

## DISTRIBUTION AGREEMENT

**THIS DISTRIBUTION AGREEMENT** made as of the 25 day of January, 2016 (the "**Effective Date**") between **OPEN AIR DYNAMICS, LLC**, a limited liability corporation incorporated under the laws of Nevada (the "**Supplier**"), and **LXV MARKETING LTD.**, a corporation existing under the laws of Hong Kong SAR (the "**Distributor**").

### **RECITALS:**

- A. The Supplier is engaged in the supply and manufacture of its line of paddle boards and equipment and accessories related thereto listed on Schedule "A" hereto (the "**Products**"); and
- B. The Distributor desires to purchase the Products from the Supplier for the distribution and sale of such Products worldwide (the "**Territory**") on an exclusive basis on the terms and subject to the conditions more particularly hereinafter set forth.

### **FOR VALUE RECEIVED:**

## **ARTICLE 1 - DISTRIBUTION**

**1.1 Appointment.** The Supplier hereby appoints the Distributor as the exclusive distributor of the Products within the Territory upon the terms and conditions of this Agreement and the Distributor hereby accepts such appointment.

**1.2 Product Purchase.** As the exclusive distributor of the Products in the Territory, the Distributor shall have, during the Term of this Agreement, the right, by operation of law or otherwise, but not the obligation, to purchase the Products directly from the Supplier's designated factory upon the terms and conditions set forth in this Agreement.

**1.3 Purchase Orders.** Purchases of the Products hereunder from time to time will be made by delivery by the Distributor to the Supplier's designated factory of written orders specifying in reasonable detail the types, quantities and delivery dates of the Products ordered (each a "**Purchase Order**").

**1.4 Pricing and Sales.** The Distributor shall have the right to establish its own selling prices for the Products sold to customers within the Territory.

**1.5 Sub-distributors.** The Distributor may appoint sub-distributors for the Products.

**1.6 Covenants of the Supplier.** The Supplier covenants and agrees that it shall: (a) assist the Distributor by furnishing the Distributor with standard descriptive information as are necessary to promote the sale of the Products, if requested by the Distributor; (b) provide the Distributor promptly with all sales leads, inquiries or prospects received by or brought to the attention of the Supplier for the Territory; (c) supply Products under this Agreement and advise the Distributor of all improvements and changes regarding the Products, and assist the Distributor in communicating such information to customers; and (d) advise in writing the Distributor of all changes in availability of the Products prior to such change.

**1.7 Competitive Products.** The Supplier acknowledges that nothing in this Agreement shall prevent the Distributor from selling or distributing the same or similar products which may be competitive with the Products.

## ARTICLE 2 - FEES

**2.1 Fees.** As payment for the Product supplied by the Supplier's designated factory to the Distributor under this Agreement, the Distributor shall pay the Supplier a fee equal to two percent (2%) of the wholesale price of the Product actually sold by the Distributor to sub-dealers of the Product during the Term, plus applicable tax, if any (the "**Supplier Fees**"). The wholesale price will be calculated according to the then current price list provided by the Supplier's designated factory of the Products. A current price list is set out in Schedule "A".

**2.2 Prepayment of Fees.** The Supplier and the Distributor and acknowledge and agree that, as at the date hereof, the Distributor has advanced to the Supplier, as a prepayment of the Supplier Fees, the amount of \$95,772. It is further acknowledged and agreed that such advances have been paid by the Distributor to certain third parties as per the direction of the Supplier. The Distributor may, from time to time from and after the date of this Agreement, advance additional Supplier Fees to the Supplier or as the Supplier may direct the Distributor. The Supplier Fees so previously advanced by the Distributor and as may be advanced from and after the date hereof as provided in this Section 2.2 are referred to herein as the "**Prepayments**".

**2.3 Reporting and Payment.** At the end of each month during the Term, the Distributor shall provide the Supplier with a monthly report setting out: (a) the sales of Products by the Distributor to its sub-dealers in that month, and (b) the outstanding amount of all of the Prepayments for which credits against Supplier Fees otherwise payable have not been applied. Following receipt of each such report, the Supplier shall issue an invoice for the Supplier Fees for that month based on the sales of Products by the Distributor to its sub-dealers in that month less a credit for then outstanding Prepayments as set out in the report. If any balance is owing on such invoice after applying the credit on account of the outstanding Prepayments, the Distributor shall pay each such balance within thirty (30) days of receipt.

## ARTICLE 3 - PRODUCT DELIVERY

**3.1 Shipping Costs.** All shipping, transport and delivery costs, and applicable taxes thereon, relating to the shipping of the Products from the Supplier's designated factory to the Distributor shall be paid by the Distributor.

**3.2 Discrepancies.** The Distributor shall, following receipt of any of the Products, notify the Supplier as to the date received, the quantity, and the cost of each product shipment. Supplier will assist the Distributor if requested to resolve any discrepancies or product issues with the Products that may arise from time to time with the Supplier's designated factory.

## ARTICLE 4 - INDEMNIFICATION

**4.1 Indemnity.** The Supplier agrees to indemnify, defend and save harmless the Distributor and its affiliates, directors, officers, agents, employees, successors and assigns (collectively the "**Indemnified Parties**") from and against any and all demands, losses, damages and liabilities (including all costs and expenses incurred in connection therewith) suffered or incurred by any Indemnified Party, (including for injury to or death of any person or loss or damage to or loss of use of property) by reason of the Distributor having acted as the distributor of the Products under the terms of this Agreement (including as a result of any breach or non-performance by the Supplier of its obligations under this Agreement), except where such loss, damage or liability is a result of any breach or non-performance by the Distributor of its

obligations under this Agreement or any negligent act or omission of the Distributor. The obligations of the Supplier pursuant to this Section 4.1 shall survive the termination of this Agreement.

## ARTICLE 5 - INTELLECTUAL PROPERTY

**5.1 Trade-marks.** The Supplier hereby grants to the Distributor an exclusive royalty-free worldwide license to use the trade-marks and other intellectual property owned or licensed by the Supplier for use in association with the Products (the "**Trade-marks**") in connection with the distribution, marketing and sale of the Products in the Territory for the Term. The Supplier agrees to indemnify, defend and save harmless the Indemnified Parties from and against any and all demands, losses, damages and liabilities (including all costs and expenses incurred in connection therewith) arising from the use of the Trade-marks in the sale, distribution, marketing or use of any Products covered by this Agreement, including any alleged or actual violations of any intellectual property rights or other proprietary rights of any person. The obligations of the Supplier pursuant to this Section 5.1 shall survive the termination of this Agreement.

**5.2 Advertising as Exclusive Distributor.** The Distributor is authorized, but not obligated, to describe, refer to and advertise itself as an authorized exclusive distributor of the Products for the Territory.

## ARTICLE 6 - TERM AND TERMINATION

**6.1 Term.** The Term of this agreement (the "**Term**") shall commence on the Effective Date and shall continue for twelve (12) months and may be automatically renewed thereafter for an additional (6) months by the Distributor upon prior written notice to the Supplier, unless either party provides written notification of such earlier termination of the Agreement to the other party thirty (30) days prior to the end of the original term or any extension thereof.

**6.2 Termination.** The parties may terminate this Agreement at any time upon their mutual written agreement. Upon termination of this Agreement, the Distributor shall be entitled to complete all orders on hand and to dispose of its inventory of the Products including any quantities of the Products for which the Distributor has been invoiced by the Supplier's designated factory but which the Distributor has not yet received.

## ARTICLE 7 - GENERAL

**7.1 Confidential Information.** Each party shall, during the term of this Agreement, and thereafter, treat as confidential any and all information learned by the other concerning the business of affairs of the other, and shall not use any such confidential information for any purposes other than as permitted or required under this Agreement. Each party agrees not to disclose or provide such confidential information to any third party (with the exception of any employees who have a need to know in the course of performing activities pursuant to or as contemplated by this Agreement and who are bound to maintain the information confidential) without the express written consent of the other, except as may be required by applicable law. Each party shall take all commercially reasonable measures to prevent disclosure of such confidential information by its employees, representatives and agents.

**7.2 Completion of Transactions.** The parties shall use commercially reasonable efforts to complete the transactions set forth in the letter of intent between the Supplier, the Distributor and LXV Outdoor

Inc. dated January 3, 2016 (the "LOI"). The LOI shall survive the entry into of this Agreement and the completion of the transactions contemplated herein.

**7.3 Relationship of Parties.** This Agreement does not and shall not be construed to create any partnership or agency or franchise relationship whatsoever between the parties. Neither party shall, by reason of any provision herein contained, be deemed to be the partner, agent, franchisor, franchisee, agent or legal representative of the other party and neither party shall have the ability, right or authority to assume or create, in writing or otherwise, any obligation of any kind, express or implied, in the name of or on behalf of the other party.

**7.4 Extended Meanings.** Words importing the singular number include the plural and vice versa and words importing gender include all genders.

**7.5 Interpretation not Affected by Headings.** The division of this Agreement into paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

**7.6 Binding Effect; Assignment.** This Agreement may not be assigned by any party hereto without the prior written consent of the other party hereto. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

**7.7 Severability.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision.

**7.8 Applicable Law.** This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

**7.9 Currency.** Unless otherwise specifically provided in this Agreement, all references to dollar amounts or other money amounts are expressed in terms of lawful money of the United States of America and all payments hereunder are to be made in United States of America dollars.

**7.10 Amendment of Agreement.** None of the terms, conditions or provisions of this Agreement shall be held to have been changed, waived, varied, modified or altered by any act or knowledge of either party, their respective agents, servants or employees unless done so in writing signed by both parties.

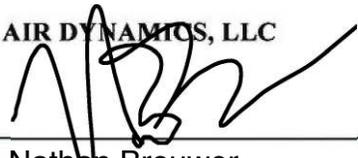
**7.11 Further Assurances.** Each of the parties covenants and agrees that it shall execute such further documents and do and perform or cause to be done and performed such further and other acts as may be necessary or desirable from time to time in order to give full effect to the provisions of this Agreement.

**7.12 Counterparts.** This Agreement may be executed by the parties hereto in any number of counterparts, by facsimile or PDF file, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

**[Signature Page Follows]**

**IN WITNESS WHEREOF**, this Agreement has been executed by the parties hereto on the date first above written.

**OPEN AIR DYNAMICS, LLC**

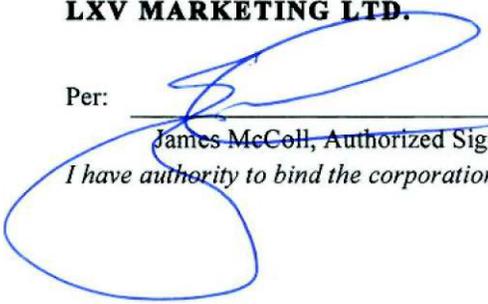
Per: 

Name: Nathan Brouwer

Title: Managing Member

*I have authority to bind the corporation*

**LXV MARKETING LTD.**

Per: 

James McColl, Authorized Signing Officer

*I have authority to bind the corporation*