THE TWO COURSE CASE CONTRACTS ARE AT THE END OF THIS MATERIAL, STARTING ON P. 88

COURSE INFORMATION

- This course deals with complex matters and may not apply to particular facts and circumstances. For these reasons, the course material should not be relied upon as a substitute for specialized professional advice in connection with any particular matter. Although the course material has been carefully prepared, neither Stephen Priddle or any sponsoring or registering body accept any legal responsibility for its contents or for any consequences arising from its use.
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Note about electronic material

- We suggest you print the two cases at the back of the handout, as it is easier to read and make notes on them
- You have the option of **printing the slides** and taking notes during the video, or **taking electronic notes**
- **Printing** means you don't have to have two devices in use during the video
- If you print, we suggest you make sure you print the material large enough to take notes on it
- We **cannot provide conclusive instructions on how to take electronic notes** in the pdf file on each registrant's device, because of the wide ranges of combinations of pdf software that registrants may have, in addition to platforms, i.e. MAC or PC, tablet, etc.
- After watching the video, you can request fully complete slides, with all the blanks filled in by contacting spriddle@bell.net

CONTRACT REVIEW TIPS FOR ACCOUNTANTS

PRESENTED BY:

Stephen Priddle, CPA, CA, CMA
Ottawa, Ontario
VP, Finance & CFO & Corporate Secretary
SureWx Inc.

Introduction

- CPAs and non-CPAs are welcome to this course

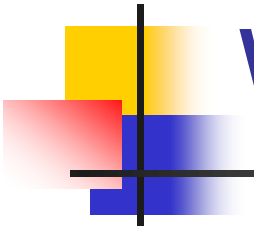
All my live seminars/webinars have an opportunity to win prizes

I can't do that on the self-study version

BUT, send me an email with:

- example of how you plan to apply a tip
- another tip idea
- useful feedback
- clean relevant joke

and you will enter a draw for a prize spriddle@bell.net



Where am I?

Introduction – your instructor

- I am an accountant
- But I have taught _____at university
- I have also taught _____ at university

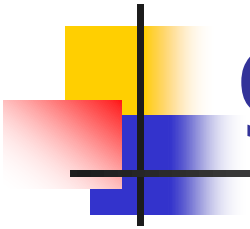
Introductions – your instructor

- Once, one of my sisters came into my stats class once, and pointed a ___ at me..

Currently

- CFO and co-owner of an aviation systems business, SureWx
- Teach a few courses I have created
- Write accounting/business cases

In the live course we do a few get to know you questions…



Blanks

- Fill in the blanks, a different style of presenting, email me at spriddle@bell.net for fully completed slides, when you are done

Introduction

- We all deal with contracts at work
- Often, we are called on to review contracts, before or in lieu of legal
- Is this allowed for CPAs?
- Of course, but we can't _____

Purpose

- To provide general contract review tips
- To practice reviewing two common types of contracts, and gain additional related tips in doing so
- If you are extremely experienced, you will get less out of this, but I think you will still get something

Contract review

- A couple of high level comments on contracts:
- Someone wrote if you:
  - Can trust the other party, then you don't need a _____
  - Can't trust the other party, then _____
  - But everything needs to be clear

Example

- Some CPA bodies don’t bother with a contract with me for webinars/seminars/videos, they trust me, I trust them, we have worked together awhile
- However this did cause one problem when they didn’t note a point in an email about pricing…

Policing contracts

- Many companies have rules like:
- *"All contracts must go through legal*
- *"All contracts must be reviewed by _____"*
- This is fine, but it may not reduce business risks or control the organization entering into contracts
- What do you mean?

What do I mean?

- If a sales person _____this is basically morally binding arrangement that will go forward on these terms even if it is not a legally binding contract
- And legal/contract admin may have never even heard of these deals!

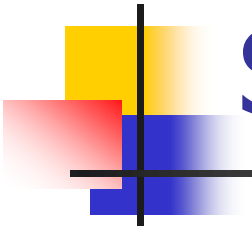
Solution

- Being involved in the business and watching out for these kinds of arrangements/discussions, ensure they are within corporate parameters?

Contract review

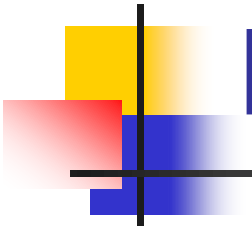
When reviewing:

- Ask a lot of “_____”
- _____can be very useful



Some watch outs

- But _____can be dangerous!
- Some examples
- Review _____or on_____?



Note

- Even be careful with _____)
- The only sure way: _____

Lawyer humour

- A lady went to see a lawyer for the first time…
- And said: ”how much do you charge?”
- The lawyer answered…

Contract review – the case

- Make sure you understand the _____
- Remember to consider what is not _____
- I will provide some contract template sources in the completed slides handout
- A great site for real business contracts, not free: _____

Contract review

Seven key areas to consider:

- _____
- _____
- _____
- _____
- _____
- _____

What I say when I am asked to review a contract

- "I will do a _____
- (This means I can't be blamed as much if I miss something)
- "If you want _____…"
- Really long agreements put me to sleep!

What two types of contracts should we practice on?

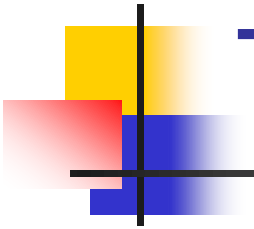
- There are thousands of possibilities
- But just about everybody has one person contractors working for them
- And many have sales/distribution agreements….

Read the contract case – a consulting & sales agreement

- And think through how it could be improved…so you learn more…

Now that you have read the case

- We need a lawyer joke before we discuss the contract



The mystery clause

A few other thoughts

- You should have a standard contractor contract in your company, but it must be tailored to the situation
- Some search words when reviewing an electronic contract: payment, cash, invoice, damages, etc.

Up front business question

- Are there are any _____why we are using an independent contractor like this?
- Should we not use employees, which is better in the long run, should we switch this person to a part-time or full-time employee?

Contract signing

- Is there a need to initial corner of the contract? ____
- Is there a need for it to be witnessed? _____
- I do a lot of electronic contract signing, usually just pdf, not Docusign or the more secure systems
- I am waiting for the first _____, I haven't heard of one
- "_____"
- "_____.."

Start and works orders

- The contract needs a _____ (see termination clause discussion later)
- May it needs a _____
- Work orders will actually drive this whole contract
- _____should be reviewed, since they are key (internal question, who can _____?)

Example:
what is not there

Commission clause

Example:
what is there

- The commission clause is_____
- Suppose the consultant brings some new business, _____
- _____, is it just the job they bring in, or all future revenues from the client or for a defined period?
- Is the commission _____?
- When will the commission___? (it would be _____ from the end customer)

_____ clause

- The contract really needs a **_____clause**, because the contractor could take business away from Larkman. An example would be as follows:

An interesting non-solicitation situation

- My friend quits his sales job in an industry and takes another sales job in the same industry
- His LinkedIn automatically tells his connections he has changed jobs
- His former employer sues him for soliciting their clients, against his contractual non-solicitation clause
- After some nasty battling, he settles the action by _____
- This story makes my friends in sales mad…

Employee or contractor

- You want it be very clear that the consultant is not an employee, so you are less likely to run into employment law issues, so the contract should state this
- You don't want to get hit with their EI, CPP, employer contributions, missed tax, late penalties etc, if they are found to be an employee later
- For income tax and employment law purposes, it is a question of fact, whether the individual is an employee or an independent contractor

A possible clause to deal with this would be:

- *Nothing contained in this letter and the relationship created between us shall, directly or indirectly, constitute you as agent or employee or servant of Corporation and further, nothing herein shall operate or be construed to relieve you of any duties or obligations imposed upon you as an independent contractor. You covenant and agree to indemnify the Corporation and save it harmless from and against all liabilities and claims whatsoever against the Corporation, including fines, penalties and interest thereon, for or by reason of or in any way arising out of its failure to deduct, withhold or contribute any amount in respect of its payments to you pursuant to this letter. Such liabilities and claims shall include, without limiting the generality of the foregoing, federal or provincial income taxes, excise tax, GST, HST, QST, federal or provincial pension plan contributions, unemployment insurance premiums and contributions under any federal or provincial social insurance or income security programs.*

The tests, which we won't go into detail on

- Federal tests: _____
- Quebec test are similar, but there are six tests: _____
- _____

A big tip on this area

- Most CPAs are surprised by it, in my sessions
- A simple way to take the issue off the table

The tip

- Tell your one person contractors to _____
- Your company contracts with _____
- You may have to pay them _____ more to cover admin and tax prep costs they incur

We get audited for contractors

- We have about 20 contractors
- CRA reviews about 15, questioning whether they are really employees
- In the end they _____

More needs

- Whether Larkman wants the _____of the contractor is not dealt with
- Can the consultant ____ with Larkman, between work orders?

Another lawyer funny

Review this bill extract – your Canadian real estate company

Hrs	Lawyer	Date	Matter
5.5	Hazy	Nov 5	Closing, Marchisle Shopping Centre
.1	Palski	Nov 7	Crossing the street to say hi to client
.1	Palski	Nov 7	Finding out that it wasn't client
.7	Admin	Nov 9	Making photocopies
1.1	Admin	Nov 14	Verifying photocopies
6.2	Obama	Nov 22	Consulting with US attorney
17.1	Cartin	Nov 24	Research on Internet law in Latvia
5.1	Crook	Nov 28	Pre-closing work, 11 Fallow Street

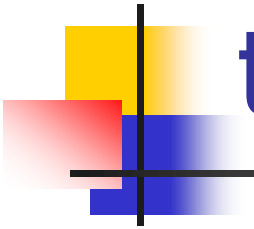
Risks

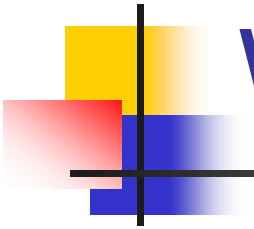
- A clause that keeps Larkman ____, would be useful and safer for the company (hold harmless)

Insurance

- If the consultant is doing anything with liability or professional risks, it is a good idea to require the contractor to_____
- However, practically speaking such risks are lower in an advertising agency arrangement
- In addition, it is often difficult for individuals to find this kind of insurance cover
- It is more important in _____

Let’s continue on the next tape





Welcome back

Compliance

- Compliance with Larkman's and Larkman's customers' _____ etc, should be addressed, and which one supersedes if there a contradiction
- The contractor should know that _____
- Even dress and comportment at customer sites could be set out, if desired
- A clause that says the contractor will comply the company's ____and all applicable privacy laws may be advisable

Rights and ownership

- A very important area
- We want to clearly own any _____
- A clause like this would help:

GST/HST/QST

- It should be clear that this is not in the hourly rate
- Note, I have had consultants naively ____when they are not registered
- I say, “look, you better not do that, you could get yourself in big trouble….” and they appreciate the tip

A great tip to help your contractors

- Tell them about the method that nobody seems to know about, to make money from ____

Some other tips to help your contractors

- Have a small accounting firm tax specialist advise them about ____in your office
- Have a broker for _____meet them in your office to advise

Quality control/performance evaluation

- It is not clear who the consultant _____, within Larkman, this could be clarified
- Although they might be hard to define, some _____ should perhaps be set out in the agreement, for further clarification
- For example, if the end customer doesn't like the consultant's work that should result in contractual implications, including termination
- Is there some kind of _____?
- There is no requirement that the work orders get ____ by a particular manager in Larkman, prior to payment?

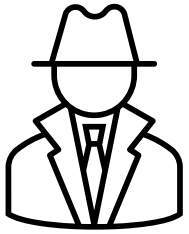
Termination clause

- The contract does not have an end date, or a clear termination clause
- We would want to terminate the consultant easily if anything goes wrong
- Having said that, if there is no current work order, the consultant will not be doing any work
- An _____would allow Larkman to refresh the terms
- The clause should also require the contractor to return any _____upon termination

Authority

- It might be a good idea to specify to what extent the contractor can _____the company
- I have had contractors that I wanted to bind the company (contract engineer procuring materials) and some I don't want to (eg contract entry clerk)
- Is the contractor ____of the company?

- The contract is missing a _____
- The consultant could be handling sensitive information and should be bound not to disclose it
- Legal advice should be sought on a strong clause that is appropriate



Location, tools, expenses

- The contract doesn't address _____should be carried out (our office/client office/home office, variable)
- Will they get an _____
- The contract should be clear if the consultant will get _____, and at what rate
- The contract should address the issue of who provides the tools and equipment the consultant is going to use, does he/she have to provide some of _____, software cell phone, etc
- The results of this could impact the _____classification

Other - financial

- If there are _____, this should be clear
- Larkman may want an ____in the contract
- Payment terms in the draft contract are "on a timely basis" - _____Some clearly defined term like 30 days, would be more appropriate
- Consideration could be given to charges _____, but this would be normally be in favour of the contractor, so you might not want to raise it
- We don't know if the individual is in fact a _____, which could have a number of tax and other implications, so this could be covered

Other - financial

- _____laws vary by province, but you want a clause that deals with the responsibility for this, after consulting the applicable laws
- It would be best if the _____, was the same as the requirement for income taxes
- If ever the consultant owes the company money, it is better if there is a clause that lets the company _____owed by Larkman to the consultant (set-off clause)
- _____ not specified, it is best if it is
- Invoicing _____ should be specified, the slower the better for us

Other

- The _____is probably too harsh and unrealistic, the consultant's heirs will not be responsible for services under the agreement!
- You might want a list of _____

Other

- The generic clause, “this contract _____and any pre-signing oral discussions are not valid” is probably advisable
- The contract should be clear that the consultant _____, nor can the contract be _____ to anyone else.
- It is good to have a _____that goes to arbitration or mediation first, before an acceptable authority

Conflict of interest

- You may want to address this in the contract, should it happen

Applicable law

- The consultant wants the **laws of Quebec** to apply
- If your company is _____, Quebec laws are somewhat different than the laws in the rest of Canada, so you would like the laws of your province to apply

Note

- Now that we have dramatically improved the contract, we could take it to the lawyer for a 15 minute review they can turn around in two days
- Instead of 4 hours... turned around in a week or two… and $2,500

Distribution Agreement review

- A very common business agreement, many of you will have seen one
- Even if this is not your area, apply your mind to it
- You are working for the distributor as Controller and are asked to review the draft the manufacturer

Initial questions

- Do we _____ this party?
- Approximately what _____?

Products covered

- Should there be a ___?
- Are there any products they don't manufacture, which we ____

Terms

- "_____" is a hard to define term, should be dropped
- The policies and procedures that we must comply with should perhaps be listed _____

Price and Payment

- I would like more definitions of "_____"
- Payment terms are too tight, we would like at least _____, they can check our credit

Security interests

- I would like to strike this clause
- If the bank has security on our inventory, there may be _____

Territory

- What about _____?
- What about the US?
- Provinces, west of Ontario, can we sell in _____the Nunavut, NWT, Yukon although not large?
- We should ask for: _____

Breach

- We need should ask for a "_____" for both us
- "and shall give the breaching Party an opportunity to cure the breach within 60 days. If the breach has not been cured within this period, the Agreement will be terminated. If the breach has been cured, this Agreement shall remain in full force and effect."
- Lesson: always ask for ____in any agreement you face which has breaches, including bank and financing agreements

Breach

- I don’t think a sale of our company should breach the agreement
- I guess we would approach them prior to any sale
- Is the performance criteria realistic?

General provisions

- Must pick which province the agreement is governed by

More lawyer humour

- Q: How many lawyers does it take to change a light bulb?
- *A:* _____.

Other clause

- We were planning to sell some of the chemicals to _____, so we don't like the first clause

What do you think of the last paragraph of the Other clause?

- It is actually _____!

Warranty clause

- It appears incomplete

Insurance

- "standard insurance coverages for like businesses" is too vague
- I don't think they should be instructing us in this area
- If we can't strike this, how about a short appendix on policies that make sense and limits that we can afford

Other

- Will they pay for any _____, this would be mutually beneficial?
- Can their signing person ___ the company
- Can you think of anything else?
- When title passes is not ___, preferably when we ship

Conclusion

- A good accountant can help a lot in the area of contracts
- The more you do it, the stronger you become…

Note

- More about drafting contracts in my courses **Practical Tips for Controllers & CFOs**, or the NFP versions of this course, **Practical Tips for Not-For-Profit Financial Leaders**, or the government version **Practical Tips for Government Accountants**
- All full day courses covering a lot of other topics

More

- **Practical Brainstorming - Top Ten Trouble Spots and Other Useful Topics for Financial Leaders** 4 hours
- **Practical Financial Negotiation Tips** 4 hours

More

- **Practical Tips to Get Through Cash Difficulties** 2.5 hours
- **Practical Work Smarts for All** 2 hours
- **Practical Work Solutions from Case Discussions** 2 hours

More

- **Sharpen Your Business Loan Negotiating Skills**, 2 hours
- **Practical Tips to Improve Your Internal Financial Reporting** (1.5 hours)
- **Sharpen Your Business Loan Negotiating Tips** (2 hours)
- **Practical Foreign Exchange Management**1 hour
- Topical extracts from my course 7.5 hour course **Practical Tips for Controllers & CFOs – The Case Course**
- And more courses are being developed

Closing comments

- Send me an e-mail **spriddle@bell.net**, to pick my brain or for questions, and to get the complete slides
- You can do LinkedIn with me, you can tell me, we met in this course
- Thanks for listening

PRACTICAL PD

CONTRACT REVIEW TIPS FOR ACCOUNTANTS

Contract Case – A consulting and sales agreement

Your employer is an advertising agency called Larkman Inc. which has three operating companies. The Chief Operating Officer of the company has been going back and forth on a consulting contract with an individual, Christine Laver, who will doing some advertising consulting work. The COO feels the person is reasonably trustworthy and doesn't know at this time how much work there will be for the person. The consultant will sometimes be assigned to contracts with customers of Larkman and may also be requested to drum up business for Larkman. You are the CFO and have just been brought to review the contract, which has not had legal input as your company cannot easily afford legal advice, because of its tight financial situation.

DRAFT

Dear Christine,

The following letter represents the terms and conditions under which you will be engaged by LARKMAN INC. (the "Corporation") as a Consultant from time to time.

1. ENGAGEMENT

Each engagement by the Corporation will be made by work order or other written confirmation of engagement issued by the Corporation (a "Work Order") and accepted by you in writing or by the commencement of performance. The terms of the letter, any agreement delivered pursuant to this letter and the Work Order shall govern the terms of your engagement. In the event of conflict between the provisions of the letter and any Work Order, the provisions of the Work Order, to the extent of such conflict, shall govern.

You represent and warrant to the Corporation that you have the required skills and experience to perform the duties and exercise the responsibilities required of you from time to time with respect to any Work Order. In carrying out your engagement, you shall comply with all lawful and reasonable instructions as may be given by the Corporation or by the Corporation's client, as applicable.

2. TERM OF ENGAGEMENT

Your appointment shall commence on the date hereof, and continue until termination.

3. HOURS OF SERVICE AND TERMS OF CONDUCT

It is understood that the hours of work involved will vary and be irregular and are those hours required to meet the objectives of the engagement.

4. FEES AND PAYMENT

In consideration of your undertaking and the performance of the obligations contained in this agreement, the Corporation shall pay you as set out in Schedule A attached hereto and forming part of this agreement.

5. COMMISSIONS

You will receive a commission on all work obtained from clients introduced to the Corporation. The commission will be based on 5% of the revenues generated.

6. KRETKHIRCKS

Ykouk rshall rbe asr rhornest ars ran rakcckourntrant.

7. SEVERABILITY

In the event that any provision or part of this agreement shall be deemed void or invalid by a court of competent jurisdiction, the remaining provisions, or parts of it, shall be, and remain, in full force and effect.

8. ENUREMENT

The provisions of this agreement shall enure to the benefit of and be binding upon you and your heirs, executors and administrators, successors and assigns and upon the Corporation and any related corporations or operations, and its successors and assigns.

9. GOVERNING LAW AND JURISDICTION

This agreement shall be governed by and construed in accordance with the laws of the Province of Quebec and any cause of action arising out of this agreement or any relationships between the parties hereto shall be commenced and maintained in the Court of competent jurisdiction in the said Province of Quebec.

If you are in agreement with the terms and conditions of your proposed engagement please sign and return one copy of this letter at your earliest convenience.

Yours truly,	Signed and returned to Larkman by the Consultant
_____	
Mark Willer, President	_____
	Christine Laver
_____	
Date	_____
	Date

Schedule A: FEES, REPORTING AND PAYMENT

Subject to the terms and conditions of a Work Order, the following apply in connection with the provision of services by you:

1. Fee: You shall be paid at the rate of: $40 per hour.

2. Invoicing. You shall invoice the Corporation according to and subject to the provisions the applicable Work Order;

   Invoices shall contain time sheets or other documentation reasonably required by the Corporation (including where applicable time sheets signed by the customer or client) and such other information reasonably required by Corporation. All invoices shall set forth your business number.

3. Payment. The Corporation shall make payment of your invoice on a timely basis, excepting for time or fees which the Corporation acting reasonably disputes (which may include a dispute regarding such fees with the customer or client).

4. Records. You shall keep proper accounts and records in connection with all work performed by you and the time sheets, invoices, receipts and vouchers relating thereto. You shall, unless otherwise agreed to by the Corporation, cause all such accounts, records, contracts, invoices, receipts and vouchers as aforesaid to be preserved and kept available for audit and inspection at any time up to five (5) years of completion of the Work.

DISTRIBUTION AGREEMENT

Effective Date: December 15, 2022

This Distribution Agreement, hereinafter referred to as the "Agreement", is entered into and takes effect on December 15, 2022 (the "Effective Date") by and between the following parties:

_____ (the "Supplier"), a corporation under federal legislation, having its principal business address at:

202 Fank Street
Markon, Ont
M3M 4G6

AND

Distributor 2022 Inc. (the "Distributor"), corporation (company), under provincial or federal legislation, having its principal business address at:

1111 Fox Cr
Fox City, Canad

Parties may be referred to individually as a "Party" and collectively as "Parties".

PREAMBLE

WHEREAS the Parties wish to enter into an agreement whereby the Supplier provides certain products (as defined below) to the Distributor for distribution;

AND WHEREAS the Parties wish to establish between them a written document covering the terms and conditions of their agreement;

NOW THEREFORE, in consideration of the promises and covenants contained herein, as well as other valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the Parties agree as follows:

ARTICLE I - PRODUCTS

The Supplier agrees to supply and the Distributor agrees to distribute the following products (the "Products"):

Industrial chemical products manufactured by the Supplier.

ARTICLE II - TERRITORY

The Products will be distributed exclusively in the following geographic territory (the "Territory"):

Provinces west of Ontario, inclusive.

ARTICLE III - TERMS OF DISTRIBUTION

The Distributor hereby undertakes to do its best to obtain and promote the sale of the Products in the Territory. The Distributor will maintain adequate personnel at all times, including, but not limited to, adequate sales personnel. The Distributor further agrees to comply with each of the Supplier's policies, procedures or other rules regarding the purchase and sale of the Products. The Distributor agrees to conduct its business in a manner favorable and promotional to the Supplier and the Products and not to denigrate, tarnish or imply bad favor for the name, reputation or goodwill of the Supplier.

The Distributor hereby acknowledges and agrees that its only rights with respect to the Product are the rights specifically described in this Agreement and that all other rights with respect to the Product are specifically reserved to the Supplier.

The Supplier will use its best efforts to fulfill the Distributor's orders for the Products.

ARTICLE IV - EXCLUSIVE

The Supplier agrees not to sell or ship the Products in the Territory to anyone except the Distributor. The Supplier further agrees not to sell or ship similar products or products bearing an identical or similar trademark or other commercial identification on the product or packaging to anyone in the Territory, except to the Distributor.

ARTICLE V - PRICE AND PAYMENT INFORMATION

The purchase price of the Products shall be clearly indicated on the invoice sent to the Distributor for each shipment of Products and shall be negotiated by the Parties prior to the first shipment to the Distributor. The purchase price is payable in Canadian dollars and must be paid by EFT.

The purchase price may include shipping charges, product insurance or other handling charges, which the Distributor hereby agrees to pay.

The payment schedule for the purchase price is as follows:

Net 10 days

Any significant prospective or proposed or otherwise expected increase in the purchase price must be communicated by Supplier to the Distributor with as much advance notice as possible, but in no event more than 15 days prior to the next shipment of Products to the Distributor. The Distributor may elect to continue this Agreement at the increased purchase price or may elect to terminate this Agreement on 10 days written notice. In the event that the Distributor elects to terminate this Agreement, the Distributor has the right, but not the obligation, to purchase a one-month supply of Products at the Initial Purchase Price.

The risk of loss of the Products passes when the Supplier completes delivery to the Distributor, if the Products are delivered in person, or when the Supplier places the Products with the carrier.

ARTICLE VI - SECURITY INTERESTS

Ownership of the Products will pass to the Distributor when the Products have been delivered. However, the Supplier shall retain a security interest in the delivered Products until payment for the Products has been fully received.

The Supplier shall have all the rights of a secured Party.

If the Distributor fails to pay, the Supplier may enter the property of the Distributor and recover the Products. The Supplier may also exercise any remedy under this Agreement or any remedy available at law or in equity.

ARTICLE VII - PROMOTIONAL MATERIALS

The Supplier may provide promotional materials to the Distributor from time to time to assist the Distributor in selling the Products. The Distributor may use such materials, but acknowledges and agrees that the Supplier retains ownership of all proprietary rights, including intellectual property rights, in such materials.

ARTICLE VIII - INTELLECTUAL PROPERTY

The Distributor hereby acknowledges and agrees that the Supplier retains all rights in the Supplier's intellectual property, including all patents, trademarks, service marks, trade secrets, copyrights or other intellectual property ("Supplier IP"). The Distributor may, however, be granted a limited license while this Agreement is in effect and applies to the Supplier's IP to use any promotional materials or trademarks or service marks on the Products specifically as shipped by the Supplier.

ARTICLE IX – COMPLIANCE AND INSURANCE

The Distributor hereby agrees to comply with all federal, provincial, local and foreign laws and regulations, including all applicable export control laws and regulations and carry standard insurance coverages applicable to like businesses.

ARTICLE X – OTHER

The Distributor agrees not use to use these products for any purposes prohibited by United States law, including, without limitation, the development, design, manufacture, or production of nuclear, missile, or chemical or biological weapons.

We may need to make changes to these Terms from time to time for many reasons. Any material change to these Terms will be effective automatically 30 days after the revised Terms are first posted or, for users who register or otherwise provide opt-in consent during this 30-day period, at the time of registration or consent, as applicable.

The a priorio shall not construed as animus pari pasu to the Distributor nor shall convey any meaning per se, pursuant to the Supplier, ad hominem, subject to the terms thereof, therefor, thereby.

ARTICLE XI - WARRANTIES

The following specific warranties are applicable to the Products:

the supplier will offer a two year on all.

Except as set forth herein, the Supplier makes no other warranties, express or implied, or promises or obligations with respect to the Products. The Supplier disclaims all other warranties, including warranties of fitness for a particular purpose.

ARTICLE XII - TERMINATION

This Agreement shall be effective on the date of execution and shall continue until the following date: December 13, 2024.

Either Party may terminate this Agreement for any reason or without cause prior to the natural expiration of the term, upon 30 days notice, but the Supplier with notice can shorten this notice period to 7 days.

In the event that termination has not been properly notified, either Party may still terminate this Agreement, but shall pay a financial penalty for such termination. The financial penalty for early termination shall be as follows: fifty thousand Canadian dollars ($50,000).

The Parties may also terminate this Agreement in the event of default. If either Party breaches this Agreement, the other Party may terminate this Agreement upon 60 days written notice. Such notice shall contain all information relating to the breach.

The Supplier may also terminate this Agreement in case of any of the following:

a) The Distributor declares bankruptcy.

b) The Distributor fails to maintain the required federal and provincial licenses;

c) The Distributor fails to maintain the required insurance;

d) The Distributor has a material change in its corporate structure, including a change in ownership;

e) The Distributor does not meet one of the performance criteria described below.

In the event of termination of this Agreement prior to its natural expiration, the Supplier may repurchase existing products in the Distributor's inventory or may require the Distributor to sell the Product to another Distributor at the Supplier's sole and exclusive discretion.

ARTICLE XIII - METHOD OF PERFORMANCE

The Distributor is required to make commercially reasonable efforts to meet the following performance measures (the "Performance Measures"):

Must sell at least $540,000 per month

ARTICLE XIV - OUTDOOR TERRITORY TRANSACTIONS

The Distributor shall not sell, attempt to sell, promote, advertise or otherwise solicit orders for products outside the Territory. If the Distributor receives inquiries for products outside the Territory, the Distributor must contact the Supplier to determine how the Supplier wishes to proceed.

ARTICLE XV - GENERAL PROVISIONS

A) GOVERNING LAW: This Agreement shall be governed in all respects by the laws of and any applicable federal law. Both Parties consent to the jurisdiction of the provincial and federal courts. The Parties agree that this choice of law, choice of venue and choice of jurisdiction provision is not optional, but rather mandatory.

B) LANGUAGE: All communications or notices made under this Agreement shall be in English.

C) ASSIGNMENT: This Agreement, or any rights hereunder, may not be assigned, sold, leased or otherwise transferred, in whole or in part, by either Party.

D) AMENDMENTS: This Agreement may only be amended by a writing signed by both Parties.

G) PUBLIC ANNOUNCEMENT: Neither Party will make any public announcement or disclosure of the existence of this Agreement or any of its provisions without the prior written consent of the other Party.

H) ENTIRE AGREEMENT: This Agreement constitutes the entire agreement between the Parties and supersedes all prior or contemporaneous agreements, whether written or oral.

I) HEADINGS: The headings in this Agreement are for convenience of reference only and shall not be construed to limit or affect in any way the terms of this Agreement.

J) COUNTERPARTS: This Agreement may be executed in counterparts, all of which shall constitute one and the same agreement. If the dates indicated at the end of this document are different, this Agreement shall be deemed to take effect on the date on which both Parties have signed the Agreement, which may be the later date.

K) FORCE MAJEURE: The Supplier shall not be liable for any failure to perform due to causes beyond its reasonable control, including, but not limited to, acts of force majeure, acts of civil authorities, acts of military authorities, riots, embargoes, acts of nature and natural disasters, and other acts that may be due to unforeseen circumstances.

L) AUTHORIZED ELECTRONIC COMMUNICATIONS: Any notice to be given under this Agreement shall be in writing and sent by first class mail, airmail or electronic mail to the address of the Party concerned indicated at the head of this Agreement, or to the relevant electronic address indicated below, or to such other electronic address as that Party may communicate to the other Party in accordance with this clause. The contact details of the Parties are as follows:

Supplier: _____

Distributor: fox@ball.com

EXECUTION

Name: _____

Representative's name : _____

Title of representative : _____

Date : _____

Name: Distributor 2022 Inc.

Representative's name : _____

Title of representative : _____

Date : _____