

March 27, 2009

VIA EMAIL AND FACSIMILE

Mr. Christopher Kanyaro
Endless Wave
Australia

RE: LC CONDITIONS RESPONSE

Dear Chris:

Thank you for your correspondence on the Letter of Credit ("LC") and Distributorship issues you raised on March 3, 2009. We apologize for the delay as the onset of the Chinese knock-offs has occupied much of our time. However, we are in the process of resolving the legal issues with them and are ready to move on.

We also appreciate your desire to work with us and are very committed to doing everything in our power to ensure the success of our relationship in a pro-active manner as you alluded to in your last letter. In response to the 13 points you raised as conditions for granting us an LC, for convenience, we will address each point separately – our responses are embedded below in *italics* after each of your quoted points below in grey-line:

1. "10 Replacement Boards, deemed as warranty replacement of initial shipment, to be delivered into the port of Fremantle via our customs broker Les Burges of Fremantle Customs Brokers within 8 weeks of the LC being set up."

The Limited Licensed Assembler PowerSports International and its affiliates agree to deliver 10 boards in an exchange for the ten damaged boards within 8 weeks of the LC issuance. If you are unable to provide the replacement boards, we are willing to repair your damaged boards for the cost of materials. If you do not have access to the boards, however, we cannot provide replacements at this time.

2. Freight, port handling charges, GST and any other associated costs for the 10 replacement boards to be paid by Powerski.

PowerSports, the Limited Licensed Assembler, is willing to split the costs with you on the charges you reference in point 2.

3. A detailed manufacture/delivery timetable for the 100 board order in 25 lot shipments & all boards to be US made.

Your detailed delivery timetable request for the 100 board order in 25 lot shipments should be 150 boards plus parts, and shall be provided within two weeks after issuance of the LC by Endless Wave.

4. A satisfactorily trained/experienced employee to be sent over to assist with - assembly/run in programme/maintenance/ to be provided by Powerski

PowerSports and PowerSki agree to provide a factory trained and experienced technician to assist you with assembly, run-in, maintenance for a reasonable time to be determined with the first shipment of boards.

5. 10 initial boards supplied to be repaired and used by Powerski in Australia, and these boards to remain the property of Endless Wave as compensation for lost income / expenses incurred.

PowerSports and PowerSki cannot, unfortunately, give these back as the initial boards that we repair will need to be used for other corporate needs. The issue of compensation for lost income and expenses is a "tricky" one – our distributorship agreement does not allow for these types of "consequential" damages as they are a risk of doing business and are subject to abuse.

6. Website powerskiaustralia to be handed over to Endless Wave, any associated leads to be handed over, & powerski.com website to be updated to show; Endless Wave Pty Ltd and trading as Powerski Jetboards Australia at Marine World, 910 Canning Highway, Applecross, 6152. Western Australia. Mobile 0418884686 and Fax + 61 (08) 9316 1292

We are willing to work with you to obtain a domain name transfer and/or come up with a new domain name for your use in marketing PSI products. Unfortunately, as the previous distributor is the owner of the domain name and they are not cooperative, we cannot obtain that name without litigation before an ICAAN board which we are willing to do – however the process might be easier to simply incorporate a new domain name such as: www.jetboardaustralia.com or www.aussiepowerski.com.

PowerSki agrees to use the Endless Wave website on the PowerSki website.

7. Dealer Package - input and assistance to be provided by Powerski for consideration.

PowerSki International Corp will provide input and assistance as needed to develop an adequate Dealer Package.

8. Reciprocal LC to be provided in event the boards supplied are not approved and accepted by Endless Wave.

PowerSports agrees to language in the LC that will restrict payment from Endless Wave in the event the Jetboards are not approved and accepted by buyer.

9. Inspection period of 14 days from date of clearance and signed off via Acceptance Certificate by an officer of Endless Wave.

The inspection period of 14 days from date of clearance and sign off by Endless Wave is reasonable so long as PowerSports and/or PowerSki have the option of having an authorized representative present to gauge compliance and proper inspection.

10. Cost Per Board \$5000 USD (please refer below)

PowerSports and PowerSki cannot agree to a \$5000 distributor price for the JetBoards made in Washington State, USA, because of the high cost of goods, from the get-go but both parties agree to decrease pricing as orders increase and boards are shipped and sold to your customers. We propose the standard distributor price of \$7300 for the first 150 jetboards and will drop the prices as volumes increase. At this current price both parties are making very small profits. To ask us to do drop the prices from day 1 will hurt our business – there is sufficient demand in Australia at the initial prices for these boards. Let's make it happen! We can also make some riders available to help with demos, marketing and advertisements to help generate demand.

11. 4 Separate LCs to be provided for each shipment, each LC only to become operative when the previous shipment of boards has been satisfactorily accepted. Each shipment to be no sooner than 2 months apart, unless mutually agreed.

PowerSki and PowerSports will agree to 4 separate LC's, provided the initial LC is opened for an order of no less than 50 Jetboard plus spare parts.

PowerSki grants Endless Wave Pty Ltd the rights to place its initial LC order for Australian Distribution Rights, the one time transaction, to process the LC directly to PowerSports. All other future cash and LC transactions, except for financed transactions through the EX IM Bank, will have to go directly through PowerSki International Corp. Because of the difficult terms of this first time transaction this initial order through the LC should be written from Endless Wave Pty Ltd to PowerSports.

PowerSki grants PowerSports the rights to process this initial order for Australian Distribution Rights. For this one time transaction, PowerSports has the rights to process the LC directly from Endless Wave. All other future cash and LC transactions, except for PowerSki Capital Financing Programs through EX IM Bank, will have to go directly through PowerSki International Corp. Because of the difficult terms of this first time transaction this initial order through the LC for Australia should be written to PowerSports.

12. Quality Assurance – Where boards supplied from Moses Lake are not satisfactory both reliability/economically (cost factor), to consider purchasing Chinese manufactured boards, after due diligence by Powerski.

We cannot agree to this at this time though discussions and further investigations are on-going. The Chinese board is undergoing rigorous testing currently and is not satisfying our specifications as of this time.

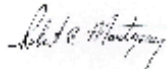
13. This LC cannot be endorsed/transferred or used as a source of funding from EXIM Bank.

PowerSports is not asking for a transferable LC at this point in time and is willing to draft the LC such that Endless Wave is only liable for payment based on acceptance of product. PowerSki Capital, Powersports, and Advantage Industries reserve the rights to assign their receivables, L/C's and assets in accordance with our business judgment at our discretion.

Chris, we are excited about moving forward and look forward to your reply.

Please let us know what else we can do to move this forward!

Very Truly Yours,



Bob Montgomery
CEO PowerSki International Corp
Date: 3/27/2009

POWERSKI CAPITAL

Robert Bennett
Vice-President
Date:
C: Andrew Harvey



3/27/2009