**Term Sheet #1**

**Initial terms for the “new deal”:**

**Cross-border Snowboard Distribution Deal**

Pegasus Snowboards, Inc. is negotiating a deal for the distribution and marketing of Pegasus’s snowboard products with a Chilean distributor, Deportes Azteca Ltda. Pegasus is a Colorado corporation. Azteca is a Chilean limited liability corporation. The following are the terms agreed upon by the parties to date.

1. Pegasus manufacturers and markets snowboards, along with related snowboard equipment, apparel, and accessories. Azteca markets, sells, and distributes recreational merchandise in Chile.

2. Pegasus has agreed to grant Azteca the exclusive right to distribute, market, and sell the snowboard products that it produces.

3. Azteca is only permitted to sell the products in Chile. It cannot distribute other products that compete with Pegasus’s products. Also, Azteca cannot distribute Pegasus’s products outside of Chile.

4. Governing law for the contract will be Colorado law.

5. The signing of the contract is planned for November 15 of this year, but the provisions of the agreement won’t go into effect until January 1 next year.

6. The initial term of the contract will be for three years. The parties have agreed to an extension of the contract for additional two years, provided both parties agree in writing at least three months before the initial term expires.

7. Azteca wants Pegasus to state in the contract that it is not a party to any contract that provides for distribution of its products in Chile. In turn, Pegasus wants Azteca to state that it is not a party to any contract that conflicts with its obligations to distribute Pegasus’s products in Chile. Also, Azteca will state that it is not distributing any products that compete with Pegasus’s products.

8. The language of the contract will be English.

9. Azteca will commit to a minimum purchase requirement in the first year of 320,000

dollars, not Chilean pesos. The requirement increases by 75,000 in the next year.

The requirement in the third year goes up an additional 95,000. And, the requirement increases by 100,000 in each of the next two years, if the contract is extended.

10. Pegasus can terminate the agreement, in the event Azteca fails to meet the minimum purchase requirement in any year. But Pegasus has to give 30 days written notice to Azteca no later than 60 days after the end of the calendar year Azteca failed to meet the goal.

11. Pegasus has agreed to provide Azteca with price lists, promotional flyers, catalogs, specification sheets, and other materials. Also, Azteca will receive training. The training seminars must be at Azteca’s offices. The parties will coordinate the scheduling of these seminars. There is no set number—only as many as necessary to assist Azteca in marketing and supporting the products. Seminars shall be at no cost to Azteca. In addition to the training seminars, Pegasus has also agreed to provide technical and sales assistance as necessary to support Azteca in carrying out its obligations. This also shall be at no charge to Azteca.

12. Either party has the right to terminate the contract in the event the other party breaches a material obligation, which will include the promise to train and provide technical support. The non-breaching party has to give written notice to the other party. Then the breaching party has 30 days after receiving notice to cure the breach. The contract terminates in the event the breaching party fails to cure. But Azteca’s failure to meet minimum purchase requirements is an exception to this right to cure. Azteca’s failure to meet the minimum purchase requirement is subject to the termination as mentioned in paragraph 10.