

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

TRAFFIX INC

CIK: **1000297** | IRS No.: **223322277** | State of Incorporation: **DE** | Fiscal Year End: **1130**
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **March 15, 2007 (March 13, 2007)**

TRAFFIX, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-27046
(Commission
File Number)

22-332277
(IRS Employer
Identification No.)

One Blue Hill Plaza, Pearl River, New York
(Address of principal executive offices)

10965
(Zip Code)

Registrant's telephone number, including area code: **(845) 620-1212**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

We entered into a Memorandum of Agreement dated March 13, 2007 (the “Madacy/EZ Agreement”) between and among Madacy Entertainment LP (“Madacy”), EZ-Tracks, LP (“EZ LP”) and Traffix, Inc., to amend the terms of a Marketing and Services Agreement dated January 22, 2005, as amended (the “M&S Agreement”), by and among Madacy, EZ LP and Traffix Music, Inc.

The M&S Agreement had provided, among other things, that EZ LP would market and promote EZTracks.com, our web destination consisting of downloadable songs licensed from Madacy. We, through a subsidiary, owned 50.7% of EZ LP and were responsible for managing the operations of the business, including generating traffic to the website, as well as selling advertising on the site. CIK Holdings Inc. (“CIK”), an entity associated with Madacy, owned 49.3% of EZ LP and licensed to EZ LP its inventory of downloadable music, including downloadable music licensed from other parties.

Pursuant to the terms of the Madacy/EZ Agreement, the M&S Agreement has been amended to, among other things, (i) provide for a single fixed 10-year term commencing on January 1, 2007 and terminating on December 31, 2016; (ii) give us the option to extend such term for up to five (5) additional one-year terms; (iii) continue the sublicense from Madacy of the San Juan Songs (as defined in the M&S Agreement); and (iv) continue and establish a term to the license for ringtones, ringbacks and other telephone uses.

Item 2.01. Completion of Acquisition or Disposition of Assets.

Concurrent with the execution of the Madacy/EZ Agreement, we entered into a Memorandum of Agreement dated March 13, 2007 with CIK, pursuant to which we acquired CIK’s 49.3% ownership of EZ LP (the “CIK Agreement”) (so that we now own all of the limited partnership interests of EZ LP).

The purchase price consisted of 500,000 shares of our common stock and \$1,290,000 in cash. In addition, we agreed to pay CIK additional consideration of between \$1.25 million and \$2.75 million in the event of a Traffix Sales Event or an EZ-Tracks Sale (each as defined in the CIK Agreement).

Among other things, the CIK Agreement provides that (i) all of the shares of our common stock included in the purchase price will be placed in escrow and will secure the performance of the Secured Obligations (as defined in the CIK Agreement) and released at the rate of 50,000 shares every six (6) months commencing on January 1, 2008, to the extent not required to cover a Secured Obligation; (ii) subject to certain limitations, CIK can withdraw shares from escrow by replacing them with cash in the amount of \$5.25 per share so removed; and (iii) we have granted CIK certain piggy-back and demand registration rights for the shares issued to it at closing.

The amount of consideration payable was determined as a result of arm’s length negotiations between CIK and us. Other than as partners in EZ LP, no prior material relationship existed between CIK (and any of its affiliates, directors or officers) and us or any of our affiliates, directors or officers.

We funded the cash payment component of the consideration for the acquisition out of our working capital, and expect to make any additional cash payments, if required, from our available working capital or from the proceeds arising from the transaction giving rise to the obligation to pay the additional cash consideration.

The description of the foregoing transactions does not purport to be complete and is qualified in its entirety by reference to the Madacy/EZ Agreement and the CIK Agreement, copies of which are attached as exhibits hereto.

Item 8.01. Other Events.

On March 14, 2007, we issued a press release announcing the matters described above in Items 1.01 and 2.01. A copy of that press release is attached hereto as an Exhibit.

Item 9.01. Financial Statements and Exhibits.

(c) *Exhibits.*

<u>Exhibit Number</u>	<u>Description</u>
10.1	Memorandum of Agreement dated March 13, 2007 between and among Madacy Entertainment LP, EZ-Tracks, LP and Traffix, Inc.(1)
10.2	Memorandum of Agreement dated March 13, 2007 between CIK Holdings Inc. and Traffix, Inc.(1)
10.3	Video Content Marketing Agreement dated March 13, 2007 between Traffix, Inc. and Madacy Entertainment, LP(1)
10.4	Marketing and Services Agreement dated January 22, 2005 by and between Madacy Entertainment Group, Ltd., EZ-Tracks, LP and Traffix Music, Inc.(2)
10.5	Limited Partnership Agreement dated as of January 12, 2005 among Traffix EZ Ltd., Madacy sp Inc. and Traffix SP-EZ ULC(2)
99.1	March 14, 2007 Press Release(1)

(1) Filed herewith

(2) Included as an exhibit to the Company's Current Report on Form 8-K, filed with the Commission on January 18, 2005 and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TRAFFIX, INC.

Dated: March 15, 2007

By: /s/ Dan Harvey _____

Dan Harvey, CFO

Exhibit Index

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**MEMORANDUM OF AGREEMENT BETWEEN AND AMONG
MADACY ENTERTAINMENT LP (a Quebec limited partnership),
EZ-TRACKS, LP (a Quebec limited partnership) and
TRAFFIX, INC. (a Delaware corporation)**

Dated March 13, 2007

WHEREAS EZ-Tracks, LP (“EZ LP”) is a licensee of recorded music (“Masters”) pursuant to the terms of a Marketing and Services Agreement dated January 22, 2005 (“M&S Agreement”) by and between EZ LP, Madacy Entertainment LP, a limited partnership organized under the laws of the Province of Québec (“Madacy”) as successor of Madacy Entertainment Group, Limited (“Madacy”) and Traffix Music, Inc., a copy of which is annexed hereto;

WHEREAS the M&S Agreement grants unto EZ a non-exclusive (subject to certain restrictions) license to use the Masters (as defined in the M&S Agreement) for certain internet-based direct marketing entertainment purposes;

WHEREAS Madacy has licensed the San Juan Songs (as defined in the M&S Agreement) from SJMG (as defined in the M&S Agreement) and the License includes a sublicense of the San Juan Songs.

WHEREAS The M&S Agreement provides that Madacy shall not enter, directly or indirectly whether through an Affiliate or otherwise, into another relationship or business enterprise which is identical or materially similar to , and directly competitive with, the relationship set out therein and the Business (as such term is defined in the M&S Agreement); for greater certainty, the M&S Agreement provides that Madacy will not make its Masters available to any third party in any transaction or relationship for zero or nominal cash consideration (the foregoing restrictions described in this Whereas Clause are referred to as the “Madacy Non-Competitive Relationship Restrictions”).

WHEREAS the M&S Agreement was modified to extend the License to include certain non-exclusive reciprocal mobile rights and service obligations pursuant to a document entitled “Marketing Agreement Modifications” (the “Modification”) dated October 6, 2006, a copy of which is annexed hereto.;

WHEREAS pursuant to the terms of the M&S Agreement, the License is subject to automatic renewals until December 31, 2013 (subject to certain financial conditions) and is subject to a further automatic five (5) year extension at any time up to an including December 31, 2013 in the event of a sales transaction involving EZ or Traffix, Inc. (“Traffix”);

WHEREAS Madacy and CIK Investments Inc. (formerly Madacy sp Inc.) (“CIK Investments”) are parties to a Content Support Agreement (the “Support Agreement”) dated January 12, 2005 pursuant to which CIK Investments is obligated to pay to Madacy ten percent (10%) of all distributions of profits received by CIK Investments from its 49.5% partnership interest in EZ LP (the “CIK Interest”) and ten percent (10%) of all proceeds of any sale of the CIK Interest;

WHEREAS concurrently with the execution and delivery of this Agreement Traffix has purchased from CIK Holdings Inc. (“CIK”), the successor to CIK Investments, the CIK Interest (the “CIK Transaction”) pursuant to an agreement between CIK and Traffix (the “CIK Interest Purchase Agreement”) and wishes the term of the License to be modified to provide for a single term of ten (10) years from January 1, 2007 to December 31, 2016 (rather than the successive renewals set out above), subject to certain renewal rights as set forth herein;

WHEREAS Madacy shall be entitled to receive ten percent (10%) of the proceeds received by CIK from the CIK Transaction and considers such amount to be equal to the present value of the amount which it would otherwise be entitled to receive on an annual basis upon the automatic renewal of the License pursuant to the terms of the M&S Agreement should such agreement continue to be automatically renewed for its renewal terms;

WHEREAS Madacy is desirous of modifying the terms of the License and the M&S Agreement in consideration of CIK’s agreement to pay Madacy or insure that Madacy is paid ten percent (10%) of the proceeds of the CIK Transaction and a continuation, for the same ten (10) year term (subject to the renewals provided for herein), of the obligations of Traffix which permit Madacy to use certain services, websites and software of Traffix in providing premiums and brick-and-mortar download and mobile services to its customers; the whole as more fully set out in the M&S Agreement and the Modification (the M&S Agreement as modified by the Modification is referred to as the M&S Agreement”);

WHEREAS Madacy has obtained a modification of its internet license of the San Juan Songs from SJMC so as to permit it to include such songs in the License for a concurrent term of ten (10) years with five (5) one-year renewal options;

WHEREAS Madacy acknowledges that by virtue of the CIK Transaction, the License shall be a direct license to Traffix in addition to EZ LP.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. **Preamble:** The preamble shall be deemed to form part of this Agreement.

Term: Article 5 of the M&S Agreement, other than Sections 5.02 and 5.04 (a) which shall remain in full force and effect, is hereby deleted and the term of the M&S Agreement is hereby agreed to be a single fixed 10-year term commencing on January 1, 2007 and terminating on December 31, 2016 (“the “Fixed 10-Year Term”), subject to the renewal options set forth in Section 3 below. The M&S

2. Agreement is hereby amended to provide a direct grant of the License to Traffix in addition to EZ LP, and to further provide that Traffix may use the License through any of its subsidiaries subject to all of the other terms and conditions of the M&S Agreement as amended hereby and Traffix agrees to be responsible for each subsidiary’s performance in accordance with the terms and conditions of the M&S Agreement. Traffix shall have no obligation to exploit the License through EZ LP.
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3. **Renewal Options:** At the end of the ten (10) year term, Traffix will be entitled, at its option, but subject to Section 6 hereof, to extend the License and the M&S Agreement for five (5) additional one-year terms in consideration of an annual royalty of \$500,000 per year (payable in 2 installments on January 1st and July 1st of each year). If Traffix wishes to extend the License without the benefit of the Madacy Non-Competitive Relationship Restrictions, the annual royalty will be \$350,000 per year (in lieu of \$500,000 per year). Notwithstanding the foregoing, in the event that there shall be, at any time, a Traffix Bankruptcy Event, the foregoing extension options shall be cancelled.

4. **Definitions:** For the purposes of this Agreement, the following definitions shall apply (in addition to those definitions set out in the M&S Agreement and the Modification):

“**Prohibited Business Activities**” shall mean those uses of the Masters which are expressly prohibited under the M&S

- a. Agreement. Notwithstanding and without limiting the generality of the foregoing, the License shall not apply to, and the Masters shall not be used for, any of the following activities:
 - i. sublicensing to a third party or the downloading by an end-user of any of the Masters from any website not owned by Traffix; and
 - ii. any use which is directly competitive with the brick-and-mortar business of Madacy including, but not limited to, the use in, or associated with, any product which is sold in brick-and-mortar retail stores (e.g. a prepaid download or ringtone card).

For greater certainty, the marketing of a premium program on the website of a third party which links to a Traffix website for the redemption/downloading of a Master shall not be considered to be an activity prohibited by clause (i) above provided the Master remains on the servers of Traffix.

“**EZ-Tracks Business**” means the internet-based direct marketing business now or hereafter carried on by EZ LP and Traffix

- b. under the trade name “EZ-Tracks” (or such other trade names as Traffix may use from time to time) and comprising the Permitted Business Activities.
 - c. “**Grey Business Activities**” are all activities using the Masters permitted under the terms of the License which are not Permitted Business Activities or Prohibited Business Activities.
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- d. **“License”** means the license of Madacy Songs and Masters from Madacy during the Term hereof pursuant to the terms of the M&S Agreement, as amended by the present Agreement.
- e. **“Prohibited Transferee”** means Apple Corp., iTunes, any corporation controlled or affiliated with Apple Corp. or iTunes or any successor thereto;
- f. **“Restricted Transferee”** means Napster, Liquid Audio/Wal-Mart.com, Best Buy, AOL, RealNetworks/Rhapsody, Musicnet and includes any successor to any Restricted Transferee pursuant to a purchase of their business or change of business name or otherwise.
- g. **“Traffix Bankruptcy Event”** means, Traffix shall (i) apply for, shall consent to, or shall acquiesce in the appointment of a custodian, trustee or receiver for itself or for a substantial part of its property; or, in the absence of such application, consent or acquiescence, a custodian, trustee or receiver shall be appointed for Traffix or for a substantial part of Traffix’s property, or (ii) make an assignment for the benefit of creditors; or (iii) be the subject of any bankruptcy, reorganization, debt arrangement or other proceedings under any bankruptcy or insolvency law.
- h. **“Permitted Business Activities”** shall mean the internet-based direct marketing activities of Traffix, using the Masters, now or hereafter carried on by EZ LP or Traffix at any time during the term of the License.

5. **Restriction on use of the Masters:** For greater certainty and notwithstanding any other provision of the M&S Agreement and the present Agreement, the License shall not, at any time, permit the licensee to carry on, directly or indirectly, in any manner whatever, a Prohibited Business Activity.

6. **Assignability:** The parties hereto acknowledge and agree that the License of Masters is for the exclusive benefit of Traffix and is not assignable to third parties except in connection with a Traffix Sale Event (as such term is defined in the CIK Interest Purchase Agreement). Notwithstanding the foregoing, Madacy hereby agrees that the License shall be assignable by Traffix to a third party, other than a Prohibited Transferee, in the context of an EZ-Tracks Sale (as such term is defined in the CIK Interest Purchase Agreement) subject to the following terms and conditions:

- a. In the event that the EZ-Tracks Sale occurs prior to January 1, 2014, the five (5) one-year renewal options set out in Section 3 above shall be cancelled;
- b. In the event that the EZ-Tracks Sale occurs after December 31, 2013 and before January 1, 2019, the five (5) one-year renewal options set out in Section 8 below shall be reduced to permit such renewals as are required to permit the transferee to have the benefit of the License for a term of three (3) years commencing on the date of the assignment and terminating on the third anniversary of such date;

- In the event of any EZ-Tracks Sale to a Restricted Transferee, the assignee of the License shall be entitled to use the Masters for the exclusive purpose of carrying on any Permitted Business Activity carried on by Traffix on or prior to the date of the assignment. For greater certainty, a Restricted Transferee shall not be entitled to use the Masters for any Grey Business Activity.
- d. In the event of any EZ-Tracks Sale to a third party (other than a Prohibited Transferee or Restricted Transferee), should such third party use the Masters for any Grey Business Activity, the transferee shall pay a royalty to Madacy for such use as follows:
- i. From the date of the assignment of the License to the third anniversary of such assignment, such use of the Masters shall be royalty free; and
 - ii. From the third anniversary to the end of the term, the assignee shall pay a royalty to Madacy equal to ten percent (10%) of its net sales (gross sales less bad debts) resulting from all Grey Business Activity uses of the Masters.

For greater certainty, all Permitted Business Activity uses of the Masters shall continue to be royalty free for the remaining term of the License.

- Notwithstanding any other provision of this Agreement, if at the time of any assignment of the License by Traffix to a third party, such third party is licensing the Masters from Madacy, the License shall be deemed to expressly prohibit the use of the Masters in the business for which the third party has licensed such Masters from Madacy (e.g. Traffix shall not be entitled, by way of assignment or otherwise, to supersede or interfere with any existing licensing relationship between Madacy and a third party licensee).
- e.

- In the event that Traffix shall, at any time, be the subject of any Traffix Bankruptcy Event, Traffix shall have no further rights of assignment of the License or of the benefits of the M&S Agreement and the five (5) one-year renewal options set out in Section 3 above shall be cancelled.
- f.

- In the event that Madacy shall be, at any time, the subject of a merger, acquisition or other corporate restructuring, the terms of the present Agreement shall continue to apply *mutatis mutandis* and bind any successor or assign of Madacy and the transfer of the rights and obligations of Madacy hereunder pursuant to such event shall not be considered to be a breach of the present Agreement.
- g.

- San Juan Music:** Section 1.01(i) of the M&S Agreement incorporates into the License a sublicense from Madacy of the rights which Madacy has obtained to use the SJ Masters; the whole in consideration of a reimbursement by EZ LP of the internet license fee payable by Madacy to SJMG. The license and sublicense includes the exclusive right of use by Madacy of a limited number of the SJ Masters for the purpose of sublicensing to internet retailers. Concurrently with the present Agreement, CIK and Madacy have obtained a modification of the terms of the license of SJ Masters to provide for a modification of the term of such license to mirror the Fixed 10-Year Term. In addition, such modification provides that for the duration of the initial 10-year term of the sublicense, no further royalties are payable to SJMG and that during each of the five (5) renewal option years, a royalty equal to ten percent (10%) of the royalty payable to Madacy shall be payable for a continuation of the sublicense. Accordingly, the parties hereto agree that Section 1.01(i) of the M&S Agreement is hereby amended to provide:
- 7.
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- a. that the license and sublicense of the SJ Masters shall be free of royalty for the Fixed 10-Year Term;
- b. The license and sublicense of the SJ Masters shall include all new recordings which SJMC acquires or records. that, in the event that Traffix elects to exercise any of its renewal options, as set forth below, Traffix shall pay to Madacy, in addition to the annual royalty set forth in Section 8 below (i.e. \$500,000 or \$350,000, as the case may be), an additional royalty
- c. for SJMC equal to five percent (5%) of the Madacy royalty (i.e. \$25,000 or \$17,500, as the case may be, and Madacy shall be responsible for the payment of the balance of any royalty payable to SJMC).
- d. Traffix hereby agrees that it shall prepare, for information purposes only, a quarterly report to Madacy of all downloads, uses or other disseminations of the Masters, with a separate report regarding uses of the SJ Masters.

Mobile Rights: The extension of the License to include ringtones, ringbacks and other telephone uses is set out in the Modification 8. (hereafter such extension is referred to as the “Ringtone License Extension”). The terms of the Modification are incorporated herein subject to the following changes:

- a. All references to “EZ” are hereby replaced with “Traffix”.
- b. The last sentence of Section 1 and all of Section 5 of the Modification is hereby deleted;
- c. Section 3 of the Modification is hereby deleted and replaced with the following:

“Traffix will pay Madacy a royalty equal to the greater of (i) 10% of the sales proceeds on any mobile use of the License (where the ringtone or group of ringtones, etc. are the subject of a sale, as opposed to where the ringtone is obtained pursuant to a subscription or premium) and (ii) \$0.10 for each ringtone which is downloaded, delivered or otherwise conveyed by Traffix (by direct sale, premium, subscription or otherwise). In addition, Traffix will be responsible for all third-party music publishing costs/performance rights relating to the distribution of the song. The term “sales proceeds” does not refer to the sales proceeds paid on a Traffix Sale Event or EZ-Tracks Sale.

9. **General Provisions:**

Traffix shall continue to be responsible for all third party royalty and publishing payments owing with respect to the use of the music such as artist royalties, mechanical royalties, copyright payments for streaming, digital downloading, mobile, synchronization, performance or otherwise. Provided that Madacy arranges for Traffix to be entitled to be responsible for royalty reporting and payment Section 1.01(h) of the M&S Agreement is hereby modified to provide that Traffix shall be directly responsible for all royalty reporting and payment with respect thereto. Madacy agrees to assist Traffix in the engaging of a

a. Royaltyshare for the purpose of administering such payment obligations. Traffix agrees to hold Madacy harmless from any claims for unpaid royalties resulting from Traffix's use of the Masters on or after January 1, 2007. In accordance with the foregoing, the last sentence of the first paragraph and the entire second paragraph of Section 1.01(h) and the entirety of Section 1.01(d) of the M&S Agreement are hereby deleted and Section 1.01(c) of the M&S Agreement is hereby deleted and replaced with the following:

“The License shall be subject to Traffix having obtained the appropriate music publishing licenses (“Mechanicals”) to permit the use of the Masters for downloading, streaming, mobile use and such other uses as Traffix makes of the Masters under the License.”

Notwithstanding the generality of the foregoing, the parties hereto acknowledge that the requesting, negotiating and obtaining of Mechanicals is a cumbersome and time consuming task. Moreover, the parties hereto acknowledge that obtaining publishing rights for mobile applications requires significant time and effort as the granting of such rights are at the complete discretion of the music publisher. As a consequence of the foregoing, Madacy hereby agrees that it shall assist Traffix in the music publishing process by either (i) obtaining the licenses directly from the music publishers and administering the royalty reporting process, (ii) obtaining the licenses on behalf of Traffix or (iii) any combination thereof (the “Music Publishing Services”). For the purposes hereof, the following shall apply:

- If Madacy is administering the music publishing for the account of Traffix, Traffix shall provide Madacy with details
- i. of all publishing owing within ten (10) days of each month-end and remit all such amounts owing forthwith to Madacy (the failure to so comply shall constitute a material breach of the M&S Agreement);
Madacy shall be entitled to reimbursement of all direct costs incurred administering the music publishing for the account of Traffix including, but not limited to, Traffix's pro rata share of the cost of any employees of Madacy providing such licensing and administration services (it being acknowledged that Madacy shall hire an employee for
 - ii. the exclusive purpose of undertaking mobile licensing for Traffix), fees from Royaltyshare or any replacement third party royalty administration company and such other direct costs as Madacy reasonably incurs in providing such service (such costs to be comparable to the direct costs Madacy incurs on its own behalf in the music publishing licensing and reporting functions);
If, after December 31, 2009, the parties determine, acting reasonably, that the licensing process is sufficiently routine
 - iii. so as to permit Traffix to assume its direct responsibilities for the continuing obtaining, administration and compliance with publishing licenses, Traffix will assume such responsibilities.
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Traffix shall be entitled to use the Masters in the exploitation of its websites but shall not, under any circumstances, be entitled to sub-license the Masters to any third party (other than Madacy and affiliates of Madacy). For greater certainty, all uses by Traffix of the Masters shall be through digital download dissemination from the websites of Traffix and shall not be through a dissemination or download of the Masters on the websites of any other party.

For greater certainty, Traffix shall not use the Masters for any purpose which is competitive with the brick and mortar business or internet bulk licensing for a fee (i.e. iTunes) business conducted by Madacy although Traffix shall be entitled to allow downloading by an end-user (i.e., consumer) of Songs from its websites for a fee as provided in the M&S Agreement .

All references in the M&S Agreement to “Partnership” or “the “Partnership” are hereby replaced with “Traffix”.

The parties hereto acknowledge that the territory of the License is the World subject to any restrictions on use which may be applicable to any of the Masters (including the San Juan masters) (e.g. the licensors of the Masters cannot give Traffix any greater rights to the Masters than they have). Traffix hereby acknowledges that Madacy and SJMG may not have complete or unrestricted rights of exploitation of every master recording and, in particular, may have significant restrictions on use of certain parts of their respective master recording catalogues outside North America. Madacy hereby agrees to notify Traffix, in writing, of any territorial restrictions (present and future) on use of the Masters.

Section 1.02 of the M&S Agreement is hereby modified by deleting the last 2 sentences of the first paragraph and replacing them with the following:

The parties hereto acknowledge and agree that Madacy shall incur, from time-to-time, certain direct out-of-pocket expenses directly relating to the assisting of Traffix in the exploitation of its business and hereby agrees to reimburse Madacy for such costs upon request. For greater certainty, at the time of entering into of the present Memorandum of Agreement, Traffix is presently reimbursing Madacy for approximately \$25,000 per annum in salaries for personnel dedicated to the exploitation of Traffix's websites and Madacy shall continue to provide such services to Traffix in consideration of the reimbursement of Madacy's direct out-of-pocket costs.

- g. Section 1.04 of the M&S Agreement is hereby deleted.
- h. The first paragraph of Section 1.05 of the M&S Agreement is hereby deleted and replaced with the following:

“During the Term and subject to the terms and conditions of this Agreement, Madacy shall not enter, directly or indirectly, into another relationship or business enterprise which is materially similar to and directly competitive with the relationship set out herein and/or the Business. For greater certainty, Madacy hereby agrees that it shall not make its Masters available in bulk in any transaction or relationship for zero or nominal cash consideration.”

For greater certainty, notwithstanding the non-exclusive nature of the License, Madacy has agreed, and continues to agree, that it shall not make its Masters available in bulk in any transaction or relationship for zero or nominal cash consideration. For further clarity, nothing contained in the present Agreement or otherwise (other than the Madacy Non-Competitive Relationship Restrictions) restricts or shall restrict, in any way:

- (i) Madacy's exploitation of its own Masters in its present and future brick-and-mortar, digital, mobile and licensing businesses; and
- (ii) Madacy's ability to license or sub-license its Masters to third parties for a fee or other form of consideration.

- i. The third paragraph of Section 1.05 of the M&S Agreement is hereby amended to be only applicable to Madacy by replacing “neither Contractor may” with “Madacy shall not”.
- j. The final paragraph of Section 1.05 of the M&S Agreement (Madacy as exclusive supplier of content to the Partnership) is hereby deleted.
- k. Section 1.06 of the M&S Agreement is hereby deleted and replaced with the following:

“Madacy may use the Program as a premium or give-away (“Premium”) to generate sales for its own (non-3rd party) brick-and-mortar products/services and any revenue generated from the sales of Madacy's products/services shall belong solely to Madacy.”

l. Section 2 of the Modification is hereby deleted and replaced with the following:

- “Traffix and EZ LP heretofore developed and maintained a dedicated fulfillment website (“Fulfillment Website”) that provides music downloads and ringtone products to fulfill premiums or prepaid products offered by Madacy in connection with its promotion of sales in support of Madacy’s brick-and-mortar business (“Premium/Prepaid Products”). Traffix shall continue to provide Madacy and its subsidiaries with access to such Fulfillment Website for Madacy’s or its subsidiaries’ offering of Premium/Prepaid Products, and if requested by Madacy or its subsidiaries to develop modifications to such Fulfillment Website or additional Fulfillment Websites for the offering of Premium/Prepaid Products (such modifications and additions collectively referred to as “Fulfillment Website Additions and Modifications”),*
- a. *Traffix will use its reasonable commercial efforts to develop such additional or modified Fulfillment Websites, consistent with Traffix’s past practices in relation to the frequency and complexity of Madacy’s requests to EZ LP and Traffix for site development work and modifications and the resources that Traffix was required to devote or obtain in order to provide such site development work and maintain such Fulfillment Websites, and Madacy or its subsidiaries, as the case may be, shall be responsible to reimburse Traffix for direct labor and any other direct costs incurred in providing the development and maintenance of such Fulfillment Websites. For greater certainty, Madacy shall be responsible for the foregoing direct costs related to the development and maintenance of Fulfillment Websites but shall not be charged any service charges or fees relating to the use of the developed sites.*

In the event of any dispute or issue between Traffix or Madacy with regard to this Section 2(a) or the Service Fee payable for Fulfillment Websites, the sole remedy of Traffix or Madacy, as the case may be, for a default (subject to the notice and cure provisions provided for in Section 5.02 of the M&S Agreement) in performance of their respective obligations with respect to the Fulfillment Websites or the Fulfillment Website Additions and Modifications shall be to seek recovery of actual damages resulting from such default and in no event shall Madacy be entitled to terminate the M&S Agreement or the License under the M&S Agreement as amended by this Agreement as a result of any such default by Traffix, provided, however, that if Traffix fails to provide Madacy with substantially the same access that Madacy enjoys as of this date to the existing Fulfillment Websites and the features of the existing Fulfillment Websites (other than for reasons beyond Traffix’s control such as but not limited to interference from third parties with the operations of the internet or interruptions in the operation of the Fulfillment Websites by viruses or equipment failures), then Madacy shall be entitled to terminate the Ringtone License Extension granted under the Modification as amended by this Agreement subject to the notice and cure provisions of Section 5.02 of the M&S Agreement. In addition to the foregoing, in the event that Traffix ceases, at any time, to provide Madacy with substantially the same access that Madacy enjoys as of this date to the existing Fulfillment Websites and the features of the existing Fulfillment Websites, Traffix shall, in partial mitigation of its damages to Madacy hereunder, assist Madacy in finding a replacement company to provide such services.

Traffix also understands that Madacy wishes to develop e-commerce sites that would permit the purchase of music downloads and ringtones in support of Madacy's brick-and-mortar business with retailers (any such site referred to as an "E-Commerce Website"). Madacy hereby acknowledges that the creation of a E-Commerce Website is a complex undertaking, that would require, among other things, the establishment by Madacy of its own merchant accounts and short codes and that Traffix does not have experience in the development of e-commerce websites. Traffix agrees to review requests submitted to it by Madacy for the development of E-Commerce Websites and Traffix shall promptly respond to Madacy and advise Madacy whether Traffix is able to assist Madacy in the development of an E-Commerce Website and if Traffix agrees that it can undertake such a project Traffix will use reasonable commercial efforts consistent with Traffix's past practices in relation to the frequency and complexity of Madacy's requests to EZ LP and Traffix for site development work and site modifications and the resources that Traffix was required to devote or obtain in order to provide such site development work and maintain the Fulfillment Websites. If Traffix is able to develop E-Commerce Websites in accordance with Madacy's requests, Madacy and its subsidiaries shall have access to such E-Commerce Websites in consideration of payment to Traffix of the Service Fee (as defined below). Notwithstanding the foregoing, Traffix shall not, under any circumstances, be responsible for any music publishing costs related to such activities involving the Fulfillment Websites and the E-Commerce Websites.

b.

"In no event shall a default by Traffix or Madacy under the M&S Agreement as amended by this Agreement be deemed to have occurred with respect to any dispute or issue that arises with respect to the provisions of this Section 2(b) or the Service Fee payable for E-Commerce Websites, including, but not limited to, Traffix advising Madacy that it is unable to develop an E-Commerce Website in response to a Madacy request for such development, or any default or alleged default by Traffix in the development or maintenance of any E-Commerce Website, or any dispute regarding payments due from Madacy to Traffix in connection with the development of E-Commerce Websites. If Traffix agrees to develop an E-Commerce Website for Madacy, and a dispute arises between Traffix and Madacy with respect to such E-Commerce Website, then the sole remedy for a default by either with respect to performance of any of their respective obligations with respect to development or operation of such E-Commerce Website shall be to seek recovery of actual damages resulting from such default."

m. Section 4 of the Modification is hereby deleted and replaced with the following:

“The following fees (“Service Fee”) shall be paid by Madacy in consideration for Traffix’s development and provision of Fulfillment Websites and E-Commerce Websites:

1. *The Service Fee for Traffix’s development and provision of Fulfillment Websites shall equal Traffix’s direct labor and any other direct costs relating to any necessary website development work and provision of necessary services and equipment involved in providing the development and maintenance of such Fulfillment Website.*

2. *The Service Fee payable by Madacy for Traffix’s development and provision of E-Commerce Websites shall equal the greater of:*

(i) *One hundred percent (100%) of Traffix’s direct labor and any other direct costs relating to any necessary website development work and provision of necessary services and equipment involved in providing the development and maintenance of such E-Commerce Website plus five percent (5%) of Madacy’s gross profit from the sale or license of the ringtone or download products offered on the E-Commerce Website; and*

(ii) *Ten percent (10%) of Madacy’s gross profit from the sale or license of the ringtone or download products offered on the E-Commerce Website.”*

n. *For the purposes hereof, “gross profit” shall mean the gross revenue less returns, rebates, discounts, advertising allowances, and reasonable reserves relating to such gross revenues and music publishing costs/performance rights.”*

o. Sections 2.01 and 2.01 of the M&S Agreement are hereby deleted. Traffix’s reporting obligation under its License shall be limited to the periodic reporting of usage of the Masters, the whole are more fully described in Section 7(d) above. Moreover, the audit provisions of Section 2.03 of the M&S Agreement are hereby restricted to apply only to Traffix’s records regarding use of the Masters and payment of the Publishing and Royalties.

New Recordings: Madacy will make available, as part of the continuing License, all new recordings which it is entitled to make available (ie. any owned recordings and any recordings which are sub-licensable) subject to Traffix being responsible for any third party payments relating to the use of such Masters. Madacy agrees to continuously deliver all new recordings to Traffix on an orderly and timely basis and, in no event, less frequently than once per month. Notwithstanding the generality of the foregoing, in the event that Madacy is ever the subject of a merger or acquisition or other reorganization with another entity, Madacy shall continue to make available all new recordings which it is entitled to make available and which are obtained as part of the continuing carrying on of Madacy's business. Such continuing obligation shall not, however, extend to any recordings owned or controlled by the other entity or its affiliates at the time of the merger or acquisition or other reorganization or which are acquired subsequently by the other entity or its affiliates in the carrying on of its business. Notwithstanding the generality of the foregoing, in the event that such merger, acquisition or other reorganization occurs prior to December 31, 2008, and, following such merger, acquisition or other reorganization, Madacy ceases to conduct business as a separate business entity, the entity other than Madacy that survives the merger, acquisition or other reorganization shall continue until at least December 31, 2008 to provide Traffix with new recordings of music at levels consistent with the past practices of Madacy.

Representations: Madacy on its behalf and Traffix on its behalf, and on behalf of Traffix Music, Inc., hereby repeat their respective representations, warranties and covenants in Articles 7 and 8 of the M&S Agreement with respect to the present Memorandum of Agreement except that:

a. Section 7(a) is hereby deleted in its entirety and replaced with the following:

“Madacy is a limited partnership, validly existing and in good standing under the laws of the province of Quebec and has all requisite power and authority to operate its business as and where presently being conducted.”

b. The reference in Section 7(b) to “corporate power” is replaced with the word “power”.

c. the reference in Section 7(c) to “the Certificate of Incorporation or Bylaws of Madacy” are hereby replaced with “the limited partnership agreement of Madacy and the terms of the documents governing the Madacy Entertainment Income Trust (the “Trust”)”; and

d. Section 7(e) is hereby deleted in its entirety and replaced with the following:

“No consent, approval or authorization of, or registration or filing with, any Person (including but not limited to any lender of Madacy’s) or governmental authority or agency is required in connection with the execution, delivery and performance of this Agreement by Madacy, including, without limitation, the licensing of the rights to the Madacy Songs and Masters to Traffix and authorization of their use by Traffix or its subsidiaries as provided in this Agreement; the consent of the Trustees of the Trust to the execution and delivery of this Agreement by Madacy has been obtained and has not been modified or rescinded.”

12. **Indemnification:** Section 10.02 is hereby deleted and replaced with the following:

Indemnification by Madacy. Madacy shall indemnify and hold Traffix harmless from any loss, damage, expense, Costs, cause of action, demand, penalty, fine or claim, including the cost of any litigation or administrative proceeding and counsel fees, arising out of any breach by Madacy of any representations or warranties contained herein. Notwithstanding the generality of the foregoing, the parties hereto acknowledge and agree that Traffix’s recourse for damages resulting from a termination of the Agreement shall be against CIK in accordance with the terms of the CIK Interest Purchase Agreement .

13. The reference in Article 9 of the M&S Agreement to “Madacy Entertainment Group, Limited is hereby replaced with “Madacy Entertainment LP” and notices to the Partnership are hereby deleted.
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14. All provisions and terms of the M&S Agreement, as amended by the Modification, shall remain in full force and effect save and except for such changes and modifications set out in the present Agreement.

The parties acknowledge that they have required that this Agreement and all related documents be prepared in English.

Les parties reconnaissent avoir exigé que la présente convention et tous les documents connexes soient rédigés en anglais.

AGREED TO THIS 13th DAY OF MARCH, 2007.

Traffix, Inc.

EZ Tracks, LP

By: Traffix SP-EZ ULC, its general partner

Per: /s/ Jeffrey Schwartz

Jeffrey Schwartz

CEO

Per: /s/ Jeffrey Schwartz

Jeffrey Schwartz

Madacy Entertainment LP

By: Madacy Holding Inc., its general partner

Per: /s/ Hillel Frankel

Hillel Frankel

President

The following party intervenes in the present Memorandum of Agreement for the purpose of taking cognizance of its terms.

CIK Holdings Inc.

Per: /s/ Hillel Frankel

Hillel Frankel

President

**MEMORANDUM OF AGREEMENT BETWEEN
CIK HOLDINGS INC. (a Canadian corporation) and
TRAFFIX, INC. (a Delaware corporation)
Dated March 13, 2007**

WHEREAS CIK Holdings Inc. (“CIK”) is a newly incorporated corporation incorporated under the laws of Canada which owns 49.5% of the units of the limited partnership known as EZ-Tracks L.P. (“EZ LP”) as a Limited Partner of EZ LP and Traffix, Inc., a corporation incorporated under the laws of Delaware, USA (“Traffix”) indirectly owns the remaining 50.5% of EZ LP through its wholly owned subsidiaries Traffix EZ Ltd., a corporation incorporated under the laws of the Province of Québec which is the other limited partner of EZ LP and Traffix SP-EZ ULC, an unlimited liability company incorporated under the laws of the Province of Nova Scotia which is the general Partner of EZ LP;

WHEREAS CIK has acquired its 49.5% interest as a Limited Partner in EZ LP (the “EZ Interest”) from Boca Boys Holdings Inc. (“BBH”), a corporation incorporated under the laws of Canada, the successor in interest of CIK Investments Inc. (originally called Madacy sp Inc.) pursuant to the amalgamation of CIK Investments Inc. and Boca Boys Holdings Inc.

WHEREAS CIK has been created for the sole purpose of acquiring the EZ Interest from BBH, selling the EZ Interest to Traffix and holding, investing and distributing the proceeds of such sale and has agreed to undertake to have no other activities other than the foregoing activities;

WHEREAS EZ LP is licensee of a license of recorded music (the “License”) pursuant to the terms of a Marketing and Services Agreement dated January 22, 2005 (“M&S Agreement”) by and between Traffix Music, Inc., a corporation incorporated under the laws of Delaware, U.S.A. and Madacy Entertainment LP, a limited partnership organized under the laws of the Province of Québec (“Madacy”), as successor to Madacy Entertainment Group, Limited, as amended by amendments dated January 1, 2006 and October 6, 2006.

WHEREAS Traffix wishes to purchase CIK’s equity interest in EZ LP (the “CIK Interest”) and wishes the License to be modified to have a single term of ten (10) years from January 1, 2007 to December 31, 2016, subject to renewal, and CIK wishes to sell the CIK Interest to Traffix and Madacy has agreed to modify the term of the License and amend the M&S Agreement pursuant to the terms of an amendment to the M&S Agreement among Traffix Music, Traffix, EZ LP and Madacy.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. **Purchase of CIK Interest:** CIK hereby sells to Traffix, and Traffix hereby purchases from CIK, the CIK Interest on the terms set forth below effective as of January 1, 2007.
2. **Purchase Price:** The purchase price (“Purchase Price”) for the CIK Interest is as follows:
 - a. Cash payment in the amount of one million two hundred and ninety thousand dollars (\$1,290,000), payable in full at closing; and 500,000 shares of common stock of Traffix par value \$.001 per share (the “Traffix Shares”), payable in full at closing, subject to the restrictions and Security Interest and escrow set forth below. The foregoing Traffix Shares shall be subject to registration by
 - b. Traffix in accordance with the Registration Rights Annex annexed hereto and incorporated herein by reference with the same force and effect as if separately stated in this Agreement; and
 - c. Additional Consideration as set forth in Section 3 below.
3. **Additional Consideration:**

In the event that, at any time during the term of the M&S Agreement (including any of the five (5) renewal years thereof), Traffix is the subject of a sale transaction involving an acquisition of Traffix by or merger of Traffix into an unrelated entity as a result of which Traffix is not the surviving corporation or other corporate business combination transaction with an unrelated entity, involving the sale or issuance (other than as a stock dividend or distribution to existing shareholders of Traffix) of shares of Traffix constituting in the aggregate more than 50% of the issued and outstanding voting shares or total share capital of Traffix or a sale of all or substantially all of the assets of Traffix to a third party) (a “Traffix Sale Event”), CIK shall be entitled to additional consideration for the sale to Traffix of its EZ Interest under this Agreement (“Additional Consideration”) determined as follows:

If the sale equates to a <u>Market Cap of Traffix of</u>	<u>Payment of</u>
\$100 million to \$125 million	\$1.25 million
\$125 million to \$150 million	\$1.75 million
\$150 million to \$175 million	\$2.00 million
\$175 million to \$200 million	\$2.25 million
over \$200 million	\$2.75 million

The term “Market Cap” as used above shall mean with respect to a purchase of Traffix shares, the purchase price paid for each share of Traffix multiplied by the number of issued shares, and, on a purchase of all or substantially all of the assets of Traffix, the consideration received on the sale of such assets plus the value of any non-purchased liquid assets available for distribution to the shareholders plus the net realizable value of any non-purchased non-liquid assets less the amount of any non-assumed debt. Payment of the Additional Consideration will be made on the same basis and in the same proportion as to cash, stock or other securities as payment is made to Traffix or its shareholders in connection with the transaction constituting the Traffix Sale Event.

In the event that, at any time during the term of the M&S Agreement (including any of the five (5) renewal years thereof),

- b. Traffix sells a portion of its business and such sale requires an assignment of the License under the M&S Agreement (such a sale is referred to as an EZ-Tracks Sale), CIK shall be entitled to Additional Consideration determined as follows:

<u>If the sale equates to a Transaction Value of</u>	<u>Payment of</u>
\$20 million to \$25 million	\$1.25 million
\$25 million to \$30 million	\$1.75 million
\$30 million to \$35 million	\$2.00 million
\$35 million to \$40 million	\$2.25 million
over \$40 million	\$2.75 million

The term “Transaction Value” as used above shall mean the consideration received by Traffix or its subsidiaries on the sale of such assets. For the purposes of this subparagraph, such consideration shall include all cash, and the fair market value of all non-cash consideration including, but not limited to, all liabilities assumed by the purchaser of the assets. For the purposes of establishing such Transaction Value, Traffix hereby agrees that it will request that its independent firm of certified public accountants provide CIK with a detailed calculation of the Transaction Value in a certificate attesting to the completeness and accuracy of such calculation, which calculation shall be final and binding upon the parties.

Notwithstanding the provisions of the foregoing subsections 3(a) and 3(b), the payment of the foregoing Additional

- c. Consideration is conditioned on there not having occurred, at the time of the sale transaction giving rise to the Additional Consideration,
- (i) an Indemnified Termination Event (as such term is defined in Section 4 below) that is continuing and has not been cured within the 90 day period provided for in Section 6 below; or
 - (ii) a Bankruptcy Event with respect to Madacy unless the License and the M&S Agreement have been confirmed or affirmed in the bankruptcy proceeding or the time for rejection of the License and the M&S Agreement shall have expired or been waived,

and, in either such event no Additional Consideration shall be payable. The term “Bankruptcy Event” shall mean that Madacy shall (i) apply for, shall consent to, or shall acquiesce in the appointment of a custodian, trustee or receiver for itself or for a substantial part of its property; or, in the absence of such application, consent or acquiescence, a custodian, trustee or receiver shall be appointed for Madacy or for a substantial part of Madacy’s property, or (ii) make an assignment for the benefit of creditors; or (iii) be the subject of any bankruptcy, reorganization, debt arrangement or other proceedings under any bankruptcy or insolvency law.

- d. Any Additional Consideration payable hereunder shall be paid by Traffix to CIK concurrently with the closing of the event which gave rise to such Additional Consideration.

4. **Guarantee:**

- a. CIK hereby warrants and guarantees (the “Guarantee”) that from the date of this Agreement until July 1, 2012, there shall be no termination of the License and the M&S Agreement, as amended, for any reason (any such termination shall be referred to as an “Indemnified Termination Event”) provided, however, that an Indemnified Termination Event shall not include a termination of the License and the M&S Agreement by Madacy that results from a default by Traffix in the performance of its obligations under the M&S Agreement, as amended. Upon the occurrence of an Indemnified Termination Event , CIK hereby agrees to pay Traffix the amounts set forth below (the “CIK Guarantee Payment”), the whole subject to the cure provision set out in Section 6 below:

<u>Date of termination of license</u>		<u>CIK Guarantee Payment</u>
<u>From</u>	<u>Until</u>	
Date Hereof	Dec. 31, 2007	\$2,625,000
Jan 1, 2008	June 30, 2008	\$2,362,500
July 1, 2008	Dec 31, 2008	\$2,100,000
Jan 1, 2009	June 30, 2009	\$1,837,500
July 1, 2009	Dec 31, 2009	\$1,575,000
Jan 1, 2010	June 30, 2010	\$1,312,500
July 1, 2010	Dec 31, 2010	\$1,050,000
Jan 1, 2011	June 30, 2011	\$787,500
July 1, 2011	Dec 31, 2011	\$525,000
Jan 1, 2012	June 30, 2012	\$262,500

- b. The parties hereto agree that the CIK Guarantee Payment shall constitute Traffix’s sole and exclusive recourse for any breach of the foregoing Guarantee, subject to the Security Interest provided for in Section 8 below. The foregoing CIK Guarantee Payment shall constitute liquidated damages for any loss or damage incurred by Traffix as a result of said breach.

Warranty regarding San Juan: Notwithstanding the provisions of the Guarantee under Section 4 above, the parties hereto acknowledge that, in the event of a termination, for any reason, of Madacy's license of master recordings from San Juan Music Group (the "SJ License"), the number of song recordings which are the subject of the License will be reduced. The parties acknowledge and agree that such event does not, in and of itself, result in a termination of the License and, as such, does not give rise to an Indemnified Termination Event pursuant to Section 4 above. Notwithstanding the foregoing, the parties hereto agree that in the event of a termination of the SJ License, subject to the same cure provisions as are contained in Section 6 hereof with respect to an Indemnified Termination Event, CIK hereby agrees to pay Traffix an amount equal to ten percent (10%) of the applicable CIK Guarantee Payment calculated pursuant to Section 4 above, determined in relation to the date of termination of the SJ License (e.g. a termination of the SJ License on September 1, 2010 would result in a payment by CIK equal to \$105,000).

Cure Provision: In the event of an Indemnified Termination Event, CIK shall be entitled, for a period of ninety (90) days following the occurrence of such event, to re-establish, or cause to be re-established, Traffix's rights under the License and the M&S Agreement. In the event that CIK is able to re-establish Traffix's rights under the License and M&S Agreement within such ninety (90) day period, CIK shall be relieved of the obligation to make the CIK Guarantee Payment with respect to such Indemnified Termination Event and the Escrow Agent shall not be required to make any payment to Traffix on account of the CIK Guarantee Payment, and the M&S Agreement as amended by this Memorandum of Agreement shall remain in full force and effect subject to payment of any Damage Payment by CIK. Notwithstanding the foregoing, in the event that the occurrence of the Indemnified Termination Event results in an interruption of Traffix's use of the License, CIK shall be responsible for payment to Traffix any costs, expenses, losses or damages (including, but not limited to lost profits) suffered by Traffix as a direct consequence of such interruption (collectively referred to as the "Damage Payment") provided that CIK's liability for such costs, expenses, losses or damages shall not, in any event, be greater than the amount of the CIK Guarantee Payment obligation at the time of such interruption in accordance with Section 4 or Section 5 hereof, as the case may be. In the event that the foregoing Indemnified Termination Event shall remain uncured for a period of ninety-one (91) days, CIK's breach of its Guarantee shall be considered incurable and the CIK Guarantee Payment, as set forth above, shall become immediately due and payable, in accordance with the terms hereof and any obligation of Traffix to pay the Additional Consideration as more fully described in Section 3 hereof shall terminate.

- Payment on Guarantee:** In the event that CIK is obligated to make the CIK Guarantee Payment to Traffix in accordance with the preceding sections hereof, the Escrow Agent shall, subject to the following, deliver such number of Traffix Shares and cash remaining in
7. Escrow as is necessary to satisfy CIK's Indemnification Payment obligation as of the date of the occurrence of the Indemnified Termination Event. CIK's Indemnification Payment obligation shall be satisfied, firstly, out of Traffix Shares and secondly, out of cash held in Escrow.

In the event that CIK has made a Damage Payment to Traffix following an Indemnified Termination Event which has been cured pursuant to Section 6 above, the Guarantee set out in Section 4 above shall remain in full force and effect and the remaining Traffix Shares and cash held by the Escrow Agent under the Escrow as security for the Guarantee, the CIK Guarantee Payment shall remain in escrow and shall continue to serve as security for the Secured Obligations pending termination of the Security Interest and their release in accordance with Section 8 hereof. Following full payment of the CIK Guarantee Payment and the amount of any other Secured Obligations payable to Traffix as a result of an uncured Indemnified Termination Event, any remaining Traffix Shares or cash in Escrow following full satisfaction of CIK's indemnification obligation shall be delivered immediately to CIK.

For greater certainty, the Traffix Shares used to make a CIK Guarantee Payment shall be deemed to have a value equal to the number of such shares multiplied by the average closing trading price of shares of common stock of Traffix for the ten (10) trading days preceding the date of the occurrence of the Indemnified Termination Event. The parties hereto hereby acknowledge that because of CIK's representation and warranty that its only assets, other than the cash amount paid at closing to CIK under this Agreement (which will be immediately distributed by CIK to its shareholders), will be the Traffix Shares and Cash held in Escrow by the Escrow Agent and, as a consequence, CIK's indemnification obligation hereunder shall, in all cases, be limited to such assets held in Escrow.

8. **Security Interest, Hypothec and Escrow:**

- CIK hereby pledges to and grants Traffix a security interest (together with the Hypothec as hereinafter defined in Section 8(b), referred to as the "Security Interest") in Traffix Shares and cash, if any, held in escrow by the Escrow Agent and all Proceeds of
- a. any of the foregoing (together with the Hypothecated Property as hereinafter defined in Section 8(b), referred to as the "Collateral") in order to secure its obligations under the Guarantee, and to make the CIK Guarantee Payment and the Damage Payment (collectively, the "Secured Obligations").

For purposes of Quebec law (the jurisdiction where CIK was domiciled at the time of execution of this Agreement) and only if and to the extent Quebec law is applicable to the creation or enforcement of the security interest created under this Agreement in favor of Traffix, as security for the Secured Obligations CIK hereby hypothecates and pledges (the "Hypothec") in favor of Traffix (i) the Traffix Shares, cash and Proceeds referred to in Section 8(a) above, (ii) the proceeds of any sale, assignment, lease or other disposition of the aforesaid property, any claim resulting from such disposition, as well as any property acquired in replacement thereof, and (iii) all titles, documents, records and receipts evidencing the aforesaid property (collectively the "Hypothecated Property"), for the sum of \$6,300,000.00 in lawful currency of Canada with interest thereon from the date hereof at 25% per annum. The Hypothec, as well as the enforcement of and the recourses related thereto, shall be governed by and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein. Notwithstanding the foregoing, the parties hereto acknowledge and agree that the Security Interest shall not charge the cash portion of the purchase price set out in Section 2(a) above, the Additional Consideration, if any, set out in Section 2(c) above and such other amounts and other Collateral as are released from time to time from the Escrow in accordance with the terms of this Agreement, and that such amounts and assets and all Proceeds and other assets described in subparagraphs (ii) and (iii) of the first sentence of this Section 8(b) in respect thereof shall, from the moment of release of such Collateral, no longer form part of the Collateral. For greater certainty, CIK shall in no way be restricted from disbursing in any manner whatsoever any of the foregoing amounts or assets which are received in accordance with Section 2(a) and 2 (c) above or which are subsequently released from the Escrow. Upon termination of the Secured Obligations as provided herein, Traffix agrees to discharge the Hypothec with the Register of Personal and Movable Real Rights (Quebec) and undertakes to execute and deliver at CIK's request and expense an application for registration of a voluntary cancellation (Form RV).

The Security Interest granted under section 8(a) of this Agreement shall be governed by the Uniform Commercial Code in effect in the State of New York on the date hereof (the "UCC"), and the term Proceeds referred to in Section 8(a) of this Agreement is used with the meaning provided for in the UCC. In order to perfect Traffix's Security Interest in the Collateral, the certificates representing the Traffix Shares received by CIK under this Agreement in payment for the CIK Interest shall be delivered concurrently with the closing under this Agreement to the law firm of FEDER, KASZOVITZ, ISAACSON, WEBER, SKALA, BASS& RHINE LLP, 750 Lexington Avenue, New York, New York as escrow agent (the "Escrow Agent") who shall hold such Shares and the balance of the Collateral received from time to time in escrow (the "Escrow") in accordance with this Agreement, together with stock powers endorsed in blank in form for transfer in accordance with the other provisions of this Section 8.

The Security Interest shall continue from the date hereof until the later of payment in full of any Secured Obligations and July 1, 2012. The Collateral shall be and remain as continuing security for all costs, fees, charges, and expenses, including reasonable attorneys' fees, which may be incurred by Traffix in enforcing the Security Interest, all of which shall be and remain additional liens on the Collateral until each and all of the same have been fully paid, satisfied, and discharged, and the term "Secured Obligations" shall include all of such costs, fees, charges and expenses. Unless and until there shall have occurred an Indemnified Termination Event that has not been cured within the ninety (90) day cure period provided for in Section 6 above, CIK shall retain the legal and equitable title to the Collateral, but shall not be permitted to sell, assign, transfer or otherwise encumber the Collateral or any part thereof.

After the occurrence of an Indemnified Termination Event that has not been cured within the ninety (90) day cure period provided for in Section 6 above, CIK hereby irrevocably constitutes and appoints Traffix as the true and lawful attorney of CIK, with full power of substitution, in the place and stead of CIK and in the name of CIK or otherwise, at any time or times, in the discretion of Traffix, to take any action and to execute any instrument or document which Traffix may deem necessary or advisable to accomplish the purposes of this Agreement. This power of attorney is coupled with an interest and is irrevocable until the Secured Obligations are satisfied.

If an Indemnified Termination Event shall occur and not be cured within the cure period (an "Event of Default"), Traffix shall be entitled to exercise in respect to the Collateral all of the rights and remedies available to a secured party upon default under the UCC at that time, and, in addition thereto, the rights and remedies provided for herein and such other rights and remedies as might be provided for by law. Traffix is hereby specifically authorized, after the occurrence of an Event of Default and the expiration of any applicable cure period, to transfer such portion of the Collateral it deems reasonably necessary in order to satisfy the Secured Obligations into the name of Traffix and to take any and all action deemed advisable to Traffix to remove any transfer restrictions affecting the Collateral.

In the event of a sale of the Collateral, or any part thereof, Traffix shall give CIK reasonable notice of the time and place of any public sale thereof or of the time and place of any private sale or that any other intended disposition thereof is to be made. The requirement of reasonable notice shall be met if notice of the sale or other intended disposition is mailed, by Traffix, postage prepaid, to CIK at its address set forth on the first page hereof or such other address as CIK may by notice have furnished Traffix in writing for such purpose, at least ten (10) days prior to the time of such sale or other intended disposition. If CIK shall fail to do any act or thing which it has covenanted to do hereunder or any representation or warranty of CIK shall be breached, Traffix may (but shall not be obligated to) do the same or cause it to be done or remedy any such breach and there shall be added to the liability of CIK hereunder the cost or expense incurred by Traffix in doing so, and any and all amounts expended by Traffix in taking any such action shall be repayable to it upon its demand to CIK thereof and shall bear interest at the annual rate of ten percent (10%), from and including the date advanced to the date of repayment. CIK will, in the event of a sale, duly execute and acknowledge all documents necessary or advisable to record title to the Collateral in the name of the purchaser, including a stock power with respect to Traffix Shares. In the event that CIK should then fail or refuse to execute and deliver any or all documents necessary or advisable to record title to the Collateral in the name of the purchaser, CIK does hereby irrevocably appoint Traffix its attorney-in-fact to execute any or all of such documents on CIK's behalf.

All proceeds of Collateral shall be applied as follows: First: to the payment of all expenses incurred by Traffix in connection with such sale, including but not limited to, the expenses of advertising the Collateral to be sold, all court costs and the reasonable fees of counsel to Traffix in connection therewith, and to the payment of all costs and expenses paid or incurred by Traffix in connection with the enforcement of the Security Interest or the exercise of any right or remedy hereunder, to the extent that such advances, costs and expenses shall not theretofore have been reimbursed to Traffix; and Second: to the payment in full of the Secured Obligations, and Third: any surplus to be paid to CIK, its successors or assigns, or as a court of competent jurisdiction may direct.

Upon any sale of Collateral by Traffix hereunder (whether under power of sale herein granted, pursuant to judicial process or otherwise), the receipt of Traffix or the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see the application of any part of the purchase money paid over to Traffix or such officer or be answerable in any way for the misapplication or non-application thereof.

CIK agrees that it will join with Traffix in executing and, at its own expense, shall file and refile under the UCC or any other applicable law such financing statements, continuation statements and other documents in such offices as Traffix may deem necessary or appropriate and wherever required or permitted by law in order to perfect and preserve Traffix's Security Interest in the Collateral, and hereby authorizes Traffix to file financing statements and amendments thereto relative to all or any part of the Collateral without the signature of CIK where permitted by law, and agrees to do such further acts and things and execute and deliver to Traffix such additional conveyances, assignments, agreements and instruments as Traffix may require or deem advisable to carry into effect the grant and enforcement of the Security Interest under this Agreement or to better assure and confirm unto Traffix its rights, powers and remedies as a secured party hereunder.

Provided that no Indemnified Termination Event has occurred, and that no Pending Termination Event (as defined below) is continuing that has not been cured within the cure period provided for in the M&S Agreement, and that no unpaid Secured Obligations exist, then, on the date set forth below or as soon as possible thereafter following the curing of the Indemnified Termination Event within the cure period provided for in Section 6 above, cure of the Pending Termination Event, or payment of the Secured Obligations, as the case may be, the Escrow Agent shall release Traffix Shares, or cash, if any, or combination thereof, as requested by CIK (with each Traffix Share being deemed equal to \$5.25 per share for purpose of calculating the amount of cash released in lieu of such Traffix Share) to CIK pursuant to the following schedule, and such Traffix Shares or cash, as the case may be, when so released shall no longer constitute part of the Collateral and shall be free of the Security Interest:

<u>Date of release</u>	<u># of Traffix Shares released</u>
January 1, 2008	50,000
July 1, 2008	50,000
January 1, 2009	50,000
July 1, 2009	50,000
January 1, 2010	50,000
July 1, 2010	50,000
January 1, 2011	50,000
July 1, 2011	50,000
January 1, 2012	50,000
July 1, 2012	50,000

The term “Pending Termination Event” shall mean the occurrence of a default by Madacy under the M&S Agreement that has resulted in the issuance by Traffix of a written notice of termination thereof as provided in Section 5.02 of the M&S Agreement.

- l. Any cash deposited with the Escrow Agent as part of the Escrow pursuant to the other provisions of this Agreement shall be deposited in an interest-bearing money-market type of escrow account.

- m. If any dispute arises between CIK and Traffix with respect to the Escrow, or if the Escrow Agent receives contradictory instructions from CIK and Traffix, or if the Escrow Agent is uncertain as to its obligations under this Agreement, it shall refrain from taking any action other than to continue to hold Traffix Shares and cash deposited in escrow (collectively, the “Escrow Deposit”) or to institute proceedings described below, until otherwise directed by a final judgment of a court of competent jurisdiction or in a writing signed by CIK and Traffix.

- n. The Escrow Agent shall not be obligated to, but may, institute legal proceedings (which, if instituted, shall be in a court in the County, City and State of New York) to determine its obligations hereunder or to seek permission to deposit the Escrow Amount or any portion thereof in court, upon which act the Escrow Agent shall be relieved of any further obligations hereunder with respect to the Escrow Deposit.

- o. The Escrow Agent may assume the genuineness of any document or signature which appears to it to be genuine (whether or not original or photocopy) if such document or signature is presented to it. The Escrow Agent shall have no obligations other than those specifically set forth herein. The Escrow Agent shall not be liable for any action taken by it hereunder except for the Escrow Agent’s gross negligence or willful misconduct.

p. Traffix and CIK shall indemnify the Escrow Agent and hold it harmless against any loss, liability or expense incurred without bad faith or gross negligence on its part, arising out of or in connection with this Agreement, including the costs and expenses incurred in defending any such claim of liability. Traffix shall, however, be responsible for paying the fees and disbursements of the Escrow Agent for the Escrow Agent's services in acting as Escrow Agent. The Escrow Agent may consult with its own counsel, and shall have full and complete authorization and protection for any action taken or suffered in good faith and in accordance with the opinion of such counsel.

q. Upon disbursing and disposing of the Escrow Deposit held by the Escrow Agent in the manner provided in this Agreement, the Escrow Agent shall be released, discharged, and acquitted of all obligations and liabilities hereunder and any claims or surcharges made by or on behalf of any party to this Agreement. Escrow Agent may resign at any time by giving ten (10) days' prior written notice of such resignation to Traffix and CIK. Thereafter, the Escrow Agent shall have no further obligation hereunder except to hold the Escrow Deposit as depository. In such event, the Escrow Agent shall not take any action until Traffix has designated a successor Escrow Agent, who shall be an attorney reasonably acceptable to CIK admitted to practice in New York with offices in New York, NY. Upon appointment of a successor Escrow Agent, the Escrow Agent shall turn over the Escrow Deposit to such successor Escrow Agent and shall thereafter have no further obligations hereunder.

r. CIK acknowledges that the Escrow Agent has acted as the counsel for Traffix and its subsidiaries in connection with this Agreement and hereby consents to the Escrow Agent representing Traffix and its subsidiaries in any proceeding arising out of any dispute under this Agreement, the M&S Agreement, or any other agreement or understanding between Traffix or any of its subsidiaries and CIK or Madacy or their respective subsidiaries.

9. **Withdrawal of Shares - anytime:** CIK shall have the right, at any time, to withdraw up to 100,000 Traffix Shares from the Escrow in exchange for a cash amount equal to \$5.25 per share withdrawn. The cash will form part of the Escrow and all interest earned thereon will constitute part of the Escrow and the security for the Secured Obligations and the Traffix Shares so exchanged shall be free of the Security Interest. All such interest will be distributed by the Escrow Agent to CIK on June 30th and December 31st of each year, provided that as of any such date there shall not have occurred an Indemnified Termination Event that has not been cured within the cure period provided for in Section 6 above or a Pending Termination Event that has not been cured within the cure period provided for in the M&S Agreement, or as soon as possible following the curing of the Indemnified Termination Event within the cure period provided for in Section 6 above, or cure of the Pending Termination Event, or payment of the Secured Obligations, as the case may be. In the event that there shall be any cash in Escrow, on each of the foregoing scheduled release dates, CIK will have the option to receive Traffix Shares (up to 50,000 per release date) or cash to the extent of cash in Escrow (based on \$5.25 per share) or a combination thereof, as determined by CIK.

- Withdrawal of Shares - After 2008:** At any time after December 31, 2008 or at any time upon the occurrence of a Traffix Sale Event, CIK shall be entitled to withdraw from Escrow any and all Traffix Shares still remaining in Escrow by delivering to the Escrow Agent a cash amount equal to \$5.25 per share withdrawn. The cash will form part of the Escrow and all interest earned thereon will constitute part of the Escrow and the security for the Secured Obligations and the Traffix Shares so exchanged shall be free of the Security Interest. All interest on such invested funds will be distributed by the Escrow Agent to CIK on June 30th and December 31st of each year, provided
10. that as of any such date there shall not have occurred an Indemnified Termination Event that has not been cured within the cure period provided for in Section 6 above or a Pending Termination Event that has not been cured within the cure period provided for in the M&S Agreement, or as soon as possible following the curing of the Indemnified Termination Event within the cure period provided for in Section 6 above, or cure of the Pending Termination Event, or payment of the Secured Obligations, as the case may be. On each of the foregoing scheduled release dates, CIK will have the option to receive Traffix Shares (up to 50,000 per release date) or cash to the extent of cash in Escrow (based on \$5.25 per share) or a combination thereof, as determined by CIK.

- Single Purpose Corporation:** CIK hereby represents and warrants and covenants that it has not carried on any activities other than the
11. purchasing of the EZ Interest from BBH and that it shall not, at any time from the date hereof until July 1, 2012, carry on any activities and incur no obligations other than:

- a. the transaction contemplated by the present Agreement;
the satisfaction of its obligations to Madacy Entertainment LP, BBH and San Juan Music Corp. related to the present Agreement
 - b. (i.e. the obligation to pay, through BBH, ten percent (10%) of all cash proceeds of the present transaction and ten percent (10%) of all amounts released from the Escrow to each of Madacy Entertainment LP and San Juan Music Corp.);
 - c. the payment of the balance of sale owing to BBH, the repurchase or redemption of any preferred shares owned by BBH and the payment of any dividends on the share capital of CIK out of the profits and gains of CIK;
 - d. the holding, disposition, investing, receipt of dividends from, and all other ancillary transactions related to Traffix Shares received by CIK pursuant to the present Agreement;
 - e. the activities relating to maintaining CIK's corporate existence and making any required governmental filings and payments related thereto including taxes.
-

New Madacy recordings: CIK hereby guarantees that during 2007 and 2008, Madacy shall continue to carry on its business and shall continue to acquire, license and record music at levels necessary for its business consistent with past practices. In the event of a breach of the foregoing guarantee, Traffix shall be entitled, for a period of 90 days from the time that Madacy ceases to carry on its business or acquire, license and record music at levels necessary for its business consistent with past practices, to provide CIK with written notice of the breach of such guarantee in which case the following provisions shall apply:

- a. Upon receipt of a breach notice pursuant to the foregoing, CIK shall have a cure period of 90 days during which it shall advise Traffix either:
 - i. That it shall seek to cure the breach by obtaining for Traffix, for a period of three (3) years, new music recordings at similar levels to those provided by Madacy to Traffix in calendar year 2006; or
 - ii. That it shall not cure the breach.
- b. In the event that:
 - i. CIK advises Traffix that it shall not or can not cure the breach, in accordance with the foregoing, or
 - ii. fails to respond to the breach notice within the 90 day cure period, or
 - iii. fails to cure the breach as provided in clause (a)(i) above of this Section 12 within the 90 day cure period (time being of the essence for such cure),

then Traffix shall be entitled, for a further period of 90 days, to terminate the License on written notice to CIK. Such termination shall be deemed to be an Indemnified Termination Event for the purposes of this Agreement and the applicable CIK Guarantee Payment set out in Section 4 above shall become due and payable in accordance with the terms of this Agreement.

Enforcement of Security Interest: In the event that Traffix wishes to enforce its Security Interest on the Collateral in accordance with the terms hereof, the arbitration provisions of Article 11 of the M&S Agreement shall not apply. The parties hereto hereby consent to exclusive jurisdiction of, and venue for resolution of any dispute arising out of or relating to the Security Interest, in the federal and state courts in New York, New York, U.S.A. with the prevailing party entitled to reasonable attorneys' fees, and all of the parties hereto irrevocably submit to such jurisdiction, which jurisdiction shall be exclusive. All of the parties hereto hereby irrevocably waive any objection to such exclusive jurisdiction and venue or inconvenient forum. Any process or summons to be served upon any of the parties hereto (at the option of the party bringing such action, proceeding or claim) may be served by transmitting a copy thereof, in the manner specified and at the address for the giving of notices under this Agreement. Such mailing shall be deemed personal service and shall be legal and binding upon the party so served in any action, proceeding or claim..

14. **Currency:** All amounts expressed herein shall be in the lawful currency of the United States of America.

15. **Representations:** Each of CIK and Traffix represents, warrants and covenants to the other that:

- a. It is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite power and authority to conduct its business activities as and where presently conducted.
It has full corporate power and authority to make, execute, deliver and perform this Agreement, and the execution, delivery and
 - b. performance of this Agreement has been duly authorized by all necessary corporate action, and this Agreement has been duly executed and delivered by its authorized officer.
The execution, delivery, and performance of this Agreement does not, and its performance of this Agreement will not (i) contravene any provision of its Certificate of Incorporation or Bylaws; (ii) violate, conflict with, or result in a breach of any judgment, injunction, writ, award, decree, restriction, ruling or order of any court, arbitrator or governmental or regulatory authority (domestic or foreign) or any applicable law, ordinance, rule or regulation; or (iii) violate, conflict with, result in a
 - c. breach of, or constitute a default (or an event which would, with the passage of time or the giving of notice, or both, constitute a default) under, or result in or permit the termination, modification, acceleration, or cancellation of any indenture, mortgage, loan or credit agreement, license, instrument, lease, contract, plan, permit or other agreement or commitment, oral or written, to which it is a party or by which any of its assets is bound and it will not enter into any agreements or arrangements with any third party that would in any material respect interfere or conflict with any of the provisions of this Agreement.
 - d. There is no pending or, to its knowledge, threatened litigation challenging its authority to enter into and perform this Agreement.
 - e. No consent, approval or authorization of, or registration or filing with, any Person or governmental authority or agency is required in connection with its execution, delivery and performance of this Agreement
-

Traffix Shares: CIK represents and warrants that the Traffix Shares shall be acquired by CIK for its own account, for investment and not with a view to, or in connection with, or with any present intention of, any resale or other disposition thereof. For the purposes of applicable Canadian securities legislation, CIK is purchasing the Traffix Shares as principal and the fair value of the assets being purchased (i.e., the CIK Interest) is not less than C\$150,000 in compliance with Section 2.12 of NI 45-106. Any transfer of the Traffix

16. Shares acquired by CIK shall be effected in compliance with the Act and the laws of any state of the United States, the District of Columbia, or any territory or other jurisdiction in the United States as well as any applicable Canadian securities legislation, as the case may be, governing the offer and/or sale of securities in such jurisdiction. The Traffix Shares shall be subject to registration by Traffix in accordance with the Registration Rights Annex annexed hereto and incorporated herein by reference with the same force and effect as if separately stated in this Agreement. The Traffix Shares shall bear a restrictive legend in substantially the following form:

“Unless permitted under Canadian securities legislation, the holder of the shares of stock represented by this certificate must not trade such securities in Canada before the date that is 4 months and a day after the later of (i) [insert date of closing] and (ii) the date the Corporation became a reporting issuer in any province or territory of Canada. The shares of stock represented by this Certificate have not been registered under the United States Securities Act of 1933, as amended (the “Act”), and may be transferred only if (i) registered under the Act and the requirements of any state having jurisdiction are complied with or (ii) the transfer is exempt from such registration and state requirements and counsel reasonably acceptable to the Corporation has delivered to the Corporation a written opinion reasonably acceptable to the Corporation setting forth the basis for such exemption.”

17. **Governing Law**: The present Agreement shall be governed by the laws of New York, United States of America without regard to its conflicts of law principles.

The parties acknowledge that they have required that this Agreement and all related documents be prepared in English.

Les parties reconnaissent avoir exigé que la présente convention et tous les documents connexes soient rédigés en anglais.

AGREED TO THIS 13th DAY OF MARCH, 2007.

Traffix, Inc.

CIK Holdings Inc.

Per: /s/ Jeffrey Schwartz

Jeffrey Schwartz
Chairman and CEO

Per: /s/ Hillel Frankel

Hillel Frankel
President

The following party intervenes in the present Memorandum of Agreement for the purpose of taking cognizance of its terms.

Madacy Entertainment LP
By: Madacy Holding Inc., its general partner

Per: /s/ Hillel Frankel

Hillel Frankel
President

Feder, Kaszovitz, Isaacson, Weber, Skala, Bass & Rhine LLP intervenes in the present Memorandum of Agreement for the purpose of agreeing to the terms regarding the Escrow set forth in Sections 6 through 10 of the present Memorandum of Agreement.

Feder, Kaszovitz, Isaacson, Weber, Skala, Bass & Rhine LLP

Per: /s/ Geoffry Bass

INTERVENTION BY AMOS ALTER AND HILLEL FRANKEL

And hereto intervenes Amos Alter and Hillel Frankel for the limited purpose of guaranteeing the performance of CIK's representation and warranty set out in Section 11 of the within Agreement.

In the event that:

- (i) Traffix is entitled to receive a CIK Guarantee Payment in accordance with Section 4 or a Damage Payment in accordance with Section 6 of the within Agreement, and
- (ii) CIK has breached its obligation under Section 11 of the within Agreement; and
Traffix incurs a loss as a result of the assets held under the Escrow being unavailable to satisfy such CIK Guarantee Payment or Damage Payment or any other Secured Obligation secured by the Security Interest (e.g., CIK has undertaken activities in breach of Section 11 hereof and a third party creditor makes a successful claim against the assets held under the Escrow);
- (iii)

then, the undersigned guarantors shall be liable to Traffix for an amount equal to the lesser of (i) the unpaid CIK Guarantee Payment, Damage Payment or other unpaid Secured Obligation and (ii) the value of the remaining Traffix Shares and cash held under the Escrow, the whole less any amount actually received or recovered by Traffix from the Escrow. In the event that the undersigned guarantors make a payment to Traffix in accordance with the foregoing, they shall be subrogated in the rights of Traffix for the amount of such payment. Each of the undersigned guarantors hereby consent to exclusive jurisdiction of, and venue for resolution of any dispute relating to this guarantee in the federal and state courts in New York, New York, U.S.A. with the prevailing party entitled to reasonable attorneys' fees, and all of the parties hereto irrevocably submit to such jurisdiction, which jurisdiction shall be exclusive. Each of the undersigned guarantors hereby irrevocably waive any objection to such exclusive jurisdiction and venue or inconvenient forum. Any process or summons to be served upon either of the undersigned guarantors (at the option of the party bringing such action, proceeding or claim) may be served by transmitting a copy thereof, in the manner specified for the giving of notices under the within Agreement to each of the undersigned guarantors at his address written below, or to such other address as either shall give notice to Traffix in the manner provided for in the within Agreement. Such mailing shall be deemed personal service and shall be legal and binding upon the party so served in any action, proceeding or claim.

/s/ Amos Alter

Amos Alter

Address: _____

Montreal, Québec

/s/ Hillel Frankel

Hillel Frankel

Address: _____

Town of Mount Royal, Québec

REGISTRATION RIGHTS ANNEX

1. Definitions.

- (a) “Blue Sky Filing” means any registration statement, notification or other Notice required to be filed, given or made pursuant to any Blue Sky Law in connection with any offering of the Registrable Securities.
- (b) “Blue Sky Laws” means the laws of any state, the District of Columbia, or any territory or other jurisdiction in the United States governing the purchase and/or sale of securities in such jurisdiction.
- (c) “CIK’s Securities Claims” has the meaning provided for in Section 4(a) below.
- (d) “Commission” means the U.S. Securities and Exchange Commission.
- (e) “Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.
- (f) “Notice” means any notice given to, or any declaration, filing, registration or recordation made, with any Person.
- (g) “Order” means any judgment, order, writ, decree, award, directive, ruling or decision of any Governmental Entity.
- (h) “Person” means any natural person, corporation, joint stock company, limited liability company, partnership, joint venture, association, trust, Government Entity, or any group of the foregoing acting in concert.
- (i) “Proceeding” means any action, suit, arbitration, audit, investigation or other proceeding, at law or in equity, before or by any Government Entity.
- (j) “Register,” “registered,” “registration” and “registration statement” shall refer to a registration of securities to be offered and sold under a registration statement filed with the Commission pursuant to the Securities Act.
- (k) “Registrable Securities” means the Traffix Shares
- (l) “Securities Act” means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
- (m) “Stockholders” means the holder of the Registrable Securities.
- (n) “Traffix Securities Claims” has the meaning provided for in Section 4(b) below.

Capitalized terms used, but not otherwise defined, herein shall have the respective meanings assigned to them in the Purchase Agreement.

2. Registration Rights.

(a) Registration Statement. Traffix shall prepare and file with the Commission, within ninety (90) days after the date hereof, a registration statement on Form S-3 or such other appropriate registration form of the SEC as shall be selected by the Company covering the Registrable Securities and shall use commercially reasonable efforts to cause such registration statement to be declared effective by the Commission within one hundred fifty (150) days after the date hereof, or as soon as practicable thereafter, so as to permit, when such registration statement becomes effective, the sale of the Registrable Securities in conformity with Section 5 of the Securities Act. Traffix, in its sole discretion, may include in the registration statement covering the Registrable Securities any issued or authorized but unissued securities of Traffix for sale by Traffix or its other security holders.

(b) Preparation, Filing and Maintenance of Registration Statement. With respect to any registration statement to be prepared by Traffix under this Agreement, Traffix shall, at its sole expense, as expeditiously as reasonably practicable:

(i) prepare and file with the Commission a registration statement necessary to permit the sale of the Registrable Securities in the public securities markets upon the effectiveness of such registration statement, and such amendments and supplements to such registration statement and the prospectus included therein as may be necessary, to the extent reasonably practicable, to cause such registration statement to be declared effective by the Commission;

(ii) maintain the effectiveness of such registration statement for so long as may be reasonably necessary or advisable to enable CIK to consummate the disposition of all of the Registrable Securities; provided, that, Traffix shall not be required to keep such registration in effect at any time after the earlier to occur of (a) the disposition of all of the Registrable Securities in accordance with such registration statement, or (b) twelve months after the date such registration statement becomes effective;

(iii) register or qualify the Registrable Securities under the Blue Sky Laws of each U.S. state governing the purchase or sale of securities as each Stockholder may reasonably request, keep such registration or qualification in effect for so long as such registration statement remains in effect and take any other action that may be reasonably necessary or advisable to enable CIK to consummate the disposition in such states of the Registrable Securities; provided that Traffix shall not be required to keep such registration or qualification in effect at any time after the earlier to occur of (a) the disposition of all of the Registrable Securities in accordance with such registration statement, or (b) twelve months after the date such registration statement becomes effective; and provided further that Traffix shall not be required (A) to qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify, (B) subject itself to taxation in any such jurisdiction, or (C) consent to general service of process in any such jurisdiction;

- (iv) notify CIK promptly when the registration statement or any amendment thereto or prospectus included therein has been filed and when it has become effective;
- (v) cause all of the Registrable Securities covered by the registration statement to be listed on each securities exchange, or designated for inclusion in each automated interdealer quotation system, on which Traffix Common Stock is then listed or included;
- (vi) provide a transfer agent and registrar for all the Registrable Securities not later than the effective date of such registration statement;
- (vii) enter into and perform such customary agreements (including underwriting agreements in customary form), if any;
- (viii) make available for inspection at a reasonable time by CIK, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other agent retained by CIK or such underwriter, all financial and other records, pertinent corporate documents and properties of Traffix, and cause Traffix's officers, directors, employees and independent accountants to supply all information reasonably requested by CIK or any such underwriter, attorney, accountant or agent in connection with the preparation of such registration statement, provided, however, that to reduce the disruption to Traffix's operations, CIK shall designate one attorney, accountant and agent to act on behalf of all of the Stockholders with respect to said inspection;
- (ix) notify CIK of any request by the Commission for the amending or supplementing of such registration statement or prospectus or for additional information;
- (x) prepare (and afford counsel for CIK reasonable opportunity to review and comment on) and file with the Commission, promptly upon the request of CIK, any amendments or supplements to such registration statement or prospectus that, in the opinion of CIK's counsel, may be required under the Securities Act in connection with the distribution of Registrable Securities by CIK, provided such amendments or supplements are reasonably acceptable to Traffix's counsel;
- (xi) prepare and promptly file with the Commission and promptly notify CIK of the filing of such amendment or supplement to such registration statement or prospectus as may be necessary to correct any statements or omissions if, at the time when a prospectus relating to such securities is required to be delivered under the Securities Act, any event shall have occurred as the result of which any such prospectus or any other prospectus as then in effect would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;
- (xii) advise CIK, promptly after it shall receive notice or obtain knowledge thereof, of the issuance of any stop order by the Commission suspending the effectiveness of such registration statement or the initiation or threatening of any proceeding for such purpose and use all commercially reasonable efforts promptly to prevent the issuance of any stop order or to obtain its withdrawal if such stop order is issued;

(xiii) at the request of CIK furnish on the date or dates provided for in the underwriting agreement, if any, or upon the effective date of the registration statement: (A) an opinion of counsel, addressed to the underwriters, if any, and CIK covering such matters as such underwriters, if any, and CIK may reasonably request and as are customarily covered by the issuer's counsel in an underwritten offering; and (B) a letter or letters from the independent certified public accountants of Traffix addressed to the underwriters, if any, and CIK covering such matters as such underwriters, if any, and CIK may reasonably request and as are customarily covered in accountant's letters in connection with an underwritten offering;

(xiv) during such time as CIK may be engaged in a distribution of Registrable Securities, comply with Regulation M promulgated under the Exchange Act, to the extent applicable; and

(xv) participate, at CIK's expense, to the extent CIK may reasonably request, with CIK in any road show in connection with an underwritten offering, it being agreed and understood that CIK (and the underwriter, if any) will not conduct any road show with respect to the Registrable Securities without requesting Traffix's participation in such road show and CIK will not make any statements about Traffix, its business, operations or prospects or develop and deliver any written materials (including, without limitation, electronic and slide show presentations) without first obtaining Traffix's consent to the use of such statements and materials.

(c) Limitations on Registrations. Traffix may delay the filing, or the making of a request for the acceleration of effectiveness, of a registration statement pursuant to this Section 2 or withdraw or suspend the effectiveness of a registration statement covering the Registrable Securities that has become effective if, in the good faith judgment of Traffix's board of directors, Traffix would be required to include in such registration statement or the prospectus included therein (or in an amendment or supplement thereto) material information that at that time could not be publicly disclosed without interfering with a material financing, acquisition, corporate reorganization or other material development or transaction then pending or as to which Traffix has taken substantive steps to structure or negotiate. Traffix shall promptly make such filing or amendment as is reasonably necessary to complete, restore or reinstate such registration statement (or the effectiveness thereof) when the conditions leading to such delay, suspension or withdrawal no longer apply.

(d) CIK's Obligations. It is a condition precedent to Traffix's obligation to register any Registrable Securities pursuant hereto that (a) CIK cooperate as reasonably requested by Traffix in the preparation of the Registration Statement (or any amendment thereto), including providing any information with respect to CIK required to be included therein, and (b) in the case of an underwritten public offering, the terms and conditions of the underwriting agreement or any related agreement applicable to or affecting Traffix shall be reasonably acceptable to Traffix.

(e) Demand Registrations.

(i) At any time after the first anniversary of the date hereof, CIK may request registration under the Securities Act of all or part of the Registrable Securities, in the manner specified in such request; provided, that Traffix shall not be obligated to register any Registrable Securities pursuant to this Section 2(e) on more than one occasion;

(ii) all registrations requested pursuant to this Section 2(e) shall be referred to herein as "Demand Registrations;"

(iii) a registration will not count as a Demand Registration for purposes of Section 2(e)(i) unless it has become and remained continuously effective for a period equal to the shorter of (A) three months or (B) until all of the Registrable Securities requested to be registered have been sold in the manner specified in such request;

(iv) the Company and CIK may, upon mutual agreement, designate one or more managing underwriters, if applicable, for such offering; and

(v) all of the other terms and provisions herein shall be applicable to the registration statement filed as a Demand Registration, including specifically, but without limitation, the time period to file in Section 2(a), the limitations on registration contained in Section 2(c), CIK's obligations in Section 2(d), the notice provisions in Section 2(g), CIK's right to prior review of the filing and the allocation of expenses in Section 3 and the indemnity provisions in Section 4.

(f) Piggyback Rights.

(i) Whenever Traffix proposes to register any shares of its common stock under the Securities Act on a registration statement other than Form S-4 or Form S-8 (or any successor forms thereto), Traffix will give prompt written notice to CIK of its intention to effect such registration (which notice is to be given at least 15 days prior to the date on which the registration statement is to be filed) and, subject to the terms hereof, will include in such registration (a "Piggy Back Registration") all Registrable Securities with respect to which Traffix has received a written request from CIK for inclusion therein within ten days after the receipt of Traffix' notice; and

(ii) if the managing underwriters for such offering advise Traffix in writing that in their opinion the number of securities to be registered and sold for the account of Traffix, together with the number of Registrable Securities and other securities requested to be included in such Piggyback Registration, exceeds the number of securities that can be sold in such offering, then Traffix will include in such registration only: (x) first, any securities that Traffix proposes to sell for its own account or is required to include under any agreement of Traffix, and (y) second, any Registrable Securities requested to be included in such registration to the extent that, in the reasonable opinion of such underwriters, they can be sold.

(g) Notice. Except otherwise provided, all notices and deliveries shall be given or made at least 15 days prior to the date upon which the action prompting the notice or delivery is to be taken. Similarly, all review periods hereunder shall be for a minimum of 15 days, to be calculated from the time the item(s) to be reviewed is made available to the reviewing party.

(h) Termination of Distribution. CIK shall promptly advise Traffix when the distribution of the Registrable Securities under the registration statement is completed.

3. Preparation; Reasonable Investigation. In connection with the preparation and filing of the registration statement and any amendments thereto and any Blue Sky Filing, Traffix shall give each Stockholder and its counsel, accountant and other advisors the opportunity to review, in each case, prior to its filing, the registration statement, each prospectus included therein or filed with the Commission, each document incorporated by reference therein and each amendment thereof or supplement thereto and any related Blue Sky Filing in order to verify the accuracy of any factual information concerning CIK. Traffix shall pay for all expenses incident to the performance of its obligations under this agreement, including but not limited to all registration and filing fees, listing and NASD fees, printing expenses and fees and disbursements of Traffix's counsel and Traffix's accountants in connection with the preparation, review and filing of the registration statement and the registration, listing and resale of the Registrable Securities and any related Blue Sky Filing pursuant to this Agreement; provided, however, that CIK shall pay underwriting discounts and commissions applicable to the sale of the Registrable Securities, any advisory or professional fees incurred on their own behalf and its pro rata share of any road show fees and expenses allocable to the sale of the Registrable Securities (based upon its pro rata share of the shares of common stock of Traffix, par value \$.001 per share, being sold in such underwritten offering).

4. Indemnification.

(a) CIK's Indemnity. CIK shall indemnify and defend Traffix and each controlling person (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act), director, officer, employee or agent of Traffix against, and hold each of them harmless from, any loss, liability, obligation, damage or expense (including reasonable attorneys' fees and disbursements) which any of them may suffer or incur incidental to any claim or any Proceeding against any of them arising out of, based upon or resulting from (i) an untrue statement or alleged untrue statement of a material fact contained in, or omission or alleged omission of a material fact from, the registration statement, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or any document incidental to the registration or qualification of the Registrable Securities that is required to be stated therein or necessary to make the statements therein not misleading or, with respect to any prospectus, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, which statement or omission is made in reliance upon and in conformity with written information furnished to Traffix by CIK for use in the preparation thereof, or (ii) any violation by any Stockholder or its Affiliates of the Securities Act or Blue Sky Laws applicable to them and relating to any action or inaction required of such Stockholder or its Affiliates in connection with such registration or qualification under such Blue Sky Laws ("CIK's Securities Claims").

(b) Traffix's Indemnity. Traffix shall indemnify and defend each Stockholder and each controlling person (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act), director, officer, employee or agent of such Stockholder against, and hold each of them harmless from, any loss, liability, obligation, damage or expense (including reasonable attorneys' fees and disbursements) which any of them may suffer or incur incidental to any claim or any Proceeding against any of them arising out of, based upon or resulting from (i) an untrue statement or alleged untrue statement of a material fact contained in, or omission or alleged omission of a material fact from, the registration statement, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or any document prepared and/or furnished by Traffix incidental to the registration or qualification of the Registrable Securities that is required to be stated therein or necessary to make the statements therein not misleading or, with respect to any prospectus, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or (ii) any violation by Traffix or its Affiliates of the Securities Act or Blue Sky Laws applicable to them and relating to any action or inaction required of Traffix or its Affiliates in connection with such registration or qualification under such Blue Sky Laws ("Traffix's Securities Claims"); provided, however, that Traffix shall not be liable in any such case to any Stockholder to the extent that such Securities Claims arise out of or are based upon (A) an untrue statement or alleged untrue statement of a material fact contained in, or omission or alleged omission of a material fact from, the registration statement, such preliminary prospectus or such prospectus or such amendment or supplement or any document incident to the registration or qualification of the Registrable Securities made in reliance upon and in conformity with written information furnished to it by CIK or any other holder of such Registrable Securities or their respective agents for use in the preparation thereof or (B) CIK's or any other holder of such Registrable Securities or their respective agents' failure to deliver a copy of the registration statement or prospectus or any amendments or supplements thereto to a purchaser of such Registrable Securities.

(c) Claims Procedure. Promptly after Notice to an indemnified party of any claim or the commencement of any Proceeding by a third party involving any loss, liability, obligation, damage or expense referred to in Section 4(a) or 4(b), such indemnified party shall, if a claim for indemnification in respect thereof is to be made against an indemnifying party, give written Notice to the latter of the commencement of such claim or Proceeding, setting forth in reasonable detail the nature thereof and the basis upon which such party seeks indemnification hereunder; provided that the failure of any indemnified party to give such Notice shall not relieve the indemnifying party of its obligations under such Section, except to the extent that the indemnifying party is actually prejudiced by the failure to give such Notice. In case any such Proceeding is brought against an indemnified party, and provided that proper Notice is duly given, the indemnifying party shall assume and control the defense thereof insofar as such Proceeding involves any loss, liability, obligation, damage or expense in respect of which indemnification may be sought hereunder, with counsel selected by the indemnifying party (and reasonably satisfactory to such indemnified party), and, after Notice from the indemnifying party to such indemnified party of its assumption of the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof (but the indemnified party shall have the right, but not the obligation, to participate at its own cost and expense in such defense by counsel of its own choice) or for any amounts paid or foregone by the indemnified party as a result of the settlement or compromise thereof (without the written consent of the indemnifying party), except that, if both the indemnifying party and the indemnified party are named as parties or subject to such Proceeding and either such party reasonably determines with advice of counsel that a material conflict of interest between such parties may exist in respect of such Proceeding, the indemnifying party may decline to assume the defense on behalf of the indemnified party or the indemnified party may retain the defense on its own behalf, and, in either such case, after Notice to such effect is duly given hereunder to the other party, the indemnifying party shall be relieved of its obligation to assume the defense on behalf of the indemnified party, but shall be required to pay any reasonable legal or other expenses, including without limitation reasonable attorneys' fees and disbursements incurred by the indemnified party in such defense; provided, however, that the indemnifying party shall not be liable for such expenses on account of more than one separate firm of attorneys (and, if necessary, local counsel) at any time representing such indemnified party in connection with any Proceeding or separate Proceedings arising out of or based upon substantially the same allegations or circumstances. If the indemnifying party shall assume the defense of any such Proceeding, the indemnified party shall cooperate fully with the indemnifying party and shall appear and give testimony, produce documents and other tangible evidence, allow the indemnifying party access to the books and records of the indemnified party and otherwise assist the indemnifying party in conducting such defense. No indemnifying party shall, without the consent of the indemnified party, which consent shall not be unreasonably withheld, consent to entry of any judgment or enter into any settlement or compromise in respect of any claim or Proceeding which (i) does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or Proceeding and (ii) involves solely monetary damages (and not injunctive or other equitable relief or any admission of guilt or fault). Provided that proper Notice is duly given, if the indemnifying party shall fail promptly and diligently to assume the defense thereof, if and in

the manner required hereunder, the indemnified party may respond to, contest and defend against such Proceeding (but the indemnifying party shall have the right to participate at its own cost and expense in such defense by counsel of its own choice) and may make in good faith any compromise or settlement with respect thereto, and recover the entire cost and expense thereof, including without limitation reasonable attorneys' fees and disbursements and all amounts paid or foregone as a result of such Proceeding, or the settlement or compromise thereof, from the indemnifying party. Any indemnification required to be made hereunder shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills or invoices are received or loss, liability, obligation, damage or expense is actually suffered or incurred.

(d) Limitations.

(i) Any other provision hereof notwithstanding, no indemnified party shall be entitled to any indemnification under this Agreement to the extent that it actually receives or is entitled to receive any amount in respect of any loss, liability, obligation, damage or expense from other sources, including without limitation insurance or third-party indemnity; provided that such indemnified party shall not be required to commence any Proceeding to collect any such amount.

(ii) The indemnification obligations under this Agreement are independent of any other indemnification obligations that any of the parties hereto may have to one another under any other agreement between or among them.

5. Covenants of CIK.

CIK agrees that, at the request of the underwriters managing a registered public offering, it shall not offer, sell, contract to sell or otherwise dispose of any Traffix Common Stock, or any securities convertible into or exchangeable or exercisable for Traffix Common Stock, during the 15-day period prior to, and the 90-day period beginning on, the effective date of the underwritten registration; provided, that, any Registrable Securities then owned by each Stockholder (and any permitted assignee(s)) are included in that underwritten public offering, without any right of cut-back on the part of the managing underwriters. In order to ensure compliance with the provisions of this Section 5, Traffix agrees to notify CIK as to the status and proposed effective date of any registration statement of Traffix that is filed with the Commission and grants CIK the opportunity to include its Registrable Securities in such underwritten public offering.

VIDEO CONTENT marketing AGREEMENT

This Video Content Marketing Agreement (the "Agreement") is entered into on March 13, 2007 as of the 1st day of July, 2006 by and between Traffix, Inc., a Delaware corporation and its various operating divisions including an internet marketing division operated under the name Encyclomedia ("ENCLYCLOMEDIA"), with a principal place of business at One Blue Hill Plaza, Pearl River, New York 10965 ("Licensee") and Madacy Entertainment LP, with an address at 3333 Graham Boulevard, Suite 102, Montreal, Quebec, Canada ("Licensor").

1. DEFINITIONS:

"**Encyclomedia Business**" means the online encyclopedia information business of Encyclomedia. For greater certainty, the

- (a) foregoing information business comprises the information website(s) containing informative narrative descriptions on various topics of information with corresponding short clips of related video content.

2. LICENSOR RIGHTS AND OBLIGATIONS. Licensor shall:

- (a) provide to Licensee the video content ("Content") as set forth on Schedule A annexed hereto in DVD, CD or other mutually acceptable format, along with all packaging and documentation included with the retail version, if any, of the Content. If such exists, Licensor shall provide to Licensee a written transcription of the narrative portion of the Content or alternatively, Licensee may transcribe the spoken words or use such textual material it elects for use on the Website.
- (b) during the Term hereof, continue to make available to Licensee such additional new Content as it has available for licensing from time to time. The parties hereto acknowledge that Licensor is in the business of distributing licensed video content to brick-and-mortar retail channels and, as a consequence, may not be entitled to include any or all additional content to the Content under the present Agreement.

The parties hereto acknowledge and agree that Licensor shall be required, from time to time, to withdraw Content licensed hereunder from the present license due to the expiry of Licensee's rights to the Content, the withdrawal or retraction of Licensor's rights to sublicense the Content to Licensee and such other reasons as may occur from time to time (which may not include any deliberate prejudicial actions by Licensor but may include the commencement of any financial obligations of Licensor to a third party for the rights to sublicense to Licensee). The parties hereto agree that Licensor shall not be responsible for any costs, expenses or other damages which Licensee may incur as a result of any such loss of use of any Content. For greater certainty, Licensee's sole recourse against Licensor hereunder shall be limited to a suspension of Licensee's obligations as set forth under Section 3 below.

3. LICENSEE RIGHTS AND OBLIGATIONS. Licensee agrees:

- (a) at its sole expense, to use reasonable efforts to display, market and advertise the Content on Licensee's internet-based Website(s). Presently, the website is operated under the brand "Encyclomedia," with a website located at www.encyclomedia.com. Such marketing services shall be provided by Licensee without fee or charge to Licensor (ie. all revenue from retail sales, licensing, etc. resulting from marketing on the Website shall belong exclusively to Licensor).
- (b) to provide financial compensation to Licensor for the use of the Content reasonably comparable to the compensation which Licensee provides to other providers of similar video content. The parties hereto acknowledge that Encyclomedia is a new venture and Licensor has not yet determined the final basis of compensation to providers of video content (ie. revenue share of advertising revenue, revenue share of all revenue, etc.). The parties hereby agree that in the event that Licensee is not providing equal or equivalent compensation to all licensors of video content, that such compensation to Licensor hereunder shall equal the average of the compensation provided by Licensee to all of its licensors of video content.
- (c) to reimburse Licensor for all direct out-of-pockets costs which Licensor incurs in the duplication and delivery of Content to Licensee. The parties hereto agree that should Licensor have developed a retail product incorporating the Content, Licensor shall satisfy its obligations hereunder by providing Licensee a retail copy of such product, the whole without cost to Licensee.

LICENSE OF CONTENT. During the Term, Licensor hereby grants to Licensee a non-exclusive, fully paid, right and license to use, display and host the Content for use in the Encyclomedia Business, and all intellectual property rights related thereto, to carry out Licensee's responsibilities herein. Licensee shall be entitled to display on the Website(s) any trailers or other video-clips owned or controlled by the Licensor with respect to the Content or to create any montage, collection or short video from the Content which Licensee

4. considers appropriate or useful in promoting or otherwise illustrating the Content. The foregoing license shall be, where available and subject to Licensor's own rights to the Content, for the entire world. Licensee acknowledges that Licensor's brick-and-mortar business is in North America and, consequently, its rights to the Content are normally restricted to North America. Licensee further acknowledges that Licensor is normally itself a licensee of the Content and, as such, will endeavor to obtain the necessary rights from the owner of the Content to permit the license to the Licensee contemplated herein.

NON-COMPETING BUSINESS: Licensor agrees that the Content, including the written transcription of the audio portions, shall not

5. be licensed by Licensor to another internet-based website which may provide the same online encyclopedia informational services as are being provided by Licensee hereunder.

TERM AND TERMINATION. This Agreement shall commence on the Effective Date and continue for a period equal to, and concurrent

6. with, the license term between Licensor and Licensee with respect to the license of recorded music for online digital dissemination.

REPRESENTATIONS. Licensor hereby represents and warrants to Licensee that it has full power and authority to enter into this Agreement and perform its obligations herein and that it is the owner and/or the licensee of all rights and interests in and to the Content.

7. Licensor agrees to exercise reasonable commercial efforts to obtain the necessary intellectual property rights to permit the license of Content contemplated herein. Licensee hereby represents and warrants to Licensor that it has full power and authority to enter into this Agreement and perform its obligations herein.

MISCELLANEOUS. This Agreement is entered into and shall be interpreted under and governed by the laws of the State of New York with respect to state law claims and by the laws of the United States of America with respect to federal law and all other jurisdictional claims. The parties expressly agree that the courts located in New York, New York shall be the exclusive venue for any action between the parties, whether brought in law, equity or otherwise. This Agreement shall be binding on and shall inure to the benefit of the parties

8. hereto, and their heirs, administrators, successors, and assigns. This Agreement and the rights and obligations hereunder may be assigned by either party to any successor in interest to that party or to the purchaser of all or substantially all of the assets of that party, provided that such successor or purchaser expressly agrees to be bound by this Agreement and all terms hereof. The parties acknowledge that they have required that this Agreement and all related documents be prepared in English. Les parties reconnaissent avoir exigé que la présente convention et tous les documents connexes soient rédigés en anglais.

TRAFFIX, INC. ("ENCYCLOMEDIA")

MADACY ENTERTAINMENT, LP

Per: /s/ Jeffrey Schwartz

Jeffrey Schwartz
CEO

Per: /s/ Hillel Frankel

Hillel Frankel
President



Press Release

Traffix Secures Long-Term License for Digital Music Recordings from Madacy Entertainment

Over 100,000 Free MP3 Digital Recordings Available to Consumers Direct from Traffix

PEARL RIVER, N.Y.--(BUSINESS WIRE)--March 14, 2007--Traffix, Inc. (NASDAQ:TRFX), a premier interactive marketing company, announced today the conclusion of a long term license agreement for the Madacy Entertainment catalog of digital master recordings including certain exclusive rights for Traffix's internet-based direct marketing activities. The Madacy catalog features over 100,000 songs from diverse content genres ranging from pop, country, jazz and classical to inspirational, children's, and holiday. Traffix features the Madacy music catalog through its ad-supported network of music websites. The Traffix music network draws approximately 12 million unique visitors per month. The flagship of the Traffix music network is EZ-Tracks(R), which was launched by the Company in December 2003 in a joint venture with an entity associated with Madacy. In conjunction with the new exclusive license, Traffix acquired the other entity's interest in the joint venture for 500,000 shares of Traffix common stock and a \$1.290 million cash payment.

"This bold step of acquiring a long term exclusive license of a comprehensive catalog of songs for our performance marketing platforms confirms our ongoing commitment to digital content. We are proud to offer consumers the single most complete and unique collection of free downloadable MP3s available anywhere on the Internet through the Traffix music network. The fact that downloading of the music is fully authorized through the necessary licenses enhances the value of these assets. The exclusive nature of this licensing relationship enhances it even further. It's not hard to find unauthorized songs for free, but to distribute songs for free that are licensed for download is a rarity, indeed. We believe that this arrangement will solidify our position as the largest free fully licensed music download marketing business in the world" said Mr. Jeffrey Schwartz, Chairman and CEO of Traffix.

As a result of the Company's acquisition of the co-venturer's interest in the EZ-Tracks(R) joint venture, the Company now has full ownership and control of the EZ-Tracks(R) internet-based marketing business. The initial license term to Traffix is for ten years, with an option to renew for five additional years. The license is royalty-free during its initial term, other than for mobile phone use, and if renewed, a fixed annual sum would be payable as a royalty. The license provides unlimited exclusive use of the Madacy music catalog for the Company's internet-based direct marketing activities. It also provides unlimited use of the Madacy music catalog for mobile phone use. In addition to music content, additional new arrangements give the Company a fee based license to the Madacy catalog of video content. The Company has recently launched a new video-based information website named Encyclomedia(TM) where Madacy and other video content are available for free to consumers.

Commenting further, Mr. Schwartz stated, "We believe the benefits of the agreement are two-fold. First, the amortization of the costs associated with Madacy content are now fixed, which should result in tangible improvements to our margins. Second, since we now own 100% of the license of Madacy content, we have increased flexibility and freedom to adapt the digital masters into new types of applications."

With respect to the relationship with Madacy, Mr. Schwartz stated, "Madacy and Traffix have worked together for over three years in the legal online music business. This relationship has been a fruitful one for both parties. As part of the ongoing relationship, Traffix will continue to provide Madacy with access to its online music redemption capabilities in support of Madacy's brick-and-mortar music business and Madacy will continue to provide Traffix with new music and access to its music-business creativity. Madacy is, and continues to be, a fantastic partner in the music download business." Commenting on Traffix's strategy, Mr. Schwartz stated "The Madacy song catalog is a unique asset for Traffix, aligning squarely within our legal digital content strategy. It is our perspective that digital content transcends its functional value as a simple piece of entertainment. In fact, we refer to this content as 'transactional content' because the compelling nature of the content stimulates

and drives transactions between the consumer and our clients. We are continuing to look for new partners who can provide transactional content to drive the Traffix ad-supported network."

"This transaction is a step forward in the long-term alliance between Madacy and Traffix," stated Hillel Frankel, President of Madacy Entertainment. "Traffix has clearly demonstrated that it has the technology and marketing and business acumen to extract tremendous value from our extensive music catalog. Traffix is very focused on numerous internet-based marketing opportunities and we believe that the long-term rights under the license will be a fundamental tool in this process. Madacy is equally focused on digital dissemination of music through its numerous brick-and-mortar channels. Traffix is a key partner and a continuing supporter of Madacy's activities," he said. "We look forward to a long and mutually beneficial relationship with the Company."

About Traffix, Inc:

Traffix, Inc is a premier interactive media company that develops its own content and builds communities tailored to consumers' specific interests and lifestyles. Its full solution marketing services group delivers media, analytics and results to third parties through its four business groups:

- Traffix (<http://www.traffixinc.com>) offers marketers brand and performance based distribution solutions through the Traffix network of entertaining web destinations, via its proprietary ad-serving optimization technology.
- SendTraffic (<http://www.sendtraffic.com>) is a performance focused, search engine marketing firm focused on building online presence, optimizing marketing expenditures and retaining customers.
- Hot Rocket Marketing (<http://www.hotrocketinc.com>) is an online direct-response media firm servicing advertisers, publishers and agencies by leveraging vast online inventory across sites, networks, search engines and email to drive users to client web properties, generating qualified leads, registrations and sales.
- mxFocus (<http://www.mxfocus.com>) develops and distributes content and services for mobile phones and devices and provides interactive mobile media solutions for advertisers, marketers and content providers.

For more information about Traffix, Inc., visit the website at www.traffixinc.com.

About Madacy Entertainment:

Madacy Entertainment was founded in Montreal in 1980 to address a need in the marketplace for affordable music for the retail mass-market. A leading marketer of music and video, Madacy accounts for approximately two per cent of all CD unit sales in the United States music market and has the unique distinction of being ranked the # 1 independent music label in North America, by number of units sold, for eleven consecutive years. Madacy has also been cited as the top independent label by the National Association of Recording Merchandisers (NARM), Billboard Magazine and Transworld Entertainment. For more information about Madacy Entertainment, visit the website at www.madacy.com.

This release contains certain forward-looking statements and information relating to Traffix that are based on the beliefs of Traffix's management, as well as assumptions made by and information currently available to the Company. Such statements reflect the current views of the Company with respect to future events and are subject to certain assumptions, including those described in this Release. Should one or more of these underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. The Company does not intend to update these forward-looking statements.

You may register to receive Traffix's future press releases or to download a complete Digital Investor Kit(TM) including press releases, regulatory filings and corporate materials by clicking on the "Digital Investor Kit(TM)" icon at www.ksa.com.

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SOURCE: Traffix, Inc.