

LICENSE AGREEMENT

This License Agreement (this "**Agreement**") is made as of December ___, 2011 (the "**Effective Date**") between **LICENSOR**, a company organized in the State of California ("**Licensor**"), and **LICENSEE**, a corporation organized in the State of California ("**Licensee**"), with the intent to be legally bound.

RECITALS

A. Licensor owns certain intellectual property and other rights relating to a product which include the patent applications and trademarks identified in Exhibit A (attached hereto) and which may be updated from time to time, and desires to license such intellectual property and other rights to Licensee;

B. Licensee desires to make or have made, market and sell products that use such intellectual property and other rights of Licensor in such intellectual property and other rights in the countries of U.S. and Canada (the "**Territory**").

C. NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and with the intent to be legally bound hereby, the parties agree as follows.

AGREEMENT

1. Grant of Licenses.

Subject to the terms and conditions of this Agreement, Licensor hereby grants to Licensee an exclusive (except as otherwise set forth in this Agreement) right and license to use the intellectual property identified on Exhibit A, any patents to issue ("Licensed Patents") and trademarks to register on such intellectual property, and all associated information and know how (the "**Licensed Property**") solely to make, have made, use and sell products and services which incorporate and/or display the Licensed Property ("**Licensed Products**") solely in the Territory and strictly limited to sales within the Distribution Channel. Licensee has no rights in the Licensed Property except as expressly granted by this Agreement. For the purposes of this provision, Distribution Channel means sales in packages of four to retailers. Licensor reserves the rights to, and reserves the right to license the rights to, sell, manufacture, or have manufactured the Products (excluding Trademarks) in bulk quantities (meaning a minimum quantity of 48 bands or greater) to institutions/corporations as end-consumers, or to manufacturers/distributors of imprinted promotional items for imprinting and resale in bulk. Licensee is strictly prohibited from distributing the Licensed Property (i) without charging a fee, or (ii) bundled with other products without allocating to the sale of the Licensed Product a reasonable portion of the fee paid to Licensee for the bundled products.

2. License Fee. In consideration of the grant of the License, Licensee will pay to Licensor as follows:

(a) **Prepays and Guarantees.** Upon execution of this Agreement, Licensee will pay a prepaid non-refundable royalty fee of \$5,000 to complete prosecution of the patent and which will be credited against royalties owed. Within thirty (30) days of each anniversary of the Execution Date, Licensee shall pay Licensor the following non-refundable fees: U.S.\$15,000 on the first anniversary of the Effective Date; U.S.\$30,000 on the second anniversary of the Effective Date; and U.S.\$50,000 on the third and, if the Agreement is renewed pursuant to Section 3, every subsequent anniversary of the Effective Date (“Guaranteed Royalties”) offset by any Royalties which have been paid to Licensor in the twelve months immediately prior to the anniversary date.

(b) During the Term of this Agreement and any renewal terms, unless otherwise agreed in writing by both parties, Licensee will pay a royalty of 4.5% of the Net Selling Price (“**Royalty**”) of each Licensed Product sold. The term "Net Selling Price" is the gross selling price (i.e., the total consideration) actually invoiced for a transaction intended to be consummated by a transfer of title in any of the Licensed Products, less: discounts actually allowed, credits for claims or allowances and returns, prepaid freight paid by the retail customer, and less taxes and other governmental charges added to the face of the invoices or otherwise assessed and paid by Licensee for such Licensed Product.

(c) To maintain exclusivity for the Territory the Royalties from actual sales made by Licensee must meet or exceed U.S.\$15,000 on the first anniversary of the Effective Date; U.S.\$30,000 on the second anniversary of the Effective Date; and U.S.\$50,000 on the third anniversary of the Effective Date and, if the Agreement is renewed, each subsequent anniversary of the Effective Date thereafter. If Licensor fails to attain such actual sales, Licensee’s license shall thereafter, at Licensor’s option and upon written notice to Licensee, be non-exclusive. Failure to provide notice does not waive Licensor’s right to provide notice at a later date.

(d) If, after all allowable appeals have been made, all claims are disallowed or rendered void for the Licensed Patents necessary to use Licensed Property, Licensee may discontinue payment of Royalties until an applicable claim or claims are allowed.

(e) Within forty-five (45) days after the close of each calendar quarter, Licensee shall pay Licensor any and all Royalties owed pursuant to this Agreement with respect to such period except that Licensee shall offset all Guaranteed Royalties and royalties paid in advance, if any, against any royalties otherwise owed to Licensor by Licensee pursuant to this Agreement. Each such royalty payment shall be accompanied by a reasonably detailed written description of the calculation of the payment amount, containing such information as shall be reasonably requested by Licensor. If Licensor does not receive complete royalty payment or written Report of the payment amount, Licensor shall provide Licensee with written notice and Licensee shall have thirty (30) days to provide Licensor with Report and any payment owed. Payment is late if paid later than 30 days from notice. Payment of Royalties and other fees and provision of Reports are material obligations.

(f) All fees and royalties shall be paid in U.S. Dollars. Any payment not received within thirty (30) days of the due date will accrue interest at a rate of one and one-half percent (1 ½%) per month, or the highest rate allowed by applicable law, whichever is lower.

(g) **Records and Audits.** Licensee shall maintain complete and accurate books of account with respect to its manufacture, transfer and Net Selling Price relating to the Licensed Products. Upon at least ten (10) business days' prior written notice, no more than once each calendar year, Licensor (or Licensor's duly authorized representative) will be entitled to inspect such books of account, during normal business hours, at Licensor's own cost, solely for the purpose of verifying compliance with the terms of this Agreement. All information obtained in connection with any such inspection will be deemed Confidential Information belonging to Licensee. If an inspection shows an underpayment to Licensor by five percent (5%) or more, (i) Licensor will send Licensee a copy of the accounting and Licensee shall pay to Licensor The reasonable, documented expense of such inspection within thirty days of receipt of the accounting.

3. **Term and Termination.** The term of this Agreement will commence on the date hereof and will continue for a term of three years unless terminated as provided below (such period, the "**Term**"). Subject to Section 2. (c), the Term may be extended for additional one-year terms if the royalties exceed or are 85% of Guaranteed Royalty for the preceding year as specified in Section 2.c above. Either party may terminate this Agreement by giving the other party at least sixty days' prior written notice at the end of the initial term or any renewal term.

(a) Licensee may terminate this Agreement for any or no reason upon 30 days' prior notice to Licensor to such effect and upon such termination will pay all Royalties incurred, and Guaranteed Royalties due and not yet paid, within thirty days of the termination date. If the Licensee terminates this Agreement at any time during the initial term all three years of Guaranteed Royalties will be due.

(b) Either party may terminate this Agreement upon thirty (30) days' prior notice to the other party to such effect if the other party fails to perform or observe any of its material obligations hereunder and fails to cure such default within such 30-day period.

(c) Either party may terminate this Agreement if:

(i) a proceeding has been instituted against the other party seeking a declaration that the other party is insolvent, or seeking dissolution, winding-up, charter revocation or forfeiture, liquidation, reorganization, arrangement, adjustment, composition or other similar relief with respect to the other party, its assets or its debts under any law relating to bankruptcy, insolvency, relief of debtors, protection of creditors, termination of legal entities or other similar law, or seeking appointment of a receiver, trustee, custodian, liquidator or other similar official for the other party or any substantial portion of its assets, and such proceeding remains undismissed or unstayed for a period of 90 consecutive days; or

(ii) the other party becomes insolvent, makes a voluntary assignment for the benefit of creditors, institutes a proceeding or appointment described in clause (i) above or consents to any proceeding or appointment described in clause (i) above.

(d) No termination of this Agreement will relieve either party from any liability incurred by it prior to the date of termination or on account of any default by such party hereunder, and upon the occurrence of any such default the non-defaulting party will be entitled to pursue any remedy available to it in equity or at law, whether or not this Agreement has been terminated.

4. Intellectual Property.

(a) Licensor shall make all administrative filings and payments as are necessary or desirable to maintain in full force and effect each patent application and trademark registration identified in Exhibit A and any patent issuing and trademark registering therefore for the Term of this Agreement. Unless otherwise agreed to in writing by the parties, Licensor shall bear all costs and expenses related thereto. Upon request by Licensee, Licensor shall provide copies of all documents issued by the respective government offices concerning each such application, patent or trademark. Licensor shall notify Licensee in all decisions related to the preparation and filing of a response thereto.

(b) Licensor shall timely notify Licensee, but in no event less than 30 days prior to the expiration of a deadline or of any priority rights period, if it intends not to maintain any patent application or trademark registration identified in Exhibit A and any patent issuing or trademark registering therefore. In such event, during a period where Licensee has an exclusive right and license, Licensee shall have the first right, but not the obligation, at its expense to have such application, patent or trademark assigned to it and to prosecute, maintain and enforce any such application, patent or trademark in its own name and expense. Licensor shall provide to Licensee or Licensee's authorized representatives or attorneys all assistance which may be necessary or desirable for Licensee to file, prosecute, maintain and enforce such application, patent or trademark and will execute any and all documents that may be necessary or desirable. Licensee shall reimburse Licensor for any lost pay and for fees and costs incurred for such assistance.

5. Improvements. The following provisions will control if any improvements, modifications, additions, new versions or other changes to the Licensed Property (collectively, "**Improvements**") are developed during the Term:

(a) Each party may develop Improvements.

(b) Each party will promptly disclose to the other all Improvements which are made, developed, acquired or conceived by it, together with all such data and information as is necessary to enable the other party to implement such Improvements.

(c) All Improvements made, developed, acquired or conceived by either party will be the property of, and owned by, the Licensor

(d) Licensor agrees that all Improvements made by Licensor will be part of the Licensed Property if so determined in Licensor's sole discretion and if so determined such Improvements will be subject to the terms of this Agreement.

6. Warranty.

(a) Licensor warrants that (i) it is the exclusive owner of the Licensed Property (including any copyrights and/or patent rights that may exist); (ii) it has the legal right to grant to Licensee the rights granted in Section 1 and that to the best of Licensor's knowledge such rights do not infringe on the intellectual property rights of any third party; and (iii) nothing contained in the Agreement conflicts with or otherwise interferes with any rights or obligations of Licensor or any third party, and (iv) it intends to secure patents for the Licensed Property and maintain such patents in force.

(b) Licensee warrants that it has the legal power to enter into this Agreement and accept the responsibilities herein.

SUBJECT TO THE REPRESENTATIONS AND WARRANTIES MADE BY LICENSOR IN SECTION 6 ABOVE, LICENSOR EXPRESSLY DOES NOT WARRANT THAT THE PATENT RIGHTS ARE OR WILL BE ENFORCEABLE, OR THAT THE MANUFACTURE, USE, OR SALE OF ANY ITEM COVERED BY ANY CLAIM OF SUCH PATENTS WILL NOT RESULT IN THE INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY.

7. Protection of Intellectual Property.

(a) Each party will promptly notify the other of any infringement, adverse claim, opposition proceeding or unauthorized use relating to the Licensed Property or the Improvements, including any copyright, trademark or patent applicable thereto (each an "**Infringement**").

(b) Licensor will have the right to commence and conduct legal proceedings in respect of any Infringement. If Licensor fails to commence such a proceeding in a timely manner, Licensee may institute such a proceeding, and will give prompt notice to Licensor of the same. If both parties have been or may potentially be damaged by such Infringement, then they may commence and conduct such a proceeding jointly. The parties will cooperate fully in the prosecution of any such proceeding.

(c) The costs and expenses of any such proceeding will be borne by, and any damages or other monies received as a result thereof will belong to, the party commencing and conducting the proceeding; provided, that if both parties participate in such proceeding then, prior to commencing such proceeding, the parties will negotiate in good faith in order to agree upon an equitable apportionment of costs, expenses and damages.

8. Indemnification.

(a) Licensor will defend, indemnify and hold harmless Licensee from and against any and all claims, damages, losses, liabilities, costs and expenses (including without limitation reasonable attorneys' fees and court costs) (collectively, "**Losses**") that arise out of any

claim by third party that the Licensed Property, Improvements or Licensed Products or Licensee's proper use thereof infringe upon the rights of any third party.

(b) If any third party claim (each a "**Proceeding**") is initiated against Licensor or Licensee (either such party thereby being an "**Indemnitee**"), and the Indemnitee intends to seek indemnification under this Section on account of its involvement in such Proceeding, then the Indemnitee will give prompt notice to the other party (the "**Indemnitor**") of such Proceeding; noting that the failure to so notify the Indemnitor will relieve such Indemnitor from its obligations under this Section. Upon receipt of such notice, the Indemnitor will diligently defend against such Proceeding on behalf of the Indemnitee at its own expense using counsel reasonably acceptable to the Indemnitee; provided, that if the Indemnitor fails or refuses to conduct such defense, or the Indemnitee has been advised by counsel that it may have defenses available to it which are different from or in addition to those available to the Indemnitor, or that its interests in such Proceeding are adverse to the Indemnitor's interests, then the Indemnitee may defend against such Proceeding at its own expense. The Indemnitor or Indemnitee, as applicable, may participate in any Proceeding being defended against by the other at its own expense, and will not settle any Proceeding without the prior consent of the other, which consent will not be unreasonably withheld. The Indemnitor and the Indemnitee will cooperate with each other in the conduct of any such Proceeding.

(c) All amounts payable in respect of an Indemnitor's obligations under this Section will be due and payable on the date specified by decision of the arbitrator.

(d) The obligations of the parties under this Section will survive any termination of this Agreement.

9. Independent Contractor. It is expressly agreed and understood between Licensor and Licensee that Licensee, in entering into this Agreement and carrying out its obligations hereunder, is an independent contractor working for itself and is not, will not be deemed to be and will not hold itself out as an agent, legal representative or employee of Licensor. Licensee will not making any binding agreements on behalf of Licensor.

10. Confidentiality.

(a) Each party acknowledges that, in the course of performing its obligations hereunder, certain Confidential Information of the other party may be disclosed to it, and agrees that it will not disclose to any person or entity or use for its own benefit any such Confidential Information. As used herein, the "**Confidential Information**" of a party means all information concerning or related to the business, operations, financial condition or prospects of such party regardless of the form in which such information appears and whether or not such information has been reduced to a tangible form, and specifically includes (i) all information regarding the officers, directors, employees, equity holders, customers, suppliers and licensees of such party, in each case whether present or prospective, (ii) all inventions, discoveries, trade secrets, processes, techniques, methods, formulae, ideas and know-how of such party, including without limitation the Licensed Property and the Licensee Improvements, (iii) all financial statements, audit reports, budgets and business plans or forecasts of such party and (iv) this Agreement and the

transactions contemplated hereby; provided, that the Confidential Information of a party will not include (A) information that was in the public domain at the time of communication to the receiving party or is later placed in the public domain by the party; and (B) information which has been or hereafter is lawfully obtained by the other party from a source other than the party to which such information belongs so long as, in the case of information obtained from a third party, such third party was or is not, directly or indirectly, subject to an obligation of confidentiality owed to the party to whom such information belongs at the time such Confidential Information was or is disclosed to the other party.

(b) Notwithstanding subsection (a) above, each party is permitted to:

(i) disclose Confidential Information of the other party to its officers, directors, employees, agents, accountants, attorneys, underwriters, consultants and customers, and to its present and potential equity holders and lenders, but only to the extent reasonably necessary in order for such party to exercise its rights and perform its obligations under this Agreement or, in the case of equity holders and lenders, to the extent reasonably necessary to obtain financing and comply with the terms of any financing documents, and such party will take all such action as will be necessary or desirable in order to ensure that each of such persons maintains the confidentiality of any Confidential Information that is so disclosed; and

(ii) disclose Confidential Information of the other party to the extent, but only to the extent, required by applicable law; provided, that prior to making any such disclosure, the party making such disclosure will notify the other party of the same, and, the other party will have the right to respond with the disclosing party in the determination of the amount and type of Confidential Information, if any, which must be disclosed in order to comply with applicable law.

(c) Upon the termination of this Agreement each party will, promptly after the request of the other party, return to the other party all Confidential Information of the other party which is then in its possession (or in the possession of its Affiliates, employees or agents) and is in tangible form.

(d) Each party acknowledges that the other party would be irreparably damaged in the event that any of the provisions of this Section are not performed by it in accordance with their specific terms or are otherwise breached. Accordingly, each party agrees that the other party will be entitled to an injunction or injunctions to prevent breaches of this Section by it and will have the right to specifically enforce this Section and the terms and provisions hereof against it in addition to any other remedy to which it may be entitled at law or in equity.

(e) The obligations of the parties under this Section will survive any termination of this Agreement.

11. Dispute Resolution. If any claim, controversy or dispute arises between the parties with respect to this Agreement (a "**Dispute**"), the parties will promptly meet and negotiate in good faith in an attempt to amicably resolve such Dispute. If such Dispute is not so

resolved within 15 days after either party gives notice to the other of such Dispute and the basis thereof then, to the maximum extent allowed by applicable law, such Dispute will be submitted to and finally resolved by binding arbitration. Either party may file a written Demand for Arbitration with the American Arbitration Association's Chicago, Illinois Regional Office, and will send a copy of the Demand for Arbitration to the other party. The arbitration will be conducted pursuant to the terms of the Federal Arbitration Act and the Commercial Arbitration Rules of the American Arbitration Association, except that discovery may be had in accordance with the Federal Rules of Civil Procedure. The venue for the arbitration will be California. The arbitration will be conducted before one arbitrator selected through the American Arbitration Association's arbitrator selection procedures. The arbitrator will promptly fix the time, date and place of the hearing and notify the parties. The parties will stipulate that the arbitration hearing will last no longer than five business days. The arbitrator will render a decision within 10 days of the completion of the hearing, which decision may include an award of legal fees, costs of arbitration and interest. The arbitrator will promptly transmit an executed copy of its decision to the parties. The decision of the arbitrator will be final, binding and conclusive upon the parties. Each party will have the right to have the decision enforced by any court of competent jurisdiction. Notwithstanding any other provision of this Section, any Dispute in which a party seeks equitable relief may be brought in any court having jurisdiction. The obligations of the parties under this Section are specifically enforceable and will survive any termination of this Agreement.

12. Notices. All notices, consents, requests, demands and other communications required or permitted hereunder: (a) will be in writing; (b) will be sent by messenger, certified or registered U.S. mail, a reliable express delivery service or telecopier (with a copy sent by one of the foregoing means), charges prepaid as applicable, to the appropriate address or number set forth below; and (c) will be deemed to have been given on the date of receipt by the addressee (or, if the date of receipt is not a business day, on the first business day after the date of receipt), as evidenced by (i) a receipt executed by the addressee (or a responsible person in his or her office), the records of the person delivering such communication or a notice to the effect that such addressee refused to claim or accept such communication, if sent by messenger, U.S. mail or express delivery service. All such communications will be sent to the following addresses or numbers, or to such other addresses or numbers as either party may inform the other of by giving five business days' prior notice:

If to Licensor:

If to Licensee:

13. Assignment. Except as otherwise provided in Section 1, this Agreement may not be assigned, pledged or otherwise transferred, whether by operation of law or otherwise, without the prior consent of the other party. The parties expressly acknowledge and agree that neither the merger or consolidation of a party with or into another entity, nor the sale of all or substantially all the assets of that party, nor the acquisition of a majority of voting securities of a party shall constitute an assignment of this Agreement for which consent of the other party is required, provided that the party notifies the other party in advance of such event and, in the case of an asset acquisition, the acquirer agrees to be bound by this Agreement.

14. Miscellaneous. This Agreement: (a) may be amended only by a writing signed by each of the parties; (b) may be executed in several counterparts, each of which is deemed an original but all of which constitute one and the same instrument; (c) contains the entire agreement of the parties with respect to the transactions contemplated hereby and supersedes all prior written and oral agreements, and all contemporaneous oral agreements, relating to such transactions; (d) is governed by, and will be construed and enforced in accordance with, the laws of the State of California without giving effect to any conflict of laws rules; and (e) is binding upon, and will inure to the benefit of, the parties and their respective successors and permitted assigns. Headings included in this Agreement are for convenience only, do not form a part of this Agreement and shall not be used in any way to construe or interpret this Agreement. The waiver by a party of any breach or violation of any provision of this Agreement will not operate as, or be construed to be, a waiver of any subsequent breach or violation hereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above.

LICENSOR

By: _____
Name: _____
Title: _____

LICENSEE

By: _____
Name: _____
Title: _____

EXHIBIT A

Patent Applications

| Title | Application No. | Country | Filing Date | Issue Date |
|------------------------------|-----------------|---------|---------------|------------|
| Object Identification System | 99999999 | U.S. | Oct. 11, 2011 | N/A |
| Object Identification System | 99999998 | Canada | Oct. 11, 2011 | N/A |

EXHIBIT B

Form of Trademark Use

SAMPLE