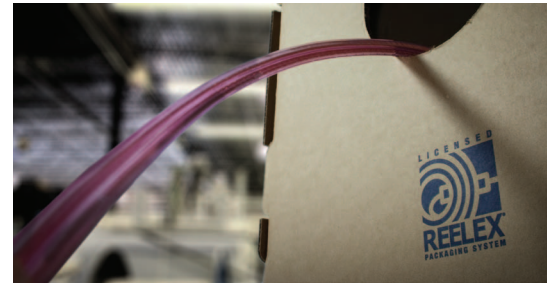


Introduction

Because the REELEX system is a patented technology, the authorized use of this technology is administered through the signing of a License Agreement.

This contract gives the Licensee full access to REELEX’s portfolio of patents, know-how and all trademarks associated with the REELEX system. The License Agreement also guarantees many unique advantages and benefits to the user for as long as the technology is being utilized and the agreement is in effect.



In return, the Licensee pays REELEX system usage fees (or royalties), which are based upon the licensee’s production capability. For large producers, the usage fees may be based upon a licensee’s sales volume of REELEX packages.

REELEX Packaging Solutions uses the income from the Royalty Fees to provide enhancements to the packages and machinery associated with the REELEX system as well as to promote and encourage the use of REELEX packages thus enhancing the market for all Licensees. REELEX Packaging Solutions will also, when necessary, take legal action in order to defend REELEX patents and trademarks from counterfeiting or infringement.

REELEX Licensing Fees

Companies new to REELEX pay a one-time \$7,500 fee to become “REELEX Licensees”. This fee occurs only once when the License Agreement is signed.

Subsequent usage fees vary depending on machine type and are paid annually if the machine is purchased, or monthly if the machine is rented. Annual Patent Usage Fees are included in the machine rental charge except in the case of Models D-200 and D-2000, where they are billed separately.

REELEX Machine Annual License Fees:

REELEX USAGE FEES BY MACHINE	D-200	D-750	D-1500	D-2000
First Year Usage Fee:	\$0.35 per coil	\$6,000.00	\$7,500.00	\$12,000.00
Second Year Usage Fee:	\$0.35 per coil	\$8,500.00	\$10,000.00	\$15,000.00
Subsequent Years Usage Fee:	\$0.35 per coil	\$10,000.00*	\$12,000.00*	\$18,000.00*
Rental Fees	\$0.35 per coil	Included in Rental	Included in Rental	\$18,000.00*

* Adjusted annually per the CPI-U inflation index.

REELEX Trademark Logos

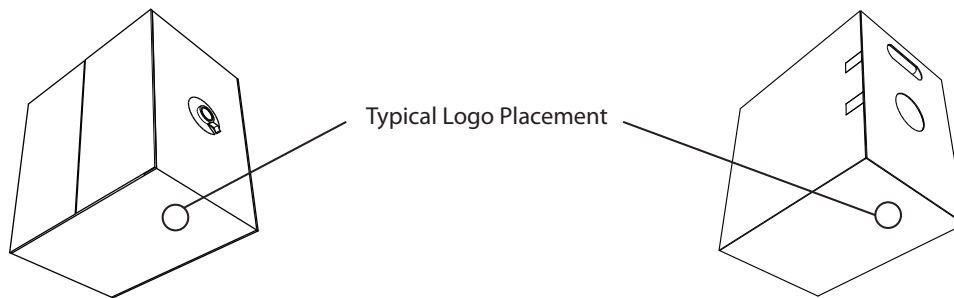
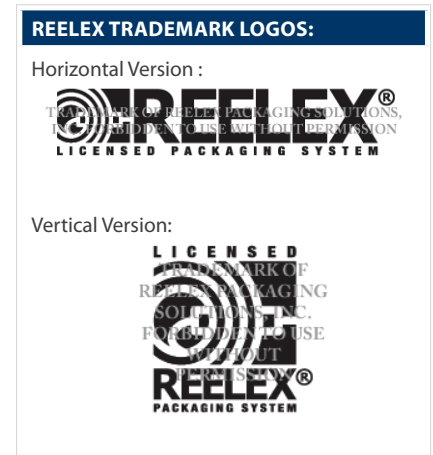
All REELEX licensees are required by the License Agreement to have either one of the following logos visibly printed on every package containing a REELEX coil.

Logos may be printed in any size or in any color.

These trademarks serve to:

- ▶ Indicate to end-users that they are using a genuine REELEX package that will perform as intended.
- ▶ Identify a product manufactured by a company abiding by internationally-accepted intellectual property laws.
- ▶ Distinguish genuine REELEX packages from counterfeit packages.
- ▶ Assist in combating counterfeiting through legal means.
- ▶ Identify a legal user of REELEX technology.
- ▶ Identify the use of proprietary and patented technology.

To acquire electronic versions of these logos in a format suitable for printing, please contact support@reelex.com.



Frequently Asked Questions

Why do I need to sign a License Agreement?

REELEX Packaging Solutions, Inc. owns a series of United States and foreign Patents and possesses other Intellectual Property known as Know-how that make up The REELEX System. Customers that wish to use these Patents and Know-how must sign a License Agreement with REELEX Packaging Solutions, Inc. giving them the authorization to use these patents and knowledge.

What is a License Agreement?

A License Agreement is a legal document signed by two parties that gives the Licensee (Customer) the authorization to use Patents, Know-how, Trademarks and other knowledge in return for royalty or other payments to the Licensor (REELEX).

Is there any cost to sign the License Agreement?

There is a one time License Fee of \$7,500 associated with the signing of the License Agreement. REELEX may choose to waive some or all of this fee when a Licensee is entering a new geographic or product market.

What are the benefits of becoming a licensee?

Unlimited Access to Patents:

All licensees are allowed unrestricted access to all current and future REELEX patents, methods and know-how including updates to software and improvements to packaging and machinery.

Market and Legal Support:

Licensees have access to a market created, developed and supported by REELEX Packaging Solutions. Legal support and representation is also available in the event of patent infringement.

Packaging Consultation and Development:

Licensees have complimentary access to REELEX Packaging Solutions' consultation, personnel, machinery and design services for the purposes of product development projects.

Preferred Technical Support:

All support over phone or e-mail is free and unlimited for the life of the License Agreement.

REELEX technicians can be called on-site anywhere in the world within 3 business days and most parts are readily available for overnight shipment. This insures that machine down-time is minimized.

Machine Buy-Back Program:

REELEX Packaging Solutions will guarantee the buy back of all used REELEX machines purchased by a Licensee at the original cost of the machine depreciated by a 10% per year, declining balance basis.

"Most Favored Licensee" Status:

REELEX Packaging Solutions guarantees that all Licensees in a given country are paying exactly the same royalty fees and equipment prices, and that no licensee will be favored over another.

What is a "Most Favored Licensee"?

All License Agreements contain a "Most Favored Licensee" clause. This guarantees you that you are paying the same prices for machines and fees as all other companies in your country. All companies, big and small, pay exactly the same amount for machinery, parts and fees. There are no discounts or special deals available to you or your competitors.

What are my obligations under the License Agreement?

- ▶ Pay License Fees (or rental)
- ▶ Advise REELEX of any patentable improvements to machinery
- ▶ Advise REELEX of any packaging changes
- ▶ Label all packages with the REELEX trademark
- ▶ Advise REELEX if coiling machines are sold
- ▶ Advise the buyer of any REELEX machine that a License Agreement is needed before use

Do I have to sign a new License Agreement for every REELEX machine I acquire?

No. You sign only one License Agreement for each country no matter how many REELEX machines you acquire or how many factories you have in that country.

Does one License Agreement cover all of my factories?

Generally each License Agreement covers all production in one country regardless of how many factories. If you produce REELEX packages in more than one country, you will need a License Agreement for each country.

What is the difference between License Fees, Annual Fees, Annual Technical Assistance Fees, Usage Fees and Royalties?

The License Fee is associated with the signing of the License Agreement (acquiring the “license”) and is paid only once for each country where you manufacture. Royalty Fees, Annual Technical Fees, Usage Fees and Royalties are all the same thing. They are called different things in different countries. They are paid annually, on a variable schedule, or are included in rental payments and are discussed below as “Royalty Fees”.

Do I have to pay Royalty Fees?

Yes. The amount of Royalty Fees will be determined by the number and model of REELEX machines you have. In some cases, Royalty Fees are paid as a percentage of your sales volume. If you rent equipment, the Royalty Fees are built into the monthly payment.

What do I get for Royalty Fees?

- ▶ Unlimited free technical assistance and support via phone or email.
- ▶ Access to the growing market for REELEX packaging which has been proven successful over the last 30 years
- ▶ Increased sales of your products due to user demand for REELEX packaging
- ▶ Free development assistance and packaging consultation
- ▶ Preferred pricing on packaging supplies
- ▶ Parts and packaging supplies in stock at all times
- ▶ Discounted billing rate for service calls
- ▶ Courtesy service calls when a technician is in your area
- ▶ On going marketing support to build “REELEX” usage and brand

How long do I need to pay Royalty Fees?

As long as you are making REELEX packages you must pay the License Fees.

How can I stop paying the Royalty Fees?

- ▶ You can disable your REELEX machine by returning a key circuit board to us or a sales representative.
- ▶ You can return the machine to REELEX.
- ▶ You can sell the machine to someone else once the circuit board has been removed and shipped back to REELEX.

I don't make enough coils to justify the Annual Fee. What can I do?

REELEX offers machine models that charge a per-coil royalty fee. The customer prepays fees that allow the machine to make REELEX coils. When the prepaid royalty is used up, the machine stops until the customer prepays more royalties.

What if I did not acquire my REELEX machine from REELEX Packaging Solutions, Inc.?

The seller should have notified you that you need to sign a License Agreement with REELEX before you are authorized to use the machine to make REELEX packages. REELEX will not provide any service, support, parts or assistance without a valid License Agreement. Contact REELEX about signing a License Agreement.

What happens if I make REELEX coils without signing a License Agreement?

You are likely committing Patent Infringement. REELEX Packaging Solutions reserves the right to seek all legal remedies at its disposal to protect its Patent rights and the rights of its Licensees.

License Agreement Contract Basics

Machine Pricing and License Fee

REELEX Packaging Solutions agrees to sell the licensee all REELEX machines at a price equal to its cost of materials, labor and overhead. There is no profit margin included in the sale price of the REELEX machines.

The licensee agrees to pay a one-time License Fee plus Royalty Fees described in Schedule D which is appended to the Agreement. The licensee has the right to use all future improvements, patents and know-how without increasing future Royalty Fees (except for inflation).

Terms of the Agreement

The Agreement will be in force as long as REELEX Packaging Solutions owns unexpired patents relating to REELEX, or until one or the other parties to the Agreement cancels it.

REELEX Packaging Solutions agrees not to cancel the Agreement so long as the licensee continues to live up to its part of the Agreement. The licensee is free to cancel the Agreement at any time without specifying a cause.

Upon cancellation of the Agreement, REELEX Packaging Solutions agrees to repurchase all the REELEX machines the licensee previously purchased at the original cost of the machine depreciated by 10% per year, declining balance basis. The licensee is permitted to sell the machine(s) to a third party provided the purchaser agrees to accept the terms of a REELEX License Agreement.

If the licensee cancels during the first 18 months of the Agreement, half of the License Fee is refunded.

Services and Warranties

REELEX Packaging Solutions warrants that all REELEX machines meet the published specifications and will service them, including the repair or replacement of all parts free of charge for one year after delivery, assuming there has been no negligence on the part of the licensee.

After the first year, REELEX Packaging Solutions will continue to service the machines; however, the licensee will pay for labor and for replacement parts. (Experience has shown that most service problems can be handled over the telephone or email without any labor charge.)

REELEX Packaging Solutions agrees to provide 10 man days for training the licensee's personnel free of charge during the first 120 days after the purchase of the licensee's first machine. After 120 days, the licensee will pay for labor and expense costs to provide the service.

REELEX Packaging Solutions agrees to assist new and existing licensees in all package development without cost.

The licensee agrees to perform all required routine and preventive maintenance on the machines as prescribed in the manual provided, and will not alter the machine in any way without first consulting with REELEX Packaging Solutions, at the risk of voiding the machine warranty.

Technical Information and Future Improvements

REELEX Packaging Solutions agrees to provide the licensee with all pertinent proprietary information essential to the optimal performance of the licensee's REELEX machine(s). The licensee will also be entitled to all future improvements in REELEX technology, regardless of the source of that improvement. Some improvements may require machine modifications that the licensee can purchase at cost.

The licensee agrees that it will not divulge any proprietary information related to the REELEX System to any third party not currently a licensee, and that if the licensee gains patents on any improvement to the REELEX System, REELEX Packaging Solutions and all of its licensees will be able to use that improvement without charge.

Most Favored Licensee

REELEX Packaging Solutions guarantees that all competing licensees are offered the same terms and that no one licensee will be offered amended terms without offering them to all other licensees.

The preceding summary of the License Agreement only presents a selection of its significant terms. For the complete terms, refer to a copy of the actual REELEX License Agreement.

Policies on Payment and Termination

Policy on Royalty Fees

All REELEX customers sign a License Agreement with REELEX Packaging Solutions, Inc. that defines obligations between REELEX and the Licensee. Section III of the License Agreement obligates the Licensee to pay Royalty Fees in accordance with Schedule D of the Agreement.

The Royalty Fees are payable regardless of market conditions or of the actual use of each REELEX machine. There is no provision in the License Agreement for partial utilization of machines and subsequent partial payment of fees.

Other than adjustments for inflation, Annual Fee levels have not changed in over twenty years and do not fluctuate, up or down, depending on overall business levels.

Each machine is either available for use by the Licensee and the full amount of fees are payable, or it can be disabled or returned and fees will cease to accrue.

Except in cases where the REELEX machine is disabled by removal of a circuit board or the machine is returned to REELEX, the full amount of Royalty Fees is payable by the Licensee.

Return of Machines to REELEX

In cases where the Licensee has chosen to cease selling product in REELEX packages, machines can be returned to REELEX. REELEX will credit the Licensee a depreciated price for the machine. Once the machine is returned to REELEX, fees will cease to accrue.

If a Licensee chooses to return a machine to REELEX, they should contact REELEX with the Machine Model and Serial Number. REELEX will provide a list of buy back prices that vary by month. The prices quoted will be CIF, Patterson, NY, USA. The credit amount will be determined by the month in which the machine is actually received at the REELEX factory. The amount of credit given may be reduced after receipt and inspection due to missing parts or damage beyond normal wear and tear.

Return of Circuit Boards

Machines can be disabled by removing a critical circuit board. Contact REELEX for the identification of the critical circuit board for each machine model. Once the circuit board is returned to either REELEX or REELEX' local representative, fees will cease to accrue.

When the Licensee chooses to resume REELEX production, they can request the return of the circuit board. Once the circuit board is returned to the Licensee, fees will again accrue.

Cash Payments

Due to the ongoing business recession, cash payments will not be made to Licensees for returned equipment or unused Fees. Credit memos will be issued to Licensees that they may use to offset other invoices owed to REELEX, present or future.

If a returned machine is subsequently sold to another customer, the Licensee that returned the machine will be given the option of a cash payment for any unused credit.