indicative of the revenue which will be generated by such customer or client in any other year. In accordance with industry custom, the Company currently operates its business based upon oral agreements and purchase orders with its artists and customers. See "Management's Discussion and Analysis of Financial Conditon and Results of Operations."

INFRINGEMENT OF COMPANY'S COPYRIGHTED MATERIALS

In the future, if artists are signed, infringement of the Company's copyrights, in the form of unauthorized reproduction and sale of artists' recordings, may occur. If the Company achieves significant commercial success with one or more of its recordings, its recordings could be a target of "pirating"-- copying and sale in violation of the Company's copyrights in such recordings. It is impossible to estimate the potential loss in sales that could result from illegal copying and sales of the Company's recordings. The Company intends to enforce against unlawful infringement all copyrights owned by or licensed to it which are material to its business. See "Business--Copyrights."

POSSIBILITY OF BONUS WITHOUT PROFITS

Pursuant to the Employment Agreements, four bonus plans have been established primarily for the benefit of John Loeffler, Brian Doyle, Jon Small and Richard Flynn (the "Executives").

Under the first bonus plan, bonuses will be granted to each Executive based on earnings (as defined in the Employment Agreements) of the respective subsidiary or division which the Executive manages or co-manages. Generally the Executive receives approximately 60% of such earnings (with Messrs. Doyle and Flynn considered as one person for purposes of this calculation) up to a maximum of $375,000 of earnings for each of Rave and Picture Vision commencing with the fiscal year ending June 30, 1997 and $512,500 of earnings for All Access commencing with the fiscal year ending June 30, 1998. Messrs. Doyle and Flynn receive all earnings of All Access up to $325,000 of earnings for the year ending June 30, 1997. Each of the Executives will have the right to allocate any portion of the bonus granted to him to any of the employees of the respective subsidiary or division of such Executive. Under the second bonus plan, a bonus pool equal to 10% of the consolidated pretax earnings of the Company (after giving effect to the payment of all other bonuses), will be established for each fiscal year. Awards under this bonus pool will be granted to the

Company's employees at the discretion of the Company's Board of Directors. The third bonus plan has been established for the benefit of Brian Doyle, Richard Flynn and others designated by them based on cumulative profitability of the recorded music business to reward them based on a successful launch of the record label. The maximum aggregate bonus granted under this plan will be $600,000. No bonus under this plan will be granted until the completion of the first fiscal year in which the cumulative net earnings before taxes of the record label, including Brain Doyle's base salary paid by the record label, exceeds $1,000,000. No bonus will be granted under this plan after fiscal 2001. The fourth bonus plan has been established as an incentive for successful consummation of special projects pre-designated by the Compensation Committee. Such plan provides for a bonus, if the net profits (as defined in the Employment Agreements) from the special project exceed $1,000,000. Such bonus will be calculated on 15% of net profits realized therefrom in excess of any bonus paid to such Executive pursuant to the first bonus plan. After the payment of any bonus pursuant to the fourth bonus plan, there will be payable 15% of future royalty revenue derived from such special project.

Upon the closing of the Offering, John Loeffler and Jon Small will each receive an initial advance on future possible bonuses of $56,250. Upon the closing of the Offering, Richard Flynn and Brian Doyle will each receive an initial advance on future possible bonuses of $50,000 and $112,500, respectively. Thereafter, in each subsequent fiscal quarter the Company may grant, at the request of the Executives and upon the approval of the Compensation Committee, additional advances to be offset against bonuses payable. See "Management--Executive Compensation--Compensation Agreements."

Based on the foregoing, it is possible that one or more of the Executives may be paid bonuses, based upon their respective subsidiaries or divisions achieving the performance targets set forth above or based upon the successful completion of special projects, even though the Company as a whole may have suffered a loss for such year. See "Management--Executive Compensation--Compensation Agreements."

NO PRIOR PUBLIC MARKET AND POSSIBLE VOLATILITY OF PRICE

Prior to the Offering, there has been no public market for the Common Stock and Warrants, and there can be no assurance that an active public market for the

Common Stock and Warrants will develop or be sustained after the Offering. The stock market generally, and securities of entertainment companies in particular, have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of any particular company. The Company believes factors such as quarterly fluctuations in results of operations, timing of product releases, announcements of new products and acquisitions by the Company or by its competitors, changes in earnings estimates by research analysts, changes in accounting treatments or principles and other factors may cause the market price of the Common Stock and Warrants to fluctuate, perhaps substantially. These fluctuations, as well as general economic, political and market conditions, may adversely affect the market prices of the Common Stock and Warrants. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." The initial public offering price of the Units has been determined by negotiations among the Company and the Representative and may not be indicative of the prices that may prevail for the Common Stock and the Warrants in the public market, and is not necessarily related to the Company's asset value, net worth, results of operations or any other established criteria of value. See "Underwriting."

DILUTION

The initial public offering price of the Units offered hereby is substantially higher than the net book value of the currently outstanding Common Stock. Therefore, purchasers of the Units offered hereby will experience immediate and substantial dilution in the net tangible book value of the Common Stock in the amount of $3.49 per share (58%) (based on the assumed initial public offering price of $6.00 per Unit and assuming no portion of the initial public offering price is attributable to the Warrants). Existing stockholders paid an average of $.25 per share of Common Stock. See "Dilution."

Purchasers of the Common Stock offered hereby may experience dilution in the future as a result of Common Stock issued pursuant to the Company's acquisition program. See "Business--Acquisition Program."

DIVIDEND POLICY

The Company has never declared or paid a cash dividend on its Common Stock and does not expect to pay cash dividends in the foreseeable future. See "Dividend Policy."

CONTROL BY MANAGEMENT

Upon completion of the Offering, the Company's officers and directors and their respective affiliates will beneficially own approximately 49.6% (approximately 46.3% if the Over-Allotment Option is exercised in full) of the Company's outstanding Common Stock. Although no voting agreements or similar arrangements among such stockholders will exist upon completion of the Offering, if such stockholders were to act in concert in the future, they would effectively be able to elect all of the directors of the Company, approve or disapprove certain matters requiring stockholder approval and otherwise control the management and affairs of the Company, including the sale of all or substantially all of the Company's assets. Such concentration of control of the Company may also have the effect of delaying, deferring or preventing a third-party from acquiring a majority of the outstanding voting stock of the Company, may discourage bids for the Company's Common Stock at a premium over the market price and may adversely affect the market price of and other rights of the holders of Common Stock. See "Management" and "Principal Stockholders."

ANTI-TAKEOVER CONSIDERATIONS INCLUDING POSSIBILITY OF FUTURE ISSUANCE OF PREFERRED STOCK

The Company's Certificate of Incorporation authorizes the Company's Board of Directors to issue up to five million shares of preferred stock in one or more series, to fix the rights, preferences, privileges and restrictions granted to

or imposed upon any wholly unissued shares of preferred stock, to fix the number of shares constituting any such series, and to fix the designation of any such series, without further vote or action by its stockholders. The rights of the holders of Common Stock will be subject to, and may be materially adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock could have the effect of making it more difficult for a third party to acquire a majority of the outstanding voting stock of the Company. The Company has no present plans to issue shares of preferred stock. Also, Section 203 of the Delaware General Corporation Law restricts certain business combinations with any "interested stockholder" as defined by such statute. Any of the foregoing factors may delay, defer or prevent a change in control of the Company. See "Description of Securities--Preferred Stock" and "Description of Securities--Delaware Anti-Takeover Law."

RISK OF LIMITATION OF LIABILITY

The Company has included in its Certificate of Incorporation provisions to indemnify its directors and officers to the extent permitted by Delaware law. The Company's Certificate of Incorporation also includes provisions to eliminate the personal liability of its directors and officers to the Company and its stockholders to the fullest extent permitted by Delaware law. The Company's By-Laws provide that the Company will indemnify its directors, officers and employees against judgments, fines, amounts paid in settlement and reasonable expenses. See "Management--Limitation of Liability and Indemnification Matters".

RISK OF SALES OF SHARES ELIGIBLE FOR FUTURE SALE

The sale of a substantial number of shares of Common Stock, or the perception that such sales could occur, could adversely affect prevailing market prices for the Common Stock. In addition, any such sale or

perception could make it more difficult for the Company to sell equity securities or equity related securities in the future at a time and price that the Company deems appropriate. Upon consummation of the Offering, the Company will have a total of 2,080,333 shares of Common Stock outstanding, of which the 1,000,000 shares of Common Stock included in the Units will be eligible for immediate sale in the public market without restrictions, unless they are held by "affiliates" of the Company within the meaning of Rule 144 under the Securities Act, and of which 1,080,333 shares will be "restricted" securities within the meaning of Rule 144 under the Securities Act. Additionally, the Company has granted options to certain directors of the Company to purchase an aggregate of 25,000 shares of Common Stock. The holders of such 1,080,333 shares of Common Stock and such options have agreed that they will not directly or indirectly offer, sell, contract to sell, grant any option to purchase or otherwise dispose of any shares of Common Stock or any other equity security of the Company, or any securities convertible into or exercisable or exchangeable for, or warrants, options or rights to purchase or acquire, Common Stock or any other equity security of the Company, or enter into any agreement to do any of the foregoing, for a period of two years from the date of this Prospectus, with respect to the officers and directors, and for a period of one year with respect to the Selling Stockholders who are not also directors. Upon the expiration of such one year period, 61,667 of these shares will be eligible for resale and upon the expiration of such two year period (or earlier upon the consent of Donald & Co. Securities Inc., except that Donald & Co. Securities Inc. may not release the lock-up with respect to 16,666 shares of Common Stock held by two Selling Stockholders during the one year period following the effective date of the Offering) the remaining 1,018,666 shares will become eligible for resale commencing in October 1998 under Rule 144, subject to volume and other limitations of Rule 144. No prediction can be made as to the effect, if any, that future sales of shares of Common Stock, or the availability of shares for future sales, will have on the market price of the Common Stock from time to time or the Company's ability to raise capital through an offering of its equity securities. See "Principal Stockholders," "Description of Securities," "Shares Eligible for Future Sale" and "Underwriting."

NO SPECIFIC USE OF PROCEEDS; POTENTIAL REALLOCATION OF PROCEEDS

The Company has not designated any specific use for approximately $960,000

or 20% of the net proceeds from the Offering (assuming an initial public offering price of $6.00 per Unit), other than for working capital and other general corporate purposes. Accordingly, management will have significant flexibility in applying this portion of the funds obtained from the Offering. In addition, the Company may reallocate its anticipated use of proceeds from the Offering in response to, among other things, changes in its plans, unanticipated industry conditions, and future revenues and expenditures. See "Use of Proceeds."

CURRENT PROSPECTUS AND STATE REGISTRATION REQUIRED TO EXERCISE WARRANTS

Purchasers of Units will only be able to exercise the Warrants if (i) a current prospectus under the Securities Act relating to the Common Stock underlying the Warrants is then in effect and (ii) such Common Stock is qualified for sale or exempt from qualification under the applicable securities laws of the states in which the various holders of the Warrants reside. There can be no assurance that the Company will be able to maintain the effectiveness of a current prospectus covering the Common Stock underlying the Warrants. The value of the Warrants may be greatly reduced if a current prospectus, covering the Common Stock issuable upon the exercise of the Warrants, is not kept effective or if such Common Stock is not qualified, or exempt from qualification, in the states in which the holders of Warrants reside. See "Description of Securities--Warrants."

POTENTIAL ADVERSE EFFECT OF REDEMPTION OF WARRANTS

The Warrants may be redeemed by the Company at a redemption price of $.05 per Warrant upon 30 days' notice if the average closing bid price of the Common Stock has been equal to or greater than 120% of the then exercise price of the Warrants for 20 consecutive business days ending on the fifth day prior to

the notice of redemption. Redemption of the Warrants could force the holders to exercise the Warrants and pay the exercise price at a time when it may be disadvantageous for the holders to do so, to sell the Warrants at the then current market price when they might otherwise wish to hold the Warrants or to accept the redemption price, which, at the time the Warrants are called for redemption, is likely to be substantially less than the market value of the Warrants. See "Description of Securities--Warrants."

POSSIBLE DELISTING OF SECURITIES FROM THE NASDAQ SCM AND POSSIBLE MARKET ILLIQUIDITY

There can be no assurance that the Company will meet the criteria for continued listing of securities on the Nasdaq SCM. Continued listing criteria generally include a minimum of $2,000,000 in total assets, $1,000,000 in capital and surplus, a minimum bid price of $1.00 share of common stock and 100,000 shares in the public float. In addition, the common stock must have at least two registered and active market makers, must be held by at least 300 holders and the market value of its public float must be at least $200,000. If an issuer does not meet the $1.00 minimum bid price standard, it may remain on the Nasdaq SCM if the market value of its public float is at least $1,000,000 and the issuer has capital and surplus of at least $2,000,000. If the Company should become unable to meet the continued listing criteria of the Nasdaq SCM and is delisted therefrom, trading, if any, in the Common Stock and the Warrants would thereafter be conducted in the over-the-counter market in the so-called "pink sheets" or the "OTC Bulletin Board Service." As a result, an investor would likely find it more difficult to dispose of or to obtain accurate quotations as to the value of the Company's securities. Recently, a proposal has been made to increase the continued listing criteria on the Nasdaq SCM. If implemented as proposed, stricter criteria for continued listing on the Nasdaq SCM would be imposed, including the implementation of a $2,000,000 net tangible assets test, higher public float and market value of public float criteria and the implementation of new corporate governance rules. No assurance can be given that such proposal will be adopted, or, if adopted, will be adopted in its current form. See "Description of Securities."

POSSIBLE ADVERSE EFFECT OF PENNY STOCK RULES ON LIQUIDITY FOR THE COMPANY'S SECURITIES

If the Company's securities were delisted from the Nasdaq SCM, they may become subject to Rule 15g-9 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which imposes additional sales practice requirements on broker-dealers which sell penny stocks to persons other than

established customers and institutional accredited investors. For transactions covered by this Rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. Consequently, such Rule may affect the ability of broker-dealers to sell the Company's securities and may affect the ability of purchasers in the Offering to sell any of the securities acquired hereby in the secondary market.

The Commission has adopted regulations which generally define a penny stock to be any non-Nasdaq Stock Market equity security that has a market price (as therein defined) of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction by broker-dealers involving a penny stock, unless exempt, the rules require delivery, prior to a transaction in a penny stock, of a risk disclosure document relating to the penny stock market. Disclosure is also required to be made about compensation payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. If the Company's securities were subject to the rules on penny stocks, the market liquidity for the Company's securities could be severely adversely affected.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Units offered by the Company hereby are estimated to be approximately $4,800,000 ($5,583,000 if the Over-Allotment Option is exercised in full), assuming an initial public offering price of $6.00 per Unit and after deducting underwriting discounts and estimated expenses of the Offering.

The Company expects to use the net proceeds (assuming no exercise of the Over-Allotment Option) approximately as follows:

<TABLE>
<CAPTION>

APPLICATION OF PROCEEDS	APPROXIMATE DOLLAR AMOUNT	APPROXIMATE PERCENTAGE OF NET PROCEEDS
<S>	<C>	<C>
Establishment of the Company's recorded music business(1)	$ 1,680,000	35.0%
Acquisition program(2)	$ 1,200,000	25.0%
Expanding existing businesses(3)	$ 600,000	12.5%
Purchase of new equipment(4)	$ 360,000	7.5%
Working capital and general corporate purposes(5)	$ 960,000	20.0%
Total	$ 4,800,000	100.0%

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(1) Represents amounts to be used to establish the Company's recorded music business, including a minimum of $800,000 in the first year following the Offering for the establishment of the Company's record label, which amount includes the base salary of one of the Executives, anticipated artist advances, salaries for additional employees, recording costs and promotion and marketing expenses. The Company currently plans to allocate up to an additional $800,000 to its record label in the 12-month period following the first year of the Offering. Any amounts not allocated for the establishment of the Company's record label may be allocated to any additional record labels that may be acquired pursuant to the acquisition program. There can be no assurance that the Company will operate more than one record label. If no additional record labels are acquired, a portion of this amount may be transferred to working capital. If operating revenue from the recorded music subsidiary is not sufficient to meet its expenses, the Company will allocate additional funds out of working capital and general corporate purposes to help pay such expenses. See "Business--Development of Recorded Music Business."

(2) Represents amounts to be used for implementing the Company's acquisition program, including amounts to be used for acquiring entities and assets in accordance with the acquisition program and costs and expenses incurred in connection with the acquisition program. See "Business--Acquisition Program."

(3) Represents $200,000 to be used for expanding each of the Company's existing businesses, including upgrading facilities and equipment (other than new recording studio equipment) and expanding marketing and promotion. See "Business--Current Business."

(4) Represents amounts to be used for new recording studio equipment.

(5) Represents amounts to be used for working capital and general corporate purposes including corporate overhead, administration and ongoing professional fees. Does not include any amounts for base salaries or payments to any of the Company's Outside Directors (as herein defined), since, other than the base salary for one of the Executives, base salaries (including base salaries for the other Executives) and amounts payable to Outside Directors will be paid from operating revenue. Includes an aggregate of $275,000 in advance of possible future bonus compensation payable to John Loeffler, Jon Small, Brian Doyle and Richard Flynn which amounts will be repaid if they are not earned.

The allocation of the net proceeds from the Offering set forth above represents the Company's best estimates based upon its currently proposed plans and assumptions relating to its operations (including

assumptions regarding the timing and costs associated with the establishment of the Company's record label and costs associated with the acquisition program) and certain assumptions regarding general economic conditions. If any of these factors change, the Company may find it necessary or advisable to reallocate some of the proceeds within the above-described categories or to use portions thereof for other purposes. Any such shifts in the use of proceeds will be at the discretion of the Company. Upon completion of the Offering, the Company believes that net proceeds of the Offering, together with the Company's current cash and anticipated cash flow from operations, will be sufficient to fund its operations, including the expenses of its current businesses, its entrance into the recorded music industry and the acquisition program, for the 12-month period following the date of this Prospectus. Even if the Offering is successfully completed, cash generated from operations may not be sufficient to fund the Company's requirements beyond such 12-month period. Under such circumstances or if the Company otherwise requires additional funding, the Company would need to raise additional cash through the sale of equity or debt securities or obtain bank or other financing. The Company has no current arrangements with respect to, or sources of, additional financing, and there can be no assurance that additional financing, including any institutional financing, will be available to the Company if needed on commercially reasonable terms or at all. Any inability to obtain additional financing when needed could have a material adverse effect on the Company, including requiring the Company to significantly curtail or possibly cease its operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

If the Representative exercises the Over-Allotment Option in full, the Company will realize additional net proceeds (after deducting the underwriting discounts and the Representative's nonaccountable expense allowance) of $783,000. If the Warrants offered hereby are exercised, the Company will realize proceeds relating thereto of approximately $3,600,000, before any solicitation fees which may be paid in connection therewith. Such additional proceeds, if received, are expected to be used for working capital and general corporate purposes. See "Underwriting."

Proceeds not immediately required for the purposes described above will be invested principally in United States government securities, short-term certificates of deposit, money market funds or other short-term interest-bearing investments.

DIVIDEND POLICY

Since its inception, the Company has not paid any dividends on the Common Stock. The Company intends to retain future earnings, if any, that may be generated from the Company's operations to help finance the operations and expansion of the Company and, accordingly, does not plan, for the reasonably foreseeable future, to pay dividends to holders of the Common Stock. Any decision as to the future payment of dividends will depend on the results of operations and financial position of the Company and such other factors as the Company's Board of Directors, in its discretion, deems relevant.

DILUTION

The net tangible book value of the Company at September 30, 1996, after giving effect to the issuance of 82,333 shares of Common Stock subsequent thereto, was approximately $422,000 or $.39 per share of Common Stock. Net tangible book value per share represents the amount of total tangible assets less total liabilities, divided by the number of shares of issued and outstanding Common Stock. After giving effect to the sale of the 1,000,000 Units offered hereby at an assumed initial public offering price of $6.00 per Unit, the net tangible book value of the Company, as of September 30, 1996, would have been approximately $5,232,000 or $2.51 per share (assuming no portion of the initial public offering price is attributable to the Warrants). This represents an immediate increase in net tangible book value of $2.12 per share to existing stockholders and an immediate dilution of $3.49 per share to new stockholders purchasing Units in the Offering. The following table illustrates this per share dilution:

<TABLE>

<S>	<C>	<C>
Assumed initial public offering price.....		$ 6.00
Net tangible book value per share of Common Stock at September 30, 1996(1)(2).....	$ .39	
Increase per share attributable to new stockholders.....	2.12	
Net tangible book value per share of Common Stock after the Offering.....		2.51
Dilution per share to new stockholders.....		$ 3.49(3)

</TABLE>

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(1) Gives effect to the sale of 78,333 shares of Common Stock subsequent to September 30, 1996 at a price of $3.00 per share, less estimated expenses of $15,000.

(2) Gives effect to the issuance of 4,000 shares of Common Stock to an attorney subsequent to September 30, 1996 at a price of $3.00 per share, less deferred registration costs of approximately $12,000.

(3) This represents dilution of approximately 58%.

The following table summarizes, as of September 30, 1996, after giving effect to the issuance of 82,333 shares of Common Stock subsequent thereto, the differences between the number of shares purchased from the Company, the relative investment in the Company and the average price per share paid by existing stockholders and investors in the Offering, giving pro forma effect to the sale by the Company of the Units offered hereby at an assumed initial public offering price of $6.00 per Unit, assuming no portion of the initial offering price is attributable to the Warrants.

<TABLE>
<CAPTION>

	SHARES OWNED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
<S>	<C>	<C>	<C>	<C>	<C>
Existing stockholders.....	1,080,333(1)	51.9%	$ 267,820	4.3%	$ .25
New stockholders.....	1,000,000	48.1	6,000,000	95.7	$ 6.00
Total.....	2,080,333(1)	100.0%	$ 6,267,820	100.0%	

</TABLE>

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(1) Gives effect to the sale of 78,333 shares of Common Stock subsequent to September 30, 1996 at a price of $3.00 per share less estimated expenses of $15,000, and the issuance of 4,000 shares of Common Stock to an attorney subsequent to September 30, 1996 at a price of $3.00 per share.

CAPITALIZATION

The following table sets forth the capitalization of the Company: (i) at September 30, 1996, taking into account the initial capitalization of the Company and the effectiveness of the Exchange Agreement and (ii) at September 30, 1996 as adjusted to reflect the issuance and sale by the Company of the Units offered hereby (at an assumed initial public offering price of $6.00 per Unit and after deduction of underwriting discounts and estimated Offering expenses payable by the Company).

<TABLE>
<CAPTION>

<S>	AT SEPTEMBER 30, 1996	
	<C> ACTUAL	<C> AS ADJUSTED (1)(2)(3)(4)
Stockholders' Equity:		
Preferred Stock, $.01 par value per share; 5,000,000 shares authorized, no shares issued and outstanding	$ --	$ --
Common Stock, $.01 par value per share; 20,000,000 shares authorized; 998,000 shares currently issued and outstanding; 2,080,333 shares outstanding as adjusted	9,980	20,803
Capital in excess of par value	189,932	5,021,266
Retained earnings	13,245	191,087
Common Stock subscription receivable	(1,250)	(1,250)
Total capitalization	$ 211,907	$ 5,231,906

</TABLE>

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(1) To record the sale of 1,000,000 Units at an assumed initial public offering price of $6.00 per share after providing for approximately $600,000 in expenses of the Offering payable by the Company and $600,000 in underwriting discounts.

(2) Gives effect to the sale of 78,333 shares of Common Stock subsequent to September 30, 1996 at a price of $3.00 per share, less estimated expenses of $15,000.

(3) Gives effect to the issuance of 4,000 shares of Common Stock to an attorney subsequent to September 30, 1996, at a price of $3.00 per share, less deferred registration costs of approximately $12,000.

(4) Gives effect to the pro forma reclassification of retained earnings to capital in excess of par value of two subsidiaries which had been previously classified as "S" corporations.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The summary financial information set forth below is derived from the consolidated financial statements included elsewhere in this Prospectus and should be read in conjunction with such consolidated financial statements and the notes thereto.

<TABLE>
<CAPTION>

<S>	FISCAL YEARS ENDED JUNE 30,		THREE MONTHS ENDED SEPTEMBER 30,	
	<C> 1996	<C> 1995	<C> 1996	<C> 1995
STATEMENT OF OPERATIONS DATA:				
Revenues	$ 3,638,192	$ 3,379,848	$ 1,087,988	$ 1,149,660
Operating expenses:				
Cost of sales	1,939,807	2,096,076	559,701	567,288
Marketing, selling general and administrative	1,610,097	1,386,270	455,160	387,283
Total operating expenses	3,549,904	3,482,346	1,014,861	954,571
Income (loss) before income taxes	88,288	(102,498)	73,127	195,089
Income taxes	10,500	--	1,200	9,000
Net income (loss)	$ 77,788	$ (102,498)	$ 71,927	$ 186,089
Income (loss) before pro forma income taxes (credits) (1)	$ 88,288	$ (102,498)	$ 73,127	$ 195,089
Pro forma income taxes (credits) (1)	26,000	(37,000)	22,000	78,000
Pro forma net income (loss) (1)	$ 62,288	$ (65,498)	$ 51,127	$ 117,089
Pro forma net income (loss) per common share (1)(2)	$ .06	$ (.07)	$ .05	$ .11
Weighted average shares outstanding	1,039,167	990,667	1,039,167	1,039,167

</TABLE>

<TABLE>
<CAPTION>

<S>	JUNE 30, 1996	SEPTEMBER 30, 1996	
	<C>	<C>	<C>
	ACTUAL	ACTUAL	AS ADJUSTED(3)(4)(5)(6)
BALANCE SHEET DATA:			
Working capital	$ 39,754	$ 112,932	$ 5,142,931
Total assets	330,009	361,266	5,381,265
Total current liabilities	190,029	149,359	149,359
Retained earnings	119,160	191,087	13,245
Total stockholders' equity	139,980	211,907	5,231,906

</TABLE>

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(1) Pro forma data gives effect to two of the Company's subsidiaries terminating their "S" corporation status effective on October 9, 1996 and restates the prior periods.

(2) Pro forma net income (loss) per common share is computed based upon the weighted average number of shares of Common Stock outstanding during the periods and gives effect to certain adjustments described below. Pursuant to the requirements of the Securities and Exchange Commission (the "Commission"), all stock issued within the 12 months immediately preceding the initial filing of the Registration Statement for the Offering at a price below the anticipated initial public offering price, totaling 1,080,333 shares of Common Stock, have been included in the calculation for all periods presented.

(3) As adjusted to give effect to the pro forma reclassification of retained earnings to capital in excess of par value of two subsidiaries which had been previously classified as "S" corporations.

(4) As adjusted to give effect to the sale of 1,000,000 Units in the Offering (after deduction of underwriting discounts and estimated expenses to be incurred by the Company in connection with the Offering) at an assumed initial public offering price of $6.00 per Unit. See "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(5) As adjusted to give effect to the sale of 78,333 shares of Common Stock subsequent to September 30, 1996 at a price of $3.00 per share.

(6) As adjusted to give effect to the issuance of 4,000 shares of Common Stock to an attorney subsequent to September 30, 1996.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following discussion of the consolidated financial condition and related results of operations of the Company should be read in conjunction with the Company's consolidated financial statements and the related notes thereto included elsewhere in this Prospectus.

While the Company's subsidiaries have operating histories, the Company was incorporated in Delaware in July 1996 and has no history as a consolidated enterprise. Management therefore believes that the period to period comparisons of the Company's results of operations are not indicative of the results that may be expected for the fiscal year ending June 30, 1997. See "Risk Factors--Recently Consolidated Entity; No Assurance of Future Profitability," "--Certain Risks Inherent in the Recorded Music Industry," "--Management of Growth," and "--Risks Associated With Talent Development."

GENERAL

The Company currently derives most of its revenues from: the production of original music scores and advertising themes for television, radio, and film; the production of music videos used to promote music artists and music specials and programs for television networks and other video broadcasters; and the management of music artists. The Company's commercial music production revenues and the related production costs are recognized upon acceptance of the music production by the client. Royalty and residual income is recognized when received. Music video production revenues and related production costs are recorded upon completion for short term (less than a month) projects. For music video projects with a longer duration, video production revenues and related production costs are recorded using the percentage-of-completion method which recognizes income on the project as work on the project progresses. Music artist management revenues are recognized when received. In accordance with industry custom, the Company currently operates its business based upon oral agreements and purchase orders with its artists and customers.

The Company believes the results of operations of its operating subsidiaries will be subject to seasonal variations, which variations may initially offset each other. However, once the Company enters into the recorded music business, the Company's results of operations from period to period may be materially affected by the timing of new record releases and, if such releases are delayed beyond the peak holiday season, the Company's operating results could be materially adversely affected. Additionally, due to the success of particular artists, artists touring schedules and the timing of music television specials, it is possible that the Company could also experience material fluctuations in revenue from year to year. See "Risk Factors--Quarterly and Yearly Fluctuations; Seasonality."

During the next twelve months of operations, the Company expects to expand its three wholly-owned subsidiaries (Rave, Picture Vision, and All Access), establish its record label, and implement its acquisition program. The Company's failure to expand its business in an efficient manner could have a material

adverse effect upon the Company's business, operating results and financial condition. In addition, there can be no assurance that the Company will grow at a rate that will support its increasing overhead and the expenses of its expansion.

MANUFACTURING AND DISTRIBUTION

The Company anticipates that it will enter into manufacturing and distribution agreements for the production and sale of the Company's future music products (CDs, cassettes, music videos) with a recorded music company, or other entity, which has existing manufacturing and distribution capabilities. There can be no assurance that such agreements will be reached on terms advantageous to the Company, or at all. See "Risk Factors--Certain Risks Inherent in the Recorded Music Industry."

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, statement of operations data as a percentage of revenues.

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30,		THREE MONTHS ENDED SEPTEMBER 30,	
<S>	<C>	<C>	<C>	<C>
	1996	1995	1996	1995
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of sales	53.3	62.0	51.4	49.3
Gross profit	46.7	38.0	48.6	50.7
Marketing, selling, general and administrative	44.3	41.0	41.8	33.7
Income (loss) before income taxes	2.4%	(3.0)%	6.8%	17.0%

</TABLE>

THREE MONTHS ENDED SEPTEMBER 30, 1996 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1995

Commercial music production revenues increased to $179,375 for the three months ended September 30, 1996 from $175,620 for the three months ended September 30, 1995, an increase of $3,755 or 2.1%, while commercial music production costs of sales decreased to $64,807 for the three months ended September 30, 1996 from $72,268 for the three months ended September 30, 1995, a decrease of $7,461, or 10.3%. The increase in revenues was primarily due to an increase of residual and royalty income partially offset by a minor decrease in production of demos and commercial scores. The decrease in costs was primarily due to the minor decrease in the production of demos and commercial scores. The level of residual and royalty income varies from period to period based upon the number of compositions airing at any one time, the medium on which such compositions are aired and the frequency of such airings. Royalty and residual income has no cost of sales associated with it. As a result of the foregoing, gross profit as a percentage of commercial music production revenues increased to 63.9% for the three months ended September 30, 1996 from 58.9% for the three months ended September 30, 1995.

Video production revenues decreased to $633,693 for the three months ended September 30, 1996 from $654,430 for the three months ended September 30, 1995, a decrease of $20,737 or 3.2%, while video production costs of sales decreased to $494,894 for the three months ended September 30, 1996 from $495,020 for the three months ended September 30, 1995, a decrease of $126 or less than 1%.

Gross profit as a percentage of video production revenues decreased to 21.9%

for the three months ended September 30, 1996 from 24.4% for the three months ended September 30, 1995. The average gross profit earned on the Company's video productions in each period cannot be predicted and varies from period to period. This decrease was primarily due to the Company earning a lower gross profit on more of its productions in this period than in the prior period.

Music artist management revenues decreased to $274,920 for the three months ended September 30, 1996 from $319,610 for the three months ended September 30, 1995, a decrease of $44,690 or 14.0%. The decrease was attributable to a decrease in the number concerts performed by one artist. The Company's music artist management operations have no cost of sales associated with it since no products are produced.

The Company's marketing, selling, general and administrative expenses increased to $455,160 for the three months ended September 30, 1996 from $387,283 for the three months ended September 30, 1995, an increase of $67,877 or 17.5%. The increase was primarily attributable to an increase in salaries.

The Company's income before income taxes decreased to $73,127 for the three months ended September 30, 1996 from $195,089 for the three months ended September 30, 1995, a decrease of $121,962 or 62.5%. The decrease was primarily due to a decrease in revenues and an increase in marketing, selling, general and administrative expenses.

FISCAL 1996 COMPARED TO FISCAL 1995

Commercial music production revenues increased to $820,835 for the fiscal year ended June 30, 1996 from $804,041 for the fiscal year ended June 30, 1995, an increase of $16,794 or 2.1%, while commercial music production costs of sales decreased to $343,716 for the fiscal year ended June 30, 1996 from $346,372 for the fiscal year ended June 30, 1995, a decrease of $3,006 or 1.0%. The increase in revenues was primarily due to an increase of residual and royalty income partially offset by a decrease in production of demos and commercial scores.

Gross profit as a percentage of commercial music production revenues increased to 58.2% for the fiscal year ended June 30, 1996 from 56.9% for the fiscal year ended June 30, 1995. The increase was primarily attributable to an approximately 25% increase of royalty and residual income received during fiscal 1996, which royalty and residual income has no cost of sales associated with it.

Video production revenues decreased to $2,090,388 for the fiscal year ended June 30, 1996 from $2,389,990 for the fiscal year ended June 30, 1995, a decrease of $299,602 or 12.5%. Video production revenue was greater in fiscal 1995 than in fiscal 1996 primarily because of the completion in fiscal 1995 of the production of a music special for television, which generated approximately $778,000 of revenues.

Cost of sales for video production decreased to $1,596,091 for the fiscal year ended June 30, 1996 from $1,750,304 for the fiscal year ended June 30, 1995, a decrease of $153,613 or 8.8%. The decrease was primarily attributable to the decrease in video production revenues.

Gross profit as a percentage of video production revenues decreased to 23.6% for the fiscal year ended June 30, 1996 from 26.8% for the fiscal year ended June 30, 1995. The decrease was primarily attributable to the Company earning a lower average gross profit on its video productions in fiscal 1996 than in fiscal 1995. The average gross profit on video productions in fiscal 1995 was greater than in fiscal 1996 primarily because of the production of a music special for television completed during fiscal 1995 on which the Company recognized a gross profit of approximately 35%.

Music artist management revenues increase to $726,969 for the fiscal year ended June 30, 1996 from $185,817 for the fiscal year ended June 30, 1995, an increase of $541,152 or 291%. The increase was primarily attributable to a full 12 months of operations in fiscal 1996 compared to only 10 months of operations in fiscal 1995. The Company's music artist management operations has no cost of sales associated with it.

The Company's marketing, selling, general and administrative expenses increased to $1,610,097 for the fiscal year ended June 30, 1996 from $1,386,270 for the fiscal year ended June 30, 1995, an increase of $223,827 or 16.2%. These expenses as percentage of gross revenues increased to 44.3% for the fiscal year ended June 30, 1996 from 41.0% for the fiscal year ended June 30, 1995, or 3.3%. This increase was primarily due to increased revenues in fiscal 1996 as compared to fiscal 1995 and a full 12 months of operations for the Company's music artist management subsidiary which subsidiary typically has higher marketing, selling, general and administrative expenses than the Company's commercial music production subsidiary and its video production subsidiary.

The Company's income before income taxes increased to $88,288 for the fiscal year ended June 30, 1996 from a loss of $102,498 for the fiscal year ended June 30, 1995, an increase of $190,786 or 186%. This increase was primarily attributable to the full year of operations for the Company's music artist management subsidiary in fiscal 1996 which included the months of July and August 1995. These months are typically such subsidiary's best revenue producing months because of the heavy summer touring of the artists under management.

LIQUIDITY AND CAPITAL RESOURCES

During the quarter ended September 30, 1996, the Company used net cash from operating activities in the amount of $81,207 as compared to $195,086 for the quarter ended September 30, 1995. This decrease was primarily attributable to the decrease in net income.

During the quarter ended September 30, 1996, the Company used cash for investing activities in the amount of $14,221. The cash was primarily used for the purchase of property and equipment.

During the quarter ended September 30, 1996, the Company used cash for financing activities in the amount of $5,000, which represented expenses of the Offering, as compared to cash used in the amount of $57,500, during the quarter ended September 30, 1995, which was used for repayment of officer loans.

Net cash provided by operating activities was $63,616 and $40,259 for the years ended June 30, 1996 and 1995, respectively. This increase was primarily due to an increase in income from operations and a reduction of accounts receivable, partially offset by a decrease in accounts payable.

The Company used cash for investing activities in the amount of $24,573 and $84,763 for the years ended June 30, 1996 and 1995, respectively. The cash was primarly used for the purchase of property and equipment.

The Company used cash in financing activities in the amount of $62,500 for the year ended June 30, 1996. The cash was primarily used for the repayment of officers loans. Net cash provided by financing activities in the amount of $72,500 for the year ended June 30, 1995 was attributable to the issuance of Common Stock and the receipt of proceeds from officers loans.

In December 1996, All Access borrowed $100,000 from a bank (the "All Access Loan"). Such loan is due on August 30, 1997, has an interest rate of prime plus 1.5%, is secured by all of the assets of All Access and has been guaranteed by Brian Doyle, Richard Flynn and the Company. The proceeds of such loan were used

for working capital. Such loan will be repaid out of operating revenues.

At June 30, 1996 and at September 30, 1996 the Company had working capital of approximately $40,000 and $113,000, respectively. Subsequent to September 30, 1996, the Company received an additional approximately $235,000 from the sale of Common Stock to the Selling Stockholders and an additional $100,000 from the All Access Loan. Upon completion of the Offering, the Company believes that net proceeds of the Offering, together with the Company's current cash and anticipated cash flow from operations, will be sufficient to fund its operations, including the expenses of its current businesses, its entrance into the recorded music industry and the acquisition program, for the 12-month period following the date of this Prospectus. Even if the Offering is successfully completed, cash generated from operations may not be sufficient to fund the Company's requirements beyond such 12-month period. Under such circumstances or if the Company otherwise requires additional funding, the Company would need to raise additional cash through the sale of equity or debt securities or obtain bank or other financing. The sale of additional equity could result in additional dilution to the Company's stockholders. There can be no assurance that the Company would be able to sell such securities or obtain such credit on acceptable terms, or at all. The Company's inability to fund its capital requirements would have a material adverse effect upon the Company's business, financial condition and results of operations. See "Risk Factors-- Recently Consolidated Entity; No Assurance of Future Profitability," "--Certain Risks Inherent in the Recorded Music Industry," "--Future Capital Needs; Uncertainty of Future Funding," "--Management of Growth" and "Use of Proceeds."

INFLATION

The impact of inflation on the Company's operating results has been insignificant in recent years, reflecting generally lower rates of inflation in the economy. While inflation has not had a material impact on operating results, there is no assurance that the Company's business will not be affected by inflation in the future.

BUSINESS

GENERAL

The Company is a music and entertainment company focused on providing music driven content for the music and entertainment industry. The Company's current businesses include: the commercial production of original music scores and advertising themes for television, radio and film; the production of music videos and music specials for television; and music artist management. The Company's operations are currently conducted through its three wholly-owned operating subsidiaries: Rave, Picture Vision, and All Access. The Company provides a range of in-house products and services for music driven content production, which combination of in-house products and services, the Company believes, is not provided by other independent music companies. The Company believes that this combination of in-house products and services provide it with certain competitive advantages potentially resulting in lower costs and greater convenience for its customers.

Following the Offering, the Company's strategy is to: (i) invest in and expand its current businesses; (ii) establish one record label; and (iii) commence an acquisition program to acquire or develop small complementary music driven businesses. Through the implementation of this strategy, the Company intends to expand the range of music driven products and services it provides and the size of its business.

THE MUSIC INDUSTRY

Currently, the production of original music scores and advertising themes for television, radio and film, the production of music videos and music video specials for television, and music artist management are carried out by individuals and/or small privately held niche companies. Generally, each such individual and/or small company engages in only one of the foregoing businesses.

The recorded music business, unlike the current businesses of the Company, is currently dominated by operating divisions of six major multi-billion dollar international companies: Warner Bros. Records Inc., PolyGram Records, Inc., Sony Corporation of America, BMG Music, MCA Inc./Universal City Studios, Inc. and

Thorn EMI Music. These six major recorded music companies also have their own publishing divisions and distribution systems. The remainder of the recorded music business is represented by numerous small independent recorded music companies, smaller distribution companies and smaller publishing companies. These companies are called independents simply because they are not one of the six major recorded music companies. The Company believes that none of the six major recorded music companies currently produce original music scores and advertising themes for television, radio and film, produce music videos and music video specials for television, or provides music artist management.

Currently, most independent music companies specialize in only one aspect of the music industry (such as niche-oriented record labels, jingles, video production, artist management, concert promotion and genre-oriented publishing or distribution). In response to the consolidation in the recorded music industry, independent music companies are now increasingly recognizing the need to adopt new strategies and form strategic alliances in order to stay competitive.

CURRENT BUSINESS

COMMERCIAL MUSIC

The Company's commercial music production business is conducted through Rave, which was founded in 1986 by John Loeffler, the President of the Company. The Company creates original music scores and advertising themes for television, radio, and film. This business involves creating original music, hiring musicians, recording music in its in-house recording studios and submitting final, ready to use, compositions.

The Company is one of a number of small music production companies who specialize in the creation of music scores and advertising themes for television, radio and film. While there are several companies who produce more of such music than the Company, such as Crushing Enterprises, Elias Associates, JSM Music Inc. and tomandandy, the Company believes that it is one of the larger producers of such music in New York, where a majority of such music is produced.

The Company typically works with advertising agencies to help create the music soundtracks for commercials. Once the Company has been solicited for its services it reviews the information provided by its client and produces a rough version of the proposed production ("demo"). The fees for producing a "demo" range from $750 to $2,000. The experience of the Company is that it is hired to produce finished soundtracks based on the demo less than 15% of the time.

The Company utilizes the services of musicians, singers and engineers who are independent contractors to work with the composer to produce the final soundtrack in the Company's recording studios. The fee for a final soundtrack ranges from $5,000 to $15,000. Creative/arranging fees and the fees of the musicians, singers, engineers and studio expenses are paid by the client. The Company retains its intellectual property rights in its musical compositions. Royalty and residual distributions are paid by Broadcast Music, Inc. ("BMI") or ASCAP to the Company, the composer and the performers for the various uses of the actual compositions. These residual fees can exceed the creative fees.

The Company has six recording studios at its New York headquarters. The Company currently owns the equipment contained in one 24 track analog recording studio and one digital midi recording studio. The Company's four other recording studios contain digital midi recording equipment owned by independent contractors who work exclusively for the Company. The Company has an oral understanding with such independent contractors for the free use of this equipment when it is not in use. The Company anticipates that when it moves into its new facilities all of this equipment will be relocated to such new facilities.

Rave has produced over 2,000 commercial scores to date, and usually completes an additional 3 or 4 per week. Rave has received music awards for its work, including awards from ASCAP. See "Management--Directors, Executive Officers and Key Personnel of the Company."

The Company believes that its commercial music business has begun to derive benefits from the availability of resources of the Company's other businesses. Through its relationships with various music artists, the music artist management business has provided the commercial music business with either well-known artists or artists whose style or sound would be ideal for a particular commercial soundtrack. There can be no assurance that such efficiencies will continue to be achieved.

VIDEO PRODUCTION

The Company's music video and television music special production business is conducted through Picture Vision, which was founded in 1984 by Jon Small, an Executive Vice President of the Company. The Company produces music videos, used to promote music artists, as well as music specials and programs for television networks and other video broadcasters. In connection with this business the Company, utilizing both in-house capabilities and independent contractors, directs, produces, story-writes, art directs, scouts locations, produces special effects, edits, contracts, and manages the production.

Once the Company is solicited by a music company and asked to produce a music video, it will receive a copy of the recording and develop a concept for the video, which is referred to as the "treatment" or the "script." If the concept is approved, the Company will submit a budget proposal to its client. If the budget is approved, the production process is commenced. The Company has a very limited time from concept to budget approval, and therefore, must be very accurate in its budgeting. The Company gets paid the lump sum budget amount and retains as profit all amounts not used for production costs and expenses. The profit for any given job will increase if it is directed and produced by one of the Company's in-house

directors or producers. This is not always possible as a client may wish to use their own director or producer or the Company may be producing more jobs than its in-house personnel can accommodate. The Company does not retain any of the intellectual property rights in its videos.

Once production begins, the Company hires the crew, which includes, the actors, the lighting designer, the art director, the wardrobe person and the hair and make-up artist. The Company also finds the locations for the videos, rents the appropriate equipment for the production, builds the required sets, obtains insurance, arranges for meals and produces a shooting schedule. The video is typically shot in one to five days and a rough copy is then sent to the appropriate individuals for review. If any editorial changes are requested, such changes are made and then the final high quality video is delivered. This entire process typically takes between one and three weeks.

The Company also produces music video television specials, and has also produced a limited number of television commercials, the production of which is similar in many ways to music video production. Following the Offering, the Company will explore the possibility of expanding its television commercial production operations.

Picture Vision has produced numerous music videos and television music video specials for many well known artists. The Company has won MONITOR and ACE awards. For work he directed for Picture Vision, Mr. Small was awarded the "1995 Music Video Director Of The Year" by the Country Music Association. See "Management--Directors, Executive Officers and Key Personnel of the Company."

The Company believes that its video production business has begun to derive benefits from the Company's other businesses. Producing television commercials involves similar resources and skills to producing music videos. Through its relationships with various people in the advertising industry, the commercial music business can create opportunities in commercials for the video production component of the Company. There can be no assurance that such efficiencies will continue to be achieved.

MUSIC ARTIST MANAGEMENT

The Company's music artist management services are provided by All Access, which was founded in 1994 by Brian Doyle and Richard Flynn, each an Executive Vice President of the Company. In the music industry, artist management means working with an artist in every facet of his or her career. For developing artists, the Company provides assistance in the following ways: building a support team for the artist (including an attorney, an account/business manager and booking agent); securing appropriate recording and publishing contracts; promoting sales of records; and developing touring opportunities. For established artists, the Company provides strategic planning to help maintain and advance the artists career in areas including touring, recording and record

sales; publishing and ancillary uses of the artists music (such as motion picture sound tracks). The Company specializes in developing and implementing strategic plans for its artists that include personalized marketing and promotion strategies with continuous monitoring and follow through to hopefully ensure the success of each phase of the plan. Additionally, the Company acts as a liaison between its clients and all of their other advisors and also offers a full range of administrative support with respect to every aspect of its clients careers.

The Company has a variety of sources for new artists. The Company receives many referrals from within the industry due to its reputation in the music artist management business. Recorded music companies prefer to work with "known entities" and will recommend management companies to newly acquired artists who are unrepresented. Music industry attorneys, who often work with unsigned artists in the expectation that they may eventually get signed and have a career, are also a source of referrals. Likewise business managers, accountants, producers and occasionally publishing companies serve as sources of referrals. In addition, the Company's representatives spend a good deal of time in small clubs and local music venues listening to new music and following up industry leads. The Company receives approximately five to ten "demo" tapes a month through referrals and directly from artists in search of management. Various members of the staff will listen to these tapes searching for the "better" talent. Only

when the Company identifies what it believes to be an exciting prospect will the Company consider pursuing that artist. The Company generally will hear an artist four or five times in live performances before deciding to sign such artist. The Company's philosophy is to develop a relationship with artists before actually signing them. This relationship building process can take up to six months before it is mutually agreed that the artist is ready for management. The artist must demonstrate a willingness to listen to management, to take advice and direction, and to pursue his or her career diligently.

The leading commercially successful artists typically have an exclusive arrangement with a management company. A few management companies have under contract a large number of artists (more than 10). The majority of management companies have a relatively small number of artists under contract (less than 10). The balance of the industry consists of a number of very small shops that principally represent a number of unsigned artists. To maximize client service and minimize overhead, it is the intention of the Company to maintain a roster of eight to ten artists (with three or four established artists and four or five developing artists). In addition, as the Company builds relationships with new artists, the Company may be working with up to six additional unsigned artists that are not generating income.

The Company currently manages the careers of eight music artists and/or music groups. For providing its services, the Company is paid commissions typically ranging from 15% to 20% of the entertainment related gross earnings (less certain minimal standard industry costs) of its clients. The Company's policy, in accordance with industry practice, is to pay up to 5% of commissions received to certain non-executive employees who either identify, develop and/or manage such artists. With respect to music artist management, the Company's most well known artists are Carly Simon and Daryl Hall & John Oates, who, collectively, generated approximately 96% and 99% of the Company's music artist management revenue in 1996 and 1995, respectively. The Company also represents Daryl Hall, Thin Lizard Dawn, Screaming Headless Torsos, Stacy Wilde, Coward, and Fat. In accordance with industry practice, the Company typically does not enter into written management contracts with the artists it represents. However, the Company does adhere to agreed upon fee structures with its artists and in the future may try to enter into written agreements with certain of its artists to the extent practicible.

The Company believes that its music artist management business has begun to derive benefits from the Company's other businesses. Existing clients of the Company's music artist management business may find the television commercial opportunities provided by the Company's commercial music division to be attractive. Additionally, with music videos becoming such an important promotional tool for artists, being able to provide music video production services gives the music artist management business an advantage in soliciting potential clients. There can be no assurance that such efficencies will continue to be achieved.

DEVELOPMENT OF RECORDED MUSIC BUSINESS

GENERAL

The Company will enter into the recorded music business by establishing one independent record label under a soon-to-be formed subsidiary, PRM. It is anticipated that this record label will be a contemporary label featuring alternative and adult contemporary artists. The Company will seek to sign artists believed to have commercial appeal, but who will not require substantial advances or special production facilities. Typically these artists will be commercially unknown recording artists. The Company will also seek to hire established producers who are attracted to the potentially greater independence and flexibility which it is believed can be offered by an independent music company. PRM will be under the direction of Brian Doyle and Richard Flynn and will, to the extent practicable, utilize the in-house recording studios and video production services of the Company. Until it can support a higher level of overhead, PRM will, to the extent practicable, use the existing resources of the Company, particularly those employed in its artist management services business. Based on industry and demographic trends, the Company has chosen to position its record label as a contemporary label featuring alternative and adult

contemporary artists. The Company believes that this format will expand as people over 30 years old continue to purchase music and constitute a growing percentage of music purchasers.

Following the Offering, the Company will explore the acquisition of additional record labels in accordance with its acquisition program, and may also seek to enter other areas of the recorded music business depending on the opportunities present in such areas. Currently, the Company has no agreements or plans with respect to such additional labels and has no agreements or plans to enter into any such other areas of the recorded music business. There can be no assurance that the Company will establish any record labels other than its initial label or will ever enter into any other area of the recorded music business.

PRODUCTION

Average music production costs for the Company's releases will be budgeted below what the Company believes to be the industry average. The Company believes that part of the budget savings will come from the use, to the extent possible, of its integrated facilities and services by its artists as well as from the willingness of its artists to forgo the substantial advances and other benefits paid to the top recording artists by the major music companies. It is also important to note that most independent music companies do not have the facilities and services which the Company currently owns and can provide. Consequently, the Company believes that it will experience a cost advantage over other small independent music companies. The Company will also try to keep production costs low by utilizing producers and musicians with whom the Company has a relationship.

The Company's average accompanying video production costs (when applicable) will be budgeted below the industry average for a high quality video. This will be possible because, to the extent practicable, videos will be produced by the Company's video production division.

As an artist gains recognition, it is common practice to allocate larger production budgets to their subsequent releases. The Company will follow this strategy on a selective basis.

MANUFACTURING AND DISTRIBUTION

The Company currently has no manufacturing capability. Following the Offering, the Company anticipates that it will be able to enter into agreements with other companies to provide for the manufacturing of the Company's products. There can, however, be no assurance that such an agreement will be reached or, if reached, that the terms will be advantageous to the Company.

Historically, the strategy of the major music companies has been to control distribution channels. Nevertheless, the market shares of independent distributors, rack jobbers (independent contractors that manage music departments of department stores such as K-Mart and Wal-Mart), mail order companies, touch-tone 800 number sales and television sales have all increased, and the Company believes that this growth, fueled by ongoing changes in the marketplace, will continue. Another trend is the consolidation of retail outlets into large retail chains, thus making it easier to place products in more stores

while dealing with fewer people. The Company also expects that interactive, in-home marketing through the internet, telephone, satellite relays, or other evolving technologies will have a significant effect on distribution in the future. However, there is little agreement as to precisely what this effect will be. The Company believes that control and ownership of the creative products will be a key factor in the new market where distribution can be accomplished more quickly and inexpensively.

Typical distribution for an independent recorded music company is through either a major recorded music company-owned branch system or through independent distributors. The major recorded music company-owned companies offer national distribution, consistent market visibility, accounts receivable and collection administration. Independent distributors offer similar services, but normally on a much smaller scale.

Currently, the Company has no distribution agreements. Following the Offering, the Company will commence negotiations for distribution. There can, however, be no assurance that such an agreement will be reached or, if reached, that the terms will be advantageous to the Company.

The Company may in the future enter into agreements with one or more foreign distributors for distribution of its albums outside of the United States. Such agreements will not be entered into unless the Company believes that one or more of its albums can be sold profitably in foreign markets or that such distribution strategically positions the Company for future sales. The Company has no present plans with respect to foreign sales and there is no assurance that the Company will develop or pursue any such plans in the future.

PROMOTION

The traditional and most effective means of promoting recorded music is by radio air play. Obtaining radio air play for a new release is an extremely competitive process. The trend by radio stations to focus more on particular music formats has made it easier for independent producers to target those stations most likely to air a specific recording. Independent regional promoters are often hired to gain air play and, in certain markets, they are quite effective in gaining air play for a release. Public and college radio stations are useful venues for lesser known artists. Music videos are also a vital means of promoting artists and records.

Songs that are aired on a major radio station are chosen by the program director, often in conjunction with a format consultant. Once a recording is aired, the amount of repeat play it receives depends upon listener requests and feedback, as well as actual sales data. Since listener response and sales depend in large measure on how often a release is aired, building a commercial hit depends on an ongoing cycle of air play and sales. Nurturing this cycle requires constant marketing attention and careful coordination with advertising, concert schedules and other promotional activities. Other promotional tools include print advertising, retail promotions and concert tours. Additionally, getting music video airplay on MTV or VH-1, or other video stations or programs, or on their niche oriented programs, is also essential to the success of a recording music artist and their records.

The key to finding an audience for new artists is to properly coordinate all these promotional activities to maximize awareness and exposure. The Company will, where possible, use its in-house expertise to direct or assist with the promotional activities with respect to its artists. By coordinating or providing assistance with these activities, to the extent practicable, in-house, costs will be further kept under control. Following the Offering, the Company will hire additional promotional personnel.

RELATIONSHIP WITH ARTISTS

Following the Offering, the Company's plan is to sign and develop new or emerging music artists and, to the extent practicable, sign established artists. The Company intends to recruit new and emerging artists and to enter into exclusive, long-term recording contracts (expected to cover an initial album, with options to record four to seven additional albums, at the Company's discretion). The Company will concentrate its resources on a small number of artists, developing a tailored marketing and promotion plan for each. There can be no assurance that the Company will be able to attract new and emerging music talent or established artists, or, if the Company is able to attract such talent, that the Company will be able to develop that talent successfully or in such a manner so as to produce significant sales.

If the Company develops commercially successful music artists, there can be

no assurance that the Company will be able to maintain its relationships with such artists even if it has entered into exclusive recording contracts with them. Furthermore, performing artists occasionally request releases from their exclusive recording agreements. Among the reasons that may cause an artist to engage in so-called "label jumping" are expectations of greater income, advances or promotional support by a competing label. There can be no assurance that any given artist developed by the Company will not determine to request a

release from his or her agreement with the Company. Because of the highly personal and creative nature of the artist's contractual obligations to the Company, it is not feasible to force an unwilling artist to perform the terms of his or her contract with the Company. If the Company does release a "label jumping" artist from his or her contract, it may be able to obtain an "override royalty" as consideration for the release. Override royalties are customarily paid by the released artist's new recording company and are based on a percentage of the suggested retail selling price or wholesale price (depending on the particular label in question), subject to certain deductions. Such royalties are payable with respect to a negotiated number of the artist's albums after release from his or her existing contract.

The Company will seek to contract with its artists on an exclusive basis for the marketing of their recordings in return for a percentage royalty on the retail selling price of the recording. The Company will generally seek to obtain rights on a worldwide basis. A typical contract for an artist may provide for a number of albums to be delivered, with advances against royalties being paid upon delivery of each album, although advances are often made prior to recording. The Company will generally have an option to take each album that the artist is contracted to deliver, exercisable within an agreed period of time, usually a few months following delivery of the previous album. Normally, if an option is not exercised, the artist has no obligation to deliver additional albums. Provisions in contracts with established artists vary considerably and may, for example, require the Company to release a fixed number of albums and/or contain an option exercisable by the Company covering more than one album. The Company will seek to obtain rights to exploit product delivered by the artists for the life of the product's copyright. Under the contracts, advances are normally recoupable against royalties payable to the artist. The Company will seek to recoup a portion of certain marketing and tour support costs, if any, against artist royalties.

Contracts either provide for the artists to deliver completed recordings or for the Company to undertake the recording with the artist. If the recording costs are advanced by the Company, they are added to the advances paid to the artist and recouped against royalties payable to the artist. The Company's staff is involved in selecting producers, recording studios, any additional musicians needed and songs to be recorded, as well as supervising the output of recording sessions, although for experienced artists, such involvement may be less. The Company will produce music videos of single songs for promotional purposes (clips) and longer music programs (for example, concert programs). Income from music videos is derived from the sale of videocassettes and from the publishing of music included in such videos. It is unlikely that the Company will provide artist management services to an artist with whom it has entered into a recording agreement.

ACQUISITION PROGRAM

The music and entertainment industry includes six major companies in the area of recorded music and thousands of smaller independent music entities in the area of recorded music and the broader music business. The Company believes that many owners of independent music entities do not enjoy certain benefits which the Company intends to offer. These benefits include the ability to provide a broader range of services to their clients and greater liquidity and potential for capital enhancement through ownership of a publicly traded entity. Other benefits that the Company believes it can provide acquired entities are access to capital, management expertise and a broad range of industry contacts.

The Company's acquisition program will concentrate on small complementary music driven businesses in the music and entertainment industry. The Company believes that it can implement its acquisition strategy based on the following:

SIZE. Initially, the Company will focus on transactions of up to $5 million in cost. The Company believes that there are acquisition opportunities in this price range and that targets of this size often get overlooked because smaller music companies generally do not have sufficient capital or the requisite expertise to engage in such transactions while larger companies typically focus on larger

transactions. If the assets of the Company increase, it may review acquisitions in excess of $5 million. However, the significant portion of its acquisitions are still expected to be $5 million or below.

TYPE. The Company will focus its acquisition activities on small complementary music driven businesses such as independent record labels and small independent entities in the music and entertainment industry which operate in, among other areas, the areas of video production, commercial music, music artist management, marketing, publishing, and music oriented television production. The Company will focus on what the Company believes are established companies with a financial performance history.

EFFICIENCY. Targeting acquisitions in areas as to which the Company's existing management has expertise will allow the Company to attempt to achieve efficiencies by hopefully permitting the Company to merge much of the overhead of acquired companies into the Company's existing infrastructure, thereby hopefully reducing costs.

MOMENTUM. The Company will focus on acquiring companies which are complementary to the Company's current businesses and which can hopefully be integrated into the Company's current operations. This is intended to enable the Company to strengthen its current businesses while expanding into new areas of the music industry. If the Company continues to strengthen its core businesses and expand into other aspects of the music industry, the Company believes it will become easier for the Company to acquire the pieces which it needs to hopefully develop and grow according to its strategy.

CONSIDERATION. The Company intends to pursue its acquisition program by acquiring companies with Common Stock, cash, debt instruments or a combination thereof.

COMPLEXITY. Due to the complexity involved in acquiring and integrating additional entities and their assets, many smaller entities with whom the Company competes do not have the expertise or desire to compete for such acquisitions.

There can be no assurance that the acquisition program will be successful, that companies acquired by the Company will be profitable or that the Company will grow into a profitable mid-sized independent music and entertainment company. See "Risk Factors."

COPYRIGHTS

The Company's intended recorded music business, like that of other companies involved in recorded music, will primarily rest on ownership or control and exploitation of musical works and sound recordings. The Company's music products, including its commercial music, are and will be protected under applicable domestic and international copyright laws.

Although circumstances vary from case to case, rights and royalties relating to a particular recording typically operate as follows: When a recording is made, copyright in that recording vests either in the recording artist (and is licensed to the recording company) or in the record company itself, depending on the terms of the agreement between them. Similarly, when a musical composition is written, copyright in the composition vests either in the writer (and is licensed to a music publishing company) or in a publishing company. A public performance of a record will result in money being paid to the writer and publisher. The rights to reproduce songs on soundcarriers are obtained by record companies or publishers from the writer. The manufacture and sale of a soundcarrier results in mechanical royalties being payable by the record company to the performer at industry agreed or statutory rates for the use of the composition and by the record company to the recording artists for the use of the recording. The Company operates in an industry in which revenues are adversely affected by the unauthorized reproduction of recordings for commercial sale, commonly referred to as "piracy," and by home taping for personal use.

Potential publishing revenues may be derived from the Company's ownership interest in musical compositions, written in whole or in part by the Company's artists. Management anticipates securing a partial ownership position in the copyright to any compositions written by its recording artists, where such rights are available and have not been previously sold or assigned. Generally, revenues from publishing are generated in the form of: (1) mechanical royalties, paid by the record company to the publisher for the mechanical duplication of the copyright to a particular composition (as distinct from the copying of the artist's performance of that composition); (2) performance royalties, collected and paid by performing rights entities such as ASCAP and BMI for the actual

public performance of the composition as represented by radio airplay, Musak, or as a theme or jingle broadcast in synchronization with a visual image via television; (3) sub-publishing revenues derived from copyright earnings in foreign territories, and publishers in those territories acting as designated collection agents for the Company; and (4) licensing fees derived from printed sheet music, uses in synchronization with images as in video or film scores, computer games and other software applications, and any other use involving the composition.

Following the Offering, the Company may be engaged, with respect to its recorded music business, in licensing activities involving both the acquisition of rights to certain master recordings and compositions for its own projects and the granting of rights to third parties in the master recordings and compositions it owns. There can be no assurance that the Company will be able to obtain licenses from third parties on terms satisfactory to the Company or at all.

COMPETITION

The Company currently competes with numerous other businesses and individuals who produce original music scores and advertising themes for television, radio and film, produce music videos and music specials for television and provide music artist management. Currently, the production of original music scores and advertising themes for television, radio and film, the production of music videos and music video specials for television, and music artist management are carried out by individuals and/or small privately held niche companies. Generally, each such individual and/or small company engages in only one of the businesses. Many of these businesses and individuals including Crushing Enterprises, Elias Associates and JSM Music, Inc., with respect to commercial music, The End, Propaganda and DNA, with respect to video production and Gold Mountain Entertainment, Left Bank Management and H.K. Management, with respect to artist management, have greater financial resources, and in many instances longer operating histories, than the Company.

Following the Offering, the Company intends to establish an independent record label. With respect to this and future record labels, if any, the Company will face intense competition for discretionary consumer spending from numerous other record companies and other forms of entertainment offered by film companies, video companies and others. The Company will compete directly with other recorded music companies, including the six major recorded music companies, which distribute contemporary music, as well as with other record companies for signing artists and acquiring music catalogs. Many of these competitors have significantly longer operating histories, greater financial resources and larger music catalogs than the Company. The Company's ability to compete successfully in the recorded music business will be largely dependent upon its ability to sign and retain successful artists and to introduce music products which are accepted by consumers.

The Company does not believe that there are currently any independent music companies which offer the range of services which will be provided by the Company following the completion of the Offering.

EMPLOYEES/INDEPENDENT CONTRACTORS

As of December 11, 1996, the Company had 9 employees, of whom 5 were located at the Company's New York offices and 4 were located in Nashville, Tennessee. The Company's employees consist of its

executive officer and support staff. None of the Company's employees is represented by a labor union. The Company has not experienced any work stoppage and considers relations with its employees to be good.

As is customary in the music business, the Company also utilizes the services of artists, performers, composers, producers, engineers, roadies, booking agents and others who are independent contractors. These independent contractors hire out their services on an as needed basis and receive a set fee from the Company per assignment. Independent contractors are utilized because

the individuals providing these services do so only on this basis, the services performed by these independent contractors are not needed on a full time basis or the services of independent contractors are less expensive than having full time employees perform these services.

FACILITIES

The Company leases office space at three locations. Its headquarters and commercial music recording studios are located in New York City, where it sub-leases approximately 9,000 square feet at an annual rate of $50,000, pursuant to a sub-lease that will expire in May 1997. The Company's artist management business leases space in New York City at an annual rate of $41,481 pursuant to a lease that will expire in February 1997. It is anticipated that such lease will be extended to August 1997. The Company's music video production business leases 2,050 square feet of office space in Nashville, Tennessee, at an annual rate of $17,000 pursuant to a lease expiring in August 2000. The Company has entered into a lease for approximately 15,000 square feet of space in New York City, which lease has a 12-year term. The rent, including operating expense increases, under such lease is an average of approximately $160,000 per annum in years one to five, an average of approximately $222,000 per annum in years six to ten and approximately $286,000 per annum in years eleven and twelve. Such lease also contains tax escalations. This lease is currently being held in escrow and will become effective only if and when the Company pays the landlord the first months rent and the security deposit thereunder. If such payments are not made by February 1, 1997, this lease will not become effective and the Company will have no further obligations thereunder. The Company anticipates that this lease will become effective prior to February 1, 1997 and that it will move all of its New York operations to these new facilities by May 1997. Recording studios will be constructed at the cost of the Company at these facilities prior to when the Company moves in.

MANAGEMENT

DIRECTORS, EXECUTIVE OFFICERS AND KEY PERSONNEL OF THE COMPANY

The Company's directors and executive officers are as follows:

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NAME	AGE	POSITION WITH THE COMPANY
<S>	<C>	<C>
John Loeffler	45	President, Chief Executive Officer and Chairman of the Board
Jon Small	49	Executive Vice President and Director
Brian Doyle	40	Executive Vice President and Director
Richard Flynn	39	Executive Vice President, Treasurer, Secretary and Director
Robert Klein	43	Vice President Corporate Relations and Director
Paul Thomas Cohen	44	Director
Thomas J. Edelman	45	Director

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MR. JOHN LOEFFLER is a co-founder of the Company and has been President, Chief Executive Officer and Chairman of the Board of Directors since the Company's inception in 1996. From 1986 to September 1996, Mr. Loeffler was the Chief Executive Officer and sole stockholder of Rave. From 1986 to 1995, Mr. Loeffler was the President of Rave. Rave's roster of staff composers and producers regularly produced four to five commercial soundtracks per week. Rave's clients include: Domino's Pizza, Downey Fabric Softner, Hertz and Coca Cola. Mr. Loeffler was awarded by ASCAP as one of television's "Most Performed" composers in 1988 and 1989 for his title themes of the television shows "Kate & Allie," "Another World," and NBC's "Friday Nite Videos." He also composed the theme for New York City's Channel 4 NBC Evening News, and recently completed the themes for the new syndicated TV show, "WMAC Masters", ESPN's "Survival of the Fittest", Robin Leach's "Home Videos of the Stars", the New York Marathon and ESPN's "US Open", as well as two NBC Summer Olympic '96 Specials. Prior to 1986, Mr. Loeffler was a composer and producer at Sherman and Kahan, a commercial music production company in New York City. Since 1979, he has also been a consulting music director to Grey Advertising. Mr. Loeffler graduated from Williams College, Cum Laude, in 1973.

MR. JON SMALL has been an Executive Vice President, and a director of the Company since its inception in 1996. Since September 1996, Mr. Small has been the Chief Executive Officer of Picture Vision. From 1984 to September 1996, Mr.

Small had been President and the sole stockholder of Picture Vision. Picture Vision has produced, executively-produced and or directed over 300 video musical productions of such performers as Whitney Houston, Madonna, Anita Baker, Ray Charles, Van Morrison, Rod Stewart, Reba McEntire, Billy Joel, Garth Brooks and Sting. Previously, as a musician/performer, Mr Small toured, or recorded with The Kinks, The Doobie Brothers, and Billy Joel. While at Picture Vision, Mr. Small produced and or directed specials for Disney and HBO and has received several Grammy nominations. While at Picture Vision, Mr. Small also produced and directed specials and long form programs including NBC's 1994 Thanksgiving Special "Reba! Live in Concert", the Disney special "Billy Joel Live at Yankee Stadium", Julio Iglesias's "Non Stop Far East Tour", Van Morrison's "The Concert", Billy Joel's "Live from Long Island", Anita Baker's "One Night of Rapture", Hall & Oates' "Live from the Apollo Theater", Donald Fagen's "New York Rock and Soul Revue", and several shows for the ABC Network's series "Live in Concert". While at Picture Vision, Mr. Small has won Ace and Monitor awards for Best television Music Specials and has received two Grammy nominations for his work with Billy Joel. He received Country Music awards for Best Video of the Year, awards for Cable Excellence (ACE), and Monitor Awards. He has been awarded Gold Medals by the International Film & TV Festival. In addition, the Academy of Country Music set a precedent by choosing two of Mr. Small's videos out of the final five in the "Videos of the Year" category.

MR. BRIAN DOYLE has been an Executive Vice President and a director of the Company since the Company's inception in 1996. Since September 1996, Mr. Doyle has been the Chief Executive Officer of

All Access. He founded All Access in late 1994 and until September 1996 had been the President and co-owner of All Access. He currently manages Daryl Hall and John Oates, Carly Simon, and others. From 1991 to 1994 Mr. Doyle served as CEO/President of Horizon Entertainment and Management Group, Inc. ("Horizon"). Horizon's clients included Mariah Carey, John Mellencamp, and Daryl Hall & John Oates. His responsibilities included managing the overall achievement of the company's strategic objectives, development and control of the client roster, coordinating worldwide marketing efforts for clients, serving as artists liaison to MTV, VH-1 and other media outlets, and interfacing on behalf of clients with record companies and professional services consultants. In addition, he provided specialized personal management services for clients including career planning and development, music development, and song acquisition. Mr. Doyle has also produced HBO and Lifetime television specials.

MR. RICHARD FLYNN has been an Executive Vice President and Secretary of the Company since its inception, has been a director since October 9, 1996 and has been Treasurer since December 1996. Since September 1996 Mr. Flynn has been President of All Access. From September 1994 to September 1996, Mr. Flynn has been the Managing Partner and co-owner of All Access. From March 1990 until September 1994. Mr. Flynn served as General Counsel to Horizon. He provided legal services to Horizon and its clients Mariah Carey, John Mellencamp, Daryl Hall & John Oates, and other artists. In addition, Mr. Flynn assisted in all aspects of artist management for Horizon's clients. Since 1983, Mr. Flynn has been a practicing attorney in New York State specializing in entertainment, corporate and public sector law. Since 1989, he has provided legal representation, financial management, and consulting services to artists and entertainers, including negotiating recording, publishing, production, performance and endorsement contracts.

MR. ROBERT KLEIN is a co-founder of the Company, was an Executive Vice President and Treasurer of the Company from inception through December 1996, has been a director of the Company since its inception and has been Vice President Corporate Relations since December 1996. From 1992 to 1996 Mr. Klein was an independent financial consultant. Prior to that time, from 1990 and 1992 Mr. Klein was a Senior Vice President of Corporate Finance at Laidlaw Holdings, Inc. From 1986 to 1990 Mr. Klein worked at D.H. Blair & Company, Inc. Prior to 1986 Mr. Klein worked for various companies including Shearson Lehman Brothers. Mr. Klein will be involved with corporate relations and will consult on acquisitions.

MR. PAUL THOMAS COHEN has been a director of the Company since October 9, 1996. Since 1987, Mr. Cohen has been an investment banker and a consultant to the media and entertainment industries. As an advisor to such clients as Time-Life, Time Inc., The New York Times, NBC, and Rolling Stone Magazine, he has been involved in licensing, alliances and other strategic initiatives involving new media activities in both the on-line services and CD-ROM arenas. From 1984 to 1987, Mr. Cohen served as Co-Executive Officer of Herzfeld & Stern, a mid-size brokerage firm. Mr. Cohen graduated from Williams College in 1974 and received an MBA from Columbia University in 1976.

MR. THOMAS J. EDELMAN has been a director of the Company since October 9, 1996. Since 1981, Mr. Edelman has been a director and president of Snyder Oil Corporation. In 1996, Mr. Edelman was appointed Chairman and Chief Executive Officer of Patina Oil and Gas Corporation, an affiliate of Snyder Oil. He is also chairman and chairman of the board of Lomak Petroleum, Inc. From 1980 to 1981, Mr. Edelman was a Vice President of The First Boston Corporation. From 1975 through 1980, Mr. Edelman was with Lehman Brothers Kuhn Loeb Incorporated. Mr. Edelman received his Bachelor of Arts Degree from Princeton University and his Masters Degree in finance from Harvard University's Graduate School of Business Administration. Mr. Edelman is also a director of Petroleum Heat & Power Co., Inc., a Connecticut-based fuel oil distributor, and Star Gas Corporation, a private company which distributes propane.

The Executive Advisory Committee, consisting of Brian Doyle, Richard Flynn, John Loeffler, Jon Small and Robert Klein, advises the Board of Directors on important matters affecting the Company.

The Compensation and Stock Option Committee, consisting of Paul Thomas Cohen and Thomas Edelman, makes recommendations to the Board of Directors concerning compensation, including incentive arrangements, of the Company's officers and key employees and others and administers the Option Plan and determines the officers, key employees and others to be granted options under the Option Plan and the number of shares subject to such options.

The Audit Committee, consisting of Paul Thomas Cohen and Thomas Edelman, reviews the engagement of the Company's independent accountants and the independence of the accounting firm, the audit and non-audit fees of the independent accountants and the adequacy of the Option Plan and the Company's internal control procedures.

All directors of the Company are elected by the stockholders, or in the case of a vacancy, by the directors then in office, to hold office until the next annual meeting of stockholders of the Company and until their successors are elected and qualified or until their earlier resignation or removal.

All officers of the Company serve at the discretion of the Board of Directors. There are no family relationships between any director, executive officer or person nominated or chosen to become a director or officer and any other such persons.

The Company also employs the following key employees and/or advisors:

ROBERT FEAD, Corporate Development Advisor. From 1992 to the present Mr. Fead has been the President of Burt Bachrach Music Group. From 1987 to 1992 Mr. Fead was President and Chief Executive Officer of Paramounts Famous Music. From 1985 to 1987 Mr. Fead was President of Alpha Records and from 1984 to 1985 was President of RCA Records. From 1968 to 1984 Mr. Fead was Director of Marketing of A&M Records. Mr. Fead will assist in the Company's acquisition activities, corporate development and label negotiations.

JOHN SIEGLER, President of Rave. Since 1995 Mr. Siegler has been President of Rave. From 1989 to 1995 Mr. Siegler was a senior producer/composer for Rave. Mr. Siegler has been a recipient of a number of gold and platinum record awards. Mr. Siegler is a producer, composer, and performer who has worked, independent of Rave, with: Bette Midler, Mick Jagger, Jeff Beck, Stevie Nicks, Roger Daltry, Daryl Hall and John Oates, Meatloaf, Edgar Winter, Richie Havens, Herbie Mann, Cher, Todd Rundgren, and others. Mr. Siegler has recorded over 100 albums as a featured musician and musical collaborator.

LIMITATION OF LIABILITY AND INDEMNIFICATION MATTERS

The Company has included in its Certificate of Incorporation provisions to indemnify its directors and officers to the extent permitted by Delaware law. The Company's Certificate of Incorporation also includes provisions to eliminate the personal liability of its directors and officers to the Company and its stockholders to the fullest extent permitted by Delaware law. Under current law, such exculpation would extend to an officer's or director's breaches of fiduciary duty, except for (i) breaches of such person's duty of loyalty, (ii) those instances where such person is found not to have acted in good faith, (iii) those instances where such person received an improper personal benefit as the result of such breach and (iv) acts in violation of Section 174 of the Delaware General Corporation Law.

The Company's By-Laws provide that the Company will indemnify its directors, officers and employees against judgments, fines, amounts paid in settlement and reasonable expenses.

The Company will enter into an Indemnification Agreement ("Indemnification Agreement") with each of its directors and officers. Each Indemnification Agreement will provide that the Company will indemnify the indemnitee against expenses, including reasonable attorneys' fees, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with any civil or criminal action or administrative proceeding arising out of his or her performance of his or her

duties as a director or officer, other than an action instituted by the director or officer. Each Indemnification Agreement will permit the director or officer that is party thereto to bring suit to seek recovery of amounts due under such Indemnification Agreement and will require that the Company indemnify the director or other party thereto in all cases to the fullest extent permitted by applicable law.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following summary compensation table sets forth the aggregate compensation paid or accrued by the Company for the fiscal years ended June 30, 1996, 1995 and 1994 to John Loeffler, the Company's Chief Executive Officer and to Jon Small, Brian Doyle and Richard Flynn, each an Executive Vice President of the Company (collectively the "Named Executive Officers"). No other executive officer received annual compensation in excess of $100,000 for the fiscal years ended June 30, 1996, 1995 and 1994.

<TABLE>
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		ANNUAL COMPENSATION(1)	
<S>	<C>	<C>	<C>
NAME AND PRINCIPAL CAPACITIES IN WHICH SERVED	YEAR	ANNUAL SALARY	ALL OTHER COMPENSATION(2)
John Loeffler	1996	$ 218,000	$ 71,000
Chief Executive Officer	1995	170,000	77,000
	1994	134,000	70,000
Jon Small	1996	$ 88,000	$ 89,000
Executive Vice President	1995	184,000	172,000
	1994	113,000	103,000
Brian Doyle	1996	$ 101,000	$ 48,000
Executive Vice President	1995	0	35,000
Richard Flynn	1996	$ 101,000	$ 48,000
Executive Vice President	1995	0	35,000

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(1) The Company was incorporated in July 1996. Compensation for prior periods represents amounts paid by Rave, Picture Vision and All Access to their respective employees. All Access commenced operations in September 1995. See "Business--Executive Compensation--Employee Agreements."

(2) Includes amounts paid by the Company for the benefit of such executive, including amounts paid for lodging, transportation, insurance, entertainment and other perquisites.

The Company plans to obtain key-person life insurance coverage in the face amount of $500,000 for each of Messrs. Loeffler, Small, Doyle and Flynn naming

the Company as beneficiary under such policies.

COMPENSATION OF DIRECTORS

Directors who are not employees or officers of the Company or associated with the Company ("Outside Directors") receive $500 for each Board of Directors and committee meeting attended. In addition all directors are reimbursed for certain expenses in connection with attendance at Board of Directors and committee meetings. Other than with respect to reimbursement of expenses, Directors who are employees or officers of the Company or who are associated with the Company do not receive additional compensation for service as a director.

Additionally, for the period from January 1, 1997 through June 30, 1997, the Outside Directors will, on July 1, 1997, receive $12,000, payable half in cash and half in Common Stock valued at the initial public offering price. Thereafter, Outside Directors will be paid at the rate of $18,000 per fiscal year, payable

quarterly with such payment to be half in cash and half in Common Stock valued on the last day of the applicable quarter.

Outside Directors will also receive non-qualified options to purchase 5,000 shares of Common Stock for each year of service, payable in advance, with the first of such options to be granted to Paul Thomas Cohen and Thomas J. Edelman upon the closing of the Offering. The initial options will be exercisable at the initial public offering price. Thereafter, the option exercise price will be the closing bid price of the Common Stock on the first trading day of each fiscal year, commencing July 1, 1997. Such options will be fully vested upon grant, and have a term of five years.

COMPENSATION AGREEMENTS

In October 1996, the Company entered into the Employment Agreements with each of the Executives. Each of the Employment Agreements becomes effective upon the closing of the Offering and is for a term of three years. Each of the Executives is required to devote substantially all of his business efforts to the affairs of the Company although specific, pre-existing limited activities are permitted. Pursuant to the Employment Agreements, John Loeffler, who serves as the Company's President, Chief Executive Officer and Chairman of the Board of Directors and Jon Small, an Executive Vice President of the Company, earn a base salary of $160,000, and Brian Doyle and Richard Flynn, who each serve as Executive Vice Presidents of the Company, each earn a base salary of $150,000.

Pursuant to the Employment Agreements, four bonus plans have been established primarily for the benefit of the Executives. Under the first bonus plan, bonuses will be granted to each Executive based on earnings (as defined in the Employment Agreements) of the respective subsidiary or division which the Executive manages or co-manages. Generally the Executive receives approximately 60% of such earnings (with Messrs. Doyle and Flynn considered as one person for purposes of this calculation) up to a maximum of $375,000 of earnings for each of Rave and Picture Vision commencing with the fiscal year ending June 30, 1997 and $512,500 of earnings for All Access commencing with the fiscal year ending June 30, 1998. Messrs. Doyle and Flynn receive all earnings of All Access up to $325,000 of earnings for the year ending June 30, 1997. Each of the Executives will have the right to allocate any portion of the bonus granted to him to any of the employees of the respective subsidiary or division of such Executive. Under the second bonus plan, a bonus pool equal to 10% of the consolidated pretax earnings of the Company (after giving effect to the payment of all other bonuses), will be established for each fiscal year. Awards under this bonus pool will be granted to the Company's employees at the discretion of the Company's Board of Directors. The third bonus plan has been established for the benefit of Brian Doyle, Richard Flynn and others designated by them based on cumulative profitability of the recorded music business to reward them based on a successful launch of the record label. Under this bonus program, $250,000 will be granted in the first fiscal year in which cumulative net pretax profits of the record label, including Brian Doyle's base salary paid by the record label, exceed $1,000,000. An additional bonus of $250,000 shall be granted in the first

fiscal year in which cumulative net pretax profits of the record label, including Brian Doyle's base salary paid by the record label, exceed $2,000,000. An additional bonus of $100,000 shall be granted in the first fiscal year in which cumulative net pretax profits of the record label, including Brian Doyle's base salary paid by the record label, exceed $2,400,000. No bonus will be granted under this plan after fiscal 2001 and the maximum aggregate bonus under this plan will be $600,000. The fourth bonus plan has been established as an incentive for successful consummation of special projects pre-designated by the Compensation Committee. Such plan provides for a bonus, if the net profits (as defined in the Employment Agreements) from the special project exceed $1,000,000. Such bonus will be calculated on 15% of net profits realized therefrom in excess of any bonus paid to such Executive pursuant to the first bonus plan. After the payment of any bonus pursuant to the fourth bonus plan, there will be payable 15% of future royalty revenue derived from such special project.

Upon the closing of the Offering, John Loeffler and Jon Small will each receive an initial advance on possible future bonuses of $56,250. Upon the closing of the Offering, Richard Flynn and Brian Doyle will

each receive an initial advance on possible future bonuses of $50,000 and $112,500 respectively. Thereafter, in each subsequent fiscal quarter the Company may grant, at the request of the Executives and upon approval of the Compensation Committee, additional advances to be offset against bonuses payable.

Each of the Executives has the right to participate in the benefit plans established by the Company for the benefit of its key executives. If an Executive is discharged for cause, the Company is entitled to immediately terminate such Executive's Employment Agreement. If an Executive dies or is unable to perform his duties on account of illness or other incapacity and such Executive's Employment Agreement is terminated, he or his legal representative is to receive the Executive's base salary for the remainder of the term of the Employment Agreement. If an Executive voluntarily terminates his employment with the Company, he is entitled to receive compensation accrued through the date of termination. Additionally, the Employment Agreements contain confidentiality and non-competition clauses.

Prior to the consummation of the Offering, the Company will enter into a Consulting Agreement with Mr. Thomas J. Edelman, a director of the Company, which agreement will commence on January 1, 1997 and terminate on July 1, 1998. Pursuant to such agreement, Mr. Edelman will receive a payment of $90,000 on July 1, 1998 in exchange for making his services available through June 30, 1998. Such agreement will not cover acquisitions which are introduced to the Company by Mr. Edelman, transactions on which he is asked to assist in an advisory capacity or payments for services, if any, beyond those which would normally be provided by a director. Mr. Edelman will receive additional compensation, as determined by the Company's Board of Directors, for such services.

STOCK OPTIONS

In October 1996, the Board of Directors adopted and the stockholders approved the 1996 Option Plan (the "Option Plan"). The Option Plan allows for the grant of incentive stock options ("ISOs") (within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), non-qualified stock options ("NQSOs") and/or Stock Appreciation Rights ("SARs") to directors, agents and employees of, and consultants to, the Company. The Option Plan further provides for the grant of NQSOs to directors, agents of, and consultants to, the Company, whether or not employees of the Company. The purpose of the Option Plan is to attract and retain exemplary employees, agents, consultants and directors. Options and SARs granted under the Option Plan may not be exercisable for terms in excess of 10 years from the date of grant. In addition, no options or SARs may be granted under the Option Plan later than 10 years after the Option Plan's effective date. The total number of shares of Common Stock with respect to which options and SARs will be granted under the Option Plan is 185,000. The shares subject to and available under the Option Plan may consist, in whole or in part, of authorized but unissued stock or treasury stock not reserved for any other purpose. Any shares subject to an option or SAR that terminates, expires or lapses for any reason, and any shares purchased pursuant to an option and subsequently repurchased by the Company pursuant to the terms of the option, shall again be available for grant under the Option Plan.

The Option Plan will be administered by the Compensation and Stock Option Committee which will be composed solely of two or more "Non-Employee Directors" within the meaning of paragraph (b)(3) of Rule 16b-3 promulgated under the Exchange Act, which will determine, in its discretion, among other things, the recipients of grants, whether a grant will consist of ISOs, NQSOs or SARs, or a combination thereof, and the number of shares of Common Stock to be subject to such options or SARs. The exercise price of options granted under the Option Plan shall not be less than the fair market value per share on the date of grant, as determined by such committee.

The Option Plan contains certain limitations applicable only to ISOs granted thereunder. To the extent that the aggregate fair market value, as of the date of grant, of the shares to which ISOs become exercisable for the first time by an optionee during the calendar year exceeds $100,000, the ISO will be treated as a NQSO. In addition, if an optionee owns more than 10% of the Company's stock at the time

the individual is granted an ISO, the option price per share cannot be less than 110% of the fair market value per share and the term of the option cannot exceed five years.

In December 1996, the Company, pursuant to the Option Plan, granted options to purchase 5,000, 5,000 and 15,000 shares of Common Stock to Messrs. Loeffler, Small and Edelman, respectively. Such options are fully vested, have a term of five years and have an exercise price equal to the initial public offering price.

Outside Directors will also receive non-qualified options to purchase 5,000 shares of Common Stock for each year of service, payable in advance, with the first of such options to be granted to Paul Thomas Cohen and Thomas J. Edelman as of the closing of the Offering. The initial options will be exercisable at the initial public offering price. Thereafter, the option exercise price will be the closing bid price of the Common Stock on the first trading day of each fiscal year, commencing July 1, 1997. Such options will be fully vested upon grant, and have a term of five years.

PRINCIPAL STOCKHOLDERS

The following table sets forth, as of the date of this Prospectus, certain information as to the stock ownership of (i) each of the Company's directors, (ii) the Named Executive Officers, (iii) the Company's executive officers and directors as a group and (iv) all persons known by the Company to be the beneficial owner of more than five percent of the outstanding Common Stock of the Company prior to the Offering and giving pro forma effect to the sale of the Units offered hereby.

<TABLE>
<CAPTION>

		PERCENTAGE OWNERSHIP OF ALL COMMON STOCK OUTSTANDING	
NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES OF COMMON STOCK BENEFICIALLY OWNED(1)	IMMEDIATELY BEFORE THE OFFERING	IMMEDIATELY AFTER THE OFFERING(2)
<S>	<C>	<C>	<C>
John Loeffler..... c/o Paradise Music & Entertainment, Inc. 420 West 45th Street 5th Floor New York, NY 10036	341,000(3)	31.4%	16.4%
Paul Thomas Cohen..... c/o Paradise Music & Entertainment, Inc. 420 West 45th Street 5th Floor New York, NY 10036	13,333(3)	1.2%	*
Brian Doyle.....	145,500	13.5%	7.0%

c/o Paradise Music & Entertainment, Inc. 420 West 45th Street 5th Floor New York, NY 10036			
Thomas J. Edelman.....	28,333(4)	2.6%	1.3%
c/o Paradise Music & Entertainment, Inc. 420 West 45th Street 5th Floor New York, NY 10036			
Richard Flynn.....	145,500	13.5%	7.0%
c/o Paradise Music & Entertainment, Inc. 420 West 45th Street 5th Floor New York, NY 10036			
Robert Klein.....	85,000	7.9%	4.1%
c/o Paradise Music & Entertainment, Inc. 420 West 45th Street 5th Floor New York, NY 10036			
Jon Small.....	291,000(3)	26.8%	13.9%
c/o Paradise Music & Entertainment, Inc. 420 West 45th Street 5th Floor New York, NY 10036			
All executive officers and directors as a group (7 persons).....	1,049,666(5)	94.1%	49.6%

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* Denotes less than 1%

(1) All shares are beneficially owned and sole voting and investment power is held by the persons named, except as otherwise noted. See "Description of Securities--Common Stock."

(2) Does not give effect to any exercise of the Over-Allotment Option or the Representative's Warrants.

(3) Includes options to purchase 5,000 shares of Common Stock.

(4) Includes options to purchase 20,000 shares of Common Stock.

(5) Includes options to purchase 35,000 shares of Common Stock.

CERTAIN TRANSACTIONS

On October 9, 1996, the Company entered into the Exchange Agreement with each of John Loeffler, Jon Small, Brian Doyle and Richard Flynn, each of whom was an executive officer and a director of the Company. Pursuant to the Exchange Agreement, John Loeffler and Jon Small were each issued 291,000 shares of Common Stock and Brian Doyle and Richard Flynn were each issued 145,500 shares of Common Stock in exchange for all of the outstanding stock of each of Rave, Picture Vision and All Access. The Company believes that this transaction was fair from a financial point of view. This belief is based on the fact that the Exchange Agreement, and the transactions consummated thereby, were analyzed and approved by the Company's Board of Directors and by all of its then existing stockholders.

On October 9, 1996, the Company entered into an Expense Allocation Agreement (the "Expense Allocation Agreement") with each of All Access, Picture Vision, Rave and Robert Klein. John Loeffler, Jon Small, Brian Doyle and Richard Flynn were all directors and/or executive officers of the Company and were also owners, directors, and executive officers of Rave, Picture Vision and All Access, respectively, and Robert Klein was an executive officer and director of the Company, when the Expense Allocation Agreement was executed. Pursuant to the Expense Allocation Agreement, Rave, Picture Vision and All Access will contribute, pro rata up to $41,667 each to the Company, and Robert Klein will contribute up to $25,000, if the Offering does not occur. The Company believes that this transaction was fair from a financial point of view. This belief is based on the fact that the Expense Allocation Agreement, and the transactions

contemplated thereby, were analyzed and approved by the Company's Board of Directors and by all of its then existing stockholders.

On October 9, 1996, the Registrant issued 78,333 shares of its Common Stock to 11 individuals in a private placement (the "Private Placement") for $3.00 per share. There were no underwriters involved in the Private Placement. The Common Stock in the Private Placement was issued only to Accredited Investors, as such term is defined in the Securities Act. The aggregate offering price of the Private Placement was $234,999. Mr. Paul Thomas Cohen and Mr. Thomas Edelman, each directors of the Company, each purchased 8,333 shares of Common Stock in the Private Placement. The holders of these 78,333 shares have agreed not to sell, transfer or dispose of these shares for a period of one year following the date of this Prospectus. See "Offering By Selling Stockholders" and " Shares Eligible for Future Sale."

John Loeffler, the President, Chief Executive Officer and a director of the Company, is also a consultant to Grey Advertising, which is a major client of the Company's commercial music production division. For such consulting services Mr. Loeffler is paid by Grey approximately $45,000 per year. The Company derived approximately $365,000 and $413,000 of commercial music production revenues (approximately 10% and 12% of total revenues) from Grey Advertising for the year ended June 30, 1996 and 1995, respectively and approximately $99,000 and $141,000 of commercial music production revenues (approximately 9% and 12% of total revenues) from Grey Advertising for the three months ended September 30, 1996 and 1995, respectively.

All previous and future transactions between the Company and its directors, officers, and greater than five percent stockholders were or will be entered into on terms that were or are no less favorable to the Company than those that could or can be obtained from unaffiliated third parties. All prior, existing and future transactions between such parties, including any forgiveness of loans, will not be consummated

without the prior written consent of the independent disinterested members of the Company's Board of Directors.

OFFERING BY SELLING STOCKHOLDERS

An additional 78,333 shares of Common Stock (the "Selling Stockholder Securities") have been registered pursuant to the Registration Statement under the Securities Act, of which this Prospectus forms a part, for sale by the holders thereof (the "Selling Stockholders"). The Company will not receive proceeds from the sale of the Selling Stockholder Securities. All of the Selling Stockholder Securities have been registered, at the Company's expense, under the Securities Act and are expected to become tradable on or about the date of this Prospectus, subject to a contractual restriction that such Common Stock may not be sold for one year after the date of this Prospectus. Sales of Selling Stockholder Securities or even the potential of such sales could have an adverse effect on the market prices of the Common Stock and the Warrants. The Company has been informed by the Representative that, other than the lock-up agreements, there are no agreements between the Underwriters and any Selling Stockholder regarding the distribution of the Selling Stockholder Securities. Other than with respect to Paul Thomas Cohen and Thomas Edelman, each a director of the Company, Walter Epstein, counsel to the Company, John Siegler, President of Rave, and the parents and brother of John Loeffler, the president of the Company, there are no material relationships between any of the Selling Stockholders and the Company, nor have any such material relationships existed within the past three years.

The sale of the securities by the Selling Stockholders may be effected from time to time in transactions (which may include block transactions by or for the account of the Selling Stockholders) in the over-the-counter market or in negotiated transactions, a combination of such methods of sale or otherwise. Sales may be made at fixed prices which may be changed, at market prices prevailing at the time of sale, or at negotiated prices.

Selling Stockholders may effect such transactions by selling their securities directly to purchasers, through broker-dealers acting as agents for the Selling Stockholders or to broker-dealers who may purchase shares as principals and thereafter sell the securities from time to time in the

over-the-counter market, in negotiated transactions or otherwise. Such broker-dealers, if any, may receive compensation in the form of discounts, concessions or commissions from the Selling Stockholders and/or the purchasers for whom such broker-dealer may act as agents or to whom they may sell as principals or otherwise (which compensation as to a particular broker-dealer may exceed customary commissions).

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the Selling Stockholder Securities may not simultaneously engage in market making activities with respect to any securities of the Company for a period prior to the commencement of such distribution. Accordingly, in the event any of the Underwriters is engaged in a distribution of the Selling Stockholder Securities, such firm will not be able to make a market in the Company's securities during the applicable restrictive period. However, the Underwriters are not obliged to act as a broker/dealer in the sale of the Selling Stockholder Securities and the Selling Stockholders may be required, and in the event any of the Underwriters is a market maker, will likely be required, to sell such securities through another broker/ dealer. In addition, each Selling Securityholder desiring to sell Common Stock will be subject to the applicable provisions of the Exchange Act and the rules and regulations thereunder, including without limitation Rules 10b-6 and 10b-7, which provisions may limit the timing of the purchases and sales of share of the Company's securities by such Selling Securityholder.

The Selling Stockholders and broker-dealers, if any, acting in connection with such sales might be deemed to be "underwriters within the meaning of Section 2(11) of the Securities Act and any commission received by them and any profit on the resale of the securities might be deemed to be underwriting discounts and commissions under the Securities Act.

DESCRIPTION OF SECURITIES

GENERAL

The Company's authorized capital stock consists of 20,000,000 shares of Common Stock, $.01 value per share, and 5,000,000 shares of preferred stock, $.01 par value per share (the "Preferred Stock"). Immediately prior to the Offering, there were outstanding 1,080,333 shares of Common Stock (held by 17 holders) and no outstanding shares of Preferred Stock.

UNITS

Each Unit consists of one share of Common Stock and one Warrant. Two Warrants entitle the holder thereof to purchase one share of Common Stock. The Common Stock and the Warrants included in the Units will be separately transferable upon issuance. The Units will not trade separately subsequent to issuance.

COMMON STOCK

Immediately prior to the Offering, there were 1,080,333 shares of Common Stock outstanding held by 17 record holders. The holders of the Common Stock are entitled to one vote per share with respect to all matters on which holders of the Common Stock are entitled to vote.

Holders of the Common Stock have the right to dividends from funds legally available therefor, when, as and if declared by the Board of Directors and are entitled to share ratably in all of the assets of the Company available for distribution to holders of shares of Common Stock upon the liquidation, dissolution or winding up of the affairs of the Company. Holders of Common Stock do not have preemptive, subscription, or conversion rights. There are no redemption or sinking fund provisions for the benefit of the Common Stock in the Company's Certificate of Incorporation. All outstanding shares of Common Stock are, and those shares of Common Stock offered hereby will be, validly issued, fully paid and non-assessable. The Common Stock does not have cumulative voting rights and, therefore, holders of shares entitled to exercise more than 50% of the voting power are able to elect 100% of the directors of the Company.

WARRANTS

The holder of two Warrants is entitled, upon payment of the exercise price of $7.20 per share, to purchase one share of Common Stock. Unless previously redeemed, the Warrants are exercisable at any time commencing on the date of this Prospectus through the close of business on , 2001, provided

that at such time a current prospectus relating to the Common Stock is in effect and the Common Stock is qualified for sale or exempt from qualification under applicable state securities laws. The Warrants are transferable separately from the Common Stock issued with such Warrants as part of the Units immediately upon issuance.

The Warrants are subject to redemption by the Company at any time, upon 30 days' written notice, at a price of $.05 per Warrant, if the "closing price" of the Common Stock for any 20 consecutive business days ending on the fifth day prior to the date on which the notice of redemption is given has been equal to or greater than 120% of the then exercise price of the Warrants. "Closing price" shall mean the closing bid price if listed on the Nasdaq SCM or the last sale price if listed on The Nasdaq National Market or a national securities exchange. Holders of Warrants will automatically forfeit their rights to purchase the Common Stock issuable upon exercise of such Warrants unless the Warrants are exercised before the close of business on the business day immediately prior to the date set for redemption. All of the outstanding Warrants must be redeemed if any of that class are redeemed. A notice of redemption shall be mailed to each of the registered holders of the Warrants by first class mail, postage prepaid, upon 30 days' notice before the date fixed for redemption. The notice of redemption shall specify the redemption price, the date fixed for redemption, the place where the Warrant certificates shall be delivered and the redemption price to be paid and that the right to exercise the Warrants shall terminate at 5:00 p.m. (New York City time) on the business day immediately preceding the date fixed for redemption.

The Warrants may be exercised upon surrender of the certificate(s) therefor on or prior to the expiration of the redemption date (as explained above) at the offices of the Company's warrant agent (the "Warrant Agent") with the "subscription form" on the reverse side of the certificate(s) completed and executed as indicated, accompanied by payment (in the form of certified or cashier's check payable to the order of the Company) of the full exercise price for the number of Warrants being exercised.

The Warrants contain provisions that protect the holders thereof against dilution by adjustment of the exercise price per share and the number of shares issuable upon exercise thereof upon the occurrence of certain events, including stock dividends, stock splits, mergers, sale of substantially all of the Company's assets, and for other extraordinary events, provided, however, that no such adjustment shall be made upon, among other things, (i) the issuance or exercise of options or other securities under the Option Plan or other employee benefit plans up to certain maximum amounts or (ii) the sale or exercise of outstanding options or warrants or the Warrants offered hereby.

The Company is not required to issue fractional shares of Common Stock, and in lieu thereof will make a cash payment based upon the current market value of such fractional shares. The holder of the Warrants will not possess any rights as a stockholder of the Company unless he or she exercises the Warrants.

PREFERRED STOCK

The Preferred Stock may be issued in series, and shares of each series will have such rights and preferences as are fixed by the Board of Directors in the resolutions authorizing the issuance of that particular series. In designating any series of Preferred Stock, the Board of Directors may, without further action by the holders of Common Stock, fix the number of shares constituting that series and fix the dividend rights, dividend rate, conversion rights, voting rights (which may be greater or lesser than the voting rights of the Common Stock), rights and terms of redemption (including any sinking fund provisions) and the liquidation preferences of the series of Preferred Stock. It is to be expected that the holders of any series of Preferred Stock, when and if issued, will have priority claims to dividends and to any distributions upon liquidation of the Company and that they may have other preferences over the holders of the Common Stock.

The Board of Directors may issue series of Preferred Stock without action of the stockholders of the Company. The issuance of Preferred Stock may adversely affect the rights of the holders of the Common Stock. In addition, the issuance of Preferred Stock may be used as an anti-takeover device without further action on the part of the shareholders. Furthermore, the issuance of Preferred Stock may dilute the voting power of holders of the Common Stock (such as by issuing Preferred stock with super-voting rights) and may render more difficult the removal of current management, even if such removal may be in the stockholders' best interests. The Company has no current plans to issue any Preferred Stock.

DELAWARE ANTI-TAKEOVER LAW

The Company is subject to Section 203 of the Delaware General Corporation Law ("Section 203") which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any "business combination" with any "interested stockholder" for a period of three years following the date that such stockholder became an interested stockholder, unless: (i) prior to such date, the Board of Directors of the corporation, approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or (iii) on or subsequent to such date, the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Under Section 203, the restrictions described above also do not apply to certain business combinations proposed by an interested stockholder following the announcement or notification of one of certain extraordinary transactions involving the corporation and a person who had not been an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of the corporation's directors and which transaction is approved or not opposed by the majority of the board of directors then in office.

Section 203 generally defines a business combination to include: (i) any merger or consolidation involving the corporation and the interested stockholders; (ii) any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation to the interested stockholder; (iii) subject to certain exceptions, any transaction which results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; (iv) any transaction involving the corporation which has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or (v) the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation. In general, Section 203 defines an interested stockholders as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person.

These provisions could have the effect of delaying, deferring or preventing a change of control of the Company which could prevent the Company's stockholders from realizing a premium through a non-negotiated change in control. The Company's stockholders, by adopting an amendment to the Certificate of Incorporation or By-Laws of the Company, may elect not to be governed by Section 203, effective twelve months after adoption. Neither the Certificate of Incorporation nor the By-Laws of the Company currently excludes the Company from the restrictions imposed by Section 203.

DIVIDEND POLICY

The Company has never paid any cash dividends on its Common Stock. The Company anticipates that in the future, earnings, if any, will be retained for use in the business of the Company or for other corporate purposes, and it is not anticipated that cash dividends in respect of the Common Stock will be paid. See "Dividend Policy."

THE COMPANY'S TRANSFER AGENT

Continental Stock Transfer & Trust Company, New York, NY, will serve as the Company's Transfer Agent for the Common Stock and Warrants.

SHARES ELIGIBLE FOR FUTURE SALE

Upon consummation of the Offering, the Company will have outstanding 2,080,333 shares of Common Stock. All of the shares of Common Stock offered hereby will be freely tradable without restriction or further registration under the Securities Act except for any shares purchased by any person who is or thereby becomes an affiliate of the Company, which shares will be subject to the resale limitations contained in Rule 144 promulgated under the Securities Act.

Holders of the Warrants included in the Units offered hereby, will be

entitled to purchase an aggregate of 500,000 shares of Common Stock upon exercise of the Warrants at any time during the four-year period following the date of this Prospectus, provided that the Company satisfies certain securities registration requirements with respect to the securities underlying the Warrants. Any and all shares of Common Stock purchased upon exercise of the Warrants will be freely tradeable, except for any shares purchased by any person who is or thereby becomes an affiliate of the Company, provided such registration requirements are met.

Up to 150,000 additional shares of Common Stock may be purchased by the Representative through the exercise of the Representative's Warrants. Any and all of such shares of Common Stock will be tradable without restriction, provided that the Company satisfies certain securities registration requirements in accordance with the terms of the Representative's Warrants. See "Underwriting."

Upon consummation of the Offering, the Company will have a total of 2,080,333 shares of Common Stock outstanding, of which the 1,000,000 shares of Common Stock included in the Units will be eligible for immediate sale in the public market without restrictions, unless they are held by "affiliates" of the Company within the meaning of Rule 144 under the Securities Act and of which 1,080,333 shares will be "restricted" securities within the meaning of Rule 144 under the Securities Act. Additionally, the Company has granted options to certain directors of the Company to purchase an aggregate of 25,000 shares of Common Stock. The holders of such 1,080,333 shares of Common Stock and such options have agreed that they will not directly or indirectly offer, sell, contract to sell, grant any option to purchase or otherwise dispose of any shares of Common Stock or any other equity security of the Company, or any securities convertible into or exercisable or exchangeable for, or warrants, options or rights to purchase or acquire, Common Stock or any other equity security of the Company, or enter into any agreement to do any of the foregoing, for a period of two years from the date of this Prospectus, with respect to the officers and directors, and for a period of one year with respect to the Selling Stockholders who are not also directors. Upon the expiration of such one year period, 61,667 of these shares will be eligible for resale and upon the expiration of such two year period (or earlier upon the consent of Donald & Co. Securities Inc., except that Donald & Co. Securities Inc. may not release the lock-up with respect to 16,666 shares of Common Stock held by two Selling Stockholders during the one year period following the effective date of the Offering) the remaining 1,018,666 shares will become eligible for resale commencing in October 1998 under Rule 144, subject to volume and other limitations of Rule 144.

In general under Rule 144 as currently in effect, a person (or persons whose shares are aggregated), including a person who may be deemed to be an affiliate of the Company as that term is defined under the Securities Act, is entitled to sell, within any three month period, a number of shares beneficially owned for at least two years that does not exceed the greater of (i) one percent of the number of the then outstanding shares of Common Stock or (ii) the average weekly trading volume in the Common Stock during the four calendar weeks preceding such sale. Sales under Rule 144 are also subject to certain requirements as to the manner of sale, notice and the availability of current public information about the Company. Furthermore, a person who is not deemed to have been an affiliate of the Company during the ninety days preceding a sale by such person and who has beneficially owned such shares for at least three years is entitled to sell such shares without regard to the volume, manner of sale or notice requirements.

Under Rule 701 of the Securities Act, persons who purchase shares upon the exercise of options granted prior to the effective date of the Offering are entitled to sell such shares 90 days after the effective date of the Offering and in reliance on Rule 144 without having to comply with the holding period requirements of Rule 144 and, in the case of nonaffiliates, without having to comply with the public information, volume limitation, or notice provisions of Rule 144.

Prior to the Offering, there has been no public market for the Company's securities. Following the Offering, the Company cannot predict the effect, if any, that market sales of the Common Stock, or the availability of such shares for sale, will have on the market price prevailing from time to time. Nevertheless, sales by the existing stockholders of substantial amounts of Common Stock in the public market could adversely affect prevailing market prices for the Company's securities. In addition, the availability for sale of substantial amounts of Common Stock acquired through the exercise of the Warrants and other options or the Representative's Warrants could adversely affect prevailing market prices for the Common Stock.

The Commission has recently proposed shortening the basic Rule 144 holding period from two years to one year; no assurance can be given as to when or whether such change will occur.

UNDERWRITING

The Underwriters named below, for whom Donald & Co. Securities Inc. is acting as Representative, have severally agreed, subject to the terms and conditions of the Underwriting Agreement, to purchase from the Company a total of 1,000,000 Units. The number of Units that each Underwriter has agreed to purchase is set forth opposite its name:

<TABLE>
<CAPTION>

UNDERWRITER	NUMBER OF UNITS
<S>	<C>
Donald & Co. Securities Inc.	
Total	1,000,000

</TABLE>

The Underwriting Agreement provides that the obligations of the Underwriters are subject to approval of certain legal matters by counsel to the Underwriters and various other conditions precedent, and that the Underwriters are obligated to purchase all of the Units offered by this Prospectus (other than the Units covered by the Over-Allotment Option described below), if any are purchased.

The Company has been advised by the Representative that the Underwriters propose to offer the Units to the public at the initial offering price set forth on the cover page of this Prospectus and to certain dealers (who may include Underwriters) at that price less a concession not in excess of $ per Unit. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $ per Unit to certain other dealers. After the Offering, the offering price and other selling terms may be changed by the Representative.

The Representative has informed the Company that the Underwriters do not intend to confirm sales to accounts over which they exercise discretionary authority.

The Company has granted to the Representative an option, exercisable during the 30-day period after the date of this Prospectus, to purchase from the Company at the initial public offering price, less underwriting discounts and the nonaccountable expense allowance, up to an aggregate of 150,000 additional Units for the sole purpose of covering over-allotments, if any.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act.

The Company has also agreed to pay to the Representative an expense allowance on a nonaccountable basis equal to 3% of the gross proceeds derived from the sale of the Units underwritten (including the sale of any Units subject to the Representative's Over-Allotment Option), $25,000 of which has been paid to date.

The Company has granted the Representative for a period of three years from the date hereof the right to have the Representative's designee present at all meetings of the Company's Board of Directors and each of its committees. Such designee will be entitled to the same notices and communications sent by the Company to its directors and to attend directors' and committees' meetings, but will not be entitled to vote thereat. Such designee will also be entitled to receive the same compensation payable to directors as members of the Board and its committees and all reasonable expenses in attending such meetings. The Representative has not named such designee as of the date of this Prospectus.

In connection with the Offering, the Company has agreed to sell to the Representative, for nominal consideration, the Representative's Warrants. The Representative's Warrants are exercisable initially at $ per Unit (the "Exercise Price") for a period of four years commencing one year from the effective date of the Offering. The Representative's Warrants contain antidilution provisions providing for adjustment of the Exercise Price upon the occurrence of certain events, including any recapitalization,

reclassification, stock dividend, stock split, stock combination or similar transaction. In addition, the Representative's Warrants grant to the holders thereof certain demand and "piggy back" rights for periods of four and six years, respectively, commencing one year from the date of this Prospectus with respect to the registration under the Securities Act of the securities directly

and indirectly issuable upon exercise of the Representative's Warrants.

Subject to the rules of the National Association of Securities Dealers, Inc. (the "NASD"), the Company has agreed to appoint the Representative as warrant solicitation agent months after the date of this Prospectus, for which the Representative will be entitled to a 5% fee upon the exercise of the Warrants solicited by it. No solicitation fee will be paid in connection with the exercise of the Representative's Warrants. In accordance with the NASD Notice to Members 81-83, no fee will be paid: (i) upon exercise where the market price of the underlying Common Stock is lower than the exercise price; (ii) for the exercise of Warrants held in any discretionary account; (iii) upon the exercise of Warrants where disclosure of compensation arrangements has not been made in documents provided to customers both as part of the original offering and at the time of exercise; or (iv) unless the Representative has been designated in writing by the holder of the Warrant as having solicited the exercise of the Warrant. Unless granted an exemption by the Commission from its rule 10b-6, the Representative and any soliciting broker-dealers will be prohibited from engaging in any market making activities or solicited brokerage activities with regard to the Company's securities for a period of two or nine days, whichever is applicable, prior to any solicitation of the exercise of the Warrants until the later of the termination of such solicitation activity or the termination (by waiver or otherwise) of any right that the Representative and soliciting broker-dealers may have to receive a fee for the exercise of Warrants following such solicitation. As a result, the Representative and soliciting broker-dealers may be unable to continue to provide a market for the Company's securities during certain periods while the Warrants are exercisable.

The Company has agreed that, upon consummation of the Offering, it will enter into a two year financial consulting agreement with the Representative pursuant to which the Representative will provide the Company with investment banking and financial consulting services at a fee of $72,000, at the rate of $3,000 per month for the twenty-four months subsequent to the consummation of the Offering. Such services will include consulting with the Company's management with respect to, among other matters, stockholder relations, corporate expansion and long term financial planning.

Prior to the Offering there has been no public market for any of the Company's securities. Accordingly, the offering price of the Units and the exercise price of the Warrants were determined by negotiation between the Company and the Representative. Factors considered in determining such prices, in addition to prevailing market conditions, included the history of and the prospects for the industry in which the Company competes, an assessment of the Company's management, the prospects of the Company, its capital structure and such other factors as were deemed relevant.

LEGAL MATTERS

Certain legal matters in connection with the issuance of the securities offered hereby will be passed upon for the Company by Rubin Baum Levin Constant & Friedman, New York, New York. Parker, Duryee, Rosoff & Haft, New York, New York, will pass upon certain legal matters for the Underwriters. Walter M. Epstein who is of counsel to Rubin Baum Levin Constant & Friedman owns through his retirement plan 10,000 shares of Common Stock and is listed as a Selling Stockholder.

EXPERTS

The Consolidated Financial Statements of the Company as of June 30, 1996 and for the years ended June 30, 1996 and 1995, included herein in the Registration Statement, of which this Prospectus forms a part, have been audited by Rothstein, Kass & Company, P.C., independent auditors, as set forth in their Report thereon appearing elsewhere in the Registration Statement, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the Commission, a Registration Statement on Form SB-2 (together with all amendments, schedules and exhibits thereto, the "Registration Statement") under the Securities Act with respect to the Common Stock offered hereby. This Prospectus, which constitutes a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Common Stock offered hereby, reference is made to the Registration Statement. Statements made in the Prospectus as to the contents of any contract, agreement or other document are not necessarily complete; with

respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference. The Registration Statement and the exhibits thereto may be inspected, without charge, at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices at Northwestern Atrium Center, 500 West Madison Street, Room 1400, Chicago, IL 60661, and 7 World Trade Center, Suite 1300, New York, NY 10048. Copies of such material can also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. In addition, the Commission maintains a Web site on the Internet at http://www.sec.gov that contains reports, proxy and information statements and other information of issuers that file electronically with the Commission.

PARADISE MUSIC & ENTERTAINMENT, INC.
AND SUBSIDIARIES

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<TABLE>
<S> <C>

</TABLE>

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
PARADISE MUSIC & ENTERTAINMENT, INC.
New York, New York

We have audited the accompanying consolidated balance sheet of Paradise Music & Entertainment, Inc. and Subsidiaries as of June 30, 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended June 30, 1996 and 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Paradise Music & Entertainment, Inc. and Subsidiaries as of June 30, 1996, and the results of their operations and their cash flows for the years ended June 30, 1996 and 1995 in conformity with generally accepted accounting principles.

ROTHSTEIN, KASS & COMPANY, P.C.

Roseland, New Jersey
September 12, 1996, (except for Note 8, as
to which the date is October 9, 1996)

PARADISE MUSIC & ENTERTAINMENT, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

<S>	HISTORICAL <C> JUNE 30, 1996	HISTORICAL <C> SEPTEMBER 30, 1996 (UNAUDITED)	PRO FORMA <C> SEPTEMBER 30, 1996 (UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash	$ 82,813	$ 159,020	$ 159,020
Accounts receivable	129,715	65,440	65,440
Prepaid production costs	17,255	32,001	32,001
Other current assets		5,830	5,830
Total current assets	229,783	262,291	262,291
PROPERTY AND EQUIPMENT, less accumulated depreciation and amortization	81,154	74,903	74,903
OTHER ASSETS:			
Security deposits	14,072	14,072	14,072
Deferred registration costs	5,000	10,000	10,000
	19,072	24,072	24,072
	$ 330,009	$ 361,266	$ 361,266
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Deferred revenues	$ 49,612	$ 66,289	$ 66,289
Accrued payroll and related expenses		33,750	33,750
Accounts payable	81,854	35,463	35,463
Retirement plan contributions payable	30,000		
Accrued expenses and other current liabilities	28,563	13,857	13,857
Total current liabilities	190,029	149,359	149,359
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY:			
Preferred stock, $.01 par value, authorized 5,000,000 shares, none issued			
Common stock, $.01 par value, authorized 20,000,000 shares, 998,000 issued and outstanding	9,980	9,980	9,980
Capital in excess of par value	12,090	12,090	189,932
Retained earnings	119,160	191,087	13,245
Common stock subscription receivable	(1,250)	(1,250)	(1,250)
Total stockholders' equity	139,980	211,907	211,907
	$ 330,009	$ 361,266	$ 361,266

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

PARADISE MUSIC & ENTERTAINMENT, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	YEARS ENDED	THREE MONTHS ENDED

	JUNE 30,		SEPTEMBER 30,	
<S>	<C> 1996	<C> 1995	<C> 1996	<C> 1995
<CAPTION>				
			(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>
REVENUES	$ 3,638,192	$ 3,379,848	$ 1,087,988	$ 1,149,660
OPERATING EXPENSES:				
Cost of sales	1,939,807	2,096,076	559,701	567,288
Marketing, selling, general and administrative	1,610,097	1,386,270	455,160	387,283
Total operating expenses	3,549,904	3,482,346	1,014,861	954,571
INCOME (LOSS) BEFORE INCOME TAXES (CREDITS)	88,288	(102,498)	73,127	195,089
INCOME TAXES (CREDITS)	10,500		1,200	9,000
NET INCOME (LOSS)	$ 77,788	$ (102,498)	$ 71,927	$ 186,089
PRO FORMA DATA				
INCOME (LOSS) BEFORE PRO FORMA INCOME TAXES (CREDITS)	$ 88,288	$ (102,498)	$ 73,127	$ 195,089
PRO FORMA INCOME TAXES (CREDITS)	26,000	(37,000)	22,000	78,000
PRO FORMA NET INCOME (LOSS)	$ 62,288	$ (65,498)	$ 51,127	$ 117,089
PRO FORMA NET INCOME (LOSS) PER COMMON SHARE	$ .06	$ (.07)	$ .05	$ .11
WEIGHTED AVERAGE SHARES OUTSTANDING	1,039,167	990,667	1,039,167	1,039,167

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

PARADISE MUSIC & ENTERTAINMENT, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED JUNE 30, 1996 AND 1995

THREE MONTHS ENDED SEPTEMBER 30, 1996 (UNAUDITED)

<TABLE>
<CAPTION>

	COMMON STOCK		CAPITAL IN EXCESS OF		COMMON STOCK
	SHARES	AMOUNT	PAR VALUE	RETAINED EARNINGS	SUBSCRIPTION RECEIVABLE
<S>	<C>	<C>	<C>	<C>	<C>
BALANCES, July 1, 1994	707,000	$ 7,070	$ --	$ 143,870	$ (1,250)
SHARES ISSUED TO ACQUIRE ALL ACCESS ENTERTAINMENT MANAGEMENT GROUP INC., September 1, 1994	291,000	2,910	12,090		
NET LOSS				(102,498)	
BALANCES, June 30, 1995	998,000	9,980	12,090	41,372	(1,250)
NET INCOME				77,788	
BALANCES, June 30, 1996	998,000	9,980	12,090	119,160	(1,250)
NET INCOME (UNAUDITED)				71,927	
BALANCES, September 30, 1996 (UNAUDITED)	998,000	$ 9,980	$ 12,090	$ 191,087	$ (1,250)

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

PARADISE MUSIC & ENTERTAINMENT, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	YEARS ENDED JUNE 30,		THREE MONTHS ENDED SEPTEMBER 30,	
<S>	<C> 1996	<C> 1995	<C> 1996	<C> 1995
			(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	$ 77,788	$ (102,498)	$ 71,927	$ 186,089
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	23,413	12,981	6,251	5,000
Increase (decrease) in cash attributable to changes in assets and liabilities:				
Accounts receivable	41,039	(136,976)	64,275	82,965
Prepaid production costs	109,464	126,190	(14,746)	126,719
Other current assets	2,607	(519)	(5,830)	1,031
Deferred revenues	(32,510)	(94,118)	16,677	(82,122)
Accrued payroll and related expenses			33,750	51,500
Accounts payable	(130,444)	174,722	(46,391)	(141,733)
Retirement plan contributions payable	(15,000)	28,000	(30,000)	(30,000)
Accrued expenses and other current liabilities	(12,741)	32,477	(14,706)	(4,363)
NET CASH PROVIDED BY OPERATING ACTIVITIES	63,616	40,259	81,207	195,086
CASH FLOWS FROM INVESTING ACTIVITIES:				
Payments for property and equipment	(27,782)	(67,482)		(14,171)
Proceeds from (payments for) security deposits	3,209	(17,281)		(50)
NET CASH USED IN INVESTING ACTIVITIES	(24,573)	(84,763)		(14,221)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments on stockholders' loans	(57,500)			(57,500)
Payments for deferred registration costs	(5,000)		(5,000)	
Proceeds from stockholders' loans		57,500		
Proceeds from issuance of common stock		15,000		
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(62,500)	72,500	(5,000)	(57,500)
NET INCREASE (DECREASE) IN CASH	(23,457)	27,996	76,207	123,365
CASH, beginning of period	106,270	78,274	82,813	106,270
CASH, end of period	$ 82,813	$ 106,270	$ 159,020	$ 229,635

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

PARADISE MUSIC & ENTERTAINMENT, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1--ORGANIZATION AND NATURE OF OPERATIONS:

Upon the execution of the exchange agreement (the "Agreement") (SEE NOTE 8), Paradise Music & Entertainment, Inc. and Subsidiaries (the "Company") will be a music and entertainment company focused on providing music driven content for the expanding music and entertainment industry. The Company operates in three areas of the music and entertainment business through its three wholly-owned subsidiaries. The Agreement contemplates that Paradise Music and Entertainment,

Inc. ("Paradise"), which was formed in July 1996, will exchange 873,000 shares of its common stock for all of the capital stock of its subsidiaries in a transaction to be accounted for as a pooling of interests, whereby the financial statements for all periods prior to the combination were restated to reflect the combined operations of its subsidiaries, All Access Entertainment Management Group, Inc. ("All Access"), a musical artist management company incorporated in New York, Picture Vision, Inc. ("Picture Vision"), a video production company incorporated in Tennessee, and John Leffler Music, Inc. (which operates under the name of Rave Music and Entertainment) ("Rave") a creator of music scores and advertising themes for television and radio, which was incorporated in New York (SEE NOTE 9).

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION--The consolidated financial statements give effect to the execution of the Agreement (SEE NOTE 8) and include the accounts of Paradise and its wholly-owned subsidiaries, Rave, Picture Vision and All Access. All significant intercompany transactions and balances have been eliminated in consolidation.

REVENUE RECOGNITION--Commercial music production revenues and the related production costs are recognized upon acceptance of the music production by the client. Royalty and residual income is recognized when received. For projects which are short in duration, (primarily less than one month) video production revenues and related production costs are recorded upon completion of the video. For projects that have a longer term, video production revenues and related production costs are recorded using the percentage-of-completion method which recognizes income as work on the project progresses. Music artist management revenues are recognized when received. In accordance with industry custom, the Company currently operates its business based on oral agreements and purchase orders with its artists and customers. Pursuant to these arrangements the Company receives up to 20% of the gross revenues received in connection with artist entertainment related earnings less certain standard industry costs.

PROPERTY AND EQUIPMENT--Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed as follows:

<TABLE>
<CAPTION>

ASSET	ESTIMATED USEFUL LIVES	PRINCIPAL METHOD
<S>	<C>	<C>
Furniture, fixtures and equipment.....	5-7 Years	Declining-balance
Leasehold improvements.....	Term of Lease	Straight-line

</TABLE>

DEFERRED REGISTRATION COSTS--The Company has incurred and will be incurring additional costs relating to its proposed public offering (SEE NOTE 5). If the offering is successful, these costs will be charged to capital in excess of par value. If the offering is not successful, the costs will be charged to operations.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

IMPAIRMENT OF LONG-LIVED ASSETS--The Company periodically assesses the recoverability of the carrying amount of long-lived assets, including intangible assets. A loss is recognized when expected future cash flows (undiscounted and without interest) are less than the carrying amount of the asset. The impairment loss is determined as the difference by which the carrying amount of the asset exceeds its fair value.

INCOME TAXES--Rave and All Access were "S" corporations prior to the execution of the exchange agreement and, as a result, earnings and losses have been included in the personal income tax returns of the respective stockholders. Accordingly, no provision for federal income tax or benefits from operating losses has been reflected in the consolidated financial statements for these subsidiaries (SEE NOTE 6).

The Company complies with Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes", which requires an asset and liability approach to financial reporting of income taxes. Deferred income tax

assets and liabilities are computed annually for differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to effect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized.

NET INCOME (LOSS) PER COMMON SHARE--Net income (loss) per common share is computed based on net income (loss) applicable to common shareholders divided by the weighted average number of common shares outstanding. The weighted average includes shares issued within one year of the Company's proposed initial public offering (IPO) with an issue price less than the IPO price, using the treasury stock method.

FAIR VALUE OF FINANCIAL INSTRUMENTS--The fair value of the Company's assets and liabilities which qualify as financial instruments under SFAS No. 107 approximate the carrying amounts presented in the consolidated balance sheets.

USE OF ESTIMATES--The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3--PROPERTY AND EQUIPMENT:

Property and equipment is comprised of the following:

<TABLE>
<CAPTION>

	JUNE 30, 1996	SEPTEMBER 30, 1996
<S>	<C>	<C>
		(UNAUDITED)
Furniture, fixtures and equipment	$ 191,823	$ 191,823
Leasehold improvements	33,746	33,746
	225,569	225,569
Less accumulated depreciation and amortization	144,415	150,666
	$ 81,154	$ 74,903

</TABLE>

NOTE 3--PROPERTY AND EQUIPMENT: (CONTINUED)
Certain property and equipment was jointly purchased by Rave and an unaffiliated company. Rave recorded 50% of the purchase price (approximately $75,000) as an asset. At June 30, 1996 and September 30, 1996 (UNAUDITED), the asset was fully depreciated.

NOTE 4--COMMITMENTS AND CONTINGENCIES:

On October 9, 1996, the Company entered into employment contracts with four of the Company's executives (SEE NOTE 8).

On October 9, 1996, the Company entered into an expense allocation agreement with Rave, Picture Vision, All Access, and the Company's Treasurer (SEE NOTE 8).

Rave rents office and commercial music recording studio space pursuant to a sublease arrangement at an annual rate of $50,000, which expires in May 1997. All Access and Picture Vision rent office space under leases which expire between 1997 and 2001 and provide for future aggregate minimum annual rent, exclusive of common area and other expenses, as follows:

<TABLE>
<CAPTION>

YEAR ENDING JUNE 30:	
<S>	<C>
1997	$ 93,000
1998	17,000
1999	17,000

2000	17,000
2001	3,000
	$ 147,000

Rent expense approximated $114,000 and $107,000 for the years ended June 30, 1996 and 1995, respectively, and was approximately $30,000 and $31,000 for the three months ended September 30, 1996 and 1995 (UNAUDITED), respectively (SEE NOTE 8).

NOTE 5--PROPOSED PUBLIC OFFERING:

On May 22, 1996, the Company signed a letter of intent with an investment banking firm for the purpose of underwriting an initial public offering for the sale of 1,000,000 units at $6 to $7 per unit. Each unit consists of one share of common stock and one redeemable common stock purchase warrant with two warrants entitling the holder to purchase one share of common stock.

NOTE 6--INCOME TAXES (CREDITS):

The provision for income taxes (credits) consists of the following:

	YEARS ENDED JUNE 30,		THREE MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
			(UNAUDITED)	
Current:				
Federal	$ 5,500	$	$ 4,000	$ 35,000
State	2,000		1,500	8,000
	7,500		5,500	43,000
Deferred (asset):				
Federal	2,000		(3,000)	(28,000)
State	1,000		(1,300)	(6,000)
	3,000		(4,300)	(34,000)
Total	$ 10,500	$	$ 1,200	$ 9,000

The tax effect of the temporary differences are as follows:

	YEARS ENDED JUNE 30,		THREE MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
			(UNAUDITED)	
Net operating loss carryforwards	$	$ 14,000	$	$
Current provision for income taxes	(7,500)		(5,500)	(43,000)
Accrual to cash accounting	(3,000)	8,000	4,300	34,000

	(10,500)	22,000	(1,200)	(9,000)
Valuation allowance		(22,000)		
Total current and deferred income tax liability	$ (10,500)	$	$ (1,200)	$ (9,000)

</TABLE>

PARADISE MUSIC & ENTERTAINMENT, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6--INCOME TAXES (CREDITS): (CONTINUED)

The following reconciles the computed income tax expense (credit) at the federal statutory rate to the pro forma provision for income taxes.

<TABLE>
<CAPTION>

	YEARS ENDED JUNE 30,		THREE MONTHS ENDED SEPTEMBER 30,	
<S>	<C> 1996	<C> 1995	<C> 1996	<C> 1995
			(UNAUDITED)	
Computed tax expense (credit) at federal statutory rate	34.00%	(34.00)%	34.00%	34.00%
State provision less federal benefit	5.10	(5.10)	5.10	5.10
Surtax and other	(4.60)	16.60	(8.90)	(5.90)
Non-taxable income resulting from Subchapter "S" election	(22.60)		(28.60)	(28.60)
Valuation allowance		22.50		
	11.90%%		1.60%	4.60%

</TABLE>

The pro forma provision for income taxes reflects the income tax expense (credit) that would have been reported if All Access and Rave Subchapter "S" corporations had been "C" corporations and were consolidated along with Picture Vision to form Paradise Music and Entertainment, Inc.

<TABLE>
<CAPTION>

	YEARS ENDED JUNE 30,		THREE MONTHS ENDED SEPTEMBER 30,	
<S>	<C> 1996	<C> 1995	<C> 1996	<C> 1995
			(UNAUDITED)	
Current pro forma income taxes:				
Federal	$ 15,000	$	$ 10,000	$ 47,000
State	11,000	10,000	12,000	31,000
	26,000	10,000	22,000	78,000
Deferred (asset):				
Federal		(34,000)		
State		(13,000)		
		(47,000)		
Total	$ 26,000	$ (37,000)	$ 22,000	$ 78,000

</TABLE>

NOTE 6--INCOME TAXES (CREDITS): (CONTINUED)

The following reconciles the computed income tax expense (credit) at the federal statutory rate to the pro forma provision for income taxes.

<TABLE>
<CAPTION>

	YEARS ENDED JUNE 30,		THREE MONTHS ENDED SEPTEMBER 30,	
<S>	<C> 1996	<C> 1995	<C> 1996	<C> 1995
			(UNAUDITED)	
Computed tax expense (credit) at federal statutory rate	34.00%	(34.00)%	34.00%	34.00%
State provision, less federal benefit net	8.60	6.50	11.00	10.60
Surtax and other	(13.20)	(8.60)	(14.80)	(4.60)
	29.40%	(36.10)%	30.00%	40.00%

</TABLE>

The pro forma consolidated balance sheet reflects a reclassification of $177,842 (unaudited) from retained earnings to capital in excess of par value in connection with the termination of the Company's "S" Corporation status in October 1996.

NOTE 7--ECONOMIC DEPENDENCY:

Approximately $365,000 and $413,000 of commercial production revenues for the years ended June 30, 1996 and 1995, respectively, are derived from one advertising agency. For the three months ended September 30, 1996 and 1995 (UNAUDITED) approximately $99,000 and $141,000 of commercial production revenues are derived from the same advertising agency, respectively. Approximately $700,000 and $185,000 of musical talent management revenues for the years ended June 30, 1996 and 1995, respectively, are derived from two musical artists. For the three months ended September 30, 1996 and 1995 (UNAUDITED) approximately $273,000 and $320,000 of musical talent management revenues are derived from three and two musical artists, respectively. For the years ended June 30, 1996, approximately $518,000 and $778,000, respectively, of video production revenues were derived from two and one artists. For the three months ended September 30, 1996 and 1995 (UNAUDITED) approximately $468,000 and $374,000 of video production revenues were derived from six and five artists, respectively. At June 30, 1996, approximately $21,000 was owed in the aggregate to the Company from these artists and customers. At September 30, 1996 (UNAUDITED) approximately $65,000 was owed in aggregate to the Company from these artists and customers.

NOTE 8--SUBSEQUENT EVENTS:

On July 18, 1996, Paradise Music and Entertainment, Inc. was formed and on July 22, 1996 issued 125,000 shares of common stock at $.01 par value to two founding stockholders.

On October 9, 1996, the Company completed a private placement for the sale of 78,333 shares of its common stock for $234,999 ($3.00 per share), prior to deducting fees and expenses of approximately $15,000. All share amounts give effect to this transaction.

On October 8, 1996, the Board of Directors adopted and the stockholders approved the Option Plan. The Option Plan provides for the grant of incentive

stock options ("ISOs") (within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") and non-qualified stock

NOTE 8--SUBSEQUENT EVENTS: (CONTINUED)
options ("NQSOs") to certain directors, agents and employees of, and consultants to, the Company and Stock Appreciation Rights (SARs). The Option Plan further provides for the grant of NQSOs to directors, agents of, and consultants to, the Company, whether or not employees of the Company. The purpose of the Option Plan is to attract and retain exemplary employees, agents, consultants and directors. Options and SARs granted under the Option Plan may not be exercisable for terms in excess of 10 years from the date of grant. In addition, no options or SARs may be granted under the Option Plan later than 10 years after the Option Plan's effective date. The total number of shares of Common Stock with respect to which options and SARs will be granted under the Option Plan is 185,000. The shares subject to and available under the Option Plan may consist, in whole or in part, of authorized but unissued stock or treasury stock not reserved for any other purpose. Any shares subject to an option or SAR that terminates, expires or lapses for any reason, and any shares purchased pursuant to an option and subsequently repurchased by the Company pursuant to the terms of the option, shall again be available for grant under the Option Plan.

On October 9, 1996, the Company issued 873,000 shares of its common stock in exchange for the outstanding stock of Rave, Picture Vision and All Access in a transaction accounted for as a pooling of interests. The accompanying consolidated financial statements for all periods prior to the exchange were restated to reflect the consolidated operations of the Company's.

On October 9, 1996, the Company entered into employment agreements, as amended (the "Agreements"), with four of its executives (the "Executives"). Each of the Agreements are for a period of three years, of which two Agreements provide for annual base salaries of $160,000 and the other two Agreements provide for annual base salaries of $150,000. Pursuant to the Agreements, four bonus plans have been established primarily for the benefit of the Executives.

Under the first bonus plan, bonuses will be granted to each Executive based on earnings (as defined in the Agreements) of the respective subsidiary or division which the Executive manages or co-manages. Generally, the Executives receive approximately 60% of such earnings (with the two Executives of All Access considered as one person for purposes of this calculation) up to a maximum of $375,000 of earnings for each of Rave and Picture Vision commencing with the year ending June 30, 1997 and $512,500 of earnings for All Access commencing with the year ending June 30, 1998. The Executives of All Access receive all earnings of All Access up to $325,000 of earnings for the year ending June 30, 1997. Each of the Executives will have the right to allocate any portion of the bonus granted to him to any of the employees of the respective subsidiary or division of such Executive. Under the second bonus plan, a bonus pool equal to 10% of the consolidated pretax earnings of the Company (after giving effect to all other bonuses) will be established for each fiscal year. Awards under this bonus pool will be granted to the Company's employees at the discretion of the Company's Board of Directors. The third bonus plan has been established for the benefit of the Executives of All Access and others designated by them based on cumulative profitability of the recorded music business based on a successful launch of the record label. Under this bonus plan $250,000 will be granted in the first fiscal year in which cumulative net pretax profits of the record label, as defined in the Agreements, exceed $1,000,000. An additional bonus of $250,000 shall be granted in the first fiscal year in which cumulative net pretax profits of the record label, as defined in the Agreements, exceed $2,000,000. An additional bonus of $100,000 shall be granted in the first fiscal year in which cumulative net pretax profits of the record label, as defined in the Agreements, exceed $2,400,000. No bonus will be granted under this plan after June 30, 2001 and the maximum aggregate bonus granted under this plan will be $600,000. The fourth bonus plan has been established as an incentive for successful consummation of

NOTE 8--SUBSEQUENT EVENTS: (CONTINUED)

special projects pre-designated by the Compensation Committee. Such plan provides for a bonus, if net profits (as defined in the Agreements) from the special project exceed $1,000,000. Such bonus will be calculated on 15% of net profits realized therefrom in excess of any bonus paid to such Executive pursuant to the first bonus plan. After the payment of any bonus pursuant to the fourth bonus plan, there will be payable 15% of future royalty revenue derived from such special projects. Two of the Executives are entitled to receive an initial advance of $56,250, one executive is entitled to receive an initial advance of $50,000, and one executive is entitled to receive an initial advance of $112,500. Quarterly advances may be made thereafter as requested by the Executive and if approved by the Compensation Committee. Such advances will be offset against bonuses.

On October 9, 1996, the Company entered into an expense allocation agreement with Rave, Picture Vision, All Access, and the Company's Treasurer. The expense allocation agreement provides that if the IPO is not consummated, each participant will be liable, on a pro rata basis, for up to $41,667, other than the Treasurer whose maximum liability is $25,000.

On October 9, 1996, the Company issued 4,000 shares of its common stock to an attorney. As a result, deferred registration costs will increase by $12,000.

As of October 21, 1996 (unaudited), the Company entered into a lease for approximately 15,000 square feet of space in New York City for a term of 12 years. The lease is currently being held in escrow and will become effective only if and when the Company pays the landlord the first months rent and security deposit thereunder. The rent, including operating expenses, under such lease is an average of approximately $160,000 per annum in years one to five, an average of approximately $222,000 per annum in years six to ten and an average of approximately $286,000 per annum in years eleven and twelve. Such lease also contains tax escalations. If the Company does not pay the landlord by February 1, 1997, this lease will not become effective and the Company will have no further obligations thereunder.

In December 1996 (unaudited) one of the Company's subsidiaries borrowed $100,000 from a bank. Such loan bears interest at 1.5% above the bank's prime rate, is personally guaranteed by two officers of the Company and collateralized by all of the assets of such subsidiary and a cross corporate guarantee by the Company.

On December 19, 1996 (unaudited) the Company granted options to purchase an aggregate of 25,000 shares of Common Stock to two officers and a director of the Company at an excercise price equal to the initial public offering price. Such options are fully vested and expire on December 19, 2001.

Prior to the consummation of the proposed public offering, the Company expects it will enter into a consulting agreement with a director of the Company. Such agreement will provide for a payment of $90,000 on January 1, 1998 in exchange for such director making his services available through June 30, 1998.

NOTE 9--FINANCIAL DATA BY SUBSIDIARY:

The following financial data is presented for the Company's subsidiaries:

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30, 1995

	YEAR ENDED JUNE 30, 1995			(UNAUDITED)		
	RAVE	ALL ACCESS	PICTURE VISION	RAVE	ALL ACCESS	PICTURE VISION
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total revenues	$ 804,041	$ 185,817	$ 2,389,990	$ 175,620	$ 319,610	$ 654,430
Net income (loss)	55,637	(29,351)	(128,784)	9,414	154,971	21,704

Total revenue, and net income (loss) include 10 months of activity in 1995 for All Access.

	YEAR ENDED JUNE 30, 1996			THREE MONTHS ENDED SEPTEMBER 30, 1996 (UNAUDITED)		
	RAVE	ALL ACCESS	PICTURE VISION	RAVE	ALL ACCESS	PICTURE VISION
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total revenues	$ 820,835	$ 726,969	$ 2,090,388	$ 179,375	$ 274,920	$ 633,693
Net income (loss)	(6,731)	48,954	35,565	27,388	40,044	4,495

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</TABLE>

UNTIL , 1997 (25 DAYS FROM THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITER AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

1,000,000 UNITS

CONSISTING OF
1,000,000 SHARES OF COMMON STOCK
AND 1,000,000 REDEEMABLE
COMMON STOCK WARRANTS

PARADISE MUSIC &
ENTERTAINMENT, INC.

PROSPECTUS

DONALD & CO.
SECURITIES INC.

, 1997

ALTERNATE PROSPECTUS PAGE

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

PROSPECTUS

PARADISE MUSIC & ENTERTAINMENT, INC.

78,333 SHARES OF COMMON STOCK

This Prospectus relates to 78,333 shares of common stock, $.01 par value per share (the "Common Stock"), of Paradise Music & Entertainment, Inc. (the "Company"). See "Selling Stockholders." The holders of the Common Stock are referred to herein collectively as the "Selling Stockholders." The Common Stock held by such Selling Stockholders are referred to herein collectively as the "Selling Stockholder Securities." See "Selling Stockholders and Plan of Distribution."

The securities offered by this Prospectus may be sold from time to time by the Selling Stockholders or by their transferees. The distribution of the securities offered hereby may be effected in one or more transactions that may take place on the over-the-counter market, including ordinary brokers' transactions, privately negotiated transactions or through sales to one or more dealers for resale of such securities as principals, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. Usual and customary or specifically negotiated brokerage fees or commissions may be paid by the Selling Stockholders.

The Selling Stockholders, and intermediaries through whom such securities are sold, may be deemed underwriters within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), with respect to the securities offered, and any profits realized or commissions received may be deemed underwriting

compensation. The Company has agreed to indemnify the Selling Stockholders against certain liabilities, including liabilities under the Securities Act.

The Company will not receive any of the proceeds form the sale of securities by the Selling Stockholders.

On , 1997, a registration statement under the Securities Act with respect to a public offering by the Company (the "Offering") underwritten by the Underwriters of 1,000,000 Units, each Unit consisting of one share of Common Stock and one redeemable Common Stock purchase warrant, was declared effective by the Securities and Exchange Commission (the "Commission"). The Company will receive approximately $ in net proceeds from the Offering (assuming no exercise of the Representative's over-allotment option) after payment of underwriting discounts and commissions and estimated expense of the Offering.

THESE SECURITIES ARE SPECULATIVE. THIS OFFERING INVOLVES A HIGH DEGREE OF RISK.

SEE "RISK FACTORS" COMMENCING ON PAGE 7 HEREOF.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is , 1997.

ALTERNATE PROSPECTUS PAGE

PUBLIC OFFERING

On , 1997, a Registration Statement was declared effective under the Securities Act with respect to an underwritten offering of 1,150,000 Units, including a 45 day option granted to the Representative by the Company to purchase 150,000 Units (the "Over-Allotment Option"), by the Company, each Unit consisting of one share of Common Stock and one Warrant. Two Warrants entitle the holder thereof to purchase, at an exercise price of $ per share (subject to adjustment), one share of Common Stock.

SELLING STOCKHOLDERS AND PLAN OF DISTRIBUTION

An aggregate of up to 78,333 shares of Common Stock may be offered by certain stockholders.

The following table sets forth certain information with respect to each Selling Stockholder for whom the Company is registering securities for resale to the public. The Company will not receive any of the proceeds from the sale of such securities. Except as set forth below, there are no material relationships between any of the Selling Stockholders and the Company, nor have any such material relationships existed within the past three years, except as specified below.

<TABLE>
<CAPTION>

SELLING STOCKHOLDERS	NUMBER OF SHARES OF COMMON STOCK BENEFICIALLY OWNED AND MAXIMUM NUMBER OF SHARES OF COMMON STOCK TO BE SOLD
<S>	<C>
Thomas Bergen	3,334
Paul Thomas Cohen(1)	8,333
Louis Cortelizza	8,333

Thomas J. Edelman(1)	8,333
Walter M. Epstein(2)	10,000
Kenneth C. Kehoe	8,334
Dr. Jay Loeffler(3)	3,333
John Loeffler Jody A. Loeffler JTWROS(4)	8,333
Charles Moss	8,333
John Reetz, Jr	8,334
John Siegler(5)	3,333
Total	78,333

</TABLE>

---

(1) Is a Director of the Company.

(2) Is legal counsel to the Company.

(3) Dr. Jay Loeffler is the brother of John Loeffler, the President of the Company.

(4) John Loeffler and Jody A. Loeffler are the parents of John Loeffler, the President of the Company.

(5) Is the President of Rave.

The sale of the securities by the Selling Stockholders may be effected from time to time in transactions (which may include block transactions by or for the account of the Selling Stockholders) in the over-the-counter market or in negotiated transactions, a combination of such methods of sale or otherwise. Sales may be made at fixed prices which may be changed, at market prices prevailing at the time of sale or at negotiated prices.

Selling Stockholders may effect such transactions by selling their securities directly to purchasers, through broker-dealers acting as agents for the Selling Stockholders or to broker-dealers who may purchase shares as principals and thereafter sell the securities from time to time in the over-the-counter market, in negotiated transactions or otherwise. Such broker-dealers, if any, may receive compensation in the form of discounts, concessions or commissions from the Selling Stockholders and/or the purchasers for whom such broker-dealer may act as agents or to whom they may sell as principals or otherwise (which compensation as to a particular broker-dealer may exceed customary commissions).

Alternate Prospectus Page

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the Selling Stockholder Securities may not simultaneously engage in market making activities with respect to any securities of the Company for a period prior to the commencement of such distribution. Accordingly, in the event the Representative is engaged in a distribution of the Selling Stockholders Securities, the Representative will not be able to make a market in the Company's securities during the applicable restrictive period. However, the Representative has not agreed to and is not obliged to act as broker/dealer in the sale of the Selling Stockholder Securities and the Selling Stockholders may be required, and in the event the Representative is a market maker, will likely be required, to sell such securities through another broker/dealer. In addition, each Selling Stockholder desiring to sell Securities will be subject to the applicable provisions of the Exchange Act and the rules and regulations thereunder, including without limitation Rules 10b-6 and 10b-7, which provisions may limit the timing of the purchases and sales of share of the Company's securities by such Selling Stockholders.

The Selling Stockholders and broker-dealers, if any, acting in connection with such sales might be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act and any commission or profit on the resale of the securities received by them might be deemed to be underwriting discounts and commissions under the Securities Act.

[ALTERNATE BACK COVER]

NO DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFERING OTHER

THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR BY THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES OFFERED HEREBY BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANYONE TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE OF THIS PROSPECTUS.

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<TABLE>
<CAPTION>

</TABLE>

UNTIL , 1997 (25 DAYS FROM THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITER AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

78,333 SHARES OF COMMON STOCK

PARADISE MUSIC &
ENTERTAINMENT, INC.

PROSPECTUS

DONALD & CO.
SECURITIES INC.

, 1997

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following are the estimated expenses (other than underwriting discounts and commissions) of the issuance and distribution of the securities being registered, all of which will be paid by Paradise Music & Entertainment, Inc. (the "Registrant").

SEC registration fee	$ 4,429.87
NASD filing fee	$ 1,961.84
Representative's Non-Accountable Expense Allowance	$180,000.00
Nasdaq application fee	$10,000.00
Boston Stock Exchange application fee	$10,000.00
Printing expenses	$60,000.00
Fees and expenses of counsel	$165,000.00
Fees and expenses of accountants	$100,000.00
Transfer agent and registrar fees	$ 3,500.00
Blue sky fees and expenses	$45,000.00
Miscellaneous	$20,108.29
Total	$600,000.00

The Registrant intends to pay all expenses of registration, issuance and distribution, excluding underwriters' discounts, with respect to the shares being sold by the Registrant.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Under Section 145 of the Delaware General Corporation Law (the "DGCL"), the Registrant has broad powers to indemnify its directors, officers and other employees. This section (i) provides that the statutory indemnification and advancement of expenses provisions of the DGCL are not exclusive, provided that no indemnification may be made to or on behalf of any director or officer if a judgment or other final adjudication adverse to the director or officer establishes that his acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or that he personally gained in fact a financial profit or other advantage to which he was not legally entitled, (ii) establishes procedures for indemnification and advancement of expenses that may be contained in the certificate of incorporation or by-laws, or, when authorized by either of the foregoing, set forth in a resolution of the stockholders or directors or an agreement providing for indemnification and advancement of expenses, (iii) applies a single standard for statutory indemnification for third-party and derivative suits by providing that indemnification is available if the director or officer acted in good faith, for a purpose which he reasonably believed to be in the best interests of the corporation, and, in criminal actions, had no reasonable cause to believe that his conduct was unlawful, and (iv) permits the advancement of litigation expenses upon receipt of an undertaking to repay such advance if the director or officer is ultimately determined not to be entitled to indemnification or to the extent the expenses advanced exceed the indemnification to which the director or officer is entitled. Section 145(g) the DGCL permits the purchase of insurance to indemnify a corporation or its officers and directors to the extent permitted.

As permitted by Section 145(e) of the DGCL, the Registrant's By-laws provide that the Registrant shall indemnify its officers and directors, as such, to the fullest extent permitted by applicable law, and that expenses reasonably incurred by any such officer or director in connection with a threatened or actual

action or proceeding shall be advanced or promptly reimbursed by the Registrant in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of such officer or director to repay such amount if and to the extent that it is ultimately determined that such officer or director is not entitled to indemnification.

Article Seventh of the Registrant's Certificate of Incorporation provides that no director of the Registrant shall be held personally liable to the Registrant or its stockholders for damages for any breach of duty in his capacity as a director unless a judgment or other final adjudication adverse to him establishes that (1) he breached his duty of loyalty to the Registrant or its stockholders, or (2) his acts or omissions were in bad faith or involved intentional misconduct or a knowing violation of law, or (3) he personally gained in fact a financial profit or other advantage to which he was not legally entitled, or (4) his acts violated Section 174 of the DGCL.

The Registrant's By-Laws provide that the Registrant will indemnify its directors, officers and employees against judgments, fines, amounts paid in settlement and reasonable expenses.

The Registrant intends to obtain and maintain liability insurance for the benefit of its directors and officers.

Under the terms of the Underwriting Agreement, the Underwriters have agreed to indemnify, under certain conditions, the Registrant, its directors, certain of its officers and persons who control the Registrant within the meaning of the Securities Act against certain liabilities.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

On October 9, 1996 the Company entered into the Exchange Agreement, pursuant to which it issued an aggregate of 873,000 shares of Common Stock to John Loeffler, Jon Small, Brian Doyle and Richard Flynn in exchange for all of the outstanding common stock of each of Rave, Picture Vision and All Access. The Registrant claimed an exemption from the registration requirements of the Securities Act by relying on Section 4(2) of the Securities Act, which allows for an exemption for transactions by an issuer not involving any public offering, and the rules and regulations promulgated thereunder. The Company's basis for this exemption was the fact that the individuals receiving shares of Common Stock were the principals of each of the Company's constituent corporations and thus had full access to all information regarding the Company.

On October 9, 1996, the Registrant issued 78,333 shares of its Common Stock to 11 individuals in a private placement (the "Private Placement") for $3.00 per share. There were no underwriters involved in the Private Placement. The Common Stock in the Private Placement was issued only to Accredited Investors, as such term is defined in the Securities Act. The Aggregate offering price of the Private Placement was $210,000. The Registrant claimed an exemption from the registration requirements of the Securities Act by relying on Section 4(2) of the Securities Act, which allows for an exemption for transactions by an issuer not involving any public offering, and Rule 506 of Regulation D promulgated thereunder.

On October 9, 1996 the Company issued 4,000 shares of Common Stock to one individual for professional service rendered. The Registrant claimed an exemption from the registration requirements of the Securities Act by relying on Section 4(2) of the Securities Act, which allows for an exemption for transactions by an issuer not involving any public offering, and the rules and regulations promulgated thereunder. The Company's basis for this exemption was the fact that this individual is an attorney who represented All Access and who had access to all information regarding the Company.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits:

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<C>	<S>
1.1	Form of Underwriting Agreement
3.1	Certificate of Incorporation of the Registrant*
3.2	By-Laws of the Registrant*
4.1	Specimen of Registrant's Common Stock Certificate
4.2	Specimen of Registrant's Warrant Certificate
4.3	Form of Representative's Warrant Agreement including form of Warrant
4.4	Form of Warrant Agreement between Registrant and Continental Stock Transfer and Trust Company
5.1	Opinion of Rubin Baum Levin Constant & Friedman regarding legality**
10.1	Exchange Agreement dated as of October 9, 1996 among the Registrant, Brian Doyle, Richard Flynn, John Loeffler and Jon Small*
10.2	Employment Agreement dated as of October 9, 1996 between the Registrant and Brian Doyle*
10.3	Employment Agreement dated as of October 9, 1996 between the Registrant and Richard Flynn*
10.4	Employment Agreement dated as of October 9, 1996 between the Registrant and John Loeffler*
10.5	Employment Agreement dated as of October 9, 1996 between the Registrant and Jon Small*
10.6	Expense Allocation Agreement dated as of October 9, 1996 among the Registrant, Rave, Picture Vision, All Access and Robert Klein*
10.7	Form of The Registrant's 1996 Stock Option Plan
10.8	Lease Agreement dated June 24, 1992 between Not Just Jingles, Inc. and Newmark & Company Real Estate,

	Inc.*
10.9	Lease Agreement dated October 28, 1994 between the Registrant and Silk & Halpern Realty Associates, Inc.*
10.10	Lease Agreement dated April 4, 1995 between the Registrant and Cummins Station L.L.C.*
10.11	Sublease Agreement dated September 29, 1996 between the Registrant and Not Just Jingles, Inc.*
10.12	Financial Consulting Agreement
10.13	Consulting Agreement dated as of January 1, 1997 between the Company and Thomas J. Edelman**
10.14	Lease Agreement dated as of October 21, 1996 between the Registrant and Twenty Third Street Joint Venture**
21.1	Subsidiaries of Registrant*
23.1	Consent of Rothstein, Kass & Company, P.C.
23.2	Consent of Rubin Baum Levin Constant & Friedman (included in Exhibit 5.1)**
24.1	Power of Attorney (included with the signature page to the registration statement)
27.1	Financial Data Schedule

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* Previously filed.

** To be filed by amendment.

(b) Financial Statement Schedules:

All Schedules are omitted because of the absence of conditions under which they are required or because the required information is included in the financial statements or notes thereto.

ITEM 17. UNDERTAKINGS.

(a) "The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement;

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high and of the estimated maximum offering range may be reflected in the form of prospectus filed with the commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein and the offering of such securities at that tine shall be deemed to be the initial BONA FIDE offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes to supplement the prospectus, after the expiration of the subscription period, to set forth the results of the subscription offer, the transactions by the underwriters during the subscription period, the amount of unsubscribed securities to be purchased by the underwriters, and the terms of any subsequent reoffering thereof. If any public offering by the underwriters is to be made on terms differing from those set forth on the cover page of the prospectus, a post-effective amendment will be filed to set forth the terms of such offering.

(c) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements,

certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(d) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the act and will be governed by the final adjudication of such issue.

(e) The undersigned registrant hereby undertakes that

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered thereon, and the offering of such securities at that tine shall be deemed to be the initial BONA FIDE offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, New York on December 26, 1996.

PARADISE MUSIC & ENTERTAINMENT, INC.

BY: /S/ JOHN LOEFFLER

John Loeffler
CHAIRMAN OF THE BOARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby severally constitutes and appoints John Loeffler and Walter M. Epstein, and each of them, his true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and all documents relating thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone full power and authority to do and perform each and every act and thing necessary or advisable to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement and power of attorney have been signed by the following persons in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
/s/ JOHN LOEFFLER John Loeffler	Chairman of the Board, President and Chief Executive Officer	December 26, 1996

	(Principal Executive Officer)	
/s/ JON SMALL Jon Small	Executive Vice President, and Director	December 26, 1996
/s/ BRIAN DOYLE Brian Doyle	Executive Vice President and Director	December 26, 1996
/s/ ROBERT KLEIN Robert Klein	Director	December 26, 1996
/s/ RICHARD FLYNN Richard Flynn	Executive Vice President, Treasurer, Secretary and Director (Principal Financial and Accounting Officer)	December 26, 1996
/s/ PAUL THOMAS COHEN Paul Thomas Cohen	Director	December 26, 1996
/s/ THOMAS J. EDELMAN Thomas J. Edelman	Director	December 26, 1996

PARADISE MUSIC AND ENTERTAINMENT, INC.

1,000,000 UNITS

Each Unit Consisting of One Share of Common Stock
and One Redeemable Common Stock Purchase Warrant

UNDERWRITING AGREEMENT

_____, 1997

Donald & Co. Securities Inc.
As Representative of the Underwriters
named in Schedule I hereto
65 East 55th Street
New York, New York 10022

Dear Sirs:

Paradise Music & Entertainment, Inc., a Delaware corporation (the "Company"), hereby confirms its agreement with Donald & Co. Securities Inc. (being referred to herein variously as "you" or the "Representative") and the other underwriters named in Schedule I hereto (the "Representative" and the other underwriters being collectively called the "Underwriters") as follows:

1. INTRODUCTORY. The Company proposes to issue and sell, severally and not jointly, to the Underwriters 1,000,000 units (the "Firm Units"), each Firm Unit consisting of one share of Common Stock, $0.01 par value, of the Company (the "Common Stock") and one Redeemable Common Stock Purchase Warrant of the Company (the "Redeemable Warrants"). Subsequent to the sale and issuance of the Firm Units in accordance with the terms of this Agreement, the shares of Common Stock and the Redeemable Warrants will be immediately separately transferable. Two Redeemable Warrants entitle the holder of such warrants to exercise the Redeemable Warrants for one (1) share of Common Stock at an initial exercise price of $____ per share (120% of the initial public offering price of the Units) commencing on the Effective Date (as hereinafter defined) and ending at 5:00 p.m., New York time, on _____, 2001 (four (4) years after the Effective Date). In addition, solely for the purpose of covering over-allotments, the Company proposes to grant to the Representative an option to purchase from it up to an additional 150,000 units (the "Additional Units" and collectively with the Firm Units, the "Units"), each Additional Unit

consisting of one share of Common Stock (the "Additional Stock") and one Redeemable Warrant (the "Additional Warrants"). The Common Stock to be sold by the Company, excluding the Additional Stock, is herein called the "Stock". The Units and the components thereof are more fully described in the Prospectus referred to below.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to the Underwriters:

(a) The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement, and amendments thereto, on Form SB-2 (File No. 333-13941), including any related preliminary prospectus ("Preliminary Prospectus"), for the registration of the Units, the Stock, the Redeemable Warrants, the Additional Stock and the Additional Redeemable Warrants under the Securities Act of 1933, as amended (the "Act"). The Company will not, before the registration statement becomes effective (the "Effective Date"), file any other amendment to said registration statement to which you shall reasonably object in writing after being furnished with a copy thereof. Copies of such registration statement and all amendments thereto, and all forms of the related Preliminary Prospectus contained therein, previously filed by the Company with the Commission, have heretofore been delivered to you. Except as the context may otherwise require, such registration statement, as amended, on file with the Commission at the time the registration statement becomes effective (including the prospectus, financial statements, exhibits and all other documents filed as a part thereof and all information deemed to be a part thereof as of such time pursuant to paragraph (b) of Rule 430A of the General Rules and Regulations of the Commission under the Act (the "Regulations")) is herein called the "Registration Statement". The prospectus in the form filed with the Commission pursuant to Rule 424(b) of the Regulations is herein called the "Prospectus".

(b) The Company has not received, directly or indirectly, from the Commission or any "Blue Sky" or securities authority of any jurisdiction an order preventing or suspending the use of any Preliminary Prospectus relating to the proposed offering of the Units and Additional Units or has the Commission or any "Blue Sky" or securities authority, to the Company's knowledge, instituted proceedings for that purpose. Each Preliminary Prospectus, at the time of filing with the Commission, contained all material statements which were required to be stated therein in accordance with the Act and the Regulations, and conformed in all material respects with the requirements of the Act and the Regulations and did not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that no representations or warranties are made with respect to statements or omissions made in reliance upon and in conformity with written information furnished to the Company by the Representative expressly for use in the Preliminary Prospectus. The Registration Statement at the time it becomes effective and the Prospectus at the time it is filed with the Commission

pursuant to Rule 424(b) and on the Closing Date (and the Additional Closing Date, if any, determined as hereinafter provided in Section 3) will contain all material statements which are required to be stated therein in accordance with the Act and the Regulations, and will in all

material respects conform to the requirements of the Act and the Regulations, and the Registration Statement and the Prospectus will not, on such dates, include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representations or warranties are made with respect to statements or omissions made in reliance upon and in conformity with written information furnished to the Company expressly for use in the Registration Statement or Prospectus or any amendment or supplement thereto.

(c) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware. Each of Picture Vision, Inc. John Loeffler Music, Inc. and All Access Entertainment Management Group, Inc. is a subsidiary of the Company (collectively, the "Subsidiaries") and has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation. The Company owns, directly or indirectly, all of the capital stock of each of the Subsidiaries. All such shares of capital stock so owned are validly issued and outstanding, fully paid and nonassessable and are owned free and clear of any liens, encumbrances or other restrictions. The Company and each of the Subsidiaries are duly qualified and in good standing as foreign corporations in all jurisdictions where the character or location of their properties (owned or leased) or the nature of their business makes such qualification necessary, except where the failure so to qualify would not have a material adverse effect on the business, properties, results of operations, condition (financial or otherwise), affairs or prospects (a "Material Adverse Effect") of the Company and the Subsidiaries, taken as a whole. The Company and the Subsidiaries have all requisite corporate power and authority, and all necessary authorizations, approvals, orders, licenses, certificates and permits of and from all governmental regulatory officials and bodies, to own their respective properties and conduct their respective businesses as described in the Prospectus, and the Company has all such power, authority, authorizations, approvals, orders, licenses, certificates and permits to enter into this Agreement and to carry out the provisions and conditions hereof. The Company and the Subsidiaries own, or possess adequate rights to use, all patents, trademarks, service marks, copyrights and other rights necessary for the conduct of their business as described in the Prospectus and neither the Company, nor any of the Subsidiaries nor any officer or director of the Company or any of the Subsidiaries has received any notice of conflict with the asserted rights of others in any respect which would have a Material Adverse Effect upon the

Company or any of the Subsidiaries, and none knows any basis therefor. The Company has no subsidiaries other than the Subsidiaries.

(d) The Company and the Subsidiaries have either good and marketable title in fee simple to, or valid and enforceable leasehold estates in, all items of real property and personal property which are stated in the Prospectus owned or leased by them, in each case free and clear of all liens, encumbrances, claims, security interests, subleases and defects, other than those referred to in the Prospectus and those which do not have a Material Adverse Effect upon the Company and the Subsidiaries, taken as a whole. Each of the Company and the Subsidiaries has the right to operate all of its facilities in their present locations and the operation of such facilities

does not violate in any material respect the provisions of any lease with respect thereto which the Company, any of the Subsidiaries, or any third party is a party.

(e) There is no litigation or governmental proceeding pending or, to the knowledge of the Company or any of the Subsidiaries, threatened against, or involving the properties or business of, the Company or any of the Subsidiaries, nor are there any actions, suits or proceedings related to environmental matters or related to discrimination on the basis of age, sex, religion or race and no labor disturbance by the employees of the Company or any of the Subsidiaries exist, which could have a Material Adverse Effect upon the Company and the Subsidiaries, taken as a whole, except as referred to in the Prospectus.

(f) All contracts, agreements, documents and other instruments required to be filed as exhibits to the Registration Statement have been filed with the Commission as exhibits thereto.

(g) The consolidated financial statements together with the related notes of the Company and the Subsidiaries included in the Registration Statement and Prospectus present fairly the consolidated financial position and the consolidated results of operations of the Company and the Subsidiaries at the respective dates and for the respective periods to which they apply; and such financial statements have been prepared in conformity with generally accepted accounting principles, consistently applied throughout the periods involved. The consolidated capitalization of the Company, as set forth under the caption "Capitalization" in the Prospectus, was as so described on the date of which it is set forth therein.

(h) Rothstein Kass & Company, PC, whose reports are filed with the Commission as a part of the Registration Statement, are independent accountants

with respect to the Company as required by the Act and the Regulations.

(i) Except for the shares of capital stock of the Subsidiaries, neither the Company nor any of the Subsidiaries owns, directly or indirectly, any shares of stock or any other securities of any corporation nor does the Company or any of the Subsidiaries have any equity interest in any firm, partnership, joint venture, association or other entity, except as referred to in the Prospectus.

(j) Subsequent to the respective dates as of which information is set forth in the Registration Statement and the Prospectus, there has been no material adverse change in the business, properties, results of operations, condition (financial or otherwise), affairs or prospects of the Company and the Subsidiaries, taken as a whole, except as referred to therein; and the outstanding debt, the property and the business of the Company and each of the Subsidiaries conform in all material respects to the descriptions thereof contained in the Registration Statement and the Prospectus.

(k) No default exists, and no event has occurred which with notice or lapse of time, or both, would constitute a default, in the due performance and observance of any term, covenant or condition of any indenture, mortgage, deed of trust, note, bank loan or credit agreement or any other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which either of them or any of their property may be bound or affected, which default would have a Material Adverse Effect upon the Company or any of the Subsidiaries.

(l) Neither the Company nor any of the Subsidiaries is in breach of any term or provision of its Certificate of Incorporation, by-laws or other charter documents and, to the best of the Company's knowledge, in violation of any franchise, license, permit, judgment, decree, order, statute, rule or regulation, which violation is a Material Adverse Effect upon the Company or any of the Subsidiaries. Neither the Company nor any of the Subsidiaries, to the best of the Company's knowledge, is in violation of any laws, ordinances, governmental rules or regulations to which either of them is subject, which violation is a Material Adverse Effect upon the Company and the Subsidiaries, taken as a whole. Neither the Company nor any of the Subsidiaries has failed to obtain any licenses, permits, franchises or other governmental authorizations materially necessary to the ownership of its property or to the conduct of its business, where the failure to do so is a Material Adverse Effect upon the Company and the Subsidiaries, taken as a whole.

(m) Neither the execution and delivery of this Agreement, the

Redeemable Warrant Agreement, the Representative's Warrant Agreement (as defined in Section 3(h) hereof) and the Financial Consulting Agreement, and the consummation of the transactions herein or therein contemplated, nor compliance with the terms and provisions hereof or thereof will conflict with, or result in a breach of any of the terms, provisions or conditions of the Certificate of Incorporation, by-laws or other charter documents of the Company or the Subsidiary. The execution and delivery of this Agreement, the Redeemable Warrant Agreement, the Representative's Warrant Agreement and the Financial Consulting Agreement, the consummation of the transactions herein or therein contemplated, and compliance with the terms and provisions hereof or thereof will not conflict with, or result in a breach of, or constitute a default under any of the terms, provisions or conditions of any agreement or instrument to which the Company or any of the Subsidiaries is a party or by which either of them or any of their properties is bound, except where such conflict, breach or default would not have a Material Adverse Effect upon the Company or any of the Subsidiaries, or violate any franchise, license, permit, judgment, decree, order, statute, rule or regulation of any government, governmental authority or court having jurisdiction over the Company or any of the Subsidiaries, except where such violation would not have a Material Adverse Effect upon the Company or any of the Subsidiaries.

(n) The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement, the Redeemable Warrant Agreement, the Representative's Warrant Agreement and the Financial Consulting Agreement, and this Agreement, the Redeemable Warrant Agreement, the Representative's Warrant Agreement, and the Financial Consulting Agreement, have been duly authorized, executed and delivered by the

Company and constitute legal, valid and binding agreements of the Company and are enforceable against the Company in accordance with their respective terms except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally, and except insofar as the enforceability of the indemnification and contribution terms may be limited by applicable law or public policy.

(o) All of the issued shares of Common Stock are duly and validly issued and outstanding, fully paid and nonassessable; the Stock and the Additional Stock, when issued and delivered in accordance with this Agreement, will be duly and validly issued and outstanding, fully paid and nonassessable and free of preemptive rights. The Company's capital stock conforms in all material respects to all statements in relation thereto contained in the Registration Statement and Prospectus.

(p) The Redeemable Warrants, the Additional Redeemable Warrants and

the warrants that will be issued pursuant to the terms of the Representative's Warrant Agreement (the "Representative's Warrants") have been duly and validly authorized by the Company and upon delivery to you against payment therefore and otherwise in accordance with this Agreement, the Redeemable Warrant Agreement and the Representative's Warrant Agreement, as the case may be, will be duly issued and legal, valid and binding obligations of the Company enforceable against the Company in accordance with their terms except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally.

(q) The Common Stock underlying the Redeemable Warrants (the "Redeemable Warrant Stock"), the Additional Redeemable Warrants (the "Additional Redeemable Warrant Stock") and the Representative's Warrants (the "Representative's Warrant Stock") has been duly authorized and reserved for issuance upon the representative's exercise of the Redeemable Warrants, the Additional Redeemable Warrants and the Representative's Warrants, and, when issued upon payment of the exercise price therefor, will be validly issued, fully paid and nonassessable shares of Common Stock.

(r) Subsequent to the respective dates as of which information is given in the Registration Statement and Prospectus, and except as may otherwise be indicated or contemplated herein or therein, neither the Company nor any of the Subsidiaries has (i) issued any securities except securities issued under the Company's employee benefit plans and as provided herein or in the Registration Statement, or incurred any liability or obligation, direct or contingent, for borrowed money, (ii) entered into any material transaction not in the ordinary course of business, (iii) entered into any transaction with an affiliate of the Company other than one or more of the Subsidiaries, or (iv) declared or paid any dividend on its shares of Common Stock, except dividends paid to the Company by any of the Subsidiaries.

(s) The Company has obtained from all of its directors, officers and stockholders that beneficially own five percent (5%) or more of the Company's Common Stock

as of the date hereof their written agreement that (i) for a period of two (2) years from the date of the Prospectus, they will not, without your prior written consent, sell, contract to sell, or grant any option for the sale of or otherwise dispose of, directly or indirectly, any shares of Common Stock of the Company (or any securities convertible into or exercisable for such shares of Common Stock) owned by them, (ii) that for a period of four (4) years from the date of the Prospectus, they will utilize the facilities of the Representative to effectuate any public sale of the Company's securities made in

accordance with the provisions of Rule 144 promulgated under the Act, provided that the compensation and fees for such transactions shall not be greater than the Representative's customary compensation and fees for similar transactions and (iii) that for a period of four (4) years from the date of the Prospectus, they will not sell, contract to sell or grant any option for the sale of or otherwise dispose of, any shares of Common Stock of the Company (or any securities convertible into or exercisable for such shares of Common Stock) owned by them in an amount greater than the volume limitations of Rule 144(e) promulgated under the Act.

(t) No consent, authorization or approval is required to be obtained by the Company from any Federal, state or local governmental agency or body in order to consummate the transactions contemplated herein or in the Registration Statement, other than such consents, authorizations or approvals as have been obtained.

(u) Except as provided in the Registration Statement, no person holds a right to require or participate in the registration under the Act of any securities of the Company to be effected by the Registration Statement, which right has not been duly waived by the holder thereof as of the date hereof. The Company does not have outstanding, and at the Closing Date and the Additional Closing Date, if any, will not have outstanding, any options to purchase, or any rights or warrants to subscribe for, or any securities or obligations convertible into, or any contracts or commitments to issue or sell, shares of its Common Stock or any such warrants, convertible securities or obligations, except as referred to in the Prospectus.

(v) The Company and each of the Subsidiaries has timely filed all Federal, state, and local tax returns which are required to be filed and has paid all taxes shown on such returns and all assessments received by it to the extent that the same have become due.

(w) To the knowledge and belief of the Company's officers and directors (such officers and directors having made reasonable investigation with respect thereto), neither the Company, nor any of the Subsidiaries nor any officer, director or employee of the Company or any of the Subsidiaries has made any payment of funds of the Company or any of the Subsidiaries or purchased any property with funds of the Company or any of the Subsidiaries in a manner prohibited by law, and no funds of the Company or any of the Subsidiaries or property purchased with funds of the Company or the Subsidiaries have been set aside to be used for any payment prohibited by law.

(x) Except as set forth in the Registration Statement and Prospectus, the Company does not know of any claims for services in the nature of a finders fee, brokerage fee

or otherwise with respect to this offering for which the Company or any of the Subsidiaries or you may be responsible.

(y) The Company has obtained from such key executives as are designated by the Representative (the "Key Executives") new or modified employment agreements upon terms agreeable to the Company and the Representative, including, without limitation, the term, compensation, arrangement, restrictive covenants, termination compensation (including termination royalty payments) and other items. The Company has obtained key man life insurance upon the lives of the Key Executives in face amounts mutually agreeable to the Company and the Representative.

(z) Application for quotation of the Common Stock on The Nasdaq SmallCap Market has been approved, subject to notice of issuance.

3. PURCHASE, SALE AND DELIVERY OF THE UNITS.

(a) On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell, severally and not jointly, to the Underwriters, and the Underwriters, severally and not jointly, agree to purchase from the Company, at a purchase price of $____ per Unit, the number of Firm Units set forth opposite their respective names in Schedule I.

(b) Payment for the Firm Units shall be made by wire transfer or certified or official bank check in New York Clearing House funds or similar next day funds, payable to the order of the Company at the offices of Donald & Co. Securities Inc., 65 East 55th Street, New York, New York or such other place as shall be agreed upon between us. Such delivery and payment shall be made at 10:00 A.M., New York time, on not later than the fifth business day following the Effective Date; provided, however, that such date may be extended for not more than an additional five business days by the Representative or in accordance with the provisions of Section 9(c) hereof. The hour and date of such delivery and payment are herein called the "Closing Date".

(c) Certificates evidencing the Stock and Redeemable Warrants representing the Firm Units shall be registered in such name or names and in such authorized denominations as you may request in writing at least two full business days prior to the Closing Date. The Company will permit you to examine and package said certificates at least one full business day prior to the Closing Date.

(d) In addition, on the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, the Company hereby grants to you the option to purchase all or a portion of the Additional Units as may be necessary to cover over-allotments at the same purchase price per Unit to be paid by the Underwriters to the Company for the

Firm Units as determined in this Section 3. This option may be exercised only to cover over-allotments in the sale of Additional Units by the Underwriters. This option may be

exercised at any time on or before the thirtieth day following the effective date of the Registration Statement by written notice by the Representative to the Company. Such notice shall set forth the aggregate number of Additional Units as to which the option is being exercised, the name or names in which the shares of Additional Stock and Additional Redeemable Warrants representing the Additional Units are to be registered, the denominations in which the Additional Stock and Additional Redeemable Warrants representing the Additional Units are to be issued, and the date and time, as reasonably determined by you, when the Additional Stock and Additional Redeemable Warrants representing the Additional Units are to be delivered (such date and time being herein sometimes referred to as the "Additional Closing Date"); provided, however, that the Additional Closing Date shall not be earlier than the Closing Date nor earlier than the second business day after the date on which the option shall have been exercised nor later than the eighth business day after the day on which the option shall have been exercised.

(e) Payment for the Additional Units shall be made by wire transfer or certified or official bank checks in New York Clearing House funds or similar next day funds, payable to the order of the Company at the offices of Donald & Co. Securities Inc., 65 East 55th Street, New York, New York, or such other place as shall be agreed upon between us.

(f) Certificates evidencing the Additional Stock and Additional Redeemable Warrants representing the Additional Units shall be registered in such name or names and in such authorized denominations as you may request in writing at least two full business days prior to the Additional Closing Date. The Company will permit you to examine and package said certificates for delivery at least one full business day prior to the Additional Closing Date.

(g) The Company shall not be obligated to sell or deliver any shares of Stock, Redeemable Warrants, Additional Stock or Additional Redeemable Warrants, except upon tender of payment by the Representative for all the Firm Units or Additional Units, as the case may be, agreed to be purchased from it hereunder.

(h) On the Closing Date, the Company shall issue and sell to the Representative, at a purchase price of $0.001 per Warrant, the Representative's Warrants. The Representative's Warrants shall be exercisable for a period of four (4) years commencing one (1) year from the Effective Date at an initial

exercise price equal to _____ percent (___%) of the initial public offering price of the Units. The Representative's Warrants shall be issued pursuant to the terms and provisions of the Representative's Warrant Agreement substantially in the form of the Representative's Warrant Agreement filed as Exhibit 4.3 to the Registration Statement (the "Representative's Warrant Agreement").

4. OFFERING. You are to make a public offering of the Units as soon, on or after the effective date of the Registration Statement, as you deem it advisable so to do. The Units are to be initially offered to the public at the initial public offering price set forth on the cover page of the Prospectus (such price being herein called the "public offering price"). You may from time

to time increase or decrease the public offering price after the initial public offering to such extent as you may determine.

5. COVENANTS OF THE COMPANY.

The Company covenants that it will:

(a) Use its best efforts to cause the Registration Statement to become effective and will notify you immediately, and confirm the notice in writing, (i) when the Registration Statement, or any post-effective amendment thereto, shall have become effective, (ii) of the issuance by the Commission of any stop order or of the initiation or the threatening of any proceedings for that purpose, and (iii) of the receipt of any comments by the Commission. The Company will prepare and timely file with the Commission under Rule 424(b) of the Regulations a Prospectus containing information previously omitted on the Effective Date in reliance of Rule 430A of the Regulations. The Company will use its best efforts to prevent the issuance of any stop order or any order preventing or suspending the use of the Registration Statement or Prospectus and, if such order is issued, to obtain the lifting thereof as promptly as possible.

(b) During the time when a prospectus is required to be delivered under the Act, comply so far as it is able with all requirements imposed upon it by the Act, as now and hereafter amended, and by the Regulations, as from time to time in force, so far as necessary to permit the continuance of sales or of dealings in the Stock, the Redeemable Warrants, the Additional Stock and the Additional Redeemable Warrants in accordance with the provisions hereof and the Prospectus. If at any time when a prospectus relating to the Stock, the Redeemable Warrants, the Additional Stock or the Additional Redeemable Warrants is required to be delivered under the Act any event shall have occurred as a

result of which, in the reasonable opinion of counsel for the Company or your counsel, the Registration Statement or Prospectus as then amended or supplemented includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or it is necessary at any time to amend or supplement the Registration Statement or Prospectus to comply with the Act, the Company will notify you promptly and prepare and file with the Commission an appropriate amendment or supplement (in form reasonably satisfactory to you).

(c) Deliver to you such number of copies of each Preliminary Prospectus as you may reasonably request and, deliver to you two signed copies of the Registration Statement, including exhibits, and all post-effective amendments thereto and such number of copies of the Prospectus, the Registration Statement and amendments and supplements thereto, if any, without exhibits, as you may reasonably request for the purposes contemplated by the Act.

(d) Endeavor in good faith, in cooperation with you, at or prior to the time the Registration Statement becomes effective, to qualify the Units, the Stock, the Redeemable Warrants, the Additional Stock and the Additional Redeemable Warrants for offering or sale of

the Units and the Additional Units of such jurisdictions as you may reasonably designate; provided that no such qualification shall be required in any jurisdiction where, as a result thereof, the Company would be subject to service of general process or would be required to become qualified to do business as a foreign corporation doing business in such jurisdiction. In each jurisdiction where the qualification of the Units, the Stock, the Redeemable Warrants, the Additional Stock and the Additional Redeemable Warrants shall be effected, the Company will, unless you agree that such action is not at the time necessary or advisable, file and make such statements or reports at such times as are or may be reasonably required by the laws of such jurisdiction.

(e) Make generally available to its security holders and to the Representative as soon as practicable, but not later than the last day of the fifteenth full calendar month following the Effective Date, an earnings statement of the Company (which need not be certified by independent auditors unless required by the Act or the Regulations, but which will satisfy the provisions of Section 11(a) of the Act and Rule 158 of the Rules and Regulations) covering a period of at least twelve months commencing after the Effective Date.

(f) For a period of _____ days after the date of the Prospectus, not issue, sell, contract to sell, grant an option for the sale of or otherwise

dispose of, directly or indirectly, any shares of Common Stock of the Company (or any shares of securities convertible into or exercisable for such Common Stock) other than the Units being sold by the Company and securities issued pursuant to the Company's employee benefit plans or as otherwise referred to in the Prospectus, without your prior written consent.

(g) For a period of five years from the effective date of the Registration Statement, furnish you the following:

(i) as soon as practicable after they have been filed with the Commission, two copies of each annual, quarterly and current report on Form 10-K, Form 10-Q or Form 8-K (to the extent the Company shall be required to file such reports pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (collectively the "Exchange Act") and, as soon as practicable after they have been sent by the Company to its security holders, two copies of any communications sent by it to its public security holders generally;

(ii) as soon as practicable, two copies of every press release and every material news items and article in respect of the Company or its affairs which was released by the Company; and

(iii) such additional non-confidential documents and information with respect to the Company and its affairs as you may from time to time reasonably request.

(h) Apply the net proceeds from the offering received by the Company in the manner set forth under "Use of Proceeds" in the Prospectus, including that the net proceeds will

only be used in connection with the business as described in the Prospectus, and comply with Rule 463 under the Act.

(i) Furnish to you as early as practicable prior to the Closing Date and Additional Closing Date, as the case may be, but no later than two full business days prior thereto, a copy of the latest available unaudited interim financial statements of the Company, if any, which have been reviewed by the Company's independent auditors, as stated in their letters to be furnished pursuant to Section 7(f) hereof.

(j) Not file any amendment or supplement to the Registration Statement or Prospectus after the effective date of the Registration Statement to which you shall reasonably object in writing after being furnished a copy thereof.

(k) If any action or proceeding shall be brought by you in order to enforce any right or remedy under this Agreement, the Company hereby consents to, and agrees that it will submit to, the jurisdiction of the courts of the State of New York and of any Federal court sitting in the United States District Court for the Southern District of New York. The Company agrees that process in any such action or proceeding may be served in that manner provided by New York law for service on foreign corporations.

(l) Comply with all registration, filing and reporting requirements of the Exchange Act which may from time to time be applicable to the Company.

(m) Make all filings required, including registration under the Exchange Act, to obtain and keep the listing of its Common Stock in The Nasdaq SmallCap Market, and effect and maintain such listing for the Common Stock for at least five (5) years from the date of this Agreement.

(n) Use its best efforts to be included in Standard & Poors Corporations Manual as soon as possible following the Closing Date, including the payment of all fees for accelerated publication, and to continue to be included in such Manual for at least five (5) years from the effective date of the Registration Statement.

(o) Not later than three months following the date of this Agreement, cause to be delivered to you and to your counsel, Parker Duryee Rosoff & Haft, four (4) bound volumes containing therein all filings, including exhibits, and correspondence to and from the Commission, the National Association of Securities Dealers, Inc, ("NASD") and all states or other jurisdictions concerning the offering of the Stock, underwriting documents and closing documents, plus any other relevant material.

(p) For a period of three (3) years from the Closing Date, engage your designee as an advisor (the "Advisor") to the Company's Board of Directors. The Advisor shall be permitted to attend meetings of the Board and each of its committees and receive no more or less

compensation as is equal to the entitlement of the Directors including, without limitation, all compensation payable to Directors as members of the committees of the Board or in connection with any other Board activities; PROVIDED, HOWEVER, that the Company may require as a condition precedent that any such Advisor shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all information, including, but not limited to, trade secrets, so received during such meetings and may require that such Advisor

sign a confidentiality agreement with the Company; and, PROVIDED, FURTHER, that the Company reserves the right not to provide information and to exclude such Advisor from any meeting or portion thereof if attendance at such meeting by such Advisor or dissemination of any information at such meeting to such Advisor would compromise or adversely affect the attorney-client privilege between the Company and its counsel, or would, in the good faith judgment of the Board of Directors, result in a conflict of interest situation. The Company shall use its reasonable efforts to promptly bring to the attention of such Advisor any agenda item that, in the good faith judgment of the Board of Directors, would result in such a trade secret, privileged matter or conflict of interest and the Board of Directors may exclude such Advisor (or alternatively, the Advisor shall be entitled to exclude himself or herself) from any deliberation or discussion of the Board of Directors concerning such trade secret (if the Advisor has not executed a confidentiality agreement), privileged matter or conflict of interest matter and as a recipient in the dissemination of any such information. If such Advisor in his or her good faith judgment believes that an item to be discussed by the Board of Directors would result in any conflict of interest, such Advisor shall promptly bring such conflict to the attention of the Chairman of the Board. In no event shall any provision of this paragraph waive any obligation of confidentiality to the Company owed by any such Advisor or the Representative. In addition, the Advisor shall be entitled to receive reimbursement for all reasonable costs incurred in attending such meetings including, but not limited to, food, lodging, and transportation; such costs in excess of $1,000 to be subject to the prior written approval of the Company which will not be unreasonably withheld.

(q) For a period of three (3) years from the Closing Date, there will be no less than four (4) formal, "in person" or "telephonic" meetings, of the Company's Board of Directors in each such year at which meetings the Advisor shall be permitted to attend or participate, as the case may be in accordance with the provisions of Section 5(p); said meetings shall be held quarterly each year and ten (10) days' advance notice of such meetings shall be given to the Advisor. The Advisor shall receive notice of special meetings of the Board of Directors at the same time and manner as the members of the Board.

(r) Indemnify and hold the Representative and the Advisor harmless, to the full extent allowed by applicable laws, against any and all claims, actions, awards and judgments arising solely out of the attendance and participation of the Advisor at any meeting described in Section 5(p) of this Agreement. In the event the Company maintains a liability insurance policy affording coverage for the acts of its officers and directors, the Company agrees, if possible, to include the Representative and the Advisor as an insured under such policy.

(s) Establish and maintain during the period that the Common Stock is

listed on The Nasdaq SmallCap Market an independent audit committee and a compensation committee of the Company's Board of Directors, which committees shall meet the requirements of The Nasdaq National Market.

(t) On the Closing Date, enter into a two (2) year financial consulting agreement with the Representative (the "Financial Consulting Agreement") pursuant to which the Representative will provide the Company with investment banking and financial consulting services at a fee of $72,000, payable at the rate of $3,000 per month in advance of each month for the twenty four months subsequent to the Closing Date.

(u) For a period of three (3) years from the Closing Date, grant the Representative a right of first refusal to act as underwriter or placement agent on any subsequent public or private offerings of equity or debt securities (excluding sales to employees pursuant to the Company's stock option plan, traditional commercial financing or bank financing) of the Company or any subsidiary or successor of the Company, or by the Company, its subsidiaries, their affiliates or their respective officers, directors or principal stockholders.

6. PAYMENT OF EXPENSES.

(a) The Company hereby agrees to pay, whether or not the transactions contemplated hereunder are consummated, all expenses (other than fees of your counsel, except as provided in (iv) below) in connection with (i) the preparation, printing, filing and mailing of the Registration Statement and the Prospectus, including the cost of all copies thereof and of the Preliminary Prospectus and of the Prospectus and any amendments or supplements thereto supplied to you in quantities as hereinabove stated, (ii) the issuance, transfer and delivery of the Firm Units and the Additional Units, including any transfer or other taxes payable thereon, but not including the underwriting discounts thereon, (iii) printing of this Agreement, the Agreement Among Underwriters, the Selected Dealer Agreement, the Underwriters' Questionnaire, the Power of Attorney and the certificates evidencing the Common Stock and the Redeemable Warrants, (iv) the qualification of the Units, the Stock, the Redeemable Warrants, the Additional Stock and the Additional Redeemable Warrants, under state or foreign securities or Blue Sky laws, including the costs of printing and mailing the "Blue Sky Survey," the fees of counsel to the Underwriters of which $7,500 has been paid prior to the date hereof, and disbursements in connection therewith, (v) filing fees payable to the Commission, the NASD, the Boston Stock Exchange and The Nasdaq SmallCap Market, Inc. (vi) in arranging and holding due diligence meetings with prospective underwriters and selected dealers, (vii) reasonable travel and lodging incurred by the Representative and its counsel in connection with meetings outside of New York City, (viii) tombstone advertising, and (ix) the preparation, production and delivery of plaques and bound volumes.

(b) The Company further agrees that, in addition to the expenses payable pursuant to subsection (a) of this Section 6, it will pay to the Representative a non-accountable

expense allowance equal to three percent (3%) of the gross proceeds received by the Company from the sale of the Firm Units and the Additional Units, of which $25,000 has been paid to date and the Company will pay the balance on the Closing Date and any additional balance on the Additional Closing Date by certified or bank cashier's check or, at the election of the Representative, by deduction from the proceeds of the offering contemplated herein.

7. CONDITIONS OF YOUR OBLIGATIONS. The obligation of the several Underwriters hereunder to purchase and pay for the Firm Units and the Additional Units, as provided herein, shall be subject to the continuing accuracy in all material respects of the representations and warranties of the Company as of the date hereof and as of the Closing Date (or the Additional Closing Date, as the case may be), to the performance by the Company in all material respects of its obligations hereunder and to the following conditions:

(a) The Registration Statement shall have become effective not later than 5:00 P.M., New York City time, on the date of this Agreement or such later date and time as shall be consented to in writing by you and, at the Closing Date and Additional Closing Date, no stop order suspending the effectiveness of the Registration Statement, as amended from time to time, shall have been issued or proceeding therefor initiated or threatened by the Commission;

(b) At the Closing Date and the Additional Closing Date, as the case may be, you shall have received the favorable opinion of Rubin Baum Levin Constant & Friedman, counsel for the Company, dated the Closing Date or the Additional Closing Date, as the case may be, addressed to the Underwriters and in form and scope reasonably satisfactory to counsel of the Underwriters, to the effect that:

(i) each of the Company and the Subsidiaries (A) is a corporation duly organized and validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation and (B) has full corporate power and authority and all necessary authorizations, approvals, orders, licenses, certificates and permits of and from all governmental regulatory officials and bodies to own its properties and to conduct its business as now being conducted as described in the Prospectus;

(ii) each of the Company and the Subsidiaries is duly qualified as a foreign corporation and in good standing in each jurisdiction in which its ownership or leasing of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not have a Material Adverse Effect upon the Company and the Subsidiaries, taken as a whole;

(iii) the Company owns of record, directly or indirectly, all of the capital stock of each of the Subsidiaries; all such shares of capital

stock so owned are validly issued and outstanding, fully paid and nonassessable and are owned free and clear of any liens, encumbrances or other claims or restrictions whatsoever;

(iv) the Company had authorized and outstanding capital stock as set forth in the Prospectus; all the issued shares of Common Stock of the Company have been duly and validly authorized and issued and are fully paid and nonassessable and all the issued shares of Common Stock of the Company and the Stock and the Additional Stock are not subject to any preemptive rights; the Stock, the Additional Stock and the other capital stock of the Company and the Redeemable Warrants and the Additional Redeemable Warrants conform as to legal matters to the description thereof contained under the caption "Description of Capital Stock" in the Prospectus;

(v) the Redeemable Warrant Stock, the Additional Redeemable Warrant Stock and the Representative's Warrant Stock have been duly authorized and reserved for issuance and, when issued and delivered in accordance with the terms of the Redeeamble Warrant Agreement and the Representative's Warrant Agreement, as the case may be, will be duly and validly issued, fully paid and nonassessable.

(vi) the Company has conveyed to the Underwriters good and valid title to the Stock, Redeemable Warrants, Additional Stock and Additional Redeemable Warrants, as the case may be, being sold hereunder, free and clear of any liens, encumbrances, security interests and claims whatsoever; the Stock, Redeemable Warrants, Additional Stock and Additional Redeemable Warrants, as the case may be, shall be validly issued and fully paid and nonassessable when issued and paid for in accordance with the terms of this Agreement, and the certificates evidencing the Stock, the Redeemable Warrants, Additional Stock and the Additional Redeemable Warrants are in due and proper form;

(vii) this Agreement, the Redeemable Warrant Agreement, the Representative's Warrant Agreement and the Financial Consulting Agreement have been duly and validly authorized, executed and delivered by the Company and each is a valid and binding agreement of the Company enforceable in accordance with its terms, except insofar as indemnification and contribution provisions may be limited by applicable law (including, but not limited to, Federal or state securities laws) or equitable principles, and except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by general equitable principles;

(viii) to the knowledge of such counsel, there are no contracts or other documents which are required to be filed as exhibits to the

Registration Statement, as it may then be amended or supplemented, or required to be described in the Registration Statement or Prospectus as it may then be amended or supplemented that are not filed or described as required;

(ix) there are no legal or governmental proceedings pending or, to the knowledge of such counsel, threatened against the Company or any of the Subsidiaries, and no statutes or regulations applicable to the Company or any of the Subsidiaries, of a character that are required to be disclosed in the Registration Statement and Prospectus, which have not been so disclosed and properly described therein;

(x) the statements in the Registration Statement and Prospectus, insofar as they are descriptions of contracts, agreements or other documents, or refer to statements of law or legal conclusions, are accurate in all material respects and present fairly the information required to be shown with respect to such contracts, agreements or other documents;

(xi) the execution and delivery of this Agreement, the Redeemable Warrant Agreement, the Representative's Warrant Agreement and the Financial Consulting Agreement, the consummation of the transactions contemplated in this Agreement, the Redeemable Warrant Agreement, the Representative's Warrant Agreement and the Financial Consulting Agreement, and compliance with the terms of this Agreement, the Redeemable Warrant Agreement, the Representative's Warrant Agreement and the Financial Consulting Agreement do not and will not (A) conflict with or result in a breach of any of the terms or provisions of, or constitute a default (or an event which with notice or lapse of time or both would constitute a default or acceleration) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of the Subsidiaries pursuant to the terms of any agreement or instrument known to such counsel and to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries may be bound or to which any of the properties or assets of the Company or any of the Subsidiaries is subject, or any statute or any order, rule or regulation applicable to the Company or any of the Subsidiaries of any court or of any Federal, state or other regulatory authority or other governmental body having jurisdiction over the Company or any of the Subsidiaries (provided, however, that such counsel may render such opinion on state (other than New York), regulatory or other governmental bodies, to such counsel's knowledge) or (B) result in any violation of provisions of the Certificate of Incorporation, by-laws or other charter documents of the Company or any of the Subsidiaries;

(xii) no consent, approval, authorization or order of any court or governmental agency or body is required in connection with the consummation of the transactions contemplated by this Agreement, the Redeemable

Warrant Agreement, the Representative's Warrant Agreement and the Financial Consulting Agreement, except such as have been obtained or made or as may be required under the Act or state securities or Blue Sky laws;

(xiii) (A) neither the Company nor any of the Subsidiaries is in violation of any term or provision of its Certificate of Incorporation, by-laws or other charter documents; (B) to such counsel's knowledge, neither the Company nor any of the Subsidiaries is presently in breach of, or in default (nor has an event occurred which with notice, lapse of time or both would constitute such a default or acceleration) under any indenture, mortgage, deed of trust, note, bank loan or credit agreement or (in any respect that is material in light of the financial condition of the Company and the Subsidiaries, taken as a whole) any other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which either of them or any of their property may be bound or affected, or to such counsel's knowledge, in violation of any franchise, license, permit, judgment, decree, order, statute, rule or regulation, which violation would have a Material Adverse Effect upon the Company or any of the Subsidiaries; and (C) to such counsel's

knowledge, neither the Company nor any of the Subsidiaries has received notice of conflict with the asserted rights of others in respect of patents, trademarks, service marks and rights necessary for the conduct of its business;

(xiv) the Company has the right to operate all of its facilities in their present locations and the operation of its facilities in such locations as described in the Prospectus does not violate the provisions of any lease with respect thereto to which the Company is a party;

(xv) the Registration Statement and the Prospectus and any amendments or supplements thereto (other than the financial statements and other financial and statistical data included therein, as to which no opinion need be rendered) comply as to form in all material respects with the requirements of the Act and the Regulations and nothing has come to the attention of such counsel which would lead them to believe that the Registration Statement or the Prospectus, as amended or supplemented, if amended or supplemented (other than the financial statements and other financial and statistical data included therein as to which no opinion need be rendered) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; and

(xvi) the Registration Statement is effective under the Act, and to the best of such counsels knowledge, no proceedings for a stop order are

pending or threatened under the Act;

In rendering the opinions set forth above, such counsel may rely upon certificates of officers of the Company and of public officials as to matters of fact. In giving the foregoing opinions, such counsel may rely on such other counsel as it deems advisable; provided that such counsel shall state that, in such counsel's opinion, you are justified in relying on such opinions of such other counsel. Copies of all such opinions and certificates shall be furnished to your counsel on the Closing Date or the Additional Closing Date, as the case may be.

(c) On or prior to the Closing Date and the Additional Closing Date, as the case may be, you shall have been furnished such documents, certificates and opinions as you may reasonably require for the purpose of enabling you to review the matters referred to in subsection (b) of this Section 7, and in order to evidence the accuracy, completeness or satisfaction of any of the representations, warranties or conditions herein contained.

(d) Prior to the Closing Date and the Additional Closing Date, as the case may be, (i) there shall have been no material adverse change in the business, properties, results of operations, condition (financial or otherwise), affairs or prospects, of the Company and the Subsidiary from that as of the latest date as of which such condition is set forth in the Registration Statement and Prospectus; (ii) there shall have been no transaction, not in the ordinary course of business, entered into by the Company or the Subsidiary, from the latest date as of which the financial condition of the Company and the Subsidiary is set forth in the Registration Statement

and Prospectus, other than transactions referred to or contemplated therein or to which you have given your written consent; (iii) neither the Company nor the Subsidiary shall be in default (nor shall an event have occurred which, with notice, or lapse of time or both would constitute a default or acceleration) under any provision of, any agreement, understanding or instrument relating to any indebtedness; (iv) no material amount of the consolidated assets of the Company and the Subsidiary shall have been pledged or mortgaged, except as set forth in the Registration Statement and Prospectus; and (v) no action, suit or proceeding, at law or in equity, shall have been pending or, to the knowledge of the Company, threatened against the Company or the Subsidiary or affecting any of their properties or business before or by any court or federal, state or other jurisdictional commission, board or other administrative agency wherein an unfavorable decision, ruling or finding would materially adversely affect the business, operations, prospects or consolidated financial condition or income of the Company and the Subsidiary except as set forth in the Registration Statement and

Prospectus.

(e) At the Closing Date and Additional Closing Date, as the case may be, you shall have received a certificate of the President and the principal financial or accounting officer of the Company, dated the Closing Date and Additional Closing Date, as the case may be, (i) to the effect that the conditions set forth in subsections (a) and (d) above have been satisfied and (ii) as to the accuracy, as of the Closing Date and Additional Closing Date, as the case may be, of the representations and warranties of the Company set forth in Section 2 hereof.

(f) At the time this Agreement is executed and at the Closing Date and Additional Closing Date, as the case may be, you shall have received a letter, addressed to you in form and substance satisfactory to you in all respects (including the non-material nature of the changes or decreases, if any, referred in to clause (iii) below), from Rothstein Kass & Company, PC, dated as of the date of this Agreement and as of the Closing Date and Additional Closing Date, as the case may be:

(i) confirming that they are independent accountants with respect to the Company and its consolidated Subsidiaries within the meaning of the Act and the applicable published Regulations;

(ii) stating that in their opinion, the consolidated financial statements of the Company and its Subsidiaries included in the Registration Statement examined by them comply as to form in all material respects with the applicable accounting requirements of the Act and the published Regulations;

(iii) stating that, on the basis of procedures (but not an audit in accordance with generally accepted auditing standards), which included a reading of the latest available unaudited consolidated interim financial statements of the Company and its Subsidiaries (with an indication of the date of the latest available unaudited consolidated interim financial statements), a reading of the latest available minutes of the stockholders and boards of directors of the Company and

its consolidated Subsidiaries and committees of such boards and inquiries to certain officers and other employees of the Company and its consolidated Subsidiaries responsible for financial and accounting matters and other specified procedures and inquiries, nothing has come to their attention that would cause them to believe that (A) the unaudited consolidated financial statements of the

Company and its Subsidiaries included in the Registration Statement (i) do not comply as to form in all material respects with the applicable accounting requirements of the Act and Regulations, or (ii) were not fairly presented in conformity with generally accepted accounting principles on a basis substantially consistent with that of the audited consolidated financial statements included in the Registration Statement; (B) at the date of the latest available consolidated interim financial statements and at a specified date not more than five business days prior to the date of such letter, there was any change in long-term debt or capital stock of the Company and its consolidated Subsidiaries, as compared with the amounts shown in the September 30, 1996 balance sheet of the Company and its consolidated Subsidiaries included in the Registration Statement and Prospectus, other than as set forth in or contemplated by the Registration Statement and Prospectus, or, if there was any change, setting forth the amount of such change; or (C) during the period from September 30, 1996 to a specified date not more than five days prior to the date of such letter, there was any decrease in revenues or any increase in operating loss, net loss or pro forma net loss per share of the Company, as compared with the corresponding period in the preceding year, other than as set forth in or contemplated by the Registration Statement and Prospectus, or, if there was any decrease or increase, respectively, setting forth the amount of such decrease or increase; and

(iv) stating that they have compared specific dollar amounts, numbers of shares, percentages of dollar amounts and shares and other information pertaining to the Company set forth in the Prospectus, which have been specified by you prior to the date of this Agreement, to the extent that such amounts, numbers, percentages and other information may be derived from the general accounting records of the Company and excluding any questions requiring an interpretation by legal counsel, with the results obtained from the application of specified readings, inquiries and other appropriate procedures (which procedures do not constitute an examination in accordance with generally accepted auditing standards) set forth in the letter, and found them to be in agreement.

(g) All proceedings taken in connection with the sale of the Firm Units and the Additional Units as herein contemplated shall have been reasonably satisfactory in form and substance to you and your counsel.

(h) The Company shall have furnished to the Representative such further certificates and documents confirming the representations and warranties contained herein, the

performance of covenants prior to the Closing Date and the Additional Closing Date, as the case may be, and related matters as the Representative may reasonably have requested; and you shall have received from counsel to the Underwriters, a favorable opinion, dated as of the Closing Date and the Additional Closing Date, as the case may be, with respect to such of the matters set forth under subsection (b) of this Section 7, and with respect to such other related matters, as you may reasonable require.

(i) There shall have been duly tendered to you certificates representing all the Stock and the Additional Stock, as the case may be, agreed to be sold by the Company on the Closing Date and the Additional Closing Date, as the case may be.

(j) No order suspending the sale of the Firm Units or the Additional Units, as the case may be, in any jurisdiction designated by you pursuant to subsection (d) of Section 5 hereof, shall have been issued on the Closing Date or the Additional Closing Date, as the case may be, and no proceedings for that purpose shall have been instituted or to your knowledge or that of the Company shall be contemplated.

Any certificate signed by any duly authorized officer of the Company in such capacity and delivered to you or your counsel shall be deemed a representation and warranty by the Company to you as to the statements made therein. If any condition to your obligations hereunder to be fulfilled prior to or at the Closing Date or the Additional Closing Date, as the case may be, is not so fulfilled, you may terminate this Agreement or, if you so elect, waive any such conditions which have not been fulfilled or extend the time for their fulfillment.

8. INDEMNIFICATION.

(a) Subject to the conditions set forth below, the Company agrees to indemnify and hold harmless each of the Underwriters, each of the officers and directors of the Underwriters and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, against any and all loss, liability, claim, damage and expense whatsoever (including, but not limited to any and all expense whatsoever reasonably incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever) ("collectively, "Damages") arising out of or based upon (i) the inaccuracy or breach of any representation or warranty of the Company or the breach of any covenant made by the Company in this Agreement or (ii) any untrue statement or alleged untrue statement of a material fact contained (x) in any Preliminary Prospectus, the Registration Statement or the Prospectus (as from time to time amended and supplemented) or (y) in any application or other document (in this Section 8, collectively called "Application") executed by or on behalf of the Company or based upon written information furnished by or on behalf of the Company filed in any jurisdiction in order to qualify the Stock or the Additional Stock under the

"Blue Sky" or securities laws thereof or filed with the Commission or any securities exchange, such as The Nasdaq SmallCap Market, or (iii) the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not

misleading; unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Company with respect to the Underwriters by or on behalf of any Underwriter expressly for use in the Preliminary Prospectus, the Registration Statement or Prospectus, or any amendment or supplement thereof, or in any Application or in any communication to the Commission, as the case may be. With respect to any Damages arising out of or based upon any untrue statement or alleged untrue statement made in, or omission or alleged omission from, any Preliminary Prospectus, the indemnity agreement contained in this Section 8(a) with respect to such Preliminary Prospectus shall not inure to the benefit of the Underwriters (or the benefit of any person controlling any Underwriter), if the Prospectus (or the Prospectus as amended or supplemented if the Company shall have made any amendments thereof or supplements thereto which shall have been furnished to you prior to the time of confirmation of such sale) does not contain such statement, alleged statement, omission or alleged omission, a sufficient number of copies of such Prospectus were provided to the Underwriters and a copy of such Prospectus shall not have been sent or given to the person asserting such Damages at or prior to the written confirmation of such sale to such person.

(b) Subject to the conditions set forth below, each Underwriter, severally and not jointly, agrees to indemnify and hold harmless the Company, each of the directors of the Company, each of the officers of the Company who shall have signed the Registration Statement and each other person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act for all Damages with respect to statements or omissions, or alleged statements or omissions, if any, made in any Preliminary Prospectus, Registration Statement or Prospectus or any amendment or supplement thereto or any Application in reliance upon, and in conformity with, written information furnished to the Company with respect to the Underwriters by or on behalf of any Underwriter for use in any Preliminary Prospectus, the Registration Statement or Prospectus or any amendment or supplement thereto or in any application, as the case may be.

(c) If any action is brought against an indemnified party under subsection (a) or (b) above (the "Indemnified Party") in respect of which indemnity may be sought against the indemnifying party under subsection (a) or (b) above (the "Indemnifying Party"), such Indemnifying Party shall promptly notify in writing the party or parties against whom indemnification is to be sought of the institution of such action and the Indemnifying Parties shall

assume the defense of such action, including the employment of counsel (reasonably satisfactory to such Indemnified Party) and payment of expenses. Such Indemnified Party shall have the right to employ it or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless the employment of such counsel shall have been authorized in writing by the Indemnifying Parties in connection with the defense of such action or the Indemnifying Parties shall not have employed counsel to have charge of the defense of such action or such Indemnified Party or parties shall have reasonably concluded that there may be defenses available to the Indemnifying Parties which are different or additional to those available to the Indemnifying Parties (in which case the Indemnifying Parties shall not have the right to direct the defense of such action on behalf of the Indemnified Party or Parties), in any of

which events such reasonable fees and expenses shall be borne by the Indemnifying Parties. Anything in this paragraph to the contrary notwithstanding, the Indemnifying Party shall not be liable for the reasonable fees and expenses of more than one counsel or for any settlement of any such claim or action effected without its written consent. The Indemnifying Party agrees promptly to notify the Indemnified Party of the commencement of any litigation or proceedings against the Indemnifying Party or any of its officers or directors in connection with the issue and sale of the Stock and the Additional Stock or in connection with such Preliminary Prospectus, Registration Statement or Prospectus, or any amendment or supplement thereto, or any such Application.

(d) If the indemnification provided for in this Section 8 is unavailable or insufficient to hold harmless an Indemnified Party in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each Indemnifying Party shall contribute to the amount paid or payable to such Indemnified Party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Stock and Additional Stock. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the Indemnified Party failed to give the notice required above in this Section 8, then each Indemnifying Party shall contribute to such amount paid or payable by such Indemnified Party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters

on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), (i) the Underwriters shall not be required to contribute any amount in excess of the amount by which the total price at which the Stock and Additional Stock underwritten by the Underwriters and distributed to the public were offered to the public exceeds the amount of any damages which the Underwriters have otherwise been required to pay by reason of such untrue statement or omission and (ii) no person guilty of

fraudulent misrepresentation (within the meaning of Section 11 of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

9. DEFAULT BY AN UNDERWRITER.

(a) If any Underwriter or Underwriters shall default in its or their obligations to purchase the Firm Units hereunder, and if the number of Firm Units with respect to which such default relates does not exceed in the aggregate 10% of the number of Firm Units which all Underwriters have agreed to purchase hereunder, then such Firm Units to which the default relates shall be purchased by the nondefaulting Underwriters in proportion to their respective commitments hereunder.

(b) In the event that such default relates to more than 10% of the number of Firm Units, you may in your discretion arrange for yourself or for another party or parties to purchase such Firm Units to which such default relates on the terms contained herein. If within one (1) business day after such default relating to more than 10% of the number of Firm Units , you do

not arrange for the purchase of such Firm Units, then the Company shall be entitled to a further period of one (1) business day within which to procure another party or parties satisfactory to you to purchase said Firm Units on such terms. In the event that neither you nor the Company arrange for the purchase of the Firm Units to which a default relates as provided in this Section 9, this Agreement may be terminated by you or the Company (except as provided in Section 6 and Section 8(a) hereof) or the several Underwriters, but nothing herein shall relieve a defaulting Underwriter of its liability, if any, to the other several Underwriters and to the Company for damages occasioned by its default hereunder. Such termination by the Company shall be without liability to you and the several Underwriters.

(c) In the event that the Firm Units to which the default relates is to be purchased by the non-defaulting Underwriters, or is to be purchased by another party or parties as aforesaid, you or the Company shall have the right to postpone the Closing Date for a reasonable period but not in any event exceeding five (5) business days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus or in any other documents and arrangements, and the Company agrees to file promptly any amendment to the Registration Statement or the Prospectus which in the opinion of counsel for the Underwriters may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any party substituted under this Section 9 with like effect as if it had originally been a party to this Agreement with respect to such Firm Units.

10. REPRESENTATIONS AND AGREEMENTS TO SURVIVE DELIVERY. Except as the context otherwise requires, all representations, warranties and agreements contained in this Agreement shall be deemed to be representations, warranties and agreements at the Closing Date and the Additional Closing Date, and such representations, warranties and agreements of you and the Company, including the indemnity and contribution agreements contained in Section 8 hereof, shall remain operative and in full force and effect regardless of any investigation made by or on

behalf of you or any controlling person, or by or on behalf of the Company or any controlling person, and shall survive termination of this Agreement and/or delivery of the Firm Units and the Additional Units to you.

11. EFFECTIVE DATE OF THIS AGREEMENT AND TERMINATION THEREOF.

(a) This Agreement shall become effective at 9:30 A.M., New York Time, on the first full business day following the day on which the Registration Statement becomes effective or at the time of the initial public offering by you of the Units, whichever is earlier. The time of the initial public offering, for the purpose of this Section 11, shall mean the time, after the Registration

Statement becomes effective, of the release by you for publication of the first newspaper advertisement which is subsequently published relating to the Units or the time, after the Registration Statement becomes effective, when the Units is first released by you for offering by the Underwriters or dealers by letter or telegram, whichever shall first occur. You or the Company may prevent this Agreement from becoming effective without liability of any party to any other party, except as noted below, by giving the notice indicated below in Section 11(d) before the time this Agreement becomes effective.

(b) You shall have the right to terminate this Agreement at any time prior to the Closing Date or the Additional Closing Date, as the case may be, if, after the date of this Agreement, any domestic or international event or act or occurrence has materially disrupted or, in the exercise of your reasonable judgment, will in the immediate future materially disrupt, securities markets in the United States; or trading on the New York Stock Exchange shall have been suspended, or minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required on the New York Stock Exchange by the New York Stock Exchange or by order of the Commission or any other governmental authority having jurisdiction; or the United States shall have become involved in a war or major hostilities; or a banking moratorium has been declared by a New York or Federal authority; or the Company shall have sustained a material loss by fire, flood, accident, hurricane, earthquake, theft, sabotage or other calamity or malicious act which, whether or not said loss shall have been insured, will, in your opinion, interfere materially and adversely with the conduct of the business and operations of the Company; or there shall have been such material adverse change in the condition or prospects of the Company or the market for its and similar securities as in your judgment would make it inadvisable to proceed with the offering, sale and delivery of the Firm Units or the Additional Units, as the case may be.

(c) If you elect to prevent this Agreement from becoming effective or to terminate this Agreement as provided in this Section 11, the Company shall be notified promptly by you by telephone or telegram, confirmed by letter. If the Company elects to prevent this Agreement from becoming effective, you shall be notified promptly by the Company by telephone or telegram, confirmed by letter.

(d) Anything in this Agreement to the contrary notwithstanding if this Agreement shall not become effective by reason of an election of the Company pursuant to this Section 11, or if this Agreement shall not be carried out within the time specified herein by reason of any failure on the part of the Company to perform any undertaking or satisfy any condition of this Agreement by it to be performed or satisfied, the sole liability of the Company to you, in addition to the obligations assumed by the Company pursuant to Section 6 hereof, will be to reimburse you for such actual out-of-pocket expenses (including the

fees and disbursements of your counsel) as shall have been incurred in connection with this Agreement and the proposed purchase of the Firm Units and the Additional Units, and upon demand the Company will pay the full amount thereof to you. If this Agreement shall not become effective by reason of an election by you pursuant to this Section 11 or if this Agreement shall be terminated or otherwise not carried out within the time specified herein for any reason other than the failure on the part of the Company to perform any undertaking or satisfy any condition of this Agreement by it or them to be performed or satisfied, the Company shall have no liability to you other than for obligations assumed by the Company pursuant to Section 6 hereof; provided, however, that you may retain any sums heretofore paid to you by the Company as provided in Section 3 hereof to the extent that such sums are for your actual out-of-pocket expenses (including the fees and disbursements of your counsel) as shall have been incurred in connection with this Agreement and the proposed purchase of the Firm Units and the Additional Units.

Notwithstanding any election hereunder or any termination of this Agreement, and whether or not this Agreement is otherwise carried out, the provisions of Section 8 shall not be in any way affected by such election or termination or failure to carry out the terms of this Agreement or any part hereof.

12. NOTICES. All communications hereunder, except as herein otherwise specifically provided, shall be in writing and, if sent to any Underwriter, shall be mailed, delivered or telegraphed and confirmed to Donald & Co. Securities Inc., 65 East 55th Street, New York, New York 10022, Att: Stephen A. Blum, President, with a copy to Parker Duryee Rosoff & Haft, 529 Fifth Avenue, New York, New York 10017, Att: Michael D. DiGiovanna, Esq.; and if sent to the Company, shall be mailed, delivered or telegraphed and confirmed to Paradise Music & Entertainment, Inc. 420 West 45th Street, 5th Floor, New York, NY 10036, Attn: John Loeffler, President, with a copy to Rubin Baum Levin Constant & Friedman, 30 Rockefeller Plaza, New York, New York 10112, Att: Walter M. Epstein, Esq.

13. PARTIES. This Agreement shall be binding upon, you, the Company, and the controlling persons, directors and officers referred to in Section 8 hereof, and their respective successors, legal representatives and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provision herein contained.

14. CONSTRUCTION. This Agreement shall be construed in accordance with the laws of the State of New York.

If the foregoing correctly sets forth the understanding between you and the Company, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement among us.

Very truly yours,

PARADISE MUSIC & ENTERTAINMENT, INC.

By:

John Loeffler, President

Accepted as of the date
first above written:

DONALD & CO. SECURITIES INC.
AS REPRESENTATIVE OF THE UNDERWRITERS
NAMED IN SCHEDULE I HERETO

By:

Stephen A. Blum, President

SCHEDULE I

Underwriters	Number of Firm Units
Donald & Co. Securities Inc.	
TOTAL	1,000,000

Exhibit 4.1

INCORPORATED UNDER THE LAWS OF

THE STATE OF DELAWARE

[LOGO]

PARADISE MUSIC & ENTERTAINMENT, INC.

COMMON STOCK
$.01 PAR VALUE

CUSIP 699071 10 6

THIS CERTIFIES THAT

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK,
$.01 PAR VALUE, OF

PARADISE MUSIC & ENTERTAINMENT, INC. transferable upon the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate and the shares represented hereby are subject to the laws of the State of Delaware and to the Certificate of Incorporation and the By-laws of the Corporation as from time to time amended.

This certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.

IN WITNESS WHEREOF, PARADISE MUSIC & ENTERTAINMENT, INC. has caused its facsimile corporate seal and the facsimile signatures of its duly authorized officers to be hereunto affixed.

Dated:

[SEAL]

/s/ /s/

SECRETARY CHAIRMAN

COUNTERSIGNED AND REGISTERED:

CONTINENTAL STOCK TRANSFER & TRUST COMPANY

(JERSEY CITY, NJ)

TRANSFER AGENT

AND REGISTRAR

BY

AUTHORIZED SIGNATURE

The Corporation is authorized to issue more than one class or series of stock. Upon written request the corporation will furnish without charge to each stockholder a copy of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM

TEN ENT

JT TEN

-- as tenants in common

-- as tenants by the entireties

-- as joint tenants with right of
survivorship and not as tenants in common

Additional abbreviations may also be used though not in the above list.

UNIF GIFT MIN ACT

Custodian

(Cust) (Minor)

under Uniform Gifts to Minors

Act

(State)

For value received _____, hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER

IDENTIFYING NUMBER OF ASSIGNEE

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE

_____ Shares

of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint _____ Attorney to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN

EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

Exhibit 4.2

KW

[LOGO]

PARADISE MUSIC & ENTERTAINMENT, INC.

A DELAWARE CORPORATION

REDEEMABLE COMMON STOCK PURCHASE WARRANT

VOID AFTER , 2001

CUSIP 699071 11 4

THIS CERTIFIES THAT for value received

or registered assigns (the "Registered Holder") is the owner of

Redeemable Warrants (the "Warrants"). Two Warrants initially entitle the Registered Holder to purchase, subject to the terms and conditions set forth in this Certificate and the Warrant Agreement (as hereinafter defined), one fully paid and nonassessable share of Common Stock, $.01 par value, of Paradise Music & Entertainment, Inc., a Delaware corporation (the "Company"), at any time between , 1997 (the "Initial Warrant Exercise Date"), and the Expiration Date (as hereinafter defined) upon the presentation and surrender of this Warrant Certificate with the Subscription Form on the reverse hereof duly executed, at the corporate office of Continental Stock Transfer & Trust Company, 2 Broadway, New York, New York 10004, as Warrant Agent, or its successor (the "Warrant Agent"), accompanied by payment of $, subject to adjustment (the "Purchase Price"), in lawful money of the United States of America in cash or by check made payable to the Warrant Agent for the account of the Company.

This Warrant Certificate and each Warrant represented hereby are issued pursuant to and are subject in all respects to the terms and conditions set forth in the Warrant Agreement (the "Warrant Agreement"), dated , 1996, by and between the Company and the Warrant Agent.

In the event of certain contingencies provided for in the Warrant Agreement, the Purchase Price and the number of shares of Common Stock subject to purchase upon the exercise of each Warrant represented hereby are subject to modification or adjustment.

Each Warrant represented hereby is exercisable at the option of the Registered Holder, but no fractional interest will be issued. In the case of the exercise of less than all the Warrants represented hereby, the Company shall cancel this Warrant Certificate upon the surrender hereof and shall execute and deliver a new Warrant Certificate or Warrant Certificates of like tenor, which the Warrant Agent shall countersign, for the balance of such Warrants

The term "Expiration Date" shall mean 5:00 p.m. (New York time) on the date which is four years after the Initial Warrant Exercise Date. If each such date shall in the State of New York be a holiday or a day on which the banks are authorized to close, then the Expiration Date shall mean 5:00 p.m. (New York time) the next following day which in the State of New York is not a holiday or a day on which banks are authorized to close.

The Company shall not be obligated to deliver any securities pursuant to the exercise of this Warrant unless a registration statement under the Securities Act of 1933, as amended (the "Act"), with respect to such securities is effective or an exemption thereunder is available. The Company has covenanted and agreed that it will file a registration statement under the Federal securities laws, use its best efforts to cause the same to become effective, use its best efforts to keep such registration statement current, if required under the Act, while any of the Warrants are outstanding, and deliver a prospectus which complies with Section 10(a)(3) of the Act to the Registered Holder exercising this Warrant. This Warrant shall not be exercisable by a Registered Holder in any state where such exercise would be unlawful.

This Warrant Certificate is exchangeable, upon the surrender hereof by the Registered Holder at the corporate office of the Warrant Agent, for a new Warrant Certificate or Warrant Certificates of like tenor representing an equal aggregate number of Warrants, each of such new Warrant Certificates to represent such number of Warrants as shall be designated by such Registered Holder at the time

of such surrender. Upon due presentment and payment of any tax or other charge imposed in connection therewith or incident thereto, for registration of transfer of this Warrant Certificate at such office, a new Warrant Certificate or Warrant Certificates representing an equal aggregate number of Warrants will be issued to the transferee in exchange therefor, subject to the limitations provided in the Warrant Agreement.

Prior to the exercise of any Warrant represented hereby, the Registered Holder shall not be entitled to any rights of a stockholder of the Company, including, without limitation, the right to vote or receive dividends or other distributions, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided in the Warrant Agreement.

Subject to the provisions of the Warrant Agreement, this Warrant may be

redeemed at the option of the Company, at a redemption price of $.05 per Warrant, at any time commencing after the Initial Warrant Exercise Date, provided that (i) the average closing bid price for the Common Stock as reported by the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), if the Common Stock is then traded in the over-the-counter market or (ii) the average closing sale price, if the Common Stock is then traded on NASDAQ/NMS or a national securities exchange, shall have equaled or exceeded for twenty (20) consecutive trading days ending on the fifth day prior to the Notice of Redemption, as defined below, $____ per share [120% of the Purchase Price] (subject to adjustment in the event of any stock splits or other similar events). Notice of redemption (the "Notice of Redemption") shall be given not later than the thirtieth day before the date fixed for redemption, all as provided in the Warrant Agreement. On or after the date fixed for redemption, the Registered Holder shall have no rights with respect to the Warrants except to receive the $.05 per Warrant upon surrender of this Warrant Certificate.

Under certain circumstances, Donald & Co. Securities Inc. shall be entitled to receive an aggregate of five percent (5%) of the Purchase Price of the Warrants represented hereby.

Prior to due presentment for registration of transfer hereof, the Company and the Warrant Agent may deem and treat the Registered Holder as the absolute owner hereof and of each Warrant represented hereby (notwithstanding any notations of ownership or writing hereon made by anyone other than a duly authorized officer of the Company or the Warrant Agent) for all purposes and shall not be affected by any notice to the contrary, except as provided in the Warrant Agreement.

This Warrant Certificate shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to conflicts of laws.

This Warrant Certificate is not valid unless countersigned by the Warrant Agent.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be duly executed, manually or in facsimile by two of its officers thereunto duly authorized and a facsimile of its corporate seal to be imprinted hereon.

Dated: PARADISE MUSIC & ENTERTAINMENT, INC.

[SEAL] By /s/

CHAIRMAN

Countersigned:

CONTINENTAL STOCK TRANSFER & TRUST COMPANY,
(JERSEY CITY, NJ)

By: as Warrant Agent

/s/

Authorized Officer SECRETARY

SUBSCRIPTION FORM

To Be Executed by the Registered Holder in Order to Exercise Warrants

The undersigned Registered Holder hereby irrevocably elects to exercise Warrants represented by this Warrant Certificate, and to purchase the securities issuable upon the exercise of such Warrants, and requests that certificates for such securities shall be issued in the name of

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER

(please print or type name and address)

and be delivered to

(please print or type name and address)

and if such number of Warrants shall not be all the Warrants evidenced by this Warrant Certificate, that a new Warrant Certificate for the balance of such Warrants be registered in the name of, and delivered to, the Registered Holder at the address stated below.

IMPORTANT: PLEASE COMPLETE THE FOLLOWING:

1. The exercise of this Warrant was solicited by Donald & Co. Securities Inc. [ ]

2. The exercise of this Warrant was solicited by _____ [ ]

3. The exercise of this Warrant was not solicited. [ ]

Dated: _____

X_____

Address

Social Security or Taxpayer Identification Number

Signature Guaranteed

REPRESENTATIVE'S WARRANT AGREEMENT (THE "WARRANT AGREEMENT"), dated as of _____ __, 1997, between PARADISE MUSIC AND ENTERTAINMENT, INC., a Delaware corporation (the "Company"), and DONALD & CO. SECURITIES INC. (hereinafter referred to variously as the "Holder" or the "Representative").

The Company proposes to issue to the Representative warrants (the "Warrants") to purchase up to 100,000 units (the "Units"), each Unit consisting of one share of the Company's common stock, par value $.01 per share (the "Common Stock") and one Redeemable Common Stock Purchase Warrant (the "Redeemable Warrant");

The Representative has agreed, pursuant to the underwriting agreement (the "Underwriting Agreement") dated _____ __, 1997 among the Company, the Representative and the other underwriters named in Schedule I thereof (collectively with the Representative, the "Underwriters") to act as the representative of the Underwriters in connection with the Company's proposed initial public offering (the "Initial Public Offering") of 1,000,000 Units at an initial public offering price of $____ per Unit; and

The Warrants to be issued pursuant to this Agreement will be issued on the Closing Date (as such term is defined in the Underwriting Agreement) by the Company to the Representative in consideration for, and as part of the compensation in connection with, the Representative acting as representative of the Underwriters pursuant to the Underwriting Agreement;

NOW, THEREFORE, in consideration of the premises, the payment by the Representative to the Company of ONE HUNDRED DOLLARS AND NO CENTS ($100.00), the agreements herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. GRANT. The Holder (as hereinafter defined) is hereby granted the right to purchase, at any time from _____ __, 1998 until 5:30 p.m., New York time, on _____ __, 2002, up to 100,000 Units at an initial exercise price (subject to adjustment as provided in Article 8 hereof) of $____ per Unit, subject to the terms and conditions of this Agreement. Except as set forth in this Section 1, the Redeemable Warrants issuable upon exercise of the Warrants are in all respects identical to the Redeemable Warrants being sold in the Initial Public Offering pursuant to the terms and provisions of the Warrant Agreement, dated as of _____ __, 1997, between the Company and Continental Stock Transfer & Trust Company.

2. WARRANT CERTIFICATES. The warrant certificates (the "Warrant Certificates") delivered and to be delivered pursuant to this Agreement shall

be in the form set forth in Exhibit A,

attached hereto and made a part hereof, with such appropriate insertions, omissions, substitutions, and other variations as required or permitted by this Agreement.

3. EXERCISE OF WARRANT. The Warrants initially are exercisable at the initial exercise price per Unit set forth in Section 6 hereof, payable by certified or official bank check in New York Clearing House funds, subject to adjustment as provided in Section 8 hereof. Upon surrender of a Warrant Certificate with the annexed Form of Election to Purchase duly executed, together with payment of the Exercise Price (as hereinafter defined) for the Units purchased at the Company's principal offices (presently located at 420 West 45th Street, 5th Floor, New York, New York 10036), the registered holder of a Warrant Certificate ("Holder" or "Holders") shall be entitled to receive a certificate or certificates for the shares of Common Stock and a certificate or certificates for the Redeemable Warrants evidencing the Units. The purchase rights represented by each Warrant Certificate are exercisable at the option of the Holder thereof, in whole or in part (but not as to fractional shares of Common Stock and Redeemable Warrants underlying the Warrants). In the case of the purchase of less than all the securities purchasable under any Warrant Certificate, the Company shall cancel said Warrant Certificate upon the surrender thereof and shall execute and deliver a new Warrant Certificate of like tenor for the balance of the securities purchasable thereunder.

4. ISSUANCE OF CERTIFICATES. Upon the exercise of the Warrants, the issuance of certificates evidencing the shares of Common Stock and the Redeemable Warrants or other securities, properties or rights underlying such Warrants, and upon the exercise of the Redeemable Warrants, the issuance of certificates for shares of Common Stock or other securities, properties or rights underlying such Redeemable Warrants, shall be made forthwith (and in any event within three (3) business days thereafter) without charge to the Holder thereof including, without limitation, any tax which may be payable in respect of the issuance thereof, and such certificates shall (subject to the provisions of Sections 5 and 7 hereof) be issued in the name of, or in such names as may be directed by, the Holder thereof; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any such certificates in a name other than that of the Holder and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

The Warrant Certificates and the certificates evidencing the shares of Common Stock and the Redeemable Warrants or other securities, property or rights shall be executed on behalf of the Company by the manual or facsimile

signature of the Chairman of the Board of Directors, or the President or any Vice President of the Company under its corporate seal reproduced thereon, attested to by the manual or facsimile signature of the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary of the Company. Warrant Certificates shall be dated the date of execution by the Company upon initial issuance, division, exchange, substitution or transfer.

5. RESTRICTION ON TRANSFER OF WARRANTS. The Holder of a Warrant Certificate, by its acceptance thereof, covenants and agrees that (a) the Warrants may not be sold, transferred, assigned, hypothecated or otherwise disposed of, in whole or in part, for a period of one (1) year from the date hereof, except to the Underwriters, including the Representative, to the Selected Dealers participating in the Initial Public Offering or to bonafide officers or partners thereof (collectively, the "Transferees"), and (b) subsequent to such one (1) year period any transfer of the Warrants may occur; provided, however, that the Warrants are exercised immediately upon transfer and if not immediately exercised upon such transfer, that such Warrants will lapse. The Holder of a Warrant Certificate, by its acceptance thereof, also covenants and agrees that the Warrants may not be exercised nor may the Common Stock and Redeemable Warrants comprising the Units that underly the Warrants be resold, transferred or assigned for a period of one (1) year from the date hereof.

6. EXERCISE PRICE.

6.1 INITIAL AND ADJUSTED EXERCISE PRICE. The initial exercise price of each Warrant shall be $____ per share of Unit. The adjusted exercise price shall be the price which shall result from time to time from any and all adjustments of the initial exercise price in accordance with the provisions of Section 8 hereof.

6.2 EXERCISE PRICE. The term "Exercise Price" herein shall mean the initial exercise price or the adjusted exercise price, depending upon the context.

7. REGISTRATION RIGHTS.

7.1 REGISTRATION UNDER THE SECURITIES ACT OF 1933. The Warrants, the Units, including the shares of Common Stock and the Redeemable Warrants that are included in the Units, and the shares of Common Stock issuable upon exercise of the Redeemable Warrants have been registered under the Securities Act of 1933, as amended (the "Securities Act"). Upon exercise, in part or in whole, of the Warrants, certificates evidencing the shares of Common Stock, the Redeemable Warrants and upon exercise of the Redeemable Warrants, in whole or in part, certificates evidencing the shares of Common Stock underlying the Redeemable Warrants and any other securities issuable upon exercise of the Warrants (collectively, the "Warrant Securities") shall bear the following legend:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE AND THE OTHER SECURITIES ISSUABLE UPON EXERCISE THEREOF MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO (I) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), (II) TO THE EXTENT APPLICABLE, RULE 144 UNDER THE SECURITIES ACT (OR ANY SIMILAR RULE UNDER THE SECURITIES ACT RELATING TO THE DISPOSITION OF SECURITIES), OR (III) AN OPINION OF COUNSEL, IF SUCH OPINION SHALL BE REASONABLY SATISFACTORY TO COUNSEL FOR THE ISSUER,

THAT AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT IS AVAILABLE.

7.2 PIGGYBACK REGISTRATION. If, at any time commencing on _____ __, 1998 and expiring six (6) years thereafter, the Company proposes to register any of its securities under the Securities Act (other than in connection with a transaction contemplated by Rule 145(a) promulgated under the Securities Act or pursuant to Form S-4, Form S-8 or any successor form thereto), it will give written notice by registered mail, at least thirty (30) days prior to the filing of each such registration statement, to the Representative and to all other Holders of the Warrants and/or Warrant Securities of its intention to do so. If the Representative or other Holders of the Warrants and/or Warrant Securities notify the Company within twenty (20) days after receipt of any such notice of its or their desire to include any such securities in such proposed registration statement, the Company shall afford the Representative and such Holders of the Warrants and/or Warrant Securities the opportunity to have any such Warrant Securities registered under such registration statement.

Notwithstanding the provisions of this Section 7.2, the Company shall have the right at any time after it shall have given written notice pursuant to this Section 7.2 (irrespective of whether a written request for inclusion of any such securities shall have been made) to elect not to file any such proposed registration statement, or to withdraw the same after the filing but prior to the effective date thereof.

7.3 DEMAND REGISTRATION.

(a) At any time commencing on _____ __, 1998 and expiring four (4) years thereafter, the Holders of Warrants and/or Warrant Securities representing more than 50% of such securities at that time outstanding (assuming the exercise of all of the Warrants), shall have the right (which right is in addition to the registration rights under Section 7.2 hereof), exercisable by written notice to the Company, to have the Company prepare and file with the Securities and Exchange Commission (the "Commission"), on one occasion, a registration statement and such other documents, including a prospectus, as may be necessary in the opinion of both counsel for the

Company and counsel for the Representative and Holders in order to comply with the provisions of the Securities Act, so as to permit a public offering and sale of their respective Warrant Securities for nine (9) consecutive months by such Holders and any other Holders of the Warrants and/or Warrant Securities who notify the Company within ten (10) days after receiving notice from the Company of such request.

(b) The Company covenants and agrees to give written notice of any registration request under this Section 7.3 by the majority of the Holders to all other registered Holders of the Warrants and the Warrant Securities within ten (10) days from the date of the receipt of any such registration request.

(c) In addition to the registration rights under Section 7.2 and subsection (a) of this Section 7.3, at any time commencing on _____ __, 1998 and expiring four (4) years thereafter, the Holders of Warrants and/or Warrant Securities representing more than 50% of such securities at the time outstanding (assuming the exercise of all of the Warrants) shall have the right, exercisable by written request to the Company, to have the Company prepare and file, on one occasion, with the Commission a registration statement so as to permit a public offering and sale for nine (9) consecutive months by any such Holder of its Warrant Securities; provided, however, that the provisions of Section 7.4(b) hereof shall not apply to any such registration request and registration and all costs incident thereto shall be at the expense of the Holder or Holders making such request.

7.4 COVENANTS OF THE COMPANY WITH RESPECT TO REGISTRATION. In connection with any registration under Section 7.2 or 7.3 hereof, the Company covenants and agrees as follows:

(a) The Company shall use its best efforts to file a registration statement within thirty (30) days of receipt of any demand pursuant to Section 7.3, shall use its best efforts to have any registration statements declared effective at the earliest possible time, and shall furnish each Holder desiring to sell Warrant Securities such number of prospectuses as shall reasonably be requested.

(b) The Company shall pay all costs (excluding transfer taxes, if any, and fees and expenses of Holder(s)' counsel and any underwriting or selling commissions), fees and expenses in connection with all registration statements filed pursuant to Sections 7.2 and 7.3(a) hereof including, without limitation, the Company's legal and accounting fees, printing expenses, blue sky fees and expenses. The Holder(s) will pay all costs, fees and expenses in connection with any registration statement filed pursuant to Section 7.3(c). If the Company shall fail to comply with the provisions of Section 7.4(a), the Company shall, in addition to any other equitable or other damages or relief available to the Holder(s), be liable for any or all incidental, special and consequential damages and damages due to loss of profit sustained by the Holder(s) requesting registration of their Warrant

Securities.

(c) The Company will take all necessary action which may be required in qualifying or registering the Warrant Securities included in a registration statement for offering and sale under the securities or blue sky laws of such states as reasonably are requested by the Holder(s), provided that the Company shall not be obligated to execute or file any general consent to service of process or to qualify as a foreign corporation to do business under the laws of any such jurisdiction.

(d) The Company shall indemnify the Holder(s) of the Warrant Securities to be sold pursuant to any registration statement and each person, if any, who controls such Holders within the meaning of Section 15 of the Securities Act or Section 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), against all loss, claim, damage, expense or liability

(including all expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which any of them may become subject under the Securities Act, the Exchange Act or otherwise, arising from such registration statement but only to the same extent and with the same effect as the provisions to which the Company has agreed to indemnify the Underwriters contained in Section 8 of the Underwriting Agreement.

(e) The Company shall not require the Holder(s) to exercise their Warrants prior to the initial filing of any registration statement or the effectiveness thereof.

(f) The Company shall not permit the inclusion of any securities other than the Warrant Securities to be included in the registration statement filed pursuant to Section 7.3(a) hereof, without the prior written consent of the Holders of Warrants and/or Warrant Securities representing more than 50% of such securities at that time outstanding (assuming the exercise of all of the Warrants).

(g) The Company shall furnish to the Representative on behalf of each Holder participating in the offering and to the managing underwriter, if any, a signed counterpart, addressed to the Representative on behalf of each such Holder and to the managing underwriter, if any, of (i) an opinion of counsel to the Company, dated the effective date of such registration statement if there is no managing underwriter or the date of the closing under the underwriting agreement if there is a managing underwriter, and (ii) a "cold comfort" letter, dated the effective date of such registration statement and the date of the closing under the underwriting agreement if there is a managing underwriter, signed by the independent public accountants who have issued a report on the Company's financial statements included in such registration statement, in each case covering substantially the same matters with respect to such registration statement (and the prospectus

included therein) and, in the case of such accountants' letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in underwritten public offerings of securities.

(h) The Company shall as soon as practicable after the effective date of the registration statement, and in any event within 15 months thereafter, make "generally available to its security holders" (within the meaning of Rule 158 under the Securities Act) an earnings statement (which need not be audited) complying with Section 11(a) of the Securities Act and covering a period of at least 12 consecutive months beginning after the effective date of the registration statement.

(i) The Company shall deliver promptly to each Holder who so requests and the managing underwriter, if any, copies of all correspondence between the Commission and the Company, its counsel or auditors and all memoranda relating to discussions with the Commission or its staff with respect to any registration statement filed pursuant to this Agreement, and permit each Holder who so requests and the managing underwriter to do such investigation, upon reasonable advance notice, with respect to information contained in or omitted from the registration statement as it deems reasonably necessary to comply with applicable securities laws or rules of the National

Association of Securities Dealers, Inc. ("NASD"). Such investigation shall include access to books, records and properties and opportunities to discuss the business of the Company with its officers and independent auditors, all to such reasonable extent and at such reasonable times and as often as each Holder and the managing underwriter shall reasonably request.

(j) With respect to a registration statement filed pursuant to Section 7.3, the Company shall enter into an underwriting agreement with the managing underwriter selected for such underwriting by Holders holding a majority of the Warrant Securities requested to be included in such underwriting. Such agreement shall be satisfactory in form and substance to the Company, each Holder and such managing underwriter, and shall contain such representations, warranties and covenants by the Company and such other terms as are customarily contained in agreements of that type used by the managing underwriter. The Holders shall be parties to any underwriting agreement relating to an underwritten sale of their Warrant Securities and may, at their option, require that any or all of the representations, warranties and covenants of the Company to or for the benefit of such underwriters shall also be made to and for the benefit of such Holders. Such Holders shall not be required to make any representations or warranties to or agreements with the Company or the underwriters except as they may relate to such Holders and their intended methods of distribution.

7.6 COVENANTS OF THE HOLDER(S) WITH RESPECT TO REGISTRATION. The Holder(s) of the Warrant Securities to be sold pursuant to a registration statement, and their successors and assigns, shall severally, and not jointly, indemnify the Company, its officers and directors and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act, against all loss, claim, damage or expense or liability (including all expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which they may become subject under the Securities Act, the Exchange Act or otherwise, arising from information furnished by or on behalf of such Holders, or their successors or assigns, for specific inclusion in such registration statement to the same extent and with the same effect as the provisions contained in Section 8 of the Underwriting Agreement pursuant to which the Underwriters have agreed to indemnify the Company.

8. ADJUSTMENTS TO EXERCISE PRICE AND NUMBER OF SECURITIES.

8.1 SUBDIVISION AND COMBINATION. In case the Company shall at any time subdivide or combine the outstanding shares of Common Stock, the Exercise Price shall forthwith be proportionately decreased in the case of subdivision or increased in the case of combination.

8.2 ADJUSTMENT IN NUMBER OF SECURITIES. Upon each adjustment of the Exercise Price pursuant to the provisions of this Section 8, the number of Units issuable upon the exercise of each Warrant shall be adjusted to the nearest full amount by multiplying a number equal to the Exercise Price in effect immediately prior to such adjustment by the number of Units issuable upon exercise of the Warrants immediately prior to such adjustment and dividing the product so obtained by the adjusted Exercise Price.

8.3 DEFINITION OF COMMON STOCK. For the purpose of this Agreement, the term "Common Stock" shall mean (i) the class of stock designated as Common Stock in the Certificate of Incorporation of the Company as it may be amended as of the date hereof, or (ii) any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or from no par value to par value.

8.4 MERGER OR CONSOLIDATION. In case of any consolidation of the Company with, or merger of the Company with, or merger of the Company into, another corporation (other than a consolidation or merger which does not result in any reclassification or change of the outstanding Common Stock), the corporation formed by such consolidation or merger shall execute and deliver to the Holder a supplemental warrant agreement providing that the Holder of each Warrant then outstanding or to be outstanding shall have the right thereafter (until the expiration of such Warrant) to receive, upon exercise of such Warrant, the kind and amount of shares of stock and other

securities and property receivable upon such consolidation or merger, by a holder of the number of shares of Common Stock of the Company for which such warrant might have been exercised immediately prior to such consolidation, merger, sale or transfer. Such supplemental warrant agreement shall provide for adjustments which shall be identical to the adjustments provided in Section 8. The above provision of this Subsection shall similarly apply to successive consolidations or mergers.

8.5 DIVIDENDS AND OTHER DISTRIBUTIONS. In the event that the Company shall at any time prior to the exercise of all Warrants declare a dividend (consisting of shares of Common Stock) or otherwise distribute to its stockholders any assets, property, rights, evidences of indebtedness, securities (other than shares of Common Stock), whether issued by the Company or by another, or any other thing of value, the Holders of the unexercised Warrants shall thereafter be entitled, in addition to the shares of Common Stock, Redeemable Warrants or other securities and property receivable upon the exercise thereof, to receive, upon the exercise of such Warrants, the same property, assets, rights, evidences of indebtedness, securities or any other thing of value that they would have been entitled to receive at the time of such dividend or distribution as if the Warrants had been exercised immediately prior to such dividend or distribution. At the time of any such dividend or distribution, the Company shall make appropriate reserves to ensure the timely performance of the provisions of this subsection 8.5. Nothing contained herein shall provide for the receipt or accrual by a Holder of cash dividends prior to the exercise by such Holder of the Warrants.

9. EXCHANGE AND REPLACEMENT OF WARRANT CERTIFICATES. Each Warrant Certificate is exchangeable without expense, upon the surrender thereof by the registered Holder at the principal executive office of the Company, for a new Warrant Certificate of like tenor and date representing in the aggregate the right to purchase the same number of Units in such denominations as shall be designated by the Holder thereof at the time of such surrender.

Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of any Warrant Certificate, and, in case of loss, theft or

destruction, of indemnity or security reasonably satisfactory to it, and reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of the Warrants, if mutilated, the Company will make and deliver a new Warrant Certificate of like tenor, in lieu thereof.

10. ELIMINATION OF FRACTIONAL INTERESTS. The Company shall not be required to issue certificates representing fractions of shares of Common Stock or Redeemable Warrants upon the exercise of the Warrants, nor shall it be required to issue scrip or pay cash in lieu of fractional interests, it

being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up to the nearest whole number of shares of Common Stock, Redeemable Warrants or other securities, properties or rights as the case may be.

11. RESERVATION AND LISTING. The Company shall at all times reserve and keep available out of its authorized shares of Common Stock, solely for the purpose of issuance upon the exercise of the Warrants and the Redeemable Warrants, such number of shares of Common Stock or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of the Warrants and payment of the Exercise Price therefor, all shares of Common Stock, Redeemable Warrants and other securities issuable upon such exercise shall be duly and validly issued, fully paid, non-assessable and not subject to the preemptive rights of any stockholder. The Company further covenants and agrees that upon exercise of the Redeemable Warrants underlying the Warrants and payment of the Redeemable Warrant exercise price therefor, all shares of Common Stock and other securities issuable upon such exercise shall be duly and validly issued, fully paid, non-assessable and not subject to the preemptive rights of any stockholder. As long as the Warrants shall be outstanding, the Company shall use its best efforts to cause all shares of Common Stock and Redeemable Warrants issuable upon the exercise of the Warrants and shares of Common Stock issuable upon exercise of the Redeemable Warrants to be listed (subject to official notice of issuance) on all securities exchanges on which the Common Stock and the Redeemable Warrants issued in connection with the Initial Public Offering may then be listed and/or quoted on The Nasdaq Stock Market.

12. NOTICES TO WARRANT HOLDERS. Nothing contained in this Agreement shall be construed as conferring upon the Holders the right to vote or to consent or to receive notice as a stockholder in respect of any meetings of stockholders for the election of directors or any other matter, or as having any rights whatsoever as a stockholder of the Company. If, however, at any time prior to the expiration of the Warrants and their exercise, any of the following events shall occur:

(a) the Company shall take a record of the holders of its shares of Common Stock for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of current or retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company; or

(b) the Company shall offer to all the holders of its Common Stock any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor; or

(c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or merger) or a sale of all or substantially all of its property, assets and business as an entirety shall be proposed;

then, in any one or more of said events, the Company shall give written notice of such event at least fifteen (15) days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, distribution, convertible or exchangeable securities or subscription rights, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of closing the transfer books, as the case may be. Failure to give such notice or any defect therein shall not affect the validity of any action taken in connection with the declaration or payment of any such dividend, or the issuance of any convertible or exchangeable securities, or subscription rights, options or warrants, or any proposed dissolution, liquidation, winding up or sale.

13. NOTICES. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been duly made when delivered, or mailed by registered or certified mail, return receipt requested:

(a) If to the registered Holder of the Warrants, to the address of such Holder as shown on the books of the Company; or

(b) If to the Company, to the address set forth in Section 3 hereof or to such other address as the Company may designate by notice to the Holders.

14. SUPPLEMENTS AND AMENDMENTS. The Company and the Representative may from time to time supplement or amend this Agreement without the approval of any Holders of Warrant Certificates (other than the Representative) in order to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any provisions herein, or to make any other provisions in regard to matters or questions arising hereunder which the Company and the Representative may deem necessary or desirable and which the Company and the Representative deem shall not adversely affect the interests of the Holders of Warrant Certificates.

15. SUCCESSORS. All the covenants and provisions of this Agreement shall be binding upon and inure to the benefit of the Company, the Holders and their respective successors and assigns hereunder.

16. TERMINATION. This Agreement shall terminate at the close of business on _____ __, 2004. Notwithstanding the foregoing, the

indemnification provisions of Section 7 shall survive such termination until the close of business on _____ __, 2007.

17. GOVERNING LAW; SUBMISSION TO JURISDICTION. This Agreement and each Warrant Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall be construed in accordance with the laws of said State without giving effect to the rules of said State governing the conflicts of laws. The Company, the Representative and the Holders hereby agree that any action, proceeding or claim against it arising out of, or relating in any way to, this Agreement shall be brought and enforced in the courts of the State of New York or of the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company, the Representative and the Holders hereby irrevocably waive any objection to such exclusive jurisdiction or inconvenient forum. Any such process or summons to be served upon any of the Company, the Representative and the Holders (at the option of the party bringing such action, proceeding or claim) may be served by transmitting a copy thereof, by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 13 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the party so served in any action, proceeding or claim. The Company, the Representative and the Holders agree that the prevailing party(ies) in any such action or proceeding shall be entitled to recover from the other part(ies) all of its/their reasonable legal costs and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor.

18. ENTIRE AGREEMENT; MODIFICATION. This Agreement (including the Underwriting Agreement to the extent portions thereof are referred to herein) contains the entire understanding between the parties hereto with respect to the subject matter hereof and may not be modified or amended except by a writing duly signed by the party against whom enforcement of the modification or amendment is sought.

19. SEVERABILITY. If any provision of this Agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of this Agreement.

20. CAPTIONS. The caption headings of the Sections of this Agreement are for convenience of reference only and are not intended, nor should they be construed as, a part of this Agreement and shall be given no substantive effect.

21. BENEFITS OF THIS AGREEMENT. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company and the Representative and any other registered Holder(s) of the Warrant Certificates or Warrant Securities any legal or equitable right, remedy or claim under this Agreement; and this Agreement shall be for the sole and exclusive benefit of the Company and the Representative and any other Holder(s) of the Warrant Certificates or Warrant Securities.

22. COUNTERPARTS. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, as of the day and year first above written.

PARADISE MUSIC AND ENTERTAINMENT, INC.

By:_____
Name: John Loeffler
Title: President

Attest:

_____
Richard Flynn, Secretary

DONALD & CO. SECURITIES INC.

By:_____
Name: Stephen A. Blum
Title: President

EXHIBIT A

[FORM OF WARRANT CERTIFICATE]

THE WARRANTS REPRESENTED BY THIS CERTIFICATE AND THE OTHER SECURITIES ISSUABLE UPON EXERCISE THEREOF MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO (I) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), (II) TO THE EXTENT APPLICABLE, RULE 144 UNDER THE SECURITIES ACT (OR ANY SIMILAR RULE UNDER THE SECURITIES ACT RELATING TO THE DISPOSITION OF SECURITIES), OR (III) AN OPINION OF COUNSEL, IF SUCH OPINION SHALL BE REASONABLY SATISFACTORY TO COUNSEL FOR THE ISSUER, THAT AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT IS AVAILABLE.

THE TRANSFER OR EXCHANGE OF THE WARRANTS REPRESENTED BY THIS CERTIFICATE IS RESTRICTED IN ACCORDANCE WITH THE WARRANT AGREEMENT REFERRED TO HEREIN.

EXERCISABLE ON OR BEFORE

5:30 P.M., NEW YORK TIME, _____ __, 2002

NO. W-_ _____ WARRANTS

WARRANT CERTIFICATE

This Warrant Certificate certifies that _____, or registered assigns, is the registered holder of _____ Warrants to purchase initially, at any time from _____ __, 1998 until 5:30 P.M. New York time on _____ __, 2002 ("Expiration Date"), up to _____ units (the "Units"), each Unit consisting of one fully paid and non-assessable share of common stock, $.01 par value ("Common Stock"), and one Redeemable Common Stock Purchase Warrant (the "Redeemable Warrants"), of PARADISE MUSIC AND ENTERTAINMENT, INC., a Delaware corporation (the "Company"), at the initial exercise price, subject to adjustment in certain events (the "Exercise Price"), of $_____ per Unit, upon surrender of this Warrant Certificate and payment of the Exercise Price at an office or agency of the Company, but subject to the conditions set forth herein and in the Representative's Warrant Agreement dated as of _____ __, 1997 between the Company and Donald & Co. Securities Inc. (the "Representative's Warrant Agreement"). Payment of the Exercise Price shall be made by certified or official bank check in New York Clearing House funds payable to the order of the Company.

No Warrant may be exercised after 5:30 p.m., New York time, on the Expiration Date, at which time all Warrants evidenced hereby, unless exercised prior thereto, hereby shall thereafter be void.

The Warrants evidenced by this Warrant Certificate are part of a duly authorized issue of Warrants issued pursuant to the Representative's Warrant Agreement, which Representative's Warrant Agreement is hereby incorporated by reference in and made a part of this instrument and is hereby referred to for a description of the rights, limitation of rights, obligations, duties and immunities thereunder of the Company and the holders (the words "holders" or "holder" meaning the registered holders or registered holder) of the Warrants.

The Representative's Warrant Agreement provides that upon the occurrence of certain events the Exercise Price and the type and/or number of the Company's securities issuable thereupon may, subject to certain conditions, be adjusted. In such event, the Company will, at the request of the holder, issue a new Warrant Certificate evidencing the adjustment in the Exercise Price and the number and/or type of securities issuable upon the exercise of the Warrants; provided, however, that the failure of the Company to issue such new Warrant Certificates shall not in any way change, alter, or otherwise impair, the rights of the holder as set forth in the Representative's Warrant Agreement.

Upon due presentment for registration of transfer of this Warrant Certificate at an office or agency of the Company, a new Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants shall be issued to the transferee(s) in exchange for this Warrant Certificate, subject to the limitations provided herein and in the Representative's Warrant Agreement, without any charge except for any tax or other governmental charge imposed in connection with such transfer.

Upon the exercise of less than all of the Warrants evidenced by this Certificate, the Company shall forthwith issue to the holder hereof a new Warrant Certificate representing such number of unexercised Warrants.

The Company may deem and treat the registered holder(s) hereof as the absolute owner(s) of this Warrant Certificate (notwithstanding any notation of ownership or other writing hereon made by anyone), for the purpose of any exercise hereof, and of any distribution to the holder(s) hereof, and for all other purposes, and the Company shall not be affected by any notice to the contrary.

All terms used in this Warrant Certificate which are defined in the Representative's Warrant Agreement shall have the meanings assigned to them in the Representative's Warrant Agreement.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be duly executed under its corporate seal.

Dated as of _____ __, 1997

PARADISE MUSIC AND ENTERTAINMENT, INC.

By:_____
Name: John Loeffler
Title: President

Attest:

_____
Richard Flynn, Secretary

[FORM OF ELECTION TO PURCHASE]

The undersigned hereby irrevocably elects to exercise the right, represented by this Warrant Certificate, to purchase _____ Units and herewith tenders in payment for such securities a certified or official bank check payable in New York Clearing House Funds to the order of PARADISE MUSIC AND ENTERTAINMENT, INC. in the amount of $_____, all in accordance with the terms hereof. The undersigned requests that each of the certificates evidencing such securities be registered in the name of _____ whose address is _____ and that such certificates be delivered to _____ whose address is _____.

Dated: Signature:_____
(Signature must conform in all respects to name of holder as specified on the face of the Warrant Certificate.)

_____
(Insert Social Security or Other Identifying Number of Holder)

[FORM OF ASSIGNMENT]

(To be exercised by the registered holder if such holder desires to transfer the Warrant Certificate.)

FOR VALUE RECEIVED
hereby sells, assigns and transfers unto

(Please print name and address of transferee)

this Warrant Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Warrant Certificate on the books of the within-named Company, and full power of substitution.

Dated: Signature:_____
(Signature must conform in all respects to name of holder as specified on the face of the Warrant

Certificate.)

_____

(Insert Social Security or Other Identifying Number of Assignee)

Exhibit 4.4

PARADISE MUSIC & ENTERTAINMENT, INC.
AND
CONTINENTAL STOCK TRANSFER AND TRUST COMPANY
WARRANT AGREEMENT
DATED AS OF _____, 1996

AGREEMENT, dated this ____ day of _____, 1996, between PARADISE MUSIC & ENTERTAINMENT, INC., a Delaware Corporation (the "Company"), and CONTINENTAL STOCK TRANSFER AND TRUST COMPANY, as Warrant Agent (the "Warrant Agent").

W I T N E S S E T H:

WHEREAS, in connection with (i) the offering to the public of up to 1,000,000 Units ("Units") consisting of 1,000,000 shares of the Company's common stock, $.01 par value per share (the "Common Stock") and 1,000,000 redeemable warrants (the "Warrants"), two Warrants entitling the holder thereof to purchase one additional share of Common Stock, (ii) the over-allotment option to purchase up to an additional 150,000 Units consisting of 150,000 shares of Common Stock and 150,000 Warrants, (the "Over-allotment Option"), and (iii) the sale to Donald & Co. Securities Inc., its successors and assigns (collectively, the "Representative") of warrants (the "Representative's Warrants") to purchase up to 100,000 Units and the underlying 100,000 shares of Common Stock and 100,000 Warrants, the Company will issue up to 1,250,000 Warrants (subject to increase as provided in the Representative's Warrant Agreement); and

WHEREAS, the Company desires to provide for the issuance of certificates representing the Warrants; and

WHEREAS, the Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing to so act, in connection with the issuance, registration, transfer and exchange of certificates representing the Warrants and the exercise of the Warrants.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter set forth and for the purpose of defining the terms and provisions of the Warrants and the certificates representing the Warrants and the respective rights and obligations thereunder of the Company, the Representative, the holders of certificates representing the Warrants and the Warrant Agent, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. As used herein, the following terms shall have the following meanings, unless the context shall otherwise require:

(a) "Common Stock" shall mean stock of the Company of any class, whether now or hereafter authorized, which has the right to participate in the voting and in the distribution of earnings and assets of the Company without limit as to amount or percentage.

(b) "Corporate Office" shall mean the office of the Warrant Agent (or its successor) at which at any particular time its principal business in New York, New York, shall be administered, which office is located on the date hereof at 2 Broadway, New York, New York 10004.

(c) "Exercise Date" shall mean, subject to the provisions of Section 5(b) hereof, as to any Warrant, the date on which the Warrant Agent shall have received both (i) the Warrant Certificate representing such Warrant, with the exercise form thereon duly executed by the Registered Holder thereof or his attorney duly authorized in writing, and (ii) payment in cash or by check made payable to the Warrant Agent for the account of the Company, of the amount in lawful money of the United States of America equal to the applicable Purchase Price in good funds.

(d) "Initial Warrant Exercise Date" shall mean _____, 1996 [the effective date of the Registration Statement].

(e) "Initial Warrant Redemption Date" shall mean _____, 1996 [the effective date of the Registration Statement].

(f) "Purchase Price" shall mean, subject to modification and adjustment as provided in Section 8, $___ [120% of the initial public offering price of the Common Stock].

(g) "Registered Holder" shall mean the person in whose name any certificate representing the Warrants shall be registered on the books maintained by the Warrant Agent pursuant to Section 6.

(h) "Subsidiary" or "Subsidiaries" shall mean any corporation or corporations, as the case may be, of which stock having ordinary power to elect a majority of the Board of Directors of such corporation (regardless of whether at the time stock of any other class or classes of such corporation shall have or may have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by the Company or by one or more Subsidiaries, or by the Company and one or more Subsidiaries.

(i) "Transfer Agent" shall mean Continental Stock Transfer and Trust Company, or its authorized successor.

(j) "Underwriting Agreement" shall mean the underwriting agreement dated _____, 1996 [the date of the Prospectus] between the Company and the Representative

relating to the purchase for resale to the public of the 1,000,000 shares of Common Stock and 1,000,000 Warrants.

(k) "Representative's Warrant Agreement" shall mean the agreement dated as of _____, 1996 [the date of the Prospectus] between the Company and the Representative relating to and governing the terms and provisions of the Representative's Warrants.

(l) "Warrant Certificate" shall mean a certificate representing each of the Warrants substantially in the form annexed hereto as Exhibit A.

(m) "Warrant Expiration Date" shall mean, unless the Warrants are redeemed as provided in Section 9 hereof prior to such date, 5:00 p.m. (New York time), on the date which is four years after the Initial Warrant Exercise Date, or, if such date shall in the State of New York be a holiday or a day on which banks are authorized to close, then 5:00 p.m. (New York time) on the next following day which in the State of New York is not a holiday or a day on which banks are authorized to close, subject to the Company's right, prior to the Warrant Expiration Date, in its sole discretion, to extend such Warrant Expiration Date on five business days' prior written notice to the Registered Holders.

(n) "Warrant Agent" shall mean Continental Stock Transfer and Trust Company, or its authorized successor.

SECTION 2. WARRANTS AND ISSUANCE OF WARRANT CERTIFICATES.

(a) Two Warrants shall initially entitle the Registered Holder of the Warrant Certificate representing such Warrants to purchase at the Purchase Price therefor from the Initial Warrant Exercise Date until the Warrant Expiration Date one share of Common Stock upon the exercise thereof, subject to modification and adjustment as provided in Section 8.

(b) Upon execution of this Agreement, Warrant Certificates representing 1,000,000 Warrants to purchase up to an aggregate 500,000 shares of Common Stock (subject to modification and adjustment as provided in Section 8) shall be executed by the Company and delivered to the Warrant Agent.

(c) Upon exercise of the Over-allotment Option, in whole or in part, Warrant Certificates representing up to 150,000 Warrants to purchase up to an aggregate of 75,000 shares of Common Stock (subject to modification and adjustment as provided in Section 8) shall be executed by the Company and delivered to the Warrant Agent.

(d) Upon exercise of the Representative's Warrants as provided therein, Warrant Certificates representing all or a portion of 100,000 Warrants to

purchase up to an aggregate of 50,000 shares of Common Stock (subject to modification and adjustment as provided in Section 8 hereof and in the Representative's Warrant Agreement), shall be countersigned, issued and

delivered by the Warrant Agent upon written order of the Company signed by its President, Chairman of the Board, Vice Chairman or an Executive Vice President and by its Treasurer or an Assistant Treasurer or its Secretary or an Assistant Secretary.

(e) From time to time, up to the Warrant Expiration Date, as the case may be, the Warrant Agent shall countersign and deliver Warrant Certificates in required denominations of one or whole number multiples thereof to the person entitled thereto in connection with any transfer or exchange permitted under this Agreement. Except as provided in Section 7 hereof, no Warrant Certificates shall be issued except (i) Warrant Certificates initially issued hereunder, (ii) Warrant Certificates issued upon any transfer or exchange of Warrants, (iii) Warrant Certificates issued in replacement of lost, stolen, destroyed or mutilated Warrant Certificates pursuant to Section 7, (iv) Warrant Certificates issued pursuant to the Representative's Warrant Agreement (including Warrants in excess of the Representative's Warrants to purchase 100,000 shares of Common Stock and 100,000 Warrants issued as a result of the anti-dilution provisions contained in the Representative's Warrant Agreement), and (v) at the option of the Company, Warrant Certificates in such form as may be approved by its Board of Directors, to reflect any adjustment or change in the Purchase Price, the number of shares of Common Stock purchasable upon exercise of the Warrants or the Redemption Price therefor made pursuant to Section 8 hereof.

SECTION 3. FORM AND EXECUTION OF WARRANT CERTIFICATES.

(a) The Warrant Certificates shall be substantially in the form annexed hereto as Exhibit A (the provisions of which are hereby incorporated herein) and may have such letters, numbers or other marks of identification or designation and such legends, summaries or endorsements printed, lithographed or engraved thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Warrants may be listed, or to conform to usage. The Warrant Certificates shall be dated the date of issuance thereof (whether upon initial issuance, transfer, exchange or in lieu of mutilated, lost, stolen or destroyed Warrant Certificates).

(b) Warrant Certificates shall be executed on behalf of the Company by its President, Chairman of the Board, Vice Chairman or any Executive Vice President and by its Treasurer or an Assistant Treasurer or its Secretary or an Assistant

Secretary, by mutual signatures or by facsimile signatures printed thereon, and shall have imprinted thereon a facsimile of the Company's seal. Warrant Certificates shall be mutually countersigned by the Warrant Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Warrant Certificates shall cease to be such officer of the Company before the date of issuance of the Warrant Certificates or before countersignature by the Warrant Agent and issue and delivery thereof, such Warrant Certificates, nevertheless, may be countersigned by the Warrant Agent, issued and delivered with the same force and effect as

though the person who signed such Warrant Certificates had not ceased to be such officer of the Company.

SECTION 4. EXERCISE.

(a) Warrants in denominations of two or whole number multiples thereof may be exercised commencing at any time on or after the Initial Warrant Exercise Date, but not after the Warrant Expiration Date, upon the terms and subject to the conditions set forth herein (including the provisions set forth in Sections 5 and 9 hereof) and in the applicable Warrant Certificate. A Warrant shall be deemed to have been exercised immediately prior to the close of business on the Exercise Date, provided that the Warrant Certificate representing such Warrant, with the exercise form thereon duly executed by the Registered Holder thereof or his attorney duly authorized in writing, together with payment in cash or by check made payable to the Warrant Agent for the account of the Company, of an amount in lawful money of the United States of America equal to the applicable Purchase Price has been received in good funds by the Warrant Agent. The person entitled to receive the securities deliverable upon such exercise shall be treated for all purposes as the holder of such securities as of the close of business on the Exercise Date. If Warrants in denominations other than two or whole number multiples thereof shall be exercised at one time by the same Registered Holder, the number of full shares of Common Stock which shall be issuable upon exercise thereof shall be computed on the basis of the aggregate number of full shares of Common Stock issuable upon such exercise. As soon as practicable on or after the Exercise Date and in any event within five business days after such date, if two or more Warrants have been exercised, the Warrant Agent on behalf of the Company shall cause to be issued to the person or persons entitled to receive the same a Common Stock certificate or certificates for the shares of Common Stock deliverable upon such exercise, and the Warrant Agent shall deliver the same to the person or persons entitled thereto. Upon the exercise of any two or more Warrants, the Warrant Agent shall promptly notify the Company in writing of such fact and of the number of securities delivered upon such exercise and, subject to subsection (b) below, shall cause all payments of an amount in cash or by check made payable to the order of the Company, equal to the Purchase Price, to be deposited promptly in the Company's

bank account.

(b) At any time upon the exercise of any Warrants [after one year and one day from the date hereof], the Warrant Agent shall, on a daily basis, within two business days after such exercise, notify the Representative, its successors or assigns of the exercise of any such Warrants and shall, on a weakly basis (subject to collection of funds constituting the tendered Purchase Price, but in no event later than five business days after the last day of the calendar week in which such funds were tendered), remit to the Representative an amount equal to five percent (5%) of the Purchase Price of such Warrants being then exercised unless the Representative shall have notified the Warrant Agent that the payment of such amount with respect to such Warrant is violative of the General Rules and Regulations promulgated under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), or the rules and regulations of the National Association of Securities Dealers, Inc. ("NASD") or applicable state securities or "blue sky" laws, or the Warrants are those underlying the Representative's Warrants in which event, the

Warrant Agent shall have to pay such amount to the Company; provided, that, the Warrant Agent shall not be obligated to pay any amounts pursuant to this Section 4(b) during any week that such amounts payable are less than $1,000 and the Warrant Agent's obligation to make such payments shall be suspended until the amount payable aggregates $1,000, and provided further, that, in any event, any such payment (regardless of amount) shall be made not less frequently than monthly.

(c) The Company shall not be required to issue fractional shares on the exercise of Warrants. Warrants may only be exercised in such multiples as are required to permit the issuance by the Company of one or more whole shares. If one or more Warrants shall be presented for exercise in full at the same time by the same Registered Holder, the number of whole shares which shall be issuable upon such exercise thereof shall be computed on the basis of the aggregate number of shares purchasable on exercise of the Warrants so presented. If any fraction of a share would, except for the provisions provided herein, be issuable on the exercise of any Warrant (or specified portion thereof), the Company shall pay an amount in cash equal to such fraction multiplied by the current market value of a share of Common Stock, determined as follows:

(1) If the Common Stock is listed, or admitted to unlisted trading privileges on the NYSE or the AMEX, or is traded on the NASDAQ (NMS), the current market value of a share of Common Stock shall be the closing sale price of the Common Stock at the end of the regular trading session on the last business day prior to the date of exercise of the Warrants on whichever of such exchanges or NASDAQ (NMS) had the highest average daily trading volume for the Common Stock on such day; or

(2) If the Common Stock is not listed or admitted to unlisted trading privileges, on either the NYSE or the AMEX and is not traded on NASDAQ (NMS), but is quoted or reported on NASDAQ, the current market value of a share of Common Stock shall be the average of the representative closing bid and asked prices (or the last sale price, if then reported by NASDAQ) of the Common Stock at the end of the regular trading session on the last business day prior to the date of exercise of the Warrants as quoted or reported on NASDAQ, as the case may be; or

(3) If the Common Stock is not listed, or admitted to unlisted trading privileges, on either of the NYSE or the AMEX, and is traded on NASDAQ (NMS) or quoted or reported on NASDAQ, but is listed or admitted to unlisted trading privileges on the BSE or other national securities exchange (other than the NYSE or the AMEX), the current market value of a share of Common Stock shall be the closing sale price of the Common Stock at the end of the regular trading session on the last business day prior to the date of exercise of the Warrants on whichever of such exchanges has the highest average daily trading volume for the Common Stock on such day; or

(4) If the Common Stock is not listed or admitted to unlisted trading privileges on any national securities exchange, or listed for trading on NASDAQ (NMS) or

quoted or reported on NASDAQ, but is traded in the over-the-counterm market, the current market value of a share of Common Stock shall be the average of the last reported bid and asked prices of the Common Stock reported by the National Quotation Bureau, Inc. on the last business day prior to the date of exercise of the Warrants; or

(5) If the Common Stock is not listed, admitted to unlisted trading privileges on any national securities exchange, or listed for trading on NASDAQ (NMS) or quoted or reported on NASDAQ, and bid and asked prices of the Common Stock are not reported by the National Quotation Bureau, Inc., the current market value of a share of Common Stock shall be an amount, not less than the book value thereof as of the end of the most recently completed fiscal quarter of the Company ending prior to the date of exercise, determined in accordance with generally acceptable accounting principals, consistently applied.

SECTION 5. RESERVATION OF SHARES; LISTING; PAYMENT OF TAXES; ETC.

(a) The Company covenants that it will at all times reserve and keep available out of its authorized Common Stock, solely for the purpose of issue upon exercise of Warrants, such number of shares of Common Stock as shall then be issuable upon the exercise of all outstanding Warrants. The Company covenants that all shares of Common Stock which shall be issuable upon exercise of the Warrants shall, at the time of delivery thereof, be duly and validly issued and

fully paid and nonassessable and free from all preemptive or similar rights, taxes, liens and charges with respect to the issue thereof, and that upon issuance such shares shall be listed on each securities exchange, if any, on which the other shares of outstanding Common Stock of the Company are then listed.

(b) The Company covenants that if any securities to be reserved for the purposes of exercise of Warrants hereunder require registration with, or approval of, any governmental authority under any federal securities law before such securities may be validly issued or delivered upon such exercise, then the Company will file a registration statement under the federal securities laws or a post effective amendment, use its best efforts to cause the same to become effective and use its best efforts to keep such registration statement current while any of the Warrants are outstanding and deliver a prospectus which complies with Section 10(a)(3) of the Securities Act of 1933, as amended, (the "Act"), to the Registered Holder exercising the Warrant (except, if in the opinion of counsel to the Company, such registration is not required under the federal securities law or if the Company receives a letter from the staff of the Securities and Exchange Commission (the "Commission") stating that it would not take any enforcement action if such registration is not effected). The Company will use best efforts to obtain appropriate approvals or registrations under the state "blue sky" securities laws. With respect to any such securities, however, Warrants may not be exercised by, or shares of Common Stock issued to, any Registered Holder in any state in which such exercise would be unlawful.

(c) The Company shall pay all documentary, stamp or similar taxes and other governmental charges that may be imposed with respect to the issuance of Warrants, or the

issuance or delivery of any shares of Common Stock upon exercise of the Warrants; provided, however, that if shares of Common Stock are to be delivered in a name other than the name of the Registered Holder of the Warrant Certificate representing any Warrant being exercised, then no such delivery shall be made unless the persons requesting the same has paid to the Warrant Agent the amount of transfer taxes or charges incident thereto, if any.

(d) The Warrant Agent is hereby irrevocably authorized as the Transfer Agent to requisition from time to time certificates representing shares of Common Stock or other securities required upon exercise of the Warrants, and the Company will comply with all such requisitions.

SECTION 6. EXCHANGE AND REGISTRATION OF TRANSFER.

(a) Warrant Certificates may be exchanged for other Warrant Certificates representing an equal aggregate number of Warrants or may be transferred in

whole or in part. Warrant Certificates to be so exchanged shall be surrendered to the Warrant Agent at its Corporate Office, and the Company shall execute and the Warrant Agent shall countersign, issue and deliver in exchange therefor the Warrant Certificate or Certificates which the Registered Holder making the exchange shall be entitled to receive.

(b) The Warrant Agent shall keep, at such office, books in which, subject to such reasonable regulations as it may prescribe, it shall register Warrant Certificates and the transfer thereof. Upon the presentment for registration of transfer of any Warrant Certificate at such office, the Company shall execute and the Warrant Agent shall issue and deliver to the transferee or transferees a new Warrant Certificate or Certificates representing an equal aggregate number of Warrants.

(c) With respect to any Warrant Certificates presented for registration of transfer, or for exchange or exercise, the subscription or exercise form, as the case may be, on the reverse thereof shall be duly endorsed or be accompanied by a written instrument or instruments of transfer and subscription, in form satisfactory to the Company and the Warrant Agent, duly executed by the Registered Holder thereof or his attorney duly authorized in writing.

(d) No service charge shall be made for any exchange or registration of transfer of Warrant Certificates. However, the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

(e) All Warrant Certificates surrendered for exercise or for exchange shall be promptly canceled by the Warrant Agent.

(f) Prior to due presentment for registration or transfer thereof, the Company and the Warrant Agent may deem and treat the Registered Holder of any Warrant Certificate as the absolute owner thereof and of each Warrant represented thereby (notwithstanding any notations

of ownership or writing thereon made by anyone other than the Company or the Warrant Agent) for all purposes and shall not be affected by any notice to the contrary.

SECTION 7. LOSS OR MUTILATION. Upon receipt by the Company and the Warrant Agent of evidence satisfactory to them of the ownership of and the loss, theft, destruction or mutilation of any Warrant Certificate and (in the case of loss, theft or destruction) of indemnity satisfactory to them, and (in case of mutilation) upon surrender and cancellation thereof, the Company shall exercise and the Warrant Agent shall countersign and deliver in lieu thereof a new Warrant Certificate representing an equal aggregate number of Warrants.

Applicants for a substitute Warrant Certificate shall also comply with such other reasonable regulations and pay such other reasonable charges as the Warrant Agent may prescribe.

[SECTION 8. ADJUSTMENT OF PURCHASE PRICE AND NUMBER OF SHARES OF COMMON STOCK DELIVERABLE.]

(a) If and to the extent that the number of issued shares of Common Stock of the Company shall be increased or reduced by change in par value, split up, stock split, reclassification, distribution of a dividend payable in stock, or the like, the number of shares subject to the Warrants and the Purchase Price per share, shall be proportionately adjusted so that the holders of the Warrants, upon exercise thereof shall be entitled to receive that number of shares of Common Stock, for the same aggregate purchase price which would have resulted immediately following such action had the Warrants been exercised immediately prior thereto.

(b) If after the date hereof any capital reorganization or reclassification of the Common Stock of the Company, or consolidation or merger of the Company with another corporation, or the sale of all or substantially all of its assets to another corporation or other similar event shall be effected, then, as a condition of such reorganization, reclassification, consolidation, merger, or sale, lawful and fair provision shall be made whereby the Warrant holders shall thereafter have the right to purchase and receive upon the basis and upon the terms and conditions specified in the Warrants and in lieu of the securities of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, such shares of stock, securities, or assets as may be issued or payable with respect to or in exchange for the securities immediately theretofore purchasable and receivable upon the exercise of the rights represented by the Warrants had such reorganization, reclassification, consolidation, merger, or sale not taken place, and in such event appropriate provision shall be made with respect to the rights and interests of the Warrant holders to the end that the provisions hereof (including, without limitation, provisions for adjustments of the Purchase Price of the Warrants and of the number of securities purchasable upon the exercise of the Warrants) shall thereafter be applicable, as nearly as may be in relation to any share of stock, securities, or assets thereafter deliverable upon the exercise hereof. The Company shall not effect any such consolidation, merger, or sale unless prior to the consummation thereof the successor entity (if other than the Company) resulting from such consolidation or merger, or the entity purchasing such assets, shall assume by written instrument executed and delivered to the Warrant Agent the

obligation to deliver to the Warrant holders such shares of stock, securities, or assets as, in accordance with the foregoing provisions, such holders may be

entitled to purchase.

(c) Upon every adjustment of the Purchase Price or the number of securities issuable on exercise of a Warrant, the Company shall give written notice thereof to the Warrant Agent, which notice shall state the Purchase Price resulting from such adjustment and the increase or decrease, if any, in the number of shares purchasable at such price upon the exercise of a Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Upon the occurrence of any event specified in clauses (a) or (b) of this Section 8, then, in any such event, the Company shall give written notice in the manner set forth in this Agreement of the record date for such dividend, distribution, or subscription rights, or the effective date of such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, winding up or issuance. Such notice shall also specify the date as of which the holders of Common Stock of record shall participate in such dividend, distributions, or subscription rights, or shall be entitled to exchange their Common Stock for stock, securities, or other assets deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, winding up or issuance. Failure to give such notice, or any defect therein shall not affect the legality or validity of such event.

(d) Notwithstanding any provision contained in this Agreement to the contrary, the Company shall not issue fractional securities upon exercise of Warrants. If, by reason of any adjustment made purchase to this Section 8, the holder of any Warrant would be entitled, upon the exercise of such Warrant, to receive a fractional interest in a security, the Company shall, upon such exercise, purchase such fractional interest as set forth in clause (c) of Section 4.

(e) The form of Warrant need not be changed because of any adjustment pursuant to this Section 8, and Warrants issued after such adjustment may state the same Purchase Price and the same number of securities as is stated in the Warrants initially issued pursuant to this Warrant Agreement. However, the Company may at any time in its sole discretion make any change in the form of Warrant that the Company may deem appropriate and that does not affect the substance thereof, and any Warrant thereafter issued or countersigned, whether in exchange or substitution for an outstanding Warrant or otherwise, may be in the form as so changed.

SECTION 9. REDEMPTION.

(a) Commencing on the Initial Warrant Redemption Date, the Company may, on 30 days' prior written notice redeem all the Warrants at five cents ($.05) per Warrant, provided, however, that before any such call for redemption of Warrants can take place, the (A) average closing bid price for the Common Stock as reported by the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), if the Common Stock is then traded in the over-the-counter market or (B) if not traded in the over-the-counter market, the average closing sale price, if the Common Stock is then traded on NASDAQ/National Market System or on a national securities exchange, shall have, for twenty (20) consecutive

trading days ending on the

fifth day prior to the date on which the notice contemplated by (b) and (c) below is given, equalled or exceeded, $_____ [120% of the exercise price of the Warrant] (subject to adjustment in the event of any stock splits or other similar events as provided in Section 8 hereof). Notwithstanding the foregoing, the Warrants underlying the Representative's Warrants are subject to redemption, if the Warrants are resold pursuant to Rule 144 or an effective registration statement.

(b) In case the Company shall exercise its right to redeem all of the Warrants, it shall give or cause to be given notice to the Registered Holders of the Warrants, by mailing to such Registered Holders a notice of redemption, first class, postage prepaid, at their last address as shall appear on the records of the Warrant Agent. Any notice mailed in the manner provided herein shall be conclusively presumed to have been duly given whether or not the Registered Holder receives such notice. Not less than five business days prior to the mailing to the Registered Holders of the Warrants of the notice of redemption, the Company shall deliver or cause to be delivered to the Representative a similar notice telephonically and confirmed in writing together with a list of the Registered Holders (including their respective addresses and number of Warrants beneficially owned) to whom such notice of redemption has been or will be given.

(c) The notice of redemption shall specify (i) the redemption price, (ii) the date fixed for redemption, which shall in no event be less than thirty (30) days after the date of mailing of such notice, (iii) the place where the Warrant Certificate shall be delivered and the redemption price shall be paid, (iv) that the Representative is the Company's exclusive warrant solicitation agent and shall receive the commission contemplated by Section 4(b) hereof, and (v) that the right to exercise the Warrant shall terminate at 5:00 p.m. (New York time) on the business day immediately preceding the date fixed for redemption. The date fixed for the redemption of the Warrants shall be the Redemption Date. No failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for such redemption except as to a holder (a) to whom notice was not mailed or (b) whose notice was defective. An affidavit of the Warrant Agent or the Secretary or Assistant Secretary of the Company that notice of redemption has been mailed shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(d) Any right to exercise a Warrant shall terminate at 5:00 p.m. (New York time) on the business day immediately preceding the Redemption Date. The redemption price payable to the Registered Holders shall be mailed to such persons at their addresses of record.

SECTION 10. CONCERNING THE WARRANT AGENT.

(a) The Warrant Agent acts hereunder as agent and in a ministerial capacity for the Company and the Representative, and its duties shall be determined solely by the provisions hereof. The Warrant Agent shall not, by issuing and delivering Warrant Certificates or by any other act hereunder, be deemed to make any representations as to the validity or value or authorization of the Warrant Certificates or the Warrants represented thereby or of any securities

or other property delivered upon exercise of any Warrant or whether any stock issued upon exercise of any Warrant is fully paid and nonassessable.

(b) The Warrant Agent shall not at any time be under any duty or responsibility to any holder of Warrant Certificates to make or cause to be made any adjustment of the Purchase Price provided in this Agreement, or to determine whether any fact exists which may require any such adjustment, or with respect to the nature or extent of any such adjustment, when made, or with respect to the method employed in making the same. It shall not (i) be liable for any recital or statement of fact contained herein or for any action taken, suffered or omitted by it in reliance on any Warrant Certificate or other document or instrument believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties, (ii) be responsible for any failure on the part of the Company to comply with any of its covenants and obligations contained in this Agreement or in any Warrant Certificate, or (iii) be liable for any act or omission in connection with this Agreement except for its own gross negligence or willful misconduct.

(c) The Warrant Agent may at any time consult with counsel satisfactory to it (who may be counsel for the Company) and shall incur no liability or responsibility for any action taken, suffered or omitted by it in good faith in accordance with the opinion or advice of such counsel.

(d) Any notice, statement, instruction, request, direction, order or demand of the Company shall be sufficiently evidenced by an instrument signed by the President, Chairman of the Board of Directors, Vice Chairman or any Executive Vice President (unless other evidence in respect thereof is herein specifically prescribed). The Warrant Agent shall not be liable for any action taken, suffered or omitted by it in accordance with such notice, statement, instruction, request, direction, order or demand.

(e) The Company agrees to pay the Warrant Agent reasonable compensation for its services hereunder and to reimburse it for its reasonable expenses hereunder; the Company further agrees to indemnify the Warrant Agent and save it harmless against any and all losses, expenses and liabilities, including

judgments, costs and counsel fees, for anything done or omitted by the Warrant Agent in the execution of its duties and powers hereunder except losses, expenses and liabilities arising as a result of the Warrant Agent's gross negligence, willful misconduct or breach of this Agreement.

(f) The Warrant Agent may resign its duties and be discharged from all further duties and liabilities hereunder (except liabilities arising as a result of the Warrant Agent's own gross negligence, willful misconduct or breach of this Agreement), after giving 30 days' prior written notice to the Company. At least 15 days prior to the date such resignation is to become effective, the Warrant Agent shall cause a copy of each notice of resignation to be mailed to the Registered Holder of each Warrant Certificate at the Company's expense. Upon such resignation the Company shall appoint in writing a new warrant agent. If the Company shall fail to make such

appointment within a period of 30 days after it has been notified in writing of such resignation by the resigning Warrant Agent, then the Registered Holder of any Warrant Certificate may apply to any court of competent jurisdiction for the appointment of a new warrant agent. Any new warrant agent, whether appointed by the Company or by such a court, shall be a bank or trust company having a capital and surplus, as shown by its last published report to its stockholders, of not less than $10,000,000. After acceptance in writing of such appointment by the new warrant agent is received by the Company, such new warrant agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as the warrant agent, without any further assurance, conveyance, act or deed; but if for any reason it shall be necessary or expedient to execute and deliver any further assurance, conveyance, act or deed, the same shall be done at the expense of the Company and shall be legally and validly executed and delivered by the resigning Warrant Agent. Not later than the effective date of any such appointment the Company shall file notice thereof with the resigning Warrant Agent and shall forthwith cause a copy of such notice to be mailed to the Registered Holder of each Warrant Certificate.

(g) Any corporation into which the Warrant Agent or any new warrant agent may be converted or merged, any corporation resulting from any consolidation to which the Warrant Agent or any new warrant agent shall be a party, or any corporation succeeding to the corporate trust business of the Warrant Agent or any new warrant agent shall be a successor warrant agent under this Agreement without any further act, provided that such corporation is eligible for appointment as successor to the Warrant Agent under the provisions of the preceding paragraph. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed to the Company and to the Registered Holders of each Warrant Certificate.

(h) The Warrant Agent, its subsidiaries and affiliates, and any of its or their officers or directors, may buy and hold or sell Warrants or other securities of the Company and otherwise deal with the Company in the same manner and to the same extent and with like effect as though it were not Warrant Agent. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Warrant Agent shall retain for a period of two years from the date of exercise any Warrant Certificate received by it upon such exercise.

SECTION 11. MODIFICATION OF AGREEMENT.

The Warrant Agent and the Company may by supplemental agreement make any changes or corrections in this Agreement (i) that they shall deem appropriate to cure any ambiguity or to correct any defective or inconsistent provision or manifest mistake or error herein contained; or (ii) that they may deem necessary or desirable and which shall not adversely affect the interests of the holders of Warrant Certificates; provided, however, that this Agreement shall not otherwise be modified, supplemented or altered in any respect except with the consent in writing of the Registered Holders representing not less than a majority of the Warrants then outstanding. In addition, this Agreement may not be modified, amended or supplemented without the prior

written consent of the Representative, other than to cure any ambiguity or to correct any provision which is inconsistent with any other provision of this Agreement or to make any such change that is necessary or desirable and which shall not adversely affect the interests of Representative and except as may be required by law.

SECTION 12. NOTICES.

All notices, requests, comments and other communications hereunder shall be in writing and shall be deemed to have been made when delivered or mailed first-class postage prepaid, or delivered to a telegraph office for transmission if to the Registered Holder of a Warrant Certificate, at the address of such holder as shown on the registry books maintained by the Warrant Agent; if to the Company at Paradise Music & Entertainment, Inc., 420 West 45th Street, 5th Floor, New York, NY 10036; Attn: John Loeffler, President, or at such other address as may have been furnished to the Warrant Agent in writing by the Company; and if to the Warrant Agent, at its Corporate Office. Copies of any notice delivered pursuant to this Agreement shall be delivered to Donald & Co. Securities Inc., Park Avenue Tower, 65 East 55th Street, New York, New York 10022, or at such other address as may have been furnished to the Company and the Warrant Agent in

writing.

SECTION 13. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to conflicts of laws.

SECTION 14. BINDING EFFECT.

This Agreement shall be binding upon and inure to the benefit of the Company, the Warrant Agent and their respective successors and assigns and the holders from time to time of Warrant Certificates or any of them. Except as hereinafter stated, nothing in this Agreement is intended or shall be construed to confer upon any other person any right, remedy or claim or to impose upon any other person any duty, liability or obligation. The Representative is, and shall at all times irrevocably be deemed to be, a third-party beneficiary of this Agreement, with full power, authority and standing to enforce the rights granted to it hereunder.

SECTION 15. COUNTERPARTS.

This Agreement may be executed in several counterparts, which taken together shall constitute a single document.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the first date first above written.

[SEAL]

PARADISE MUSIC &
ENTERTAINMENT, INC.

By: _____
John Loeffler
President

By: _____
Richard Flynn
Secretary

CONTINENTAL STOCK TRANSFER
AND TRUST COMPANY
As Warrant Agent

By: _____
Steven G. Nelson
Chairman

EXHIBIT A

[Form of Warrant Certificate]

Exhibit 10.7

PARADISE MUSIC & ENTERTAINMENT, INC.

1996 STOCK OPTION PLAN

PARADISE MUSIC & ENTERTAINMENT, INC.
1996 STOCK OPTION PLAN

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PARADISE MUSIC & ENTERTAINMENT, INC.
1996 STOCK OPTION PLAN

1. PURPOSE OF THE PLAN.

The purpose of the Paradise Music & Entertainment, Inc., 1996 Stock Option Plan (the "Plan") is to advance the interests of Paradise Music & Entertainment, Inc., a Delaware corporation (the "Company"), by providing an opportunity for ownership of the stock (or, in the case of SARs, as defined below, the appreciation of the value of the stock) of the Company by employees, agents and directors of, and consultants to, the Company and its subsidiaries. By providing such opportunity, the Company seeks to attract and retain such qualified personnel, and otherwise to provide additional incentive for grantees to promote the success of its business.

2. STOCK SUBJECT TO THE PLAN.

(a) The total number of shares of the authorized but unissued or treasury shares of the common stock, par value $.01 per share, of the Company (the "Common Stock") for which options (the "Options") and stock appreciation rights ("SARs") may be granted under the Plan shall be 185,000, subject to adjustment as provided in Section 14 hereof.

(b) If an Option granted or assumed hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto shall again be available for subsequent Option grants under the Plan; provided, however, that shares as to which an Option has been surrendered in connection with the exercise of a related SAR will not again be available for subsequent Option or SAR grants under the Plan.

(c) Stock issuable upon exercise of an Option may be subject to such restrictions on transfer, repurchase rights or other restrictions as shall be determined by a committee (the "Committee") of the Board of Directors of the Company (the "Board") composed solely of two or more "Non-Employee Directors" within the meaning of paragraph (b)(3) of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as such term is interpreted from time to time.

3. ADMINISTRATION OF THE PLAN.

(a) The Plan shall be administered by the Committee. No member of the Committee shall act upon any matter exclusively affecting any Option or SAR granted or to be granted to himself or herself under the Plan. A majority of

the members of the Committee, but at least two, shall constitute a quorum, and any action may be taken by a majority, but at least two, of those present and voting at any meeting. The decision of the Committee as to all questions of interpretation and application of the Plan shall be final, binding and conclusive on all persons. The Committee, in its sole discretion, shall grant Options to purchase shares of Common Stock and may grant SARs, as provided in the Plan. Every such grant shall be pre-approved by the Committee. The Committee shall have authority, subject to express provisions of the Plan, to construe the respective Option and SAR agreements and the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the terms and provisions of the

respective Option and SAR agreements, which may but need not be identical, and to make all other determinations in the judgment of the Committee necessary or desirable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Option or SAR agreement in the manner and to the extent it shall deem expedient to implement the Plan and shall be the sole and final judge of such expediency. No member of the Committee shall be liable for any action or determination made in good faith.

4. TYPE OF OPTIONS.

Options granted pursuant to the Plan shall be authorized by action of the Committee as set forth in the Plan and may be designated as either incentive stock options meeting the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or non-qualified options which are not intended to meet the requirements of such Section 422 of the Code, the designation to be in the sole discretion of the Committee. Options designated as incentive stock options that fail to continue to meet the requirements of Section 422 of the Code shall be redesignated as non-qualified options automatically without further action by the Committee on the date of such failure to continue to meet the requirements of Section 422 of the Code.

5. ELIGIBILITY.

Options designated as incentive stock options may be granted only to officers and key employees of the Company or of any subsidiary corporation (herein called "subsidiary" or "subsidiaries"), as defined in Section 424(f) of the Code and the Income Tax Regulations (the "Regulations") promulgated thereunder. Directors who are not otherwise employees of the Company or a subsidiary shall not be eligible to be granted incentive stock options pursuant to the Plan. Options designated as non-qualified options may be granted to (i) officers and key employees of the Company or of any of its subsidiaries, or (ii) agents, directors of and consultants to the Company, whether or not otherwise employees of the Company.

In determining the eligibility of an individual to be granted an Option or SAR, as well as in determining the number of shares to be subject to any such

Option or SAR, the Committee shall take into account the position and responsibilities of the individual being considered, the nature and value to the Company or its subsidiaries of his or her service and accomplishments, his or her present and potential contribution to the success of the Company or its subsidiaries, and such other factors as the Committee may deem relevant.

6. RESTRICTIONS ON INCENTIVE STOCK OPTIONS.

Incentive stock options (but not non-qualified options) granted under the Plan shall be subject to the following restrictions:

(a) LIMITATION ON NUMBER OF SHARES. Ordinarily, the aggregate fair market value of the shares of Common Stock with respect to which incentive stock options are granted (determined as of the date the incentive stock options are granted), exercisable for the first time by an individual during any calendar year shall not exceed $100,000. If an incentive stock option is granted pursuant to which the aggregate fair market value of shares with respect to which it first becomes exercisable in any calendar year by an individual exceeds such $100,000 limitation, the portion of such option which is in excess of the $100,000 limitation shall be treated as a non-qualified option pursuant to Section 422(d)(1) of the Code. In the event that an individual is eligible to participate in any other stock option plan of the Company or any subsidiary of the Company which is also intended to comply with the provisions of Section 422 of the Code, such $100,000 limitation shall apply to the aggregate number of shares for which incentive stock options may be granted under the Plan and all such other plans.

(b) TEN PERCENT (10%) STOCKHOLDER. If any employee to whom an incentive stock option is granted pursuant to the provisions of the Plan is on the date of grant the owner of stock (as determined under Section 424(d) of the Code) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any subsidiary of the Company, then the following special provisions shall be applicable to the incentive stock options granted to such individual:

(i) The Option price per share subject to such incentive stock options shall be not less than 110% of the fair market value of the stock determined at the time such Option was granted. In determining the fair market value under this clause (i), the provisions of Section 8 hereof shall apply.

(ii) The incentive stock option by its terms shall not be exercisable after the expiration of five (5) years from the date such Option is granted.

7. OPTION AND SAR AGREEMENTS.

Each Option and SAR shall be evidenced by an agreement (the "Agreement") duly executed on behalf of the Company and by the grantee to whom such Option or SAR is granted, which Agreement shall comply with and be subject to the terms and conditions of the Plan. The Agreement may contain such other terms, provisions and conditions which are not inconsistent with the Plan as may be determined by the Committee; provided that Options designated as incentive stock options shall meet all of the conditions for incentive stock options as defined in Section 422 of the Code. No Option or SAR shall be granted within the meaning of the Plan and no purported grant of any Option or SAR shall be effective until the Agreement shall have been duly executed on behalf of the Company and the grantee. More than one Option and SAR may be granted to an individual, subject, if applicable, to the limitations of Section 6 hereof.

8. OPTION PRICE.

(a) Subject to the conditions set forth in Section 8(d) hereof, the option price or prices of shares of the Common Stock for Options designated as non-qualified stock options shall be as determined by the Committee; provided, however, that such option price shall be not less than the fair market value of the shares subject to such Option, determined as of the date of grant of such Option.

(b) Subject to the conditions set forth in Section 6(b) hereof, the option price or prices of shares of the Common Stock for incentive stock options shall be at least the fair market value of such Common Stock at the time the Option is granted as determined by the Committee in accordance with the Regulations promulgated under Section 422 of the Code.

(c) If such shares are then listed on any national securities exchange, the fair market value shall be the mean between the high and low sales prices, if any, on the largest such exchange on the date of the grant of the Option or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales prices on the nearest date before and the nearest date after the date of grant in accordance with Section 25.2512-2 of the Regulations. If the shares are not then listed on any such exchange, the fair market value of such shares shall be the mean between the closing "Bid" and the closing "Ask" prices, if any, as reported in the National Association of Securities Dealers Automated Quotation System ("NASDAQ") for the date of the grant of the Option, or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales prices on the nearest date before and the nearest date after the date of grant in accordance with Section 25.2512-2 of the Regulations. If the shares are not then either listed on any such exchange or quoted in NASDAQ, the fair market value shall be the mean between the average of the "Bid" and "Ask" prices on the National Daily Quotation Service for the date of the grant of the Option, or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales prices on the nearest date before and the nearest date after the date of grant in accordance with Section 25.2512-2 of the Regulations. If the

fair market value cannot be determined under the preceding three sentences, it shall be determined in good faith by the Committee.

9. MANNER OF PAYMENT; MANNER OF EXERCISE.

(a) Options granted under the Plan may provide for the payment of the option price by delivery of (i) cash or a check payable to the order of the Company in an amount equal to the option price of such Options, (ii) shares of Common Stock owned by the grantee having a fair market value equal in amount to the option price of the Options being exercised, or (iii) any combination of (i) and (ii); provided, however, that payment of the option price by delivery of shares of Common Stock owned by such grantee may be made only upon the condition that such payment does not result in a charge to earnings for financial accounting purposes as determined by the Committee, unless such condition is waived by the Committee. The fair market value

of any shares of Common Stock which may be delivered as payment upon exercise of an Option shall be determined by the Committee in accordance with Section 8 hereof.

(b) To the extent that the right to purchase shares under an Option has accrued and is in effect, Options may be exercised in full at one time or in part from time to time, by giving written notice, signed by the person or persons exercising the Option, to the Company, stating the number of shares with respect to which the Option is being exercised, accompanied by payment in full for such shares as provided in Section 9(a) hereof. Upon such exercise, delivery of a certificate for paid-up non-assessable shares shall be made at the principal office of the Company to the person or persons exercising the Option at such time, during ordinary business hours, after thirty (30) days but not more than ninety (90) days from the date of receipt of the notice by the Company, as shall be designated in such notice, or at such time, place and manner as may be agreed upon by the Company and the person or persons exercising the Option.

10. EXERCISE OF OPTIONS AND SARS.

Each Option and SAR granted under the Plan shall, subject to Section 11(b) and Section 14 hereof, be exercisable at such time or times and during such period as shall be set forth in the Agreement; provided, however, that no Option or SAR granted under the Plan shall have a term in excess of ten (10) years from the date of grant. To the extent that an Option or SAR is not exercised by a grantee when it becomes initially exercisable, it shall not expire but shall be carried forward and shall be exercisable, on a cumulative basis, until the expiration of the exercise period. No partial exercise may be made for less than one hundred (100) full shares of Common Stock. The exercise of an Option shall result in the cancellation of any related SAR with respect to the same number of shares of Common Stock as to which the Option was exercised.

11. TERM OF OPTIONS AND SARS; EXERCISABILITY; VESTING.

(a) TERM.

(i) Each Option and SAR shall expire on a date determined by the Committee which is not more than ten (10) years from the date of the granting thereof, except (a) as otherwise provided pursuant to the provisions of Section 6(b) hereof, and (b) for earlier termination as herein provided.

(ii) Except as otherwise provided in this Section 11, an Option or SAR granted to any grantee whose employment, by the Company or any of its subsidiaries, is terminated, shall terminate on the earlier of (a) ninety (90) days after the date such grantee's employment, for the Company or any such subsidiary, is terminated, or (b) the date on which the Option or SAR expires by its terms.

(iii) If the employment of a grantee is terminated by the Company or any of its subsidiaries for cause or because the grantee is in breach of any employment agreement or because the grantee voluntarily terminates such employment, such Option or SAR will terminate on the date the grantee's employment is terminated by the Company or any such subsidiary, unless the Committee determines, at the time of such option, to extend such option for a specified period (but not beyond the period described in Section 11(a)(ii)).

(iv) If the employment of a grantee is terminated by the Company or any of its subsidiaries because the grantee has become permanently disabled (within the meaning of Section 22(e)(3) of the Code), such Option or SAR shall terminate on the earlier of (a) one (1) year after the date such grantee's employment, by the Company or any such subsidiary, is terminated, or (b) the date on which the Option or SAR expires by its terms.

(v) In the event of the death of any grantee, any Option or SAR granted to such grantee shall terminate one (1) year after the date of death, or on the date on which the Option or SAR expires by its terms, whichever occurs first.

(b) EXERCISABILITY. An Option or SAR granted to a grantee whose employment, by the Company or any of its subsidiaries, is terminated, for whatever reason, including, without limitation, death or disability, shall be exercisable only to the extent that such Option or SAR has accrued and is in effect on the date such grantee's employment, by the Company or any such subsidiary, is terminated.

(c) VESTING. Each Option or SAR granted under the Plan shall vest over a four year period with 20% of such grant vesting on the date of grant, 20% vesting on the date which is one year from the date of such grant, 20% vesting on the date which is two years from the date of such grant, 20% vesting on the date which is three years from such grant at the final 20% vesting on the date which is four years form the date of such grant.

12. OPTIONS AND SARS NOT TRANSFERABLE.

The right of any grantee to exercise any Option or SAR granted to him or her shall not be assignable or transferable by such grantee other than by will or the laws of descent and distribution, or the rules thereunder, and any such Option or SAR shall be exercisable during the lifetime of such grantee only by him or her. Any Option or SAR granted under the Plan shall be null and void and without effect upon the bankruptcy of the grantee to whom the Option or SAR is granted, or upon any attempted assignment or transfer, except as herein provided, including without limitation, any purported assignment, whether voluntary or by operation of

law, pledge, hypothecation or other disposition,
attachment, trustee process or similar process, whether legal or equitable, upon such Option or SAR.

13. TERMS AND CONDITIONS OF SARS.

(a) An SAR may be granted separately or in connection with an Option (either at the time of grant or at any time during the term of the Option).

(b) The exercise of an SAR shall result in the cancellation of the Option to which it relates with respect to the same number of shares of Common Stock as to which the SAR was exercised.

(c) An SAR granted in connection with an Option shall be exercisable or transferable only to the extent that such related Option is exercisable or transferable.

(d) Upon the exercise of an SAR related to an Option, the holder will be entitled to receive payment of an amount determined by multiplying:

(i) The difference obtained by subtracting the option price of a share of Common Stock specified in the related Option from the fair market value of a share of Common Stock on the date of exercise of such SAR (as determined by the Committee), by

(ii) The number of shares as to which such SAR is exercised.

(e) An SAR granted without relationship to an Option shall be exercisable

as determined by the Committee, but in no event after ten (10) years from the date of grant.

(f) An SAR granted without relationship to an Option will entitle the holder, upon exercise of the SAR, to receive payment of an amount determined by multiplying:

(i) The difference obtained by subtracting the fair market value of the a share of Common Stock on the date the SAR was granted from the fair market value of a share of Common Stock on the date of exercise of such SAR (as determined by the Committee), by

(ii) The number of shares as to which such SAR is exercised.

(g) Notwithstanding Sections 13 (d) and 13 (f) hereof, the Committee may limit the amount payable upon exercise of an SAR. Any such limitation shall be determined as of the date of grant and noted on the instrument evidencing the SAR granted.

(h) At the discretion of the Committee, payment of the amount determined under Sections 13 (d) and 13 (f) hereof may be made solely in whole shares of Common Stock valued at their fair market value on the date of exercise of the SAR (as determined by the Committee), or solely in cash, or in a combination of cash and shares. If the Committee decides to make full

payment in shares of Common Stock and the amount payable results in a fractional share, payment for the fractional share shall be made in cash.

14. RECAPITALIZATION, REORGANIZATIONS AND THE LIKE.

In the event that the outstanding shares of the Common Stock are changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation by reason of any reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, combination of shares, or dividends payable in capital stock, appropriate adjustment shall be made in the number and kind of shares as to which Options and SARs may be granted under the Plan and as to which outstanding Options, SARs, or portions thereof then unexercised, shall be exercisable, to the end that the proportionate interest of the grantee shall be maintained as before the occurrence of such event; such adjustment in outstanding Options and SARs shall be made without change in the total price applicable to the unexercised portion of such Options and SARs and with a corresponding adjustment in the option price per share.

In addition, unless otherwise determined by the Committee in its sole discretion, in the case of any (i) sale or conveyance to another entity of all or substantially all of the property and assets of the Company or (ii) Change in Control (as hereinafter defined) of the Company, the purchaser(s) of the

Company's assets or stock, in his, her or its sole discretion, may deliver to the grantee the same kind of consideration that is delivered to the stockholders of the Company as a result of such sale, conveyance or Change in Control, or the Committee may cancel all outstanding Options in exchange for consideration in cash or in kind, which consideration in both cases shall be equal in value to the value of those shares of stock or other securities the grantee would have received had the Option been exercised (but only to the extent then exercisable) and had no disposition of the shares acquired upon such exercise been made prior to such sale, conveyance or Change in Control, less the option price therefor. Upon receipt of such consideration, all Options (whether or not then exercisable) shall immediately terminate and be of no further force or effect. The value of the stock or other securities the grantee would have received if the Option had been exercised shall be determined in good faith by the Committee, and in the case of shares of Common Stock, in accordance with the provisions of Section 8 hereof.

The Committee shall also have the power and right to accelerate the exercisability of any Option, notwithstanding any limitations in this Plan or in the Agreement upon such a sale, conveyance or Change in Control. Upon such acceleration, any Option or portion thereof originally designated as an incentive stock option that no longer qualifies as an incentive stock option under Section 422 of the Code as a result of such acceleration shall be redesignated as a non-qualified stock option without the necessity of further Committee action.

A "Change in Control" shall be deemed to have occurred if any person, or any two (2) or more persons acting as a group, and all affiliates of such person or persons, who prior to such time owned less than fifty percent (50%) of the then outstanding Common Stock, shall acquire

such additional shares of Common Stock in one (1) or more transactions, or series of transactions, such that following such transaction or transactions, such person or group and affiliates beneficially own fifty percent (50%) or more of the Common Stock outstanding.

Upon dissolution or liquidation of the Company, all Options and SARs granted under this Plan shall terminate, but each grantee (if at such time in the employ of or otherwise associated with the Company or any of its subsidiaries as a director, agent or consultant) shall have the right, immediately prior to such dissolution or liquidation, to exercise his or her Option or SAR to the extent then exercisable.

If by reason of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization, or liquidation, the Committee shall authorize the issuance or assumption of a stock option or stock options in a transaction to which Section 424(a) of the Code applies, then, notwithstanding any other provision of the Plan, the Committee may grant an option or options upon such terms and conditions as it may deem appropriate for the purpose of

assumption of the old Option, or substitution of a new option for the old Option, in conformity with the provisions of such Section 424(a) of the Code and the Regulations thereunder, and any such option grant shall not reduce the number of shares otherwise available for issuance under the Plan.

No fraction of a share shall be purchasable or deliverable upon the exercise of any Option, but in the event any adjustment hereunder in the number of shares covered by the Option shall cause such number to include a fraction of a share, such fraction shall be adjusted to the nearest smaller whole number of shares.

15. NO SPECIAL EMPLOYMENT RIGHTS.

Nothing contained in the Plan or in any Option or SAR granted under the Plan shall confer upon any grantee any right with respect to the continuation of his or her employment by the Company or any subsidiary or interfere in any way with the right of the Company or any subsidiary, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or to increase or decrease the compensation of the Option or SAR holder from the rate in existence at the time of the grant of an Option or SAR. Whether an authorized leave of absence, or absence in military or government service, shall constitute termination of employment shall be determined by the Committee at the time of such occurrence pursuant to uniform nondiscriminatory criteria.

16. WITHHOLDING.

The Company's obligation to deliver shares upon the exercise of any non-qualified Option granted under the Plan, or cash upon the exercise of an SAR granted under the Plan, shall be subject to the grantee's satisfaction of all applicable Federal, state and local income and employment tax withholding requirements. The Company and grantee may agree to withhold

shares of Common Stock purchased upon exercise of an Option to satisfy the above-mentioned withholding requirements.

17. RESTRICTIONS ON ISSUANCE OF SHARES.

(a) Notwithstanding the provisions of Section 9 hereof, the Company may delay the issuance of shares covered by the exercise of an Option and the delivery of a certificate for such shares until one of the following conditions shall be satisfied:

(i) The shares with respect to which such Option has been exercised are at the time of the issue of such shares effectively registered or qualified under applicable Federal and state securities acts now in force or as hereafter

amended; or

(ii) Counsel for the Company shall have given an opinion, which opinion shall not be unreasonably conditioned or withheld, that such shares are exempt from registration and qualification under applicable Federal and state securities acts now in force or as hereafter amended.

(b) It is intended that all exercises of Options shall be effective, and the Company shall use its reasonable efforts to bring about compliance with the above conditions within a reasonable time, except that the Company shall be under no obligation to qualify shares or to cause a registration statement or a post-effective amendment to any registration statement to be prepared for the purpose of covering the issue of shares in respect of which any Option may be exercised, except as otherwise agreed to by the Company in writing in its sole discretion.

18. PURCHASE FOR INVESTMENT; RIGHTS OF HOLDER ON SUBSEQUENT REGISTRATION.

Unless and until the shares to be issued upon exercise of an Option granted under the Plan have been effectively registered under the Securities Act of 1933, as amended (the "1933 Act"), as now in force or hereafter amended, the Company shall be under no obligation to issue any shares covered by any Option or SAR unless the person who exercises such Option or SAR, in whole or in part, shall give a written representation and undertaking to the Company which is satisfactory in form and scope to counsel for the Company and upon which, in the opinion of such counsel, the Company may reasonably rely, that he or she is acquiring the shares issued pursuant to such exercise of the Option or SAR for his or her own account as an investment and not with a view to, or for sale in connection with, the distribution of any such shares, and that he or she will make no transfer of the same except in compliance with any rules and regulations in force at the time of such transfer under the 1933 Act, or any other applicable law, and that if shares are issued without such registration, a legend to this effect may be endorsed upon the securities so issued.

In the event that the Company shall, nevertheless, deem it necessary or desirable to register under the 1933 Act or other applicable statutes any shares with respect to which an Option shall have been exercised, or to qualify any such shares for exemption from the 1933 Act or other applicable statutes, then the Company may take such action and may require from each grantee such information in writing for use in any registration statement, supplementary registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for such purpose and may require reasonable indemnity to the Company and its officers and directors from such holder against all losses, claims, damages and liabilities arising from such use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the

circumstances under which they were made.

19. LOANS.

At the discretion of the Committee, the Company may loan to the grantee some or all of the option price of the shares acquired upon exercise of an Option.

20. MODIFICATION OF OUTSTANDING OPTIONS AND SARS.

Subject to any applicable limitations contained herein, the Committee may authorize the amendment of any outstanding Option or SAR with the consent of the grantee when and subject to such conditions as are deemed to be in the best interests of the Company and in accordance with the purposes of the Plan.

21. APPROVAL OF STOCKHOLDERS.

The Plan shall become effective upon adoption by the Board; provided, however, that the Plan shall be submitted for approval by the stockholders of the Company no later than twelve (12) months after the date of adoption of the Plan by the Board. Should the stockholders of the Company fail to approve the Plan within such twelve-month period, all Options granted thereunder shall be and become null and void.

22. TERMINATION AND AMENDMENT OF PLAN.

Unless sooner terminated as herein provided, the Plan shall terminate ten (10) years from the date upon which the Plan was duly adopted by the Committee. The Committee may at any time terminate the Plan or make such modification or amendment thereof as it deems advisable; provided, however, that (i) the Committee may not, without the approval of the stockholders of the Company obtained in the manner stated in Section 21 hereof, increase the maximum number of shares for which Options and SARs may be granted or change the designation of the class of persons eligible to receive Options and SARs under the Plan, and (ii) any such modification or amendment of the Plan shall be approved by a majority of the stockholders of the Company to the extent that such stockholder approval is necessary to comply

with applicable provisions of the Code, rules promulgated pursuant to Section 16 of the Exchange Act (if applicable), applicable state law, or applicable NASD or exchange listing requirements. Termination or any modification or amendment of the Plan shall not, without the consent of a grantee, affect his or her rights under an Option or SAR theretofore granted to him or her.

23. LIMITATION OF RIGHTS IN THE OPTION SHARES.

A grantee shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the Options except to the extent that the Option

shall have been exercised with respect thereto and, in addition, a certificate shall have been issued theretofore and delivered to the grantee.

24. NOTICES.

Any communication or notice required or permitted to be given under the Plan shall be in writing, and mailed by registered or certified mail or delivered by hand, if to the Company, to the attention of the Chief Executive Officer at the Company's principal place of business; and, if to a grantee, to his or her address as it appears on the records of the Company.

25. PROHIBITED TRANSACTIONS.

"Discretionary Transactions" within the meaning of paragraph (b)(1) of Rule 16b-3 promulgated under the Exchange Act shall be prohibited under the Plan.

FINANCIAL CONSULTING AGREEMENT

The parties to this Agreement are Donald & Co. Securities Inc., a New Jersey corporation (the "Consultant"), and Paradise Music and Entertainment, Inc., a Delaware corporation (the "Company"). The Company intends to undertake a public offering of its securities (the "Offering") and desires to contract with the Consultant for certain financial services, and the Consultant is willing to render such services as hereinafter more fully set forth.

THEREFORE, in consideration of the mutual agreements and covenants set forth in this Agreement, the parties agree as follows:

1. ENGAGEMENT OF THE CONSULTANT. The Company hereby engages and retains the Consultant to render to the Company the financial services described in Section 2 hereof (the "Financial Services") for the period of two years commencing on the consummation of the Offering (the "Consulting Period").

2. DESCRIPTION OF FINANCIAL SERVICES. The Financial Services rendered by the Consultant hereunder shall consist of consultations with management of the Company which consultations management may from time to time require during the term of this Agreement, provided that the Consultant shall not be required to undertake duties not reasonably within the scope of the financial advisory or investment banking services contemplated by this Agreement. It is understood and acknowledged by the parties that the value of the Consultant's advice is not readily quantifiable, and that the Consultant shall be obligated to render advice upon the request of the Company, in good faith, but shall not be obligated to spend any specific amount of time so doing. The Consultant's duties may include, but will not necessarily be limited to, providing recommendations concerning the following financial and related matters:

A. Disseminating information about the Company to the investment community at large;

B. Rendering advice and assistance in connection with the preparation of annual and interim reports and press releases;

C. Assisting in the Company's financial public relations;

D. Arranging, on behalf of the Company, at appropriate times, meetings with securities analysts of major regional investment banking firms;

E. Rendering advice with regard to internal operations, including:

1. the formation of corporate goals and their implementation;

2. the Company's financial structure and its divisions or

subsidiaries;

3. securing, when and if necessary and possible, additional financing through banks and/or insurance companies; and
4. corporate organization and personnel; and

F. Rendering advise with regard to any of the following corporate finance matters:

1. changes in the capitalization of the Company;
2. changes in the Company's corporate structure;
3. redistribution of holdings of the Company's stock;
4. offerings of securities in public transactions;
5. sales of securities in private transactions;
6. alternative uses of corporate assets;
7. structure and use of debt; and
8. sales of stock by insiders pursuant to Rule 144 or otherwise.

In addition to the foregoing, the Consultant agrees to furnish advice to the Company in connection with (i) the acquisition and/or merger of or with other companies, divestiture or any other similar transaction, or the sale of the Company itself (or any significant percentage, assets, subsidiaries or affiliates thereof) (a "Transaction"), and (ii) bank financings or any other financing from financial institutions (including but not limited to liens of credit, performance bonds, letters of credit, loans or other financings not provided for in Paragraph 4 hereof).

3. PAYMENT FOR SERVICES RENDERED. The Company agrees to pay the Consultant for the Financial Services hereunder the sum of $36,000 per annum; payable $3,000 per month in advance of each month commencing upon consummation of the Offering for the twenty four months subsequent to the consummation of the Offering. In addition, if the Company requests that the Consultant provide financial services to the Company not contemplated by this Agreement, the Consultant shall be compensated for such additional financial services in an amount agreed to by the Consultant and the Company.

4. ADDITIONAL SERVICES. (a) In the event that any Transaction is directly originated by the Consultant during the term of this Agreement, the Company shall pay fees to the Consultant upon the consummation of such Transaction as follows:

Consideration	Fee
$ -0- to $ 500,000	Minimum fee of $25,000

$ 500,000 to $5,000,000	5% of Consideration
$5,000,000 or more	$250,000 plus 2-1/2% of the Consideration in excess of $5,000,000

Notwithstanding anything to the contrary, the Company shall have no obligation to consummate any Transaction that is originated by the Consultant.

Notwithstanding the provisions of Section 4 hereof, if the Company identifies the other party and seeks investment banking services to such a Transaction during the term of this Agreement, the Company shall engage the Consultant to render investment advisory services and shall pay fees to the Consultant to be mutually agreed upon.

For the purposes of this Agreement, "Consideration" shall mean the total market value on the day of closing of stock, cash, assets and all other property (real or personal) exchanged or received, directly or indirectly by the Company or any of its security holders in connection with any transaction, including without limitation any amounts paid by the Company or any person or entity to holders of warrants, stock purchase rights, straight or convertible securities of the Company or any affiliate thereof, options or stock appreciation rights issued by the Company or any affiliate thereof, whether or not vested, and to holders of any other securities of any kind whatsoever of the Company, or pursuant to any employment agreement, royalty, consulting agreement, covenant not to compete, earnout or contingent payment right or similar arrangement, agreement or understanding, whether oral or written. Any co-broker retained by the Consultant shall be paid by the Consultant.

In the event the Consultant originates a line of credit with an institutional lender, the Company and the Consultant will mutually agree on a satisfactory fee and the terms of payment of such fee; provided, however, that in the event the Company is introduced to a corporate partner in connection with a merger, acquisition or financing and a credit line is established directly in connection with such transaction no later than the closing date thereof, and, in any case, develops directly as a result of the introduction, the appropriate fee shall be the amount set forth in the schedule above. In the event the Consultant introduces the Company to a joint venture partner or customer and sales develop as a result of the introduction, the Company agrees to pay a fee of ten percent (10%) of the pre-tax income (before any deduction of interest charges or expenses) generated directly from this introduction during the first two years following the date of the first sale. Commission payments shall be paid on the 15th day of each month following the receipt of customer's payment. In the event any adjustments are made to the total sales after the commission has been paid, the Company shall be entitled to an appropriate refund or credit against future payments due under this Agreement.

(b) Fees and expenses payable to the Consultant with regard to

fairness opinions and evaluations, will be determined by mutual agreement at such time as the nature and terms of such financing are affirmed.

All fees to be paid pursuant to this Agreement, except as otherwise specified, are due and payable to the Consultant in cash at the closing or closings of any transaction specified in this Section 4. In the event that this Agreement shall not be renewed or if terminated for any reason notwithstanding any such renewal or termination, the Consultant shall be entitled to a full fee as provided under this Section 4 for any transaction for which the discussions were initiated during the term of this Agreement and which is consummated within a period of twelve months after non-renewal or termination of this Agreement.

5. COMPENSATION FOR OUT-OF-POCKET EXPENSES. The Consultant shall be entitled to reimbursement by the Company of such reasonable, accountable out-of-pocket expenses as the Consultant may incur in performing Financial Services requested by the Company under this Agreement. Such reimbursement shall be in addition to any fees otherwise earned by the Consultant hereunder. Any expense in excess of $1,000 in any calendar month for which the Consultant shall be entitled to reimbursement hereunder shall be approved in advance by the Company.

6. NONEXCLUSIVITY OF THIS AGREEMENT. The Company expressly understands and agrees that the Consultant shall not be prevented or barred from rendering services of the same nature as, or a similar nature to, those described herein, or of any nature whatsoever, for or on behalf of any person, firm, corporation or entity other than the Company. The Consultant understands and agrees that the Company shall not be prevented or barred from retaining other persons or entities to provide services of the same nature or similar nature as those described herein or of any nature whatsoever.

7. DISCLAIMER OF RESPONSIBILITY FOR ACTS OF THE COMPANY. The obligations of the Consultant described in this Agreement consist solely of the furnishing of information and advice to the Company. In no event shall the Consultant be required by this Agreement to act as the agent of the Company or otherwise to represent or make decisions for the Company. All final decisions with respect to acts of the Company, its subsidiaries or its affiliates, whether or not made pursuant to or in reliance on information or advice furnished by the Consultant hereunder, shall be those of the Company or such subsidiaries or affiliates and the Consultant shall under no circumstances be liable for any expense incurred or loss suffered by the Company as a consequence of such decisions. Since the Consultant will be acting on behalf of the Company in connection with its engagement hereunder, the Company and the Consultant have entered into a separate indemnification agreement substantially in the form attached hereto as Exhibit A and dated the date hereof, providing for the indemnification of the Consultant by the Company. The

Consultant has entered into this Agreement in reliance on the indemnities set

forth in such indemnification agreement.

8. TERMINATION. The Consultant may terminate this Agreement by giving notice to the Company, accompanied by the pro-rata share of the payment described in Section 3 hereof, based on the number of months remaining in the original term of this Agreement on the effective date of the termination, without interest. In the event of termination pursuant to this Section 8, neither party shall have any rights or obligations hereunder after the date of such termination except that the obligation of the Company to make any payment required with respect to Additional Financial Services performed by the Consultant prior to such termination shall continue in effect until such payment is made.

Any termination pursuant to this Section 8 shall be effective at the close of business on the first day of the third month following the date of receipt of notice thereof by the receiving party.

9. CONFIDENTIALITY. The Consultant will not disclose to any other person, firm, or corporation, nor use for its own benefit, during or after the term of this Agreement, any trade secrets or other information designated as confidential by the Company which is acquired by the Consultant in the course of performing services hereunder. (A trade secret is information not generally known to the trade which gives the Company an advantage over its competitors. Trade secrets can include, by way of example, products or services under development, production methods and processes, sources of supply, customer lists and marketing plans.) Any financial advice rendered by the Consultant pursuant to this Agreement may not be disclosed publicly in any manner without the prior written approval of the Consultant. Any information, which (i) at or prior to the time of disclosure by the Company to the Consultant was generally available to the public through no breach of this Agreement, (ii) was available to the public on a nonconfidential basis prior to its disclosure by the Company to the Consultant or (iii) was made available to the public from a third party provided that such party did not obtain or disseminate such information in breach of any legal obligation of the Consultant shall not be deemed confidential information of the Company for purposes hereof.

10. AMENDMENT. No amendment to this Agreement shall be valid unless such amendment is in writing and is signed by authorized representatives of all the parties to this Agreement.

11. WAIVER. Any of the terms and conditions of this Agreement may be waived at any time and from time to time in writing by the party entitled to the benefit thereof, but a waiver in one instance shall not be deemed to constitute a waiver in any other instance. A failure to enforce any provision of this Agreement shall not operate as a waiver of the provision or of any other provision hereof.

12. SEVERABILITY. In the event that any provision of this Agreement shall be held to be invalid, illegal or unenforceable in any circumstances, the remaining provisions shall nevertheless remain in full force and effect and shall be construed as if the unenforceable portion or portions were deleted.

13. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York.

14. NOTICES. All notices, requests, payments, instructions, claims or other communications hereunder shall be in writing and shall be deemed to be given or made when delivered by first-class, registered or certified mail to the following address or addresses or such other address or addresses as the parties may designate in writing in accordance with this Section:

If to the Company: 420 West 45th Street, 5th Floor
New York, New York 10036
Attention: John Loeffler, President

If to the Consultant: Park Avenue Tower
65 East 55th Street, 12th Floor
New York, New York 10022
Attention: Stephen A. Blum, President

15. ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; provided, however, that this Agreement shall not be binding on or inure to the benefit of any successor or assign of the Consultant where, as a result of such succession or assignment, control of the entity which would otherwise succeed to the rights and obligations of this Agreement is materially different from the control of the entity having such rights and obligations prior to such succession or assignment.

16. EXECUTION IN COUNTERPARTS. This Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

DATED as of _____, 1996

PARADISE MUSIC AND ENTERTAINMENT, INC.

By:

John Loeffler,
President

DONALD & CO. SECURITIES INC.

By:

Stephen A. Blum,
President

_____, 1996

Donald & Co. Securities Inc.
Park Avenue Tower
65 East 55th Street
New York, New York 10022

Attention: Stephen A. Blum

Gentlemen:

In connection with our engagement of Donald & Co. Securities Inc. (the "Consultant") as our financial advisor and investment banker, we hereby agree to indemnify and hold the Consultant and its affiliates, and their respective directors, officers, shareholders, agents and employees of the Consultant (collectively, the "Indemnified Persons"), harmless from and against any and all claims, actions, suits, proceedings (including those of shareholders), damages, liabilities and expenses incurred by any of them (including reasonable fees and expenses of counsel) which are (A) related to or arise out of (i) any actions

taken or omitted to be taken (including any untrue statements made or any statements omitted to be made) by us, or (ii) any actions taken or omitted to be taken by any Indemnified Person in connection with the engagement of the Consultant hereunder, or (B) otherwise related to or arising out of the Consultant's activities on our behalf under the Consultant's engagement hereunder, and we shall reimburse any Indemnified Person for all expenses (including the reasonable fees and expenses of counsel) incurred by such Indemnified Person in connection with investigating, preparing or defending any such claim, action, suit or proceeding (collectively a "Claim"), whether or not in connection with pending or threatened litigation in which any Indemnified Person is a party. We will not, however, be responsible for any Claim which is finally judicially determined to have resulted exclusively from the gross negligence or willful misconduct of any person seeking indemnification hereunder. We further agree that no Indemnified Person shall have any liability to us for or in connection with the Consultant's engagement except for any Claim incurred by us solely as a direct result of any Indemnified Person's gross negligence or willful misconduct.

We further agree that we will not, without prior written consent of the Consultant, settle, compromise or consent to the entry of any judgment in any pending or threatened Claim in respect of which indemnification may be sought hereunder (whether or not any Indemnified Person is an actual or potential party to such Claim), unless such settlement, compromise or consent includes a legally binding, unconditional, and irrevocable release of each Indemnified Person hereunder from any and all liability arising out of such Claim. Anything to the contrary herein notwithstanding, we shall have no indemnification obligations hereunder in connection with the settlement of any claim without our prior written consent.

Promptly upon receipt by an Indemnified Person of notice of any complaint or the assertion or institution of any Claim with respect to which indemnification is being sought hereunder, such Indemnified Person shall notify us in writing of such complaint or of such assertion or institution but failure to so notify us shall not relieve us from any obligation we may have hereunder, unless and only to the extent such failure results in the forfeiture by us of substantial rights and defenses, and will not in any event relieve us from any other obligation or liability we may have to any Indemnified Person otherwise than under this Agreement. If we so elect or are requested by such Indemnified Person, we will assume the defense of such Claim, including the employment of counsel reasonably satisfactory to such Indemnified Person and payment of the reasonable fees and expenses of such counsel. In the event, however, that such Indemnified Person reasonably determines in its sole judgment that having common counsel would present such counsel with a conflict of interest or such Indemnified Person concludes that there may be legal defenses available to it or other Indemnified Persons different from or in addition to those available to us, then such Indemnified Person may employ its own separate counsel to represent or defend it in any such Claim and we shall pay the reasonable fees and expenses of such counsel. Notwithstanding anything herein to the contrary, if we fail timely or diligently to defend, contest, or otherwise protect against

any Claim, the relevant Indemnified Party shall have the right, but not the obligation, to defend, contest, compromise, settle, assert cross claims or counterclaims, or otherwise protect against the same, and shall be fully indemnified by us therefor, including without limitation, for the fees and expenses of its counsel and all amounts paid as a result of such Claim or the compromise or settlement thereof. In any Claim in which we assume the defense, the Indemnified Person shall have the right to participate in such defense and to retain its own counsel therefor at its own expense.

We agree that if any indemnity sought by an Indemnified Person hereunder is held by a court to be unavailable for any reason, then (whether or not the Consultant is the Indemnified Person) we and the Consultant shall contribute to the Claim for which such indemnity is held unavailable in such proportion as is appropriate to reflect the relative benefits to us, on the one hand, and the Consultant on the other, in connection with the Consultant's engagement hereunder, subject to the limitation that in no event shall the amount of the Consultant's contribution to such Claim exceed the amount of fees actually

received by the Consultant from us pursuant to the Consultant's engagement. We hereby agree that the relative benefits to us, on the one hand, and the Consultant on the other, with respect to the Consultant's engagement hereunder shall be deemed to be in the same proportion as (a) the total value paid or proposed to be paid or received by us or our stockholders as the case may be, pursuant to the transaction (whether or not consummated) for which the Consultant is engaged to render services bears to (b) the fee paid or proposed to be paid to the Consultant in connection with such agreement.

Our indemnity, reimbursement and contribution obligations under this Agreement shall be in addition to, and shall in no way limit or otherwise adversely affect any rights that any Indemnified Person may have at law or at equity.

We hereby consent to personal jurisdiction and service of process and venue in any court in which any claim for indemnity is brought by any Indemnified Person.

It is understood that, in connection with the Consultant's engagement, the Consultant may be engaged to act in one or more additional capacities and that the terms of the original engagement or any such additional engagement may be embodied in one or more separate written agreements. The provisions of this Agreement shall apply to the original engagement, any such additional engagement and any modification of the original engagement or such additional engagement and shall remain in full force and effect following the completion or termination of the Consultant's engagement(s).

Very truly yours,

PARADISE MUSIC AND ENTERTAINMENT, INC.

By:

John Loeffler,
President

Confirmed and Agreed to:

DONALD & CO., SECURITIES INC.

By:

Stephen A. Blum,
President

Date: As of _____, 1996

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the use in the Registration Statement of Paradise Music & Entertainment, Inc. on Form SB-2 of our report dated September 12, 1996 except for Note 8 as to which the date is October 9, 1996 on the financial statements of Paradise Music & Entertainment, Inc. and to the reference to our firm under the caption "Experts" in such Prospectus.

ROTHSTEIN, KASS & COMPANY, P.C.

Roseland, New Jersey
December 30, 1996

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