

DAHON

Distribution Agreement

between

DAHON GLOBAL CO., LIMITED

(hereinafter referred to as Principal)

and

Veloolimp LTD.

(hereinafter referred to as "Distributor")

1. Definitions

For the purposes of this Agreement the following terms have the stated meanings (the singular includes a reference to the plural and vice versa):

- "Parties" means Principal and Distributor
- "Territory" means the territory of RUSSIA
- "Product" and/or "Products" means Principal's line of DAHON brand bicycles including DAHON brand accessories and spare parts
- "Intellectual Property Rights" means the registered or not registered trademarks as well as all other intellectual property rights (trade names, trademarks, symbols, logos, patents, know how, designs, etc.) in respect of the Products

"Business Year" means Principal's business year, starting June 1 to May 31

2. Distribution

- 2.1 Distributor shall buy the product from Principal and resell them in its own name, at its own risk and for its own account in the territory and to refrain from any marketing or re-exporting outside the Territory. Thus, the Parties agree that Distributor is not an agent nor a representative nor an intermediary of Principal and shall not incur any liability on behalf of Principal.



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- 2.2. Distributor shall be entitled to describe itself as authorised Distributor for the Products but shall not hold itself out as Principal's agent for marketing and/or sales of the Products or as being entitled to bind Principal in any way
- 2.3. Distributor shall safeguard the interests of Principal and shall keep Principal informed of its activities including the market conditions within the Territory
- 2.4. Distributor undertakes to comply with all local laws and regulations applicable to the Products and their sale in the territory. Distributor declares that he has full knowledge of these regulations and undertakes to remain fully informed on such applicable laws and regulations and to notify the Principal of all developments in this respect
- 2.5. The Distributor shall sell the products through professional channels and/or sub-distributors as determined by the Distributor but shall at any time endeavour to keep up the high class image of the products.
- 2.6. Sales to internet based business ("webshops") require supplier's written approval before Distributor is allowed to supply DAHON product to them.
- 2.7. Distributor will ensure that its employees, agents or sub-distributors are properly trained
3. **Exclusivity**
- 3.1. Principal hereby grants to Distributor and Distributor hereby accepts the exclusive right to sell and distribute the DAHON branded products within the territory under the terms and conditions as set out in this agreement
- 3.2. The Principal undertakes to refrain from actively selling or conferring the right to represent products in the territory to any person, firm or company other than the Distributor. Any exception will require the written consent of Distributor
- 3.3. Principal passes on to Distributor all inquiries, orders etc. it may or will receive from within the territory and DAHON branded products, unless otherwise agreed by the Parties. Principal will send to Distributor an information copy of all direct correspondence received about DAHON branded products from or sent to relevant parties within the Territory
- 3.4. Distributor shall market the product under the Principal trademarks and keep to the marketing guidelines provided by the principal within the territory to the best of its endeavours. In addition, Distributor shall make any effort to promote and position the product at a premium level of the market.
- 3.5. Distributor shall only purchase and sell folding bicycles from Principal. The DISTRIBUTOR also agrees not to buy or sell folding bicycles produced by other manufacturers directly or through its "Associate(s)". "Associate(s)" means:



(a) all its subsidiaries, all its holding company and all subsidiaries of any such holding company, and any other business entity (whether partnership or sole trader) which is controlled, whether in fact or in law and whether directly or indirectly, by the entity of which it is said to be the associate, and any directors, shareholders, officers, employees and/or agents, from time to time, and at any time, of any such subsidiary, holding company, subsidiary of holding company, or other business entity, and in relation to an individual,

(b) the husband, wife, mother, father, grandmother, grandfather, brother, sister, child (including adopted child) or other lineal descendant of the relevant person,

(c) the heirs of the relevant person and the executors and/or trustees under any will of a relevant person, the administrators of any estate of a relevant person and the trustees of any settlement (whether or not set up by the relevant person) under which the relevant person and/or any other associate of the relevant person is or is capable of being a beneficiary, and

(d) any nominee or bare trustee for the relevant person or for any other associate of the relevant person.

4. **PR and Advertising Material**

4.1 Principal will provide Distributor at prices to be mutually agreed upon with advertising and PR material (printed matter, displays etc.) necessary for an efficient introduction of the Brand and the Products as well as required technical and special literature in English. Distributor undertakes to use the advertising and PR material supplied by Principal for the introduction and promotion of the Brand and the Products. Distributor is responsible for translation of in any other local languages on his expense.

5. **Minimum Purchase, Marketing support**

5.1 Distributor undertakes to achieve the annual turnover/unit sales with 2710 pcs. In case of variations, the Parties shall use their best efforts to mutually agree on a reasonable adjustment of these turnover/unit sales figures. Both sides agree to have the purchase plan month by month in this agreement, please refer to Appendix 1.

5.2 If Distributor fails to achieve annual turnover/unit sales during a business year, Principal shall be entitled to waive Distributor's right to exclusively sell and distribute the products within the territory.

5.3 Distributor has to provide to Principal a marketing plan that shows the goals of the forthcoming Business Year, the marketing and PR activities etc. Marketing activities, sales forecast and sales stocking, retail network coverage, etc. shall be coordinated in collaboration and by mutual consent and jointly reviewed and finalised by the Parties. A standard format is included as Appendix 2.

15/07/2015



6. Logistics, warranty and administrative services

6.1 Principal has assigned its logistics, warranty and administrative services to DAHON Technologies, Ltd. or DAHON Europe LTD, supplies, delivers, warrants and invoices in the name of Principal.

7. Pricing

7.1 Distributor should consider the MSRP (Manufacturer Suggested Retail Price) from Principal and execute in local market. The pricelist is announced each year to Distributor.

7.2 Terms and conditions of sales per product between Principal and Distributor are set out in Pro-forma Invoice, which will be amended at latest by mutual agreement of the Parties. If the terms and conditions in Pro-forma Invoice conflict with the terms and conditions in the distribution agreement, the latter's terms and conditions shall prevail

8. Payments

8.1 Principal's Product deliveries have to be settled either by a confirmed Letter of Credit of a first-class bank in the territory(at the time of formal order), or by 10% deposit(at the time of formal order) and payment 2 weeks in advance of shipping

8.2 For administrative reasons, payments have to be remitted on the account of a DAHON affiliate as indicated on every invoice.

8.3 All payments to be made by the Distributor to the Principal for the products purchased shall be deducted according to the "DAHON Discount Program". Any rebate entitlement shall be settled at the end of December when all partial deliveries are finished

9. Stock of Product

9.1 Principal shall supply Distributor with the product in accordance with the agreed delivery terms. Distributor undertakes to keep an adequate product stock in order to be able to supply the market within the territory without delay at all times

9.2 In case of discontinuance of the production of any product, Principal undertakes to do its best efforts to supply Distributor's frame and fork during a period of five years from the date of purchase and the rest of the parts will be with a 2-year term

10. Technical Service, Workshop

10.1 Distributor undertakes to maintain a service centre within the territory and to keep a sufficient stock of spare parts to ensure that quality service and repair work can be performed at all times.



10.2 Distributor shall ensure that service technicians are trained to perform the repairs in accordance with best practice.

10.3 Distributor shall utilize training tools and resources provided by Principal to train its staff.

11. Warranties

11.1 Principal undertakes to warrant for its product according to the terms and conditions stipulated in Principal's warranty regulations.

11.2 Distributor shall follow these warranty regulations and repair defective products having been submitted within the territory free of charge during the warranty period.

12. Product liability

Principal or its subsidiaries is insured worldwide for product liability according to the Certificate of Liability Insurance for its products delivered to the distributor. Here with Distributor is explicitly not discharged from its responsibility to have liability coverage according to the legal regulations in his country or region. Distributor must notify Principal the details of such incident immediately for consultation.

13. Intellectual Property Rights

13.1 Distributor undertakes to respect all immaterial and intellectual property rights of Principal whether registered or not (including, but not limited to, patent rights, trademark rights and the rights to the industrial design as well as the related know-how and/or trade secrets, **Intellectual Property Rights**) and to refrain from any action which may directly or indirectly infringe upon such IP Rights and/or cause damage to Principal or affect Principal's name, reputation, image and/or goodwill in a detrimental way. Distributor shall not undertake any search and development tasks that might ultimately compete with Principal.

13.2 Principal undertakes to permit Distributor to use the Principal-owned trademarks necessary for the marketing, distribution and sale of the product in the territory during the term of this Agreement and to permit its sales organisations the use of these trademarks however only under and in compliance with the terms and conditions of this Agreement. Principal undertakes to permit Distributor to use the company name "Principal" during the term of this Agreement for its stationery, promotion and advertising material etc.

13.3 Distributor admits and acknowledges supplier's sole ownership and exclusive right, title and interest in and to each of the Trademarks. Distributor shall not make any use of any Trademark or any resembling a Trademark whatsoever without first obtaining the prior written approval of supplier with respect to the use of the Trademark. The use of the Trademark by Distributor shall be consistent with the high standards of quality associated with supplier and its products throughout the world. Distributor is not authorised to use



and such information is expressly stated to be confidential or marked as such. The confidential information shall in particular include technical information, know-how, etc. in relation to the Products. The terms and conditions of this Agreement shall also be considered confidential and shall not be disclosed to third parties.

15. Effectiveness of the Agreement

15.1 This Agreement shall be effective as of 15/07/2015

16. Term and ordinary Termination

16.1 This Agreement is effective for the duration of 1 year(s). Thereafter, it renews itself on a 1 year base if there is no objection from both parties. If any party want to stop the relationship, it requires to notify the other party by written 2-month ahead.

17. Extraordinary Termination

17.1 Each party may terminate this Agreement at any time in case of breach of material obligations, subject to 17.2. The following acts or non performance by Distributor shall for example, but not exclusively, be considered as a material breach of this Agreement:

- non-payment of Principal's invoices in accordance with the agreed payment terms
- any behaviour of Distributor which is detrimental to the reputation of Principal, Principal's name or Principal's Intellectual Property Rights;
- any challenge of any of Principal's Intellectual Property Rights;
- non-compliance to commitment in this agreement;
- Distributor is dissolved, goes into liquidation or composition with Creditors, is in the situation of suspension of payments or becomes insolvent, becomes bankrupt or commits any act of bankruptcy, or if an official receiver is called on such Party;
- the legal structure or ownership of Distributor has changed in a way to seriously jeopardise the proper execution of the Agreement, or in a way that Principal may not reasonably be expected to uphold the contractual relationship;
- Distributor ceases or is about to cease to carry on its business activities;

17.2 In the event of any breach of a material obligation, either Party may give notice of default to the other party. If such breach of a material obligation is not cured within twenty (20) days from receipt of the notice, the non-defaulting party may terminate this Agreement by giving ten (10) days written notice. Upon notice of default, the notifying party may suspend its own performance until resumption of full performance by the offending party without being in breach of its obligations.



17.3 This Agreement shall be terminated automatically upon either party's bankruptcy liquidation winding up assignment for the benefit of creditors or similar procedures or termination of business activity

18. Effect of Termination

18.1 Distributor shall not from the day of receipt of the termination notice accept any orders by third parties where the supply of the Product to the third parties might be later than the termination date

18.2 In the event of termination of this Agreement, Principal shall supply to Distributor Principal's specific spare parts of those Products for which the Principal's warranty is still valid but executing as it mentioned in this Agreement

19. Consequences of Termination

The Parties agree that the following shall apply upon termination of the Agreement for any reason:

- (a) Distributor shall immediately cease to advertise and promote the Products and to use the Intellectual Property Rights and URLs, except as regards an agreed sell-out of the stock pursuant to Section (c) of this Article.
- (b) Distributor shall provide the Principal with a list of Products in stock within one week following the termination. Principal has the first priority to re-purchase all products in stock
- (c) Notwithstanding the provisions in Section (b) of this Article, the Parties may at the time of the termination of this Agreement, agree that Distributor shall be entitled to continue to sell the Products in stock for a period of 12 months following the termination. Distributor undertakes to sell-out these Products at the same prices which were applied while the Agreement was in effect. This Agreement shall apply by analogy to an agreed sell-out of the stock.
- (d) Distributor shall have no claim against Principal for compensation for loss of distributorship rights, loss of goodwill, for customers acquired or for any similar loss of any kind



20. **Transfer of Agreement**

20.1 Distributor can only transfer this Agreement or any obligation thereof to another party with the written consent of Principal

21. **Miscellaneous**

21.1 Any modification and amendment to this Agreement (including this clause) shall be null and void unless made in writing and duly signed by both Parties hereto

21.2 Failure by one of the Parties to exercise a right under this Agreement in an individual case shall not constitute a waiver of such right or of any other rights under this Agreement which shall remain valid and may be exercised at any time as per the terms and conditions of this Agreement

21.3 Should any term or provision of this Agreement be invalid, null or unenforceable, the validity of the remaining provisions of this Agreement shall not be affected. Instead, the invalid, null or unenforceable provision shall be replaced by a provision which the Parties would have agreed upon had they been aware of the invalidity, nullity or unenforceability of said provision at the time of the conclusion of this Agreement

22. **Place of Jurisdiction and Governing Law**

22.1 In the event a dispute arises between the Parties regarding this Agreement, the Parties agree to meet in good faith to attempt to resolve the dispute, and as necessary to escalate this matter to the CEO's of Principal and Distributor, as applicable, for their review and resolution. In the event the Parties cannot resolve the dispute after escalation, each agrees to confer and negotiate in good faith, prior to the initiation of any court action regarding such dispute, whether a specified dispute is appropriate for the arbitration or mediation resolution process and, if so, the terms to govern such arbitration or mediation. Notwithstanding the foregoing, this paragraph shall not be deemed to be an express or implied agreement by either party to submit any dispute to arbitration or mediation, and each reserves the right not to agree to the use of such dispute resolution procedures

22.2 All disputes arising out of or in connection with this Agreement, including disputes on its conclusion, binding effect, amendment and termination, which can not be resolved as described under 22.1, shall be resolved, to the exclusion of the ordinary courts, by an Arbitral Tribunal in accordance with the Hong Kong International Arbitration Center by a sole arbitrator

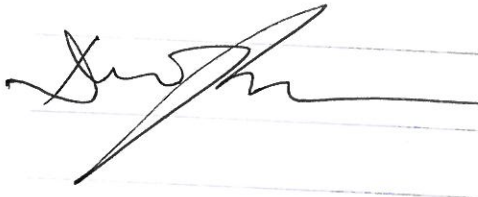
22.3 The seat of the arbitration shall be Hong Kong. The arbitral proceedings shall be conducted in English



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22.4 This Agreement is governed exclusively by Hong Kong law (under the exclusion of the United Nations Convention on Contracts for the International Sale of Goods)

DAHON GLOBAL CO., LIMITED



Date _____

Distributor:

Signature 

Representative (Print) ANDREY SPODOVNIKOV

Title CEO

Date 15/07/2015



