

Distributor Agreement

This AGREEMENT is entered into by Walzen Irlé GMBH, a German corporation having its principal place of business at Huettenweg 5, 57250 Netphen-Deuz, Germany (hereinafter referred to as "IRLE"), and PRGI Roll Grinders, Inc., a Delaware corporation having its principal place of business at 6356 Chapmans Road, Allentown, PA 18106, USA (hereinafter referred to as "PRGI").

Whereas, IRLE designs, manufactures and sells heated and non heated calendar rolls and shells for deflection compensating roll types for the pulp and paper industry, calendar rolls peripheral drilled for the plastic and rubber industry, and rolls for the chocolate and ink industry (hereinafter referred to as "Products");

Whereas, PRGI has sold and distributed certain IRLE Products to end users within the United States of America (hereinafter referred to as the "Territory");

Whereas, IRLE is willing to appoint PRGI as its sole and exclusive Distributor for the sale of the above-described Products to third parties residing in the Territory; and

Whereas, PRGI is willing to act as a Distributor for the Products in the Territory;

Now, in mutual consideration of the following terms and conditions, the parties agree as follows:

Article I. Appointment of the Distributor

- (1) IRLE hereby appoints PRGI as its exclusive Distributor for the sale of the Products within the Territory.
- (2) PRGI shall buy and sell exclusively the Products directly from IRLE.
- (3) Nothing in this Agreement authorizes PRGI to act as IRLE's agent or to represent IRLE in any way other than offering IRLE's Products for sale within the Territory. PRGI shall have no authority whatsoever to enter into any obligations on behalf of IRLE.

Article II. Exclusivity

- (1) PRGI shall act as IRLE's sole and exclusive Distributor within the Territory. Nevertheless IRLE may, upon written waiver by PRGI, deliver Products into the Territory to third parties.
- (2) IRLE is entitled to deliver the Products into the Territory when the Products are ordered by any machine builders like Meiso, Voith or Küsters within the Territory and in competition to PRGI.
- (3) PRGI is not entitled to act as agent, representative or distributor for products being competitive to the Products of IRLE.

EXHIBIT A

(4) PRGI is not entitled to engage subcontractors or any other third party, excluding sales representatives of PRGI, as his subagent without having obtained IRLE's prior written approval. Such approval shall not be unreasonably withheld.

(5) PRGI shall not solicit any sales of the Products outside of the Territory without the authorization of IRLE. It shall restrict its efforts to advertise and solicit sales of the Products within the Territory.

Article III Purchase and Sale of the Products

(1) IRLE shall sell PRGI the Products on the basis of its General Conditions of Sale attached hereto as Exhibit 1.

(2) PRGI shall determine, at its own risk, the prices for the sale of the Products to third parties. In selling the Products to third parties PRGI shall provide its own General Conditions of Sale, attached hereto as Exhibit 2.

(3) PRGI shall name the ultimate end-user in its inquiry and P.O. documents.

Article IV Sales Forecast

(1) PRGI shall assist IRLE in analyzing the sales potential in the Territory. In addition, PRGI shall prepare and provide IRLE with reasonably requested sales forecasts and appraisals of market conditions. The forecast shall consider all known projects and an estimation for expected but not yet known projects based on PRGI's experience and any other kind of market information.

(2) PRGI shall, within thirty (30) days after the end of each half-calendar year, provide IRLE with a detailed report on PRGI's sales promotion and marketing activities including updated forecast of the sales of the Products for the following twelve (12) months.

Article VI Other Services

(1) PRGI shall designate key personnel who will be trained by IRLE concerning its products and practices. Such personnel shall be designated by PRGI as the primary contact for any customer issues involving IRLE's products and as PRGI's liaison with IRLE. Each party shall bear its own expenses for such training.

(2) IRLE will participate with PRGI in sales meetings from time to time as mutually and reasonably agreed.

(3) PRGI shall provide warranty services on IRLE's products as directed by IRLE. The costs for such services shall be mutually agreed upon between PRGI and IRLE prior to undertaking the service. Any such services will be charged at full absorbed manufacturing cost rates; list price minus 20% excluding freight.

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Article VI Duration - Termination

- (1) The original term of this agreement is three (3) years. However, during the three (3) year term, either party may terminate the agreement upon providing six (6) month's written notice to the other if certain mutually agreed sales goals are not met. The sales goals for the first year are sales with an amount of 400.000,00 USD and shall be reviewed and revised on at least an annual basis.
- (2) The contract will not automatically renew at the end of its three (3) year term. Further, the parties may renew the agreement only upon the expressed written agreement of both parties.
- (3) The contract shall be terminated forthwith if any party has fundamentally breached any of the obligations of the agreement. The same shall apply, if bankruptcy proceedings have been initiated or if a liquidator has been appointed to either of the parties.
- (4) IRLE will have the irrevocable right to terminate the contract extraordinarily without time limitation, when IRLE will buy or found or participate in any organization which is doing business with the object of this contract. In this case the parties agree in discussing the possibilities to enter into a cooperation referring to the object of this contract.

Article VII CONFIDENTIALITY

- (1) All business and technical information, drawings, specifications and other technical and commercial data relating to IRLE's products and business (including its techniques, processes, know-how, trade practice and new developments), hereinafter referred to as "confidential information" which during the term of this Agreement may be disclosed or revealed to PRGI or may otherwise come into the latter's possession shall be regarded by PRGI as confidential and treated as trade secrets belonging to IRLE. This obligation shall continue for five (5) years after the termination of this Agreement.
 - (2) All such data and information shall be and remain IRLE's and shall be returned to IRLE's on termination of this Agreement for any reason whatsoever. None of IRLE's drawings and specifications or other material or information contained therein, dealing with the manufacture, installation or service of the Products covered by this Agreement, shall be given, loaned or revealed to any third party without IRLE's consent.
 - (3) All business and technical information, drawings, specifications and other technical and commercial data relating to PRGI's products and business (including its techniques, processes, know-how, trade practice and new developments), hereinafter referred to as "confidential information" which during the term of this Agreement may be disclosed or revealed to IRLE or may otherwise come into the latter's possession shall be regarded by IRLE as confidential and treated as trade secrets belonging to PRGI. This obligation shall continue for five (5) years after the termination of this Agreement.
 - (4) All such data and information shall be and remain PRGI's and shall be returned to PRGI's on termination of this Agreement for any reason whatsoever. None of PRGI's drawings and specifications or other material or information contained therein, dealing
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with the manufacture, installation or service of the Products covered by this Agreement, shall be given, loaned or revealed to any third party without PRGI's consent.

Article VIII PATENTS AND TRADEMARKS

(1) PRGI shall provide reasonable assistance to IRLE in establishing and protecting IRLE's patent and trademark rights, including the execution of documents necessary to obtain patent protection in the territory. All fees and expenses in connection with such efforts shall be paid by IRLE.

(2) During the terms of this Agreement, PRGI shall use the trademarks and trade names of IRLE in accordance with IRLE's instructions for the promotion and sales of the Products within the Territory. The trademarks, trade names and other intellectual property rights are the sole property of IRLE.

(3) PRGI will promptly notify the Principal of any infringement or attempted infringement of any patents or trademarks relating to the Products which may come to its attention and agrees to cooperate with IRLE in any attempts by IRLE to halt alleged infringement.

Article IX WARRANTY PERIOD AND INDEMNITY

(1) With the exception of any express written warranty provided in connection with any particular sale, there are no warranties, express or implied (including but not limited to the implied warranties of fitness for a particular purpose or warranty of merchantability) are made or shall be deemed to have been made by IRLE regarding the Products. IRLE neither assumes nor authorizes any other person to assume for it any obligation or liability in connection with the sale of the Products.

(2) IRLE shall not be liable for any claims whatsoever due to any act or omission on PRGI's part and PRGI agrees to defend, indemnify and hold IRLE harmless from and against any claim, cause of action, loss or liability of any kind arising solely out of PRGI's activities under this Agreement.

(3) PRGI shall not be liable for any claims whatsoever due to any act or omission on the part of IRLE and IRLE agrees to defend, indemnify and hold PRGI harmless from and against any claim, cause of action, loss or liability of any kind arising solely out of IRLE's activities under this Agreement.

Article X FORCE MAJEURE

Neither party shall be liable to compensate for any damage arising from an event of force majeure that occurs after the signing of this Agreement which hinders or delays the fulfillment of this Agreement. These force majeure events include such hindrances that the parties are not able to reasonably affect, including, among other things, natural disasters, the acts or omissions of any civil or military authority, war, electricity supply failure, public telecommunications operations, uprising or riot, fire, flood, delays in transportation not attributable to either party or any other third party action or delay.

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Article XI COVENANT NOT TO COMPETE

(1) PRGI shall not compete with IRLE or assist others to compete with IRLE during the term of this Agreement and for a period of two years thereafter if this Agreement is terminated by IRLE with substantial material reason.

(2) PRGI shall not, directly or indirectly, represent, sell, market or manufacture products identical with, or similar to, the Products except those previously offered by PRGI and previously disclosed by PRGI to IRLE. Such list is noted on Exhibit "4".

Article XII GOVERNING LAW AND ARBITRATION

(1) This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

(2) Any dispute, controversy or claim arising out of or relating to this Agreement or the breach, termination or invalidity thereof shall be settled by arbitration in accordance with the rules of the International Arbitration Rules of International Centre for Dispute Resolution of the American Arbitration Association. The arbitration shall be held in New York City and the arbitration proceedings shall be conducted in the English language.

Article XIII MISCELLANEOUS

(1) IRLE agrees not to recruit, consult with, contract with (directly or indirectly) or employ any PRGI employee during the term of this Agreement and two years thereafter.

(2) This Agreement and all rights and obligations hereunder are personal to the parties hereto and this Agreement may not be assigned in whole or in part by either party without the express written consent of the other.

(3) Any notice or communication by either party to the other shall be in writing and shall be deemed to have been duly given if delivered personally, or sent by e-mail, facsimile transmission, over-night mail, or prepaid certified mail, addressed to the other party at the appropriate address set forth below, or at such other address as either party may hereafter specify in writing to the other:

PRGI: Precision Roll Grinders Inc.

6356 Chapman's Road
Allentown, PA 18106
Tel: +1 610 395 6966
Fax: +1 610 481 9130
E-mail: jimmanley@PrecisionRollGrinders.com
Att: Jim Manley

OR

Jim

IRLE: Walzen Irie GmbH
Hüttenweg 5
D-57250 Netphen-Deutz, GERMANY
Tel: +49 2737 504 110
Fax: +49 2737 504 111
E-mail: wiertz@walzenirie.com
Att.: Wolfgang Wiertz

Either party hereto may change its address by a notice given to the other party hereto in the manner set forth above.

- (4) This Agreement is in English, which language shall be controlling in all respects.
- (5) All headings to Articles and Paragraphs of this Agreement are for reference only and do not form a part of this Agreement, and shall not in any way affect the interpretation hereof.
- (6) No waiver, express or implied, by either party of any rights hereunder or of any failure to perform or breach by the other party shall constitute or be deemed a waiver of any other right hereunder or any other failure to perform or breach hereof by the other party hereto, whether of a similar or dissimilar nature.
- (7) Should any part of this Agreement for any reason be declared invalid, such declaration shall not affect the validity of any remaining portions of the Agreement, which portions shall remain in force and effect.
- (8) This Agreement, together with all exhibits attached hereto, constitutes the entire agreement between the parties, and supersedes any prior agreement, written or oral, including the terms or any negotiations in connection with or in relation to this Agreement. No addition or modification of this Agreement shall be effective or binding on either of the parties hereto unless reduced to writing and executed by their duly authorized representatives.
- (9) In making and performing this Agreement, the parties act and shall act at all times as independent contractors and nothing contained in the Agreement shall be construed or implied to create the relationship of partner, joint venture or of employer and employee between the parties. At no time shall either party make commitments or incur any charges or expenses for or in the name of the other party.

This Agreement has been executed in two (2) identical counterparts, one (1) for IRLE and one (1) for PRGL.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this Agreement on the day and year first above written.

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PRECISION ROLL GRINDERS, INC.

Attest _____

By: James Manley
James Manley, President

Date: Sept 30, 2003

WALZEN IRLE GMBH

By: Rainer
RA Rainer Schneider, Managing Director

Date: 2003-09-30

By: Wolfgang
Wolfgang Wiedt, Director of Sales

Date: Sept 30 2003