

Leatt Corp
Form 10-K
March 29, 2017

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2016**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. **000-54693**

LEATT CORPORATION

(Exact name of registrant as specified in its charter)

Nevada
*(State or other jurisdiction
of incorporation or organization)*

20-2819367
(I.R.S. Employer Identification No.)

**12 Kiepersol Drive, Atlas Gardens
Contermanskloof Road,
Durbanville, Western Cape
South Africa, 7441**
(Address of Principal Executive Offices; Zip Code)

+(27) 21-557-7257
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act: **None**

Securities registered pursuant to Section 12(g) of the Exchange Act: **Common Stock**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the

Edgar Filing: Leatt Corp - Form 10-K

Act. ?

Yes [] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No []

Edgar Filing: Leatt Corp - Form 10-K

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Edgar Filing: Leatt Corp - Form 10-K

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer [] Non-Accelerated Filer [] Accelerated Filer [] Smaller reporting company [X]

(Do not check if a smaller reporting company)

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes [] No [X]

As of June 30, 2016 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the shares of the registrant's common stock held by non-affiliates was approximately \$5,155,386. Shares of the registrant's common stock held by each executive officer and director and by each person who owns 10% or more of the outstanding common stock have been excluded from the calculation in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Common Stock, \$0.001 par value per share: 5,362,992 outstanding as of March 22, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

None.

*Annual Report on Form 10-K
For the Year Ended December 31, 2016*

TABLE OF CONTENTS

PART I

<u>Item 1.</u>	<u>Business</u>	<u>2</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>38</u>
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>	<u>45</u>
<u>Item 2.</u>	<u>Properties</u>	<u>45</u>
<u>Item 3.</u>	<u>Legal Proceedings</u>	<u>46</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>46</u>

PART II

<u>Item 5.</u>	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>46</u>
<u>Item 6.</u>	<u>Selected Financial Data</u>	<u>48</u>
<u>Item 7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>48</u>
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>55</u>
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	<u>56</u>
<u>Item 9.</u>	<u>Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.</u>	<u>56</u>
<u>Item 9A.</u>	<u>Controls and Procedures</u>	<u>56</u>
<u>Item 9B.</u>	<u>Other Information</u>	<u>57</u>

PART III

<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	<u>57</u>
<u>Item 11.</u>	<u>Executive Compensation</u>	<u>60</u>
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>65</u>
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>66</u>
<u>Item 14.</u>	<u>Principal Accounting Fees and Services</u>	<u>68</u>

PART IV

<u>Item 15.</u>	<u>Exhibits, Financial Statement Schedules</u>	<u>69</u>
-----------------	--	-----------

Special Note Regarding Forward Looking Statements

This report contains forward-looking statements that are contained principally in the sections entitled Our Business, Risk Factors, and Management's Discussion and Analysis of Financial Condition and Results of Operations. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the factors described in the section captioned Risk Factors above. In some cases, you can identify forward-looking statements by terms such as anticipates, believes, could, estimates, expects, intends, may, plans, projects, should, would and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements include, among other things, statements relating to:

- our expectations regarding growth in the motor sports market;
- our expectation regarding increasing demand for protective equipment used in the motor sports market;
- our belief that we will be able to effectively compete with our competitors and increase our market share;
- our expectations with respect to increased revenue growth and our ability to achieve profitability resulting from increases in our production volumes; and
- our future business development, results of operations and financial condition.

Also, forward-looking statements represent our estimates and assumptions only as of the date of this annual report. You should read this annual report and the documents that we reference and filed as exhibits to the annual report completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

Use of Certain Defined Terms

Except as otherwise indicated by the context, references in this quarterly report to:

Leatt, we, us, our, the Registrant or the Company are to the combined business of Leatt Corporation, a Nevada corporation, its South African branch, Leatt SA, and its direct, wholly-owned subsidiaries, Two Eleven, Leatt New Zealand and Three Eleven;

Leatt SA are to the Company's branch office known as Leatt Corporation (Incorporated in the State of Nevada) incorporated under the laws of South Africa with registration number: 2007/032780/10;

Leatt USA are to Leatt USA, LLC, a Nevada Limited Liability Company;

Leatt New Zealand are to Leatt New Zealand Limited, a New Zealand Company;

PRC, and China are to the People's Republic of China;

Two Eleven refers to Two Eleven Distribution, LLC, a California limited liability company;

Three Eleven are to Three Eleven Distribution (Pty) Limited, a South African Company;

Securities Act are to the Securities Act of 1933, as amended, and to Exchange Act are to Securities Exchange Act of 1934, as amended;

South Africa are to the Republic of South Africa;

U.S. dollar, \$ and US\$ are to the legal currency of the United States.

Xceed Holdings refers to Xceed Holdings CC., a close corporation incorporated under the laws of South Africa, and wholly-owned by The Leatt Family Trust, of which Dr. Christopher J. Leatt, the Company's chairman, is a Trustee and Beneficiary; and

ZAR refers to the South African Rand, the legal currency of South Africa. For all ZAR amounts reported, the dollar amount has been calculated on the basis that \$1 = ZAR13.6474 for its December 31, 2016 audited balance sheet.

PART I

ITEM 1. BUSINESS

Business Overview

Leatt designs, develops, markets and distributes personal protective equipment for participants in all forms of motor sports and leisure activities, including riders of motorcycles, bicycles, snowmobiles and ATVs, as well as racing car drivers. The Company sells its products to customers worldwide through a global network of distributors and retailers. Leatt also acts as the original equipment manufacturer for neck braces sold by other international brands.

The Company's flagship products are based on the Leatt-Brace® system, a patented injection molded neck protection system owned by Xceed Holdings, designed to prevent potentially devastating injuries to the cervical spine and neck. The Company has the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company owned and controlled by the Company's Chairman and founder, Dr. Christopher Leatt. The Company also has the right to use apparatus embodying, employing and containing the Leatt-Brace® technology and has designed, developed, marketed and distributed other personal protective equipment using this technology, as well as its own developed technology, including the Company's expanding range of body protection and helmet products which it markets under the Leatt Protection Range brand. In 2015 the Company initially launched the first products in its new helmet range and continues to establish its offerings within this product range. The Company believes that the new helmet range redefines head and brain protection with its groundbreaking 360 degree Turbine technology for concussion and brain rotation safety. These helmets offer superior head and brain protection in a shell that is smaller, very lightweight and super ventilated, even at low speeds.

The Company's research and development efforts are conducted at its research facilities, located at its executive headquarters in Cape Town, South Africa. The Company employs 4 full-time employees who are dedicated exclusively to research, development, and testing. The Company also utilizes consultants, academic institutions and engineering companies as independent contractors or consultants, from time to time, to assist it with its research and development efforts. Leatt products have been tested and reviewed internally and by external bodies. All Leatt products are compliant with applicable European Union directives, or CE certified, where appropriate. Certain products, such as the MRX PRO Head and Neck Restraint System, have been certified by SFI Foundation (USA) and the Moto GPX was tested by BMW Motorrad (Germany) and reviewed by KTM (Austria). The Company is also in discussions with governing and racing bodies, such as the Fédération Internationale de l'Automobile (FIA), the Fédération Internationale de Motocyclisme (FIM) and the National Association for Stock Car Auto Racing (NASCAR), to have the Leatt-Brace® accredited by these bodies.

Our products are manufactured in China under outsource manufacturing arrangements with third-party manufacturers located there. The Company utilizes outside consultants and its own employees to ensure the quality of its products through regular on-site product inspections. Products purchased through international sales are usually shipped directly from our manufacturers' warehouses or points of dispatch to customers or their import agents.

Leatt earns revenues through the sale of its products through approximately 60 distributors worldwide, who in turn sell its products to retailers. Leatt distributors are required to follow certain standard business terms and guidelines for the sale and distribution of Leatt products. Two Eleven and Leatt SA directly distribute Leatt products to retailers in the United States and South Africa, respectively.

Our Corporate History and Structure

We were incorporated in the State of Nevada on March 11, 2005 under the name Treadzone, Inc. Until March 2006, we were a shell company with little or no operations. Effective as of March 1, 2006, we acquired the exclusive global

manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company owned and controlled by the Company's Chairman and founder, Dr. Christopher Leatt. On May 25, 2005, we changed our name to Leatt Corporation in connection with our anticipated acquisition of the Leatt-Brace® rights.

Leatt South Africa

The Company conducts business in South Africa as a foreign registered branch known as Leatt Corporation (Incorporated in the State of Nevada) registered under the laws of South Africa with registration number: 2007/032780/10. Based in Cape Town, South Africa, Leatt SA was formed on November 14, 2007, for conducting the Company's business and operations in South Africa. Our corporate headquarters and our research and development efforts are based at Leatt SA.

Establishment of Two Eleven, Three Eleven and Leatt USA

On August 17, 2007, the Company established Two Eleven Distribution, a California limited liability company, as its wholly-owned subsidiary. Located in Santa Clarita, California, Two Eleven was formed to serve as the Company's executive offices in the United States, as well as the exclusive distributor of Leatt® products in the United States.

Southern Palace Investments 409 (Proprietary) Limited, a South African company, was established on October 12, 2007, by the Company, to engage in the manufacturing and distribution of sporting goods and protective gear. The company was inactive until March 2009, when it acquired all intellectual property rights related to an invention entitled the Helmet® from Xceed Holdings, for an aggregate purchase price of ZAR 943,480 (approximately, \$90,000) pursuant to a patent assignment agreement, effective as of January 1, 2009, between Xceed Holdings and Southern Palace, doing business as Three Eleven Distribution. On February 10, 2010, Southern Palace formally changed its name to Three Eleven Distribution to reflect its business purpose.

On June 26, 2010, the Company established Leatt USA, LLC, a Nevada Limited Liability Company, as our wholly-owned subsidiary and for the purpose of holding our California subsidiary, Two Eleven Distribution. However, as of the date of this annual report the Company had not moved forward with its original plan and Leatt USA remains dormant.

Wind-up of Leatt New Zealand

On March 13, 2009, the Company established Leatt New Zealand Limited, a New Zealand company, as its wholly-owned subsidiary. Leatt New Zealand served as the exclusive distributor of Leatt-Brace® products in New Zealand, until the fourth quarter of 2011 when it ceased operations and became dormant. In December 2016 the Company closed all Leatt New Zealand bank accounts which effectively wound up the business. The Company has appointed an unrelated third party distributor to distribute its products in the New Zealand market.

Settlement Agreement

As consideration for their founding of the Company's operations in South Africa, we agreed to issue 20,000,000 shares of our common stock, and 19,200,000 shares of our preferred stock to Dr. Leatt, 5,000,000 shares of our common stock and 4,800,000 shares of our preferred stock to Jean-Pierre De Villiers, and 50,000 shares of our common stock to Ervian Jarrett. We issued the common stock to Dr. Leatt, Mr. De Villiers and Ms. Jarrett in accordance with the agreement, but we did not issue any preferred shares to Dr. Leatt or Mr. De Villiers. On September 25, 2008, in settlement of our obligation to issue Dr. Leatt and Mr. De Villiers shares of preferred stock, we entered into a Settlement Agreement with them, pursuant to which they agreed to release us from any and all liability arising out of or related to our failure to satisfy our prior obligation to them, and we issued 16,800,000 shares of our common stock and 2,400,000 shares of our Series A Preferred Stock to Dr. Leatt, and 4,200,000 shares of our common stock and 600,000 shares of our Series A Preferred Stock to Mr. De Villiers. The Series A Preferred Stock entitles Dr. Leatt and Mr. De Villiers to one hundred votes for each share of Series A Preferred Stock held (voting with the common stock as a single class). The Series A Preferred Stock converts into common stock, on a one-for-one basis, has a liquidation preference equal to \$0.001 par value per share and is redeemable by us at \$0.001 par value per share upon the occurrence of specified events, but it is subject to transfer limitations and it does not entitle Dr. Leatt and Mr. De Villiers to dividends. On September 20, 2012, we effected a 1-for-25 reverse stock split which reduces the foregoing issuances on a 1:25 ratio.

Our Corporate Structure

The following chart reflects our organizational structure as of the date of this annual report.

Our corporate headquarters are located at 12 Kiepersol Drive, Atlas Gardens, Contermanskloof Road, Durbanville, Western Cape, South Africa, 7441. Our telephone number is +(27) 21-557-7257. We maintain a website at www.leatt.com that contains information about our Company, but that information is not incorporated into, or otherwise considered a part of, this annual report.

Our Industry and Market Trends

Off-Road Motorcycle Market

Our products have their roots in the off-road motorcycle market. Our revolutionary neck brace was invented by Dr. Leatt to protect from catastrophic neck injuries after he witnessed the death of a fellow off-road motorcycle rider the weekend after his son's riding debut. As a result, our original products target participants in off-road cycling activities such as BMX racing and downhill racing.

We believe that we have gained our market share, largely due to the innovation and quality of our products, the growth of the market, our increased marketing efforts and our steps to secure our international patents and protect our patents from infringement.

Downhill and Cycling Market

We design and sell neck braces, helmets and protective gear for the downhill and cycling market. We entered this market focusing on downhill cycling, which requires a full-face helmet. We have since expanded our protective gear range to address the needs of mountain biking and BMX riders. The downhill and cycling market is now our second largest market.

Other Recreational Markets

We also design and sell neck braces for use by participants in other recreational sports such as ATV, go-kart and snowmobile users, race-car drivers and participants in other sports where a full-face helmet should be worn. As a

result, our overall performance in the market is also affected by the performance of these industries, especially in jurisdictions where the use of helmets are compulsory.

Our Products

The Company designs, develops, distributes and markets protective gear, parts and accessories. The company's flagship protective product is the Leatt-Brace®, a patented neck protection system for sports.

The Leatt-Brace®

The Leatt-Brace® is a prophylactic neck bracing system composed of various combinations of carbon fiber, glass fiber, polycarbonate or Glass Filled Nylon, which was designed to help prevent potentially devastating sports injuries to the cervical spine (neck). The first Leatt Brace® was designed for motorcycle, high speed motor vehicle and ATV use, where there is little means of protecting the neck in the event of an accident, but the Leatt-Brace® has been designed in such a way as to offer neck protection to all who utilize a crash helmet as a form of protection, including soldiers, law enforcement officers and other professionals whose activities could result in cervical spine injury.

The Company currently markets and sells seven models of Leatt-Brace® products which bring the safety benefits of the Leatt-Brace® technology to a large group of sports participants: our GPX model for off- road motorcycle use; our DBX model, for downhill and BMX bicycle use; our SNX model for snowmobile use; our STX model for adventure riders, street commuters and Speedway participants; our Kart model for go karting; and our Fusion model which incorporates the neck brace with body protection.

The GPX models include the GPX 5.5, which is fully adjustable, the GPX 4.5, which is less adjustable, and the GPX 6.5, which is a full carbon brace. Our DBX models include the DBX 5.5, which are fully adjustable, the DBX 4.5 which are less adjustable, and the DBX 6.5 which is a full carbon brace. Both the GPX and DBX ranges feature a 5.5 Junior neck brace designed for young athletes. The STX models include the STX RR and STX Road, while the SNX model includes the SNX 5.5, SNX Pilot and SNX Trophy, and the Fusion models include 3.0 version designed for adults and 2.0 version designed for young athletes. The Company offers various versions and colors of these products to appeal to different clients and price points.

The following table sets out the type of neck braces currently sold by the Company:

Product Category	Models	Description
NECK BRACES:		
GPX	These neck braces are designed for off-road motorcycle riders.	
	GPX 6.5 Carbon	Totally new carbon chassis design by LEATT. MaxiWeave Carbon matrix allows for increased rigidity while maintaining a lower weight of ±620g. Lowered rim striking platform for increased head and helmet movement. New on-board size adjusting. No parts needed. New folding thoracic for easy storage. New 3-way adjustability for great comfort and fit. New design chest strap included to use as optional. CE certified as Personal Protective Equipment 89/686/EEC. Two adult sizes.
	GPX 5.5	Totally new chassis design by LEATT. New helmet rim striking platform profile. New improved helmet side clearance. New adjustable over the shoulder height. New on-board size adjusting. No parts needed. New great fit with sliding front and rear. New

	<p>folding thoracic. New on board 4-angle rear thoracic adjustment. - 0, 5, 10 and 15°. New design clear strap included to use as optional. 4-way adjustable for great comfort and fit. CE certified as Personal Protective Equipment 89/686/EEC. Two adult sizes.</p>
GPX 5.5 Junior	<p>Totally new chassis design by LEATT. New helmet rim striking platform profile. New improved helmet side clearance. New adjustable over the shoulder height. New on-board size adjusting. No parts needed. New great fit with sliding front and rear. New folding thoracic. New on board 4-angle rear thoracic adjustment. - 0, 5, 10 and 15°. New design clear strap included to use as optional. 4-way adjustable for great comfort and fit. CE certified as Personal Protective Equipment 89/686/EEC. One junior size.</p>
GPX 4.5	<p>The 4.5 is the new entry level brace in this category. Totally new chassis design by LEATT. New helmet rim striking platform profile. New improved helmet side clearance. New folding thoracic. New on board 4-angle rear thoracic adjustment. - 0, 5, 10 and 15°. New design clear strap included to use as optional. 2-way adjustable for great comfort and fit. CE certified as Personal Protective Equipment 89/686/EEC. Two adult sizes.</p>

Edgar Filing: Leatt Corp - Form 10-K

DBX	These neck braces are for downhill bicycle and BMX riders.	
	DBX 6.5 Carbon	Totally new carbon chassis design by LEATT. MaxiWeave Carbon matrix allows for increased rigidity while maintaining a lower weight of $\pm 620g$. Lowered rim striking platform for increased head and helmet movement. New on-board size adjusting. No parts needed. New folding thoracic for easy storage. New 3-way adjustability for great comfort and fit. New design chest strap included to use as optional. CE certified as Personal Protective Equipment 89/686/EEC.
	DBX 5.5	A totally new chassis design. New helmet rim striking platform profile. New improved helmet side clearance. New adjustable over the shoulder height. New on-board size adjusting. No parts needed. New great fit with sliding front and rear. New folding thoracic. New on board 4-angle rear thoracic adjustment: - 0, 5, 10 and 15°. New design clear strap included to use as optional. 4-way adjustable for great comfort and fit. CE certified as Personal Protective Equipment 89/686/EEC. Two adult sizes.
	DBX 5.5 Junior	Totally new chassis design by LEATT. New helmet rim striking platform profile. New improved helmet side clearance. New adjustable over the shoulder height. New on-board size adjusting. No parts needed. New great fit with sliding front and rear. New folding thoracic. New on board 4-angle rear thoracic adjustment. - 0, 5, 10 and 15°. New design clear strap included to use as optional. 4-way adjustable for great comfort and fit. CE certified as Personal Protective Equipment 89/686/EEC. One junior size.
	DBX 4.5	The 4.5 is the new entry level brace in this category. Totally new chassis design by LEATT. New helmet rim striking platform profile. New improved helmet side clearance. New folding thoracic. New on board 4-angle rear thoracic adjustment. - 0, 5, 10 and 15°. New design clear strap included to use as optional. 2-way adjustable for great comfort and fit. CE certified as Personal Protective Equipment 89/686/EEC. Two adult sizes.
STX	These neck braces are for street commuters.	
	STX Road	This product is intended for use by all types of street riders. It features a quick and easy no- tool adjustable fit, with folding scapula wings that permit easy storage and adapt to an outside back protector and hump, and a molded padding solution for an extra low profile. The neck brace fits over or under a garment. Skin coated padding for improved durability. CE certified as Personal

	Protective Equipment 89/686/EEC. Three adult sizes.
STX RR	The New STX RR design is for road racing and sport riding. The neck brace has a new folding front for full tuck down. Platform shaped for sport and race riding. Light-weight 620g carbon construction. Race adopted front construction for tucking behind the windscreen. Improved side clearance for race cornering. Swiveling rear scapula's for perfect fit over any hump. CE certified as Personal Protective Equipment 89/686/EEC. One adult size.

- 7 -

Edgar Filing: Leatt Corp - Form 10-K

SNX	These neck braces are for snowmobile riders.	
	SNX 5.5	This neck brace features the AFC Artic Fusion Compound - Three-way adjustability, sliding front and rear SureFit adjusters to ensure optimum fit. Four-angle rear thoracic strut adjustments to fit most body shapes. Sculptured, split front for improved comfort and fit. CoreFlex split rear thoracic strut is more comfortable and designed to work with the body's natural movements. CE certified as Personal Protective Equipment 89/686/EEC. Two adult sizes.
	SNX Pilot	This neck brace features the AFC Artic Fusion Compound - Special low temperature resin material with exclusive clip-on padding which resists snow sticking. It fits under the rider's jacket and armor. It includes a brace sock which is a waterproof and breathable barrier against winter elements for improved comfort. It has fully adjustable front and rear tables. CE certified as Personal Protective Equipment 89/686/EEC. Two adult sizes.
	SNX Trophy	This neck brace features the AFC Artic Fusion Compound - Special low temperature resin material with exclusive clip-on padding which resists snow sticking. It fits over the rider's jacket and armor. It has molded padding for low profile and adjustable height for optimal helmet clearance. It has folded scapula wings for easy storage and side padding recess for improved helmet movement. CE certified as Personal Protective Equipment 89/686/EEC. Three adult sizes.
Kart	These neck braces are for go-kart riders.	
	Kart	This neck brace features a special Kart angle for improved function and fit. It features bio foam lycra padding. It also has fully adjustable front and rear tables. CE certified as Personal Protective Equipment 89/686/EEC. Two adult sizes.
Moto	These neck braces are for restrained torso car drivers	
	MRX PRO	This head and neck restraint is SFI 38.1 tested and approved for optimum protection at over 70G. It has an exclusive flexible chassis and single collar angle design for greater comfort. It fits all types of 2" and 3" harnesses, has fire retardant Nomex® washable padding and the chassis is made of an advanced, fire retardant, high tensile PC composite as well as a quick release fire retardant Kevlar® tether system for both frontal and side impact protection. It has an Anchor post kit with wrench included.
Fusion	These neck braces incorporate upper body protection	

<p>Fusion vest 3.0</p>	<p>This product combines CE certified LEATT neck brace technology together with LEATT 3DF AirFit CE certified back, shoulder and chest impact protection. Chest protection: EN1621-3 Level 1; Back protection: EN1621-2 Level 1 and Shoulder protection EN1621-1. This is a comfortable, lightweight and vented product. This product incorporates LEATT 3DF AirFit impact foam for premium body protection. 3 dimensional designed for perfect fit. Light weight. Great comfort. Well ventilated. Three adult sizes.</p>
<p>SNX Fusion vest 3.0</p>	<p>This product combines CE certified LEATT neck brace technology together with LEATT 3DF AirFit CE certified back, shoulder and chest impact protection. Chest protection: EN1621-3 Level 1; Back protection: EN1621-2 Level 1 and Shoulder protection EN1621-1. This is a comfortable, lightweight and vented product. This product incorporates LEATT 3DF AirFit impact foam for premium body protection. 3 dimensional designed for perfect fit. Light weight. Great comfort. Well ventilated. Three adult sizes.</p>

Fusion vest 2.0 Junior	This product combines CE certified LEATT neck brace technology together with LEATT 3DF AirFit CE certified back, shoulder and chest impact protection. Chest protection: EN1621-3 Level 1; Back protection: EN1621-2 Level 1 and Shoulder protection EN1621-1. This is a comfortable, lightweight and vented product. This product incorporates LEATT 3DF AirFit impact foam for premium body protection. 3 dimensional designed for perfect fit. Light weight. Great comfort. Well ventilated. Three junior sizes.
------------------------	---

Leatt Helmet Range

In 2015 the Company launched its helmet range and commenced shipment of its new helmet range. The Company expanded its off-road helmet range in 2016 to include two junior helmets and its award winning DBX range for downhill and BMX bicycle use. The Company currently sells two models of helmet products which the Company believes redefines head and brain protection with its groundbreaking 360 degree Turbine technology for concussion and brain rotation safety. These helmets offer superior head and brain protection in a shell that is smaller, very lightweight and super ventilated, even at low speeds.

The following table sets out the type of helmets currently sold by the Company:

Product Category	Models	Description
HELMETS:		
GPX	These helmets are designed for off-road motorcycle riders.	
	GPX 6.5 Carbon	This race-ready Carbon off-road, light weight and super ventilated helmet is equipped with 360 Turbine concussion and brain rotation safety technology. It has reduced outer shell volume, low friction cheek pads for emergency removal. Visor with breakaway function for rotational reduction in a crash. Hydration ready (with optional hands-free kit). Moisture-wicking, breathable, anti- microbial and washable liner. Certified and tested to ECE2205/DOT, ACU Gold. Six adult sizes.
	LGPX 6.5 Carbon Junior	The Leatt GPX 6.5 Carbon Junior helmet is extremely lightweight and features the same head and brain protection as our adult helmets. Integrating 360 °Turbine Technology with Armourgel® cushioning material, the helmet is lined with turbines made of this 3D molded Armourgel®. Visor, with breakaway function for rotational reduction in a crash. The helmet is hydration ready (with optional hands-free kit), has a moisture-wicking, breathable, anti-microbial and washable liner and is certified and tested to ECE2205 or DOT. Two junior sizes.
	GPX 5.5 Composite	This race-ready composite off-road, light weight and

	<p>super ventilated helmet is equipped with 360 Turbine concussion and brain rotation safety technology. It has reduced outer shell volume, low friction cheek pads for emergency removal. Visor with breakaway function for rotational reduction in a crash. Hydration ready (with optional hands-free kit). Moisture-wicking, breathable, anti-microbial and washable liner. Certified and tested to ECE2205/DOT. Two junior sizes.</p>
<p>GPX 5.5 Composite Junior</p>	<p>Specifically designed to protect younger riders, the GPX 5.5 Composite Junior helmet boasts the same technology that makes the adult helmets so effective. The helmet is equipped with 360 Turbine concussion and brain rotation safety technology. It has reduced outer shell volume. Visor with breakaway function for rotational reduction in a crash. Hydration ready (with optional hands-free kit). Moisture-wicking, breathable, anti-microbial and washable liner. Certified and tested to ECE2205/DOT.</p>

DBX	These helmets are for downhill bicycle and BMX riders.	
	DBX 6.0 Carbon	The DBX Carbon helmet is the latest, lightest innovation that has been added to the Leatt bicycle helmet range. It is extremely lightweight and features innovative 360 °Turbine Technology integrated with Armourgel® cushioning material. Ten turbines made of 3D molded Armourgel® are set inside the helmet. Flexible in their natural state, these turbines stiffen upon impact and deform to absorb both vertical and rotational impact forces. This means that the faster or harder you fall, the better it works. Visor with breakaway function for rotational reduction in a crash and removable chin bar. The helmet has a Fidlock magnetic closure system. The Helmet has Moisture-wicking, breathable, anti-odor and washable liner. Certified and tested to EN1078; US CPSC; AND ASTM F1952-10. Six adult sizes.
	DBX 5.0 Composite	The composite bicycle helmets are made specifically to suit downhill and BMX riders needs, keeping both safety and comfort in mind. Making use of 360 °Turbine Technology integrated with Armourgel® cushioning material, they offer premium protection. The helmet features our innovative 360 °Turbine Technology and Armourgel® cushioning material. The Quattro Force Control is 3D in-molded impact foam for great energy absorption. This helmet has maximized ventilation. The Quattro Force Control is 3D in-molded impact foam for great energy absorption. Visor with breakaway function for rotational reduction in a crash and removable chin bar. The helmet has a Fidlock magnetic closure system. The Helmet has Moisture-wicking, breathable, anti-odor and washable liner. Certified and tested to EN1078; US CPSC; AND ASTM F1952-10. Six adult sizes.

Leatt Body Armor Range

While we remain committed to the ongoing improvement and enhancement of the Leatt-Brace®, we are also focusing on the development of related and complimentary protection products. We now offer additional protection products, such as chest protectors, that can be worn with or without the Leatt-Brace®, as well as ancillary products such as clothing. Such products have a wider range of uses including activities such as rugby, horseback riding, snowboarding, skiing and any activity where researched technology can be applied to help prevent injury.

In 2010 we launched the Leatt Body Armor Range with the introduction of the Leatt Adventure Chest Protector, a hard shell chest protector. In 2011 we introduced junior protectors, body vests and full body protectors, since then we have extended our range further to include more body protectors and vests, back protectors, elbow guards, knee guards and cooling vest. All our protectors come standard with the Brace-On integration system that attaches the protector to the Leatt-Brace® yet permits independent movement of the brace and protector.

In 2014 we expanded our range of body protection to meet the consumers need based on market feedback. We have expanded into new markets by adding a shoulder brace and C-Frame knee brace to this category. We included more

products specifically for the youth and children. We have further added two new products which combine back protectors with hydration packs. The Body Armor Range has seen an increase in sales since inception. Revenue derived from Leatt protection products in 2016 was 47% of total revenue, as compared to 47% of revenues in 2015.

- 10 -

Edgar Filing: Leatt Corp - Form 10-K

The following table sets out the types of body armor products currently sold by the Company:

Product Category	Models	Description
CHEST PROTECTORS:		
	Chest Protector 5.5 Pro HD	Front, back, shoulder and flank safety multilayer multiplate articulating design. Great fit and very comfortable by 3D design. Consists of 53 ventilation slots for maximum airflow. It includes the BraceOn neck brace fitting system. This product is Heavy Duty maximized protection. New FlipFit front and rear function allows over and under the shirt fitting with Leatt neck braces. Available also in XXL. It has a hard shell outer shield made of High Density Poly Ethylene (HDPE). This product includes 3DF impact foam. CE certified for impact protection: Shoulder protection EN1621- 1, Back protection EN1621- 2 level 2, Chest protection EN1621-3 level 2. Flank protection. Two adult sizes.
	Chest Protector 5.5 Pro	Front, back, and shoulder safety. Multilayer multiplate articulating design. Great fit and very comfortable by 3D design. 45 ventilation slots for maximum airflow. It includes the BraceOn® neck brace fitting system. New FlipFit front and rear function allows over and under the shirt fitting with Leatt neck braces. The absolute most protective and comfortable chest protector ever. Available also in XXL. This product's hard-shell outer protective shield is made from LEATT® HDPE High Density Poly Ethylene. This product includes 3DF impact foam. CE certified for impact protection: Shoulder protection EN1621-1, Back protection EN1621-2 level 2, Chest protection EN1621-3 level 2. Two adult sizes.
	Chest Protector Lite SHOX	The new SHOX design chest protector. HDPE High Density Poly Ethylene hard shell outer protective shield with our 3D design ensures a great fit that is very comfortable. Close fitting allows for over or under the jersey use. This protector is designed to fit with the Leatt neck brace. Includes BraceOn® brace strap and allows for individual movement of body, brace and protector. CE certified for roost protection: Chest EN 14021 approved. One adult size.
	Chest Protector Lite	This protector has three-dimensional design for perfect fit and fit with the Leatt neck brace. It is made of tough HDPE High Density Poly Ethylene hard shell outer protective shell and also includes a BraceOn® brace strap to improve fit. CE certified as roost protection: CE EN 14021. One adult size.
	Chest Protector Adventure	This protector has three-dimensional design for perfect fit and fit with the Leatt neck brace. It is made of tough

	<p>HDPE High Density Poly Ethylene hard shell outer protective shell and also includes a BraceOn® brace strap to improve fit. Upper arm roost protection. Adjustable waist straps for great fit. CE certified for impact protection: CE EN 14021. One adult size.</p>
Chest Protector 4.5 Pro	<p>This protector has 3D and multi-layer, multi-plate design promises a comfortable fit. This hard shell and 3DF AirFit ventilated soft impact foam. These ventilation slots allow for maximum airflow. The protector has BraceOn neck brace fitting system. CE certified for impact protection: Back protection EN1621-2 level 2, Chest protection EN1621-3 level 2, and shoulder protection EN 1621-1. Two adults sizes available.</p>
Chest Protector 4.5	<p>Front, back, and flank safety. Multilayer multi plate articulating design. Great fit and very comfortable by 3D design. Ventilation slots for maximum airflow. It includes the BraceOn® neck brace fitting system. This product's hard-shell outer protective shield is made from LEATT® HDPE High Density Poly Ethylene. This product includes 3DF impact foam. Removable front and rear plate function allows over and under the shirt fitting with the neck brace. CE certified for impact protection: Back protection EN1621-2 level 2, Chest protection EN1621-3 level 2. Two adult sizes.</p>

Edgar Filing: Leatt Corp - Form 10-K

Chest Protector 4.5 Hydra	This is a Body Protector which incorporates a 10 L back pack with 3l hydration pack. Integration with or without the neck brace. Optimal Airline back ventilation. Removable brace plate to wear under or over riding gear. Left and right hydration tube channeling. Integrated buckle system. Waterproof removable cell phone pouch. CE certified for impact protection. CE EN1621-2 level 2 back. CE EN1621-3 level 2 impact front. One adult size.
Chest Protector 4.5 Jacki (Ladies)	The 4.5 Jacki Chest Protector was designed specifically with the female body shape in mind. This protector has a hard shell and 3DF AirFit ventilated soft impact foam, with flank protection. This product has ventilation slots and a new mesh base layer to maximize airflow. CE tested and certified as impact protection: CE EN1621-3 Level 2 chest and CE EN1621-2 Level 2 back. One adult size.
Chest Protector 3DF Airfit	This is our top-of-the-line soft body protection range which offers a super lightweight, ventilated and secure strapping system. This protector is made of perforated, multi-layer, 3DF AirFit impact foam, the 3DF AirFit Chest Protector offers a soft, flexible fit but transforms into a harder, energy absorbing protector upon impact. CE tested and certified as impact protection: prEN1621-3 Level 1 chest and EN1621-2 Level 1 back. Two adult sizes.
Chest Protector 2.5	This light chest protector offers premium hard shell roost protection. The 3D design and adjustable waist straps offer a close fit that is also comfortable as well as ventilated. CE tested and certified as roost protection: EN14021 chest. One adult size.
Chest Protector 5.5 Pro HD Junior	The Pro HD has added Hardshell flank padding. It consists of 3D design with eight, multilayer, articulating plates, for a great fit. It has also been designed to integrate perfectly with all Leatt® neck braces although it works equally well without a neck brace. The BraceOn strap system attaches the protector to the neck brace yet permits independent movement of body, brace and chest protector. Fits over or under the jersey. 47 ventilation slots for maximum cooling. Perforated 3DF foam helps air flow. Hard shell outer shield made of High Density Poly Ethylene (HDPE). CE certified for impact protection: Shoulder protection EN1621-1, Back protection EN1621-2 level 1, and Chest protection EN1621- 3 level 2, Flank protection. One junior size.
Chest Protector 5.5 Pro Junior	This product is specifically designed to meet the highest CE safety approvals for front and back impact protection. The 3D design with eight, multi-layer, articulating plates,

	<p>for a great fit. It has also been designed to integrate perfectly with all Leatt® neck braces although it works equally well without a neck brace. BraceOn strap system attaches the protector to the neck brace yet permits independent movement of body, brace and chest protector. Fits over or under the jersey. 41 ventilation slots for maximum cooling. Perforated 3DF foam helps air flow. Hard shell outer shield made of High Density Poly Ethylene (HDPE). CE certified for impact protection: Shoulder protection EN1621-1, Back protection EN1621-2 level 1, and Chest protection EN1621- 3 level 2. One junior size.</p>
<p>Chest Protector Adventure Junior</p>	<p>This protector is designed especially for children and is designed to fit with the Leatt neck brace. It is made of tough HDPE High Density Poly Ethylene hard shell outer protective shell and also includes a BraceOn® brace strap to improve fit. CE certified for impact protection. CE EN 14021. One junior size.</p>

Chest Protector 4.5 Junior	Front, back, and flank safety. Multilayer multi plate articulating design. Great fit and very comfortable by 3D design. Ventilation slots for maximum airflow. It includes the BraceOn® neck brace fitting system. This product has Hard shell and 3DF AirFit ventilated soft impact foam. CE certified for impact protection: Back protection EN1621-2 level 1, Chest protection EN1621-3 level 2. Two junior sizes.
Chest Protector 4.5 Pro Junior	Front, back, shoulder and flank safety. Multilayer multi plate articulating design. Great fit and very comfortable by 3D design. Ventilation slots for maximum airflow. It includes the BraceOn® neck brace fitting system. This product includes 3DF AirFit ventilated soft impact foam. CE certified for impact protection: Back protection EN1621-2 level 1, Chest protection EN1621-3 level 2 and Shoulder EN 1621-1. Two junior sizes.
Chest Protector 2.5 Junior	This protector is a hard shell roost protection designed for mini riders. Our 3D design ensures a great fit that is very comfortable. Close fitting allows for over or under the jersey use. Liberal venting helps keep rider cool. Recess areas in both front and back integrates with Leatt® neck braces perfectly. Adjustable waist straps for great fit. Ergonomically designed buckles for kids. CE tested and certified as roost protection: Chest EN14021. One kids size.
Chest Protector 2.5 Kids	The 2.5 Kids Chest Protector hard shell protector specifically designed to protect the youngest riders and is equipped with an ergonomically designed buckle as well as adjustable waist straps to ensure a secure fit. CE tested and certified as roost protection. Certified for Chest EN14021. One kids size.

BODY PROTECTORS:

Body Protector 3DF AirFit	This Body Protector is soft protection. Great fit with elastic waist belt. New thin chest impact protection layer for non-brace riders. Super ventilation with 3DF AirFit impact foam. Three- dimensional designed for perfect fit. This product includes Moisture Cool wicking fabric to keep you cooler. Easy to wear zip-up compression sock design for maximum evaporation. BraceOn® flexible neck brace connection. It has removable Impact foam for easy washing. CE certified for impact protection. Elbow and arms protection EN1621-1, Back protection EN1621-2 level 2, Chest protection EN1621- 3 level 2. Three adult sizes.
Body Protector 3DF Airfit Wintersports	The 3DF AirFit Winter Sport Body Protector offers quality soft body protection that is CE tested and certified

	<p>as impact protection for the chest, back, elbows and shoulders. With a lighter weight, better ventilation and an ultra-secure strapping system. CE tested and certified as impact protection: Chest prEN1621-3 Level 1; Back EN1621-2 Level 1 and Elbow and shoulder EN1621-1. Three adult sizes.</p>
<p>Body Vest 3DF Airfit</p>	<p>This Body Vest is Level Two soft protection. Great fit with elastic waist belt. New thin chest impact protection layer for non-brace riders. Super ventilation with 3DF AirFit impact foam. Three- dimensional designed for perfect fit. This product includes Moisture Cool wicking fabric to keep you cooler. It has removable Impact foam for easy washing. CE certified for impact protection. Back protection EN1621-2 level 2, Chest protection EN1621- 3 level 2. Shoulder EN1621-1 Level 1. Three adult sizes.</p>

<p>Body Protector 3DF</p>	<p>Airfit Lite Light and slim body protector with Level One soft protection. Multilayer Level One back protector and chest protector. Extra chest impact protection layer on upper chest for better protection for non neck brace users. Great fit with elastic waist belt. Maximum ventilated and light weight 3DF AirFit impact foam. Three-dimensional design for perfect fit. This product includes Moisture Cool wicking fabric to keep you cooler. Easy to wear zip-up compression sock design for maximum evaporation. BraceOn® flexible neck brace connection. It has removable Impact foam for easy washing. CE certified for impact protection. Elbow and arms protection EN1621-1, Back protection EN1621-2 level 1, Chest protection EN1621-3 level 1. Three adult sizes.</p>
<p>Body Vest 3DF Airfit Lite</p>	<p>Light and slim body protector with Level One soft protection. Multilayer Level One back protector and chest protector. Extra chest impact protection layer on upper chest for better protection for non-neck brace users. Great fit with elastic waist belt. Maximum ventilated and light weight 3DF AirFit impact foam. Three-dimensional design for perfect fit. This product includes Moisture Cool wicking fabric to keep you cooler. Easy to wear zip-up compression sock design for maximum evaporation. BraceOn® flexible neck brace connection. It has removable Impact foam for easy washing. CE certified for impact protection. Back protection EN1621-2 level 1, Chest protection EN1621-3 level 1. Three adult sizes.</p>
<p>Body Vest 3DF Airfit Wintersports</p>	<p>The soft 3DF AirFit Winter Sport Body Vest offers lightweight and ventilated CE tested and certified impact protection for the chest and back. With an ultra-secure elastic chest strap, the vest will stay in place during riding. It is also designed to fit most body shapes comfortably with a 3D design. CE tested and certified as impact protection Chest prEN1621-3 Level 1 and Back EN1621-2 Level 1. Three adult sizes.</p>
<p>Body Protector 5.5</p>	<p>This product has a multilayer multi plate articulating design with provides protection for front, bank and flank. Ventilation slots that maximize airflow and Moisture Cool wicking fabric to keep you cooler. BraceOn neck brace fitting system. New flipfit front and rear function allows over and under the shirt fitting with a neck brace. Protection is provided by 3DF foam for impact absorption and HDPE High Density Poly Ethylene hard shell outer protective shell. CE certified for impact protection. CE EN 1621-1 elbow and arms. CE EN1621-2 level 2 back. CE EN1621-3 level 2 impact front. Three adult sizes</p>

<p>Body Vest 5.5</p>	<p>This product has a multilayer multi plate articulating design with provides protection for front, bank and flank. Ventilation slots that maximize airflow and Moisture Cool wicking fabric to keep you cooler. BraceOn neck brace fitting system. New flipfit front and rear function allows over and under the shirt fitting with a neck brace. Protection is provided by 3DF foam for impact absorption and HDPE High Density Poly Ethylene hard shell outer protective shell. CE certified for impact protection. CE EN1621-2 level 2 back. CE EN1621-3 level 2 impact front. Three adult sizes.</p>
<p>Body Protector 4.5</p>	<p>This hard shell reinforced CE certified 3DF body protector has HDPE High Density Poly Ethylene hard shell outer protective shield. Perforated 3DF AirFit impact foam. Multi- layer multi- plate articulating design. Our 3D design ensures a great fit that is very comfortable. Ventilation slots for maximum airflow. CE tested and certified as impact protection: Chest prEN1621-3 Level 2, Back EN1621-2 Level 2 and Elbow and Shoulder EN1621-1. Three adult sizes.</p>

<p>Body Vest 4.5</p>	<p>This hard shell reinforced CE certified 3DF body vest has HDPE High Density Poly Ethylene hard shell outer protective shield. Perforated 3DF AirFit impact foam. Multi-layer multi- plate articulating design. Our 3D design ensures a great fit that is very comfortable. Ventilation slots for maximum airflow. CE tested and certified as impact protection: Chest prEN1621-3 Level 2, Back EN1621-2 Level 2. Three adult sizes.</p>
<p>Body Tee 3DF Airfit Lite</p>	<p>This 3DF AirFit Lite Tee offers light and slim CE Level 1 soft protection for your upper body. The flexible foam is light to wear and very well ventilated, yet absorbs energy up on impact for optimal safety. CE tested and certified as impact protection: Chest prEN1621-3 Level 1, Back EN1621-2 Level 1 and Shoulder EN1621-1. Three adult sizes.</p>
<p>LEATT Roost Tee</p>	<p>Ultra lightweight roost tee. Vented roost padding over chest and upper arms. MoistureCool wicking fabric to help keep rider cool. Fits snug direct on the body. It comes in a cool grey color which will not shine through the jersey. It has non- aggressive over lock seams. It has a front, rear and side panel stretch for ultimate fit. Long back cut. Three adult sizes.</p>
<p>Body Protector 5.5 Junior</p>	<p>This product is maximized junior protection. It has front, back, shoulder and elbow protection. It is a multilayer and multi plate articulating design and great fit and comfort. Ventilation slots that maximize airflow and Moisture Cool wicking fabric to keep you cooler. BraceOn neck brace fitting system. New flipfit front and rear function allows over and under the shirt fitting with a neck brace. Protection is provided by 3DF foam for impact absorption and HDPE High Density Poly Ethylene hard shell outer protective shell. CE certified for impact protection. CE EN 1621-1 elbow and arms. CE EN1621-2 level 1 back. CE EN1621-3 level 2 impact front. Two junior sizes.</p>
<p>Body Protector 4.5 Junior</p>	<p>This hard shell reinforced CE certified 3DF body protector has HDPE High Density Poly Ethylene hard shell outer protective shield. Perforated 3DF AirFit impact foam. Multi- layer multi- plate articulating design. Our 3D design ensures a great fit that is very comfortable. Ventilation slots for maximum airflow. CE tested and certified as impact protection: Chest prEN1621-3 Level 2, Back EN1621-2 Level 1 and Elbow and Shoulder EN1621-1. Two junior sizes.</p>
<p>LEATT Roost Tee Junior</p>	<p>Ultra lightweight roost tee made of MoistureCool wicking fabric to help keep rider cool. Fits snug direct on the body. It comes in a cool grey color which will not</p>

	shine through the jersey. It has non- aggressive over lock seams. It has a front, rear and side panel stretch for ultimate fit. Long back cut. One junior size.
Body Protector 3DF Airfit Lite Junior	Three-dimensional designed for perfect fit. Lighter weight. Greater comfort. Moisture Cool wicking fabric to keep you cooler. Easy to wear zip-up compression sock design should be worn next to the skin for maximum evaporation. LEATT 3DF Foam for premium protection. Removable foam for easy washing. CE certified for impact protection. CE EN 1621-1 elbow and arms. CE EN1621-2 level 2 back. CE EN1621-3 level 2 impact front. Two junior sizes.

BACK PROTECTOR:	
Back Protector 3DF	Three-dimensional designed for perfect fit. Bio engineered back with 3D contour shape like your spine. Light weight and greater comfort. Moisture Cool wicking fabric to keep you cooler. Easy to wear zip-up compression sock design should be worn next to the skin for maximum evaporation. LEATT 3DF Foam for premium protection. Removable foam for easy washing. CE certified for impact protection. CE EN1621-2 level 2 back. Three adult sizes.
Back Protector 3DF Airfit Wintersports	The 3DF Winter Sport Back Protector offers CE tested and certified impact protection for your back. Constructed from a blend of 3DF AirFit soft impact foam, new MoistureCool fabric that controls odor, and AirMesh fabric that wicks moisture away from the body, this protector is comfortable and provides premium protection. The 3DF AirFit ventilated soft impact foam. CE tested and certified as impact protection: Back EN1621-2 Level 1. Three adult sizes.
Hydration Cargo 3.0 DBX	This product incorporates back protector and hydration pack in one. It has a 3l hydration pack with Leatt Flat CleanTech bladder. The back pack has 10l volume with outer pocket for MTB helmet. Back protector incorporates 3DF impact protection. Waterproof removable pouch for cellphone. Inner and outer compartments for the back pack. Water bottle holders and volume regulating straps on backpack. CE certified for impact protection. CE EN1621-2 level 2 back. One adult size.
Hydration Cargo 3.0 GPX	This product incorporates back protector and hydration pack in one. It has a 3l hydration pack with Leatt Flat CleanTech bladder. The back pack has 10l volume. Back protector incorporates 3DF impact protection. Waterproof removable pouch for cell phone. Inner and outer compartments for the back pack. Water bottle holders and volume regulating straps on backpack. CE certified for impact protection. CE EN1621- 2 level 2 back. One adult size.
Hydration Pack DBX Enduro Lite WP 2.0	Waterproof light bicycle hydration with back protector. Fully welded waterproof lightweight bicycle hydration system with multi impact level 1 back protector. The unique chest harness ensures a very solid fit making the waist strap obsolete. Includes bottom jacket/protector storage straps, heat resistant encapsulated bladder pocket and a strap system for full face or/and MTB helmet. CE tested and certified as impact protection: Back EN1621-2 Level 1. One size fit all.

Edgar Filing: Leatt Corp - Form 10-K

<p>Hydration Pack DBX Mountain Lite 2.0</p>	<p>Slim and ultra-light bicycle hydration with back protector with 2.0L Flat CleanTech bladder and 1.0L luggage. Unique light weight chest harness for a rock solid fit. Mesh storage pocket inside the bag. Optimal AirLine back ventilation. Heat reflective inner back panel to keep liquid cool or hot. Lightweight helmet carrier system for full face or/and MTB helmet. Dual hydration tube exit for 2-way routing. CE tested and certified as impact protection: Back EN1621-2 Level 1. One size fits all.</p>
---	--

SHOULDER BRACE:

<p>Shoulder Brace</p>	<p>This shoulder brace has the correct anatomical pull forces to help prevent a shoulder dislocation. It fits snug under the rider's jersey with adjustable compression. Three adult sizes.</p>
-----------------------	---

ELBOW GUARDS:

<p>Elbow Guard Airflex</p>	<p>This is the slimmest, lightest elbow guard made by Leatt®. The new super slim 6mm CE impact certified elbow guard which weighs only 240 g grams per pair. CE Certified for impact protection: Elbow EN 1621-1. Five adult sizes: S, M, L, XL and XXL.</p>
----------------------------	--

Elbow Guard 3DF 5.0	The soft CE certified 3DF elbow guard has premium elbow protection in a slimmer, softer, more flexible design. This pure soft shell guard is big on protection yet lightweight and very comfortable. Pre-curve design for better fit & function. It s made with our innovative 3DF foam that absorbs energy on impact. CE tested and certified as impact protection: Elbow EN1621-2 Five adult sizes.
Elbow Guard 3DF Hybrid	This elbow guard combines soft and comfortable 3DF foam with deflecting hard shell. Moisture Cool wicking fabric to keep you cooler and silicone laminations keep protectors in place. CE certified for impact protection. CE EN1621- 1. Three adult sizes.
Elbow Guard 3.0	The hard-shell elbow guard is comfortable and very easy to slip on and off with the X-straps and offers a full hard shell elbow protection. Co-molded soft rubber edges for extra comfort, 3D design for optimal fit with specific left and right sides and vented plates for maximum airflow. Three adult sizes.
Elbow Guard Contour	The Contour elbow guard offers full hard shell elbow protection with co-molded soft edges for comfort. They are slim, lightweight and comfortable with a great fit and silicone cuffed MoistureCool sock. Silicone printed non slip cuffs. CE certified for impact protection: Elbow CE EN1621- 1. Three adult sizes.
Elbow Guard 3DF 5.0 Junior	The 3DF 5.0 Junior Elbow Guards have a new pre-curved design that promises a better fit as well as functionality. Now with a 25% slimmer CE impact certified profile, these elbow guards are ultra- slim. The 3DF AirFit ventilated soft impact foam. CE tested and certified as impact protection: Elbow EN1621-1. One junior size.
Elbow Guard 3DF 5.0 Kids	This is a soft 3DF elbow guard designed for kids. It has soft & flexible 3DF impact material; abrasion resistant Aramid outer layer for durability and silicone printed elastic non slip cuffs. It is constructed with new MoistureCool & AirMesh fabrics. CE tested and certified as impact protection: Elbow EN1621-2. One kids size.
Elbow Guard 3DF Hybrid Junior	The company has taken the 3DF Elbow Guards and added hard shell impact area. Combining the best of our soft and hard shell protector materials, the Hybrid features 3DF AirFit soft impact foam as well as hard shell deflecting areas. 3DF AirFit ventilated soft impact foam with hard shell areas. CE tested and certified as impact protection: Elbow EN1621-1. One junior size.
Elbow Guard Contour Junior	The Junior Contour Elbow Guard is designed to fit junior riders and is constructed from soft shell 3DF AirFit

	<p>impact foam yet is reinforced with hard shell for additional elbow protection. 3DF AirFit impact foam is special because its soft structure transforms into a hard, energy absorbing protector when subjected to impact. It also has silicone printed elbow grip, new anti-odor MoistureCool and AirMesh wicking fabrics and silicone printed, non-slip cuffs. CE tested and certified as impact protection: Elbow EN1621-1. One junior size.</p>
<p>KNEE BRACE</p>	
<p>Knee Brace C-Frame</p>	<p>This knee brace has three-point force distribution with super stiff C-arm mono hinge construction. The adjustable soft lockout prevents hyperextension of the knee. It has super low profile inner knee for superior bike control. X-strap thigh and calf fitment with adjustable inner knee load pad. Leatt IntelliLink hinge with double pivot points and ferro-ligaments control knee rotation and shear. CE certifies for knee impact protection. Certified as medical device: EU CA014741 and USA FDA 10048761. CE tested and certified as impact protection: Knee EN1621-1. Three adult sizes.</p>

<p>Knee Brace C-Frame Wintersport</p>	<p>This knee brace has three-point force distribution with super stiff C-arm mono hinge construction. The C-Frame Wintersport Knee Brace is engineered specifically for ski and board riders looking for quality knee protection. Super comfortable, low-profile shin bone plate with load distribution pad that fits inside all boots. InteliLink hinge with double pivot points and sealed bearings. Certified as medical device: EU CA014741 and USA FDA 10048761. CE tested and certified as impact protection: Knee EN1621-1. Three adult sizes.</p>
<p>Knee Brace C-Frame Pro Carbon</p>	<p>This knee brace has three-point force distribution with super stiff C-arm mono hinge construction. The adjustable soft lockout prevents hyperextension of the knee. It has super low profile inner knee for superior bike control. X-strap thigh and calf fitment with adjustable inner knee load pad. Leatt InteliLink hinge with double pivot points and ferro-ligaments control knee rotation and shear. CE certifies for knee impact protection. CE 1621-1. Three adult sizes.</p>
<p>Knee Brace Pants</p>	<p>Designed to keep the knee brace in its correct position by not slipping down, our knee brace pants are made of new anti-odor, wicking material with strategically placed knee brace reinforcement panels. The pants fit comfortably as they are flatlock stitched and equipped with a super soft knitted waistband with silicone grip to help keep them in place. Three adult sizes.</p>
<p>Knee Brace Sleeve</p>	<p>This sleeve is manufactured using Moisture Cool wicking fabric with flatlock stitching for extra comfort. This extra sleeve folds over the knee brace and prevents slipping. Three adult sizes.</p>
<p>Knee Brace Socks</p>	<p>The full-length knee brace socks are designed to be worn under the knee braces. The socks' upper areas are made of MoistureCool material whereas the back areas are made of X-Flow mesh for ventilation. To keep socks in place, they have silicone printed, non-slip cuffs. Three adult sizes: S, M and L.</p>

KNEE AND LEG GUARDS:

<p>Knee Guard Dual Axis</p>	<p>Three-dimensional designed for perfect fit. Light Weight. Greater comfort. Large vents help keep rider cool. Slim over or under the pants design. Leatt HDPE (High Density Poly Ethylene) hard shell outer protective shield. Anatomically correct dual pivot points. LEATT Foam for premium protection. CE certified for impact protection. CE EN1621-1. Three adult sizes.</p>
<p>Knee Guard Enduro</p>	<p>This product consists of a hard-shell sliding surface with 3DF impact absorption body. Silicone laminated straps</p>

	keeps protector in place with maximum ventilation. The co-molded rubber edges increases comfort. CE certified for impact protection. CE EN1621-1. Two adult sizes.
Knee Guard Airflex Pro	This ultra slim AirFlex knee guard offers great impact protection and a slim fit. 6mm CE impact certified profile. New side & upper knee impact protection. New silicon printed cupped knee grip. Silicone printed non slip cuffs. New single sizing for perfect fit. CE tested and certified as impact protection: Knee EN1621-2. Five adult sizes.
Knee Guard 3DF 5.0	This soft CE certified 3DF knee guard has increased side protection. This pure soft shell guard is big on protection yet lightweight and comfortable. Abrasion resistant Aramid outer layer for durability, new wider silicone printed elastic cuffs, new 30mm low profile elastic Velcro strap with easy pull suede finger tabs with MoistureCool and AirMesh fabrics. CE tested and certified as impact protection: Knee EN1621-2. Three adult sizes.

Edgar Filing: Leatt Corp - Form 10-K

Knee Guard 3DF 5.0 Junior	This soft CE certified 3DF knee guard has increased side protection. This pure soft shell guard is big on protection yet lightweight and comfortable. Abrasion resistant Aramid outer layer for durability, new wider silicone printed elastic cuffs, new 30mm low profile elastic Velcro strap with easy pull suede finger tabs with MoistureCool and AirMesh fabrics. CE tested and certified as impact protection: Knee EN1621-2. One junior size.
Knee Guard 3DF 5.0 Kids	The protector was designed to fit the youngest of riders. Constructed from a blend of anti-odor MoistureCool and AirMesh wicking fabric, it is further reinforced with 3DF AirFit impact foam. This soft and flexible foam is revolutionary because it adapts comfortably to the body shape and motions but converts into a hard, energy absorbing protector upon impact. CE tested and certified as impact protection: Knee EN1621-1. One kids size.
Knee Guard 3DF Hybrid	This protector consists of deflecting hard shell with soft and comfortable 3DF foam. Moisture Cool wicking fabric to keep you cooler. CE certified for impact protection. CE EN1621-1. Three adult sizes.
Knee Guard 3DF Airflex	This knee guard is super slim 6mm which weighs only 105 grams. It consists of Armourgel's ultra slim impact absorbing gel. Moisture Cool wicking fabric to keep you cooler. CE certified for impact protection. CE EN1621-1. Three adult sizes.
Knee and Shin Guard EXT	The EXT Knee and Shin Guards sport an extended length design and offer premium protection for the knees and shins. It consists of a hard-shell sliding surface with 3DF Airfit ventilated soft impact foam. Silicone laminated straps keeps protector in place with maximum ventilation. The co-molded rubber edges increases comfort. CE certified for impact protection. CE EN1621-1. Two adult size.
Knee and Shin Guard EXT Junior	The EXT Knee and Shin Guards sport an extended length design and offer premium protection for the knees and shins. It consists of a hard-shell sliding surface with 3DF Airfit ventilated soft impact foam. Silicone laminated straps keeps protector in place with maximum ventilation. CE tested and certified as impact protection: Knee and shin EN1621-1. One junior size.
Knee and Shin Guard 3DF Hybrid EXT	This protector consists of deflecting hard shell with soft and comfortable 3DF foam. Moisture Cool wicking fabric to keep you cooler. CE certified for impact protection. CE EN1621-1. Three adult sizes.

Edgar Filing: Leatt Corp - Form 10-K

<p>Knee and Shin Guard 3DF Hybrid EXT Junior</p>	<p>This protector boasts the same technology as the adult version. The original 3DF AirFit range is made of soft, ventilated impact foam that is flexible in its natural state but instantly transforms into a hard, energy absorbing substance upon impact to provide protection. CE tested and certified as impact protection: Knee and shin EN1621-1. One junior size.</p>
<p>Knee and Shin Guard 3.0 EXT</p>	<p>This protector is a hard-shell knee & shin guard combined with 3DF impact absorbing body. It has 3D design for optimal fit with specific left and right sides. Slim shin plate that also fit inside boots. CE tested and certified as impact protection: Knee & shin EN1621-2. Three adult sizes.</p>

Knee and Shin Guard Dual Axis	These are hard shell reinforced CE certified 3DF knee & shin guards. The pivoting Dual Axis full hard shell knee & shin protection offers the most protection of all Leatt knee guards. They are slim under the boot fit, lightweight, comfortable and has great ventilation. CE tested and certified as impact protection: Knee EN1621-2. Three adult sizes.
-------------------------------	---

KIDNEY BELT:

Kidney Belt 3DF	Kidney belt with CE certified lumbar impact protection. Dual action elastic closure for maximum support, 3DF foam for impact protection. Thermo foamed 3D air channels for maximum ventilation. Extra wide and comfortable waist stretch. CE certified for impact protection. Lumbar EN1621-2 Level 1. Three adult sizes.
-----------------	---

IMPACT SHORTS:

Impact Shorts GPX 5.5 Airflex	Our off-road impact shorts feature ultra-slim protection by making use of Armourgel®. This low profile solution is flexible in its natural state for a comfortable fit, but hardens immediately when subjected to impact. Pre-shaped 3D design for better fit and function CE tested and certified as impact protection: Hip EN1621-1 Level 1. Six adult sizes.
Impact Shorts DBX 5.0 Airflex	Our bicycle impact shorts might be super slim and offer premium impact protection. They are ideal for those looking for a dual density seat padding or chamois. The hip pads are ultra-thin 6mm to be exact. Made of 3D molded Armourgel®, a low profile solution that is flexible in its natural state, but stiffens upon impact. CE tested and certified as impact protection: Hip EN1621- 1 Level 1. Five adult sizes

Leatt Apparel Range

In 2015 we introduced a new product category of gloves to the range and expanded our cooling product range. In 2016 added a full apparel range for off-road motorcycle riders and bicycle riders. This range includes jackets, jerseys, pants and shorts. All products in this range come in a various trendy of colors. We also sell casual clothing and socks that is updated annually.

COOLING WEAR:

Coolit Evaporative Cooling Vest	This product is made from a patented Hyperkewl™ cooling fabric that is designed to lower the body temperature. It fits snugly on the body under a body protector and is light-weight. Seven adult sizes.
Coolit Evaporative Cooling Tee	This product is also made from a patented Hyperkewl™ cooling fabric that is designed to lower the body temperature. It is the only product with sleeves in this range. It fits snugly on the body under a body protector

Edgar Filing: Leatt Corp - Form 10-K

	and is light-weight. Seven adult sizes.
Pre-Cool Cooling Vest	This product is for cooling riders down before, after and between races. Patented TechKewl cooling inserts. Keeps 14C or 58F temperature for 3 hours. Lowers body temperature. Increases body performance. Fits directly on body. Non- aggressive over lock seams. Front, rear and side panel stretch for ultimate fit. Cool white/grey. Three adult sizes.

GLOVES:

Glove DBX 2.0 X-Flow	The X-Flow gloves are the lightest gloves in the range with its upper made of fully vented four-way stretch mesh material. It has brush guard reinforcement over the fingers and knuckles, which is an ultra-thin and four-way flex film that is feather-light and increases scratch and abrasion resistance properties of base material. Four adult sizes.
----------------------	---

<p>Glove GPX 2.5 X-Flow</p>	<p>The 2.5 X-Flow gloves are the lightest and most minimalistic gloves of the off-road racing range. Its upper is made of X-Flow, a four-way stretch mesh material that offers maximum airflow, whilst its palm is made of NanoGrip, making it extremely durable and breathable. Five adult sizes.</p>
<p>Glove DBX 3.0 Lite</p>	<p>The 3.0 Lite bicycle gloves upper are made of light and vented four-way stretch material. The knuckles are reinforced with 3D molded Armourgel®, an energy absorbing solution that is flexible in its natural state, but hardens upon impact. NanoGrip palm for ultra-thin for maximum bike feel. CE tested as impact protection: Knuckle EN 13594:2015. Four adult sizes.</p>
<p>Glove DBX 3.0 X-Flow</p>	<p>This product is a super vented X-Flow mesh bicycle glove with impact protection. The glove has 3D molded self-locating Armourgel impact protection for knuckles. This glove has Genuine Clarino Japan palm: Micro fiber technology, 3D intervened fiber layout, soft and flexible, great dry and wet grip and two silicone finger grips. CE tested as impact protection: Knuckle prEN 13594:2014. Six adult sizes.</p>
<p>Glove GPX 3.5 Lite</p>	<p>The 3.5 Lite gloves offer a super lightweight fit with Armourgel®, a low-profile energy absorbing solution, protection panels on its knuckles. Armourgel® offers superior impact protection as it hardens upon impact, even though it is flexible in its natural state. NanoGrip palm for ultra-thin for maximum bike feel. CE tested as impact protection: Knuckle EN 13594:2015. Five adult sizes.</p>
<p>Glove GPX 3.5 X-Flow</p>	<p>This product is a super vented X-Flow mesh Off-Road glove with impact protection. The glove has 3D molded self-locating Armourgel impact protection for knuckles. This glove has Genuine Clarino Japan palm: Micro fiber technology, 3D intervened fiber layout, soft and flexible, great dry and wet grip and two silicone finger grips. CE tested as impact protection: Knuckle prEN 13594:2014. Six adult sizes.</p>
<p>Glove DBX 4.0 Windblock</p>	<p>This product is a slim and protective windproof bicycle glove. The glove has 3D molded self-locating Armourgel impact protection for: knuckles, third finger and fourth finger. The glove also features NanoGrip palm: Ultra-thin for maximum bike feel, Nano fiber technology 7.500 thinner than hair, very stretchy and flexible and has touch screen function. CE tested as impact protection: Knuckle prEN 13594:2014. Six adult sizes.</p>
<p>Glove DBX 4.0 Lite</p>	<p>This product is a vented bicycle glove. The glove has 3D</p>

	<p>molded self-locating Armourgel impact protection for: knuckles, third finger and fourth finger. The glove also features NanoGrip palm: Ultra-thin for maximum bike feel, Nano fiber technology 7.500 thinner than hair, very stretchy and flexible and has touch screen function. CE tested as impact protection: Knuckle prEN 13594:2014. Six adult sizes.</p>
Glove GPX 4.5 Lite	<p>This product is a vented Off-Road glove. The glove has 3D molded self-locating Armourgel impact protection for: knuckles, third finger and fourth finger. The glove also features NanoGrip palm: Ultra-thin for maximum bike feel, Nano fiber technology 7.500 thinner than hair, very stretchy and flexible and has touch screen function. CE tested as impact protection: Knuckle prEN 13594:2014. Six adult sizes.</p>

<p>Glove GPX 5.5 Lite</p>	<p>This is a vented Off-Road glove with optimum protection. The glove has 3D molded self-locating Armourgel impact protection for: knuckles, fingers & thumb and upper hand. The glove also features NanoGrip palm: Ultra-thin for maximum bike feel, Nano fiber technology 7.500 thinner than hair, very stretchy and flexible and has touch screen function. CE tested as impact protection: Knuckle prEN 13594:2014. Six adult sizes.</p>
<p>Glove GPX 5.5 Windblock</p>	<p>This product is a slim and protective windproof off-road glove. The glove has 3D molded self-locating Armourgel impact protection for: knuckles, fingers & thumb and upper hand. The glove also features NanoGrip palm: Ultra-thin for maximum bike feel, Nano fiber technology 7.500 thinner than hair, very stretchy and flexible and has touch screen function. CE tested as impact protection: Knuckle prEN 13594:2014. Six adult sizes.</p>

RIDING JACKETS

<p>WEC Jacket</p>	<p>The W.E.C. jacket is a water resistant, lightweight off road riding jacket with some heavy-duty features. The company's main concern in designing a jacket like this is the ability for it to integrate with neck braces yet still be comfortable and easy to wear. The collapsible, waterproof fabric, neck allows the rider to decide if they would like to cover up the neck brace and seal out the elements or leave the weather collar off the brace to allow a little more ventilation. Zip off arms add versatility. Rubber arm guards help protect jacket from abuse from trees, bushes and rocks. The jacket has five cargo pockets and one waterproof chest pocket.</p>
<p>SNX Jacket</p>	<p>The SNX jacket is a snow-specific jacket designed by Leatt® for a perfect fit with the SNX Leatt-Brace®. Wear a jacket designed around the Leatt-Brace® not modified to accept it.</p>
<p>Pro Jacket</p>	<p>The Pro jacket is a fully waterproof, windproof jacket with a hidden neck cuff that stretches over a neck brace to help keep out the elements. Soft, pliable and durable the Cordura outer shell has fully taped seams and waterproof zippers to keep the water out on even the longest of rides. It also features removable CE certified shoulder and elbow protectors and has a rear pocket for optional CE back protector. 3M reflective material adds safety for road use</p>
<p>Jacket GPX 5.5 Enduro</p>	<p>This off-road jacket sports zip-off arms, large zip-adjusted ventilation, and has an internal hydration pocket with a bladder suspension system for up to three</p>

	<p>liters. Its neck collar was made specifically to be worn over your neck brace, the collar to go around your neck brace, the neck brace to be covered by the collar, or to be worn without a neck brace. It is also tailored to be worn with or without your body armor. Protection offered by the jacket is enhanced by brush guard, an ultra-thin flex film that is feather-light and increases scratch and abrasion resistance properties of the base material, along with reinforcement over the elbows. It also has a total of nine pockets, which includes water resistant pockets and touch screen pocket.</p>
<p>Jacket GPX 4.5 X-Flow</p>	<p>The lighter off-road jacket, the GPX 4.5 is made of a lightweight shell as well as front and rear panels made of X-Flow mesh material, and a Spandura stretch panel on sides of jacket enables comfortable movement. Its neck collar was made specifically for your neck brace to be worn over the collar, to go around your neck brace, the neck brace to be covered by the collar, or to be worn without a neck brace. It is also designed to be worn with or without your body armor. It has pre-curved, zip-off arms and for added protection the elbows are reinforced with brush guard, an ultra-thin flex film that is feather-light and increases scratch and abrasion resistance properties of the jacket's base material.</p>

<p>Jacket DBX 5.0 All-Mountain</p>	<p>This brand new top-of-the-line bicycle jacket is engineered to keep riders shielded and has a sleek design. Made of three-layer HydraDri material, a lightweight and breathable fabric with a <u>waterproof</u> rating of 20,000/20,000mm, which means that it is water-resistant under high pressure. It repels water while still allowing moisture to escape. This fabric was designed to be used in all weather conditions. The DBX 5.0 jacket is reinforced with hidden stitching and has YKK AquaGuard zippers. For further protection, it is reinforced with brush guard fabric, an ultra-thin flex film that is feather-light and increases scratch and abrasion resistance properties of material, on the shoulders and elbows. It is neck brace compatible, tailored to be worn over slim protection, and designed to pair perfectly with the DBX 5.0 shorts. The jacket's three-point, fully adjustable hood has reflective printing and fits over all full-face helmets. This jacket has silk storm cuffs and a silicone printed tail at the back to prevent jacket rise.</p>
<p>Jacket DBX 4.0 All-Mountain</p>	<p>The DBX 4.0 jacket is made of soft shell, four-way stretch and water resistant material and has YKK zippers and hidden reinforced stitching. For extra protection, it has brush guard fabric protection on the shoulders and elbows, which increases scratch and abrasion resistance properties of the jacket's base material. Although this jacket is windproof, it is breathable and will keep riders cool with front and rear ventilation. For added comfort, it has stretch fit cuffs and hems and has a silicone printed tail at the back to prevent jacket rise.</p>
<p>JERSEYS</p>	
<p>Jersey GPX 5.5 Ultraweld</p>	<p>The GPX 5.5 Ultraweld jersey offers an ultra-light layer of protection for off-road racing. It is made of four-way stretch mesh fabric that is MoistureCool wicking and has air channels. Its tape-bonded seams offer a superior level of comfort and its comfortable athletic stretch fit allows riders to wear the jersey with or without body armor and neck brace. Its silicone tail easily connects to the Leatt off-road pants and its bar task stitching offers critical reinforcement whilst the brush guard fabric over the elbows offers added protection as it is an ultra-thin flex film that is feather-light and increases scratch and abrasion resistance properties of the material.</p>
<p>Jersey GPX 4.5 Windblock</p>	<p>Designed to be worn for off-road riding in all weather conditions, the Windblock jersey offers a comfortable layer of protection. It has a windproof and dirt/water repellent coated chest, arms and sides and, to offer rider ventilation whilst riding, the back panel is made of an</p>

	<p>anti-odor mesh fabric that has MoistureCool wicking properties. This jersey was engineered to not only offer protection against all weather conditions, but to also offer comfort and convenience while riding, and therefore its stretch fit enables it to be paired with or without body armor and neck brace. It also has a silicone printed tail that will easily connect to the Leatt off-road pants.</p>
Jersey GPX 4.5 Lite	<p>For a light layer that offers comfort and protection, the Lite jersey is made of a MoistureCool wicking fabric with air channels. Its stretch fit is designed specifically to be worn with or without body armor and its neck collar is neck brace compatible. For added comfort, the Lite jersey has overlapped stitched seams and a silicone tail that connects to the Leatt off-road pants.</p>

<p>Jersey GPX 4.5 Flow</p>	<p>The X-Flow mesh fabric makes this jersey lightweight and with MoistureCool wicking properties. It is also extremely comfortable with a stretch fit that will enable the Rider to wear it over body armor. Its neck collar is also designed to be worn with or without your neck brace for added convenience. The Leatt off-road jerseys pair well with the off-road pants as they have a silicone printed tail to connect to it. For added comfort, the jerseys seams are overlapped stitched</p>
<p>Jersey DBX 5.0 All-Mountain</p>	<p>The long-sleeved DBX 5.0 jersey is breathable yet windproof and has a dirt/water repellent coated chest, arms and sides. It was not only designed to fight the effects of the weather, but is tailored specifically to be worn with or without body armor and to be neck brace compatible. It has silicone inside that enables it to grip to the Leatt bicycle pants, as well as a zipper pocket with a microfiber goggle wiper. The jersey's back panel is made of breathable, super moisture wicking and quick-drying Miharo material whereas the elbows are reinforced with brush guard fabric, an ultra-thin flex film that increases scratch and abrasion resistance properties of material. The jacket has tape bonded seams for supreme comfort and bar task stitching for critical reinforcement.</p>
<p>Jersey 4.0 Ultraweld</p>	<p>Made to be a lighter layer of protection than the DBX 5.0 jersey, the DBX 4.0 bicycle jersey is made of ultra-light, four-way stretch mesh fabric that is MoistureCool wicking and has air channels. Its athletic stretch fit makes it perfect to be worn with or without body armor, and it is neck brace compatible. The elbows of the jersey are reinforced with brush guard, an ultra-thin flex film that is feather-light and increases scratch and abrasion resistance properties. It has tape bonded seams to make it super comfortable and has bar task stitching for critical reinforcement. For added comfort, it has silicone print inside so that it can grip to the Leatt bicycle pants.</p>
<p>Jersey DBX 3.0</p>	<p>The shorter sleeved bicycle jersey that offers a casual look. The DBX 3.0 jersey has three-quarter length sleeves and is made of a stretch mesh fabric that is MoistureCool wicking and that has air channels. It offers a comfortable fit with overlock stitched seams, a stretch fit that conveniently enables it to be worn with or without body armor, and its neck collar was designed to be neck brace compatible.</p>
<p>Jersey DBX 2.0</p>	<p>The DBX 2.0 Jersey is made of a casual-looking, cotton-feel Rayon material. An extremely lightweight, stretchy and breathable material, its back panel is made of MoistureCool wicking mesh fabric for added</p>

	<p>ventilation. For added comfort, it has a stretch fit so that it can be worn with or without body armor, and its neck collar is specifically designed to pair with a neck brace.</p>
<p>BICYCLE SHORTS</p>	
<p>Shorts DBX 5.0</p>	<p>Made specifically to pair with the DBX 5.0 Jacket, the DBX 5.0 Shorts are also made of three-layer HydraDri material. With an all-taped shell and a dirt/water repellent coating, it is extremely waterproof with a rating of 20.000/20.000mm, which means that it withstands very high pressure. Even though it blocks the weather, it will keep riders cool with zippered rear ventilation. With a pre- curved 3D shaped knee area that prevents snagging, the shorts are designed to be comfortable even when pedalling with protectors. The knee area is also reinforced with brush guard for protection. To make the fit even more comfortable, it has a soft touch, seamless and durable seat area and a soft touch waist lining with back gripper that will prevent seat drop.</p>

Shorts DBX 4.0	Made of four-way stretch material, the 4.0 bicycle shorts are water resistant and has a dirt/water repellent coating. It is still breathable and has laser-cut ventilation holes to keep riders cool regardless of the riding conditions. Made to be worn with other gear, its knees offer a pre-curved 3D fit that will avoid snagging during pedalling, even when worn with knee protectors. For added comfort, its seat area is made of a three-layer, laminated seat area that is both seamless and durable. It has a soft touch waist lining and a back gripper that will prevent seat drop during riding.
Shorts DBX 3.0	The soft shell 3.0 bicycle shorts are made of a lightweight, four- way stretch material that has a dirt/water repellent coating. Made to be paired with the lighter bicycle jerseys such as the DBX 3.0 or 2.0 jerseys, it offers a comfortable and convenient fit that still fights the effects of the weather when riding. The shorts are designed to be comfortable. It has YKK zippers and hidden reinforced stitching and a rear area made of a stretch mesh yoke that offers ventilation during riding. It also has a soft touch waist lining with a back gripper to avoid seat drop. The shorts can also be worn with knee protectors as it has a pre-curved fit for improved comfort.

OFF ROAD PANTS

Pants GPX 5.5 I.K.S.	The 5.5 off-road pants have a new system called the Internal Knee Brace System (I.K.S) which consists of four layers of reinforcement in the critical high wear, inner knee area. Compatible with the Leatt knee brace and all other leading knee brace brands in the world, this system protects both your pants and bike. Made of a super lightweight and ventilated material and with a tailored, pre-curved slim fit, a durable nylon seat area and 3D fully floating knee cap reinforcement, it offers comfort as well as protection during off-road riding. The knee area also has four- point knee ventilation. The inner leg area is made of the high-tech NanoGrip material that is known for its durability, breathability and superior wet and dry grip properties. A new, shorter micro adjuster waist belt with 360 °silicone grip and side belt adjusters ensure a perfect fit.
Pants GPX 4.5	These pre-curved pants offer a tailored, performance fit. Made of Nylon shell with diamond stretch panels and X-flow mesh material, they offer durable, ventilated protection. The seat area is made of a durable nylon material whilst the inner leg areas are made of Amara. Like the GPX 5.5 pants, they have 3D molded, fully floating knee cap reinforcements. They also have

two-point knee ventilation and a new, shorter micro adjuster waist belt with 180 °silicone grip that ensures a perfect fit with ease. The off-road pants are designed to pair perfectly with the off-road jackets and jerseys.
--

Other Products, Parts and Accessories

The nature of our product is such that certain components collapse and fail in a controlled mode to help prevent further bodily injury. In light of this, we also provide aftermarket support for users of our products through our global distribution network. Specific parts of the product or the entire product may need to be replaced after a significant impact. Our aftermarket support primarily entails the replacement of worn or damaged parts, as well as sale of accessories, including hats and hydration kits. The following table sets out the type of hydration products currently sold by the Company:

- 25 -

HYDRATION SYSTEMS:	
Hydration Ultra 750 HF	Ultra-light hydration for neck brace fit. Specially developed liquid pack to fit Leatt neck braces. Easily strapped directly onto the rear thoracic strut of any Leatt neck brace, giving a well-balanced fit. This enables the rider to combine neck protection and a hydration system in a very flexible way.
Hydration Pack GPX Race HF 2.0	Slim, ultra-light, hands-free hydration system for off road racing. The unique chest harness ensures a very solid fit making the waist strap obsolete. Includes heat resistant encapsulated bladder pocket with dual hydration tube exit for 2-way routing. One size fits all.
Hydration Pack GPX 2.0 Trail WP HF	Waterproof light off-road hydration with 2.0L Flat CleanTech bladder & 5L luggage. Fully welded waterproof lightweight hydration system. The unique chest harness ensures a very solid fit making the waist strap obsolete. Removable tool roll and neoprene hydration pocket.

Accolades

Leatt-Brace® products have attracted worldwide interest and we have corresponded with global motorsports governing bodies such as the FIM, Motorsport South Africa, NASCAR and the FIA, with motor racing teams such as the KTM Racing Team, with automotive and motorcycle manufacturers, and with global retailers and distributors of protective gear for motor and extreme sports. We are also in discussions with the FIM, NASCAR and the FIA, to have the Leatt-Brace® accredited.

Our Leatt-Brace® and chest protection products have acquired CE certification where necessary to distribute and sell products in the EU countries. The Leatt-Brace® products have won a series of awards and accolades since 2007, including the following:

- Motocross Action*: Leatt-Brace GPX awarded 5/5 Star Product Rating (2007) and Decade's Most Significant Product (awarded by an industry magazine based on comfort, fit and safety)
- Transworld MX*: Editors' Choice Leatt Brace Adventure awarded Best New Product of Year (2009) (selected by editors of an industry magazine with no published criteria)
- ISPO Brandnew Awards*: Leatt-Brace DBX awarded Best Protection at Bike Expo (2010) (Bike Expo is an annual gathering of industry participants)
- Transworld MX*: Leatt GPX Pro Best Product of the Year (2011) (selected by editors of an industry magazine, based on comfort and safety)
- Motocrossgear.com*: Perfect Score to New 2012 Leatt-Brace Chest Protector Adventure Pro (selected by an industry website, based on looks, comfort and safety)
- Transworld Motorcross Magazine*: Chest Protector Leatt Pro Lite was awarded Product of the Year for 2012 (selected by editors of industry magazine based on testing and looks)
- PPS Moto: This Motocross Product review website awarded the Company the 2014 PPS Moto Protective Gear Company of the Year Award.
- Mountainbike Magazine*: The Leatt F4 Hydration System won the Design and Innovation Award for 2015. The product was chosen from over 100 brands and vetted by an international jury featuring top athletes, including Enduro World Series Winner, Nico Lau.

Edgar Filing: Leatt Corp - Form 10-K

2015 Vital MX Audience Survey: The Leatt Neck Brace was voted the number one Neck Brace to buy in the Vital MX Audience Survey.

Design & Innovation 2016 Awards: The Leatt DBX 5.0 Composite Helmet won a Design and Innovation Award for 2016. The Design & Innovation jury of bicycle industry experts seeks to recognize bicycles and bicycle products.

Design & Innovation 2016 Awards: The Leatt DBX Enduro Lite WP 2.0 won a Design and Innovation Award for 2016. The Design & Innovation jury of bicycle industry experts seeks to recognize bicycles and bicycle products. *Decline Magazine:* awarded Leatt Knee Guards a five-star rating based on the products fit, impact testing, breathability and overall appeal (July 2016).

- 26 -

We believe that the quality of Leatt-Brace® products has resulted in increased sales since inception. We have sold in excess of 690,000 units of Leatt-Brace® products worldwide to date. Approximately 9% of our 2010 unit sales were from our DBX bicycle brace. This number increased to 10% of unit sales in 2014, 13% of unit sales in 2015, and remains flat at 13% of unit sales in 2016. Our STX street brace, which was introduced to the market in 2011, accounted for 1% of unit sales in 2014, 2% of unit sales in 2015, and has decreased to 1% unit sales in 2016.

Manufacturing

Our products are manufactured in China in accordance with our manufacturing specifications, pursuant to outsource manufacturing arrangements with third-party manufacturers located there. Our third-party manufacturers usually have the capacity to produce more than 120,000 neck braces per year and have the space to expand such capacity as required. We do not currently have written agreements with our neck brace third-party manufacturers but will include any such future written agreement with our periodic filings. We have a manufacturing agreement with our Helmet manufacturer and will file agreements as they become material. We generally offer a 2-year warranty on our products in accordance with EU regulations. Products purchased through international sales are usually shipped directly from our manufacturers' warehouses or points of dispatch to customers or their import agents.

Upon our determination of order quantities, we issue periodic purchase orders for products to our third-party manufacturers at negotiated prices. A security deposit of between 10 - 30% of the total purchase order value is made with such manufacturers upon receipt of a manufacturer's invoice reflecting quantities ordered and the negotiated price for the products. The standard agreed on lead time from purchase order date to ship-ready date is 70 days, and our usually agreed on shipping terms are FOB (Port). Products purchased through international sales are usually shipped directly from our manufacturers' warehouses or points of dispatch to customers or their import agents.

During production, we measure the manufacturer's on-time performance to determine whether to continue our outsource relationship. We utilize outside consultants and our own employees to ensure the quality of our products through regular on-site product inspections. Such quality inspections are conducted in conformance with ISO/IEC 17025 specifications at the manufacturer's premises and penalties are levied against a manufacturer if any delay in shipment to customers or customer rejection or non-acceptance is caused by quality issues. The balance of the open invoices is paid to the manufacturer six weeks after successful inspection.

Raw Materials and Suppliers

Our products are manufactured from generally available engineering materials, such as thermoset carbon fiber, glass fiber reinforced nylon, high impact polycarbonate resin. The cost of materials used in our products varies depending on the target market for, and the price of, our products. The prices of these raw materials are determined based upon prevailing market conditions and supply and demand and global conditions may impact the supply of these raw materials and adversely affect the supply of our products. We have not experienced any interruptions to our production due to shortage of our raw materials.

Our third-party manufacturers arrange for the purchase of most of the raw materials that are used to manufacture our products and they pay for the cost of such materials. We may occasionally directly source and pay for highly specialized protection materials, such as Armourgel, for use in the production of our products. These protection materials are freely available. We may also occasionally acquire raw materials on behalf of a third-party manufacturer in order to secure and maintain a specified production capacity. The expenses incurred for such materials for the years ended December 31, 2016 and 2015, were not material and we do not foresee these amounts being material in the near future.

We have implemented certain protocols to check the quality of raw materials used in the production process. Our third-party manufacturers are required to perform prescribed strength testing on critical parts of certain products. In addition, certain materials are tested by our research and development staff at Leatt SA and by independent material

laboratories for compliance to manufacturing and material specification.

Our Customers

Leatt earns revenues through the sale of its products to customers worldwide through a global network of distributors and retailers. Leatt also acts as the original equipment manufacturer for neck braces sold by certain international brands. Leatt sells its products directly to distributors in South Africa (through Leatt SA), in the USA (through Two Eleven), and through a network of 60 third-party distributors worldwide. Our distributors are required to follow certain standard business terms and guidelines for the sale and distribution of our products. Two Eleven also sells our products directly to consumers through our online store available at www.leatt.com.

- 27 -

Products purchased through international sales are usually shipped directly from our manufacturers' warehouses or points of dispatch to customers or their import agents. Revenue and related cost of revenue is recognized at the time of shipment from the manufacturer's port when shipping terms are Free On Board (FOB) shipping point, Cost and Freight (CFR) or Cost and Insurance to named place (CIP) as legal title and risk of loss to the product pass to the customer.

We generate revenue both in the United States and internationally. For the years ended December 31, 2016 and 2015, annual revenues associated with international customers were \$9,685,191 and \$11,642,970, or 59% and 63% of total revenue, respectively.

We have derived a significant portion of our revenue from a limited number of customers, however none of our customers account for more than 10% of our consolidated revenues for the year ended December 31, 2016. For the year ended December 31, 2015, our U.S. revenue was concentrated in one customer that accounted for approximately 7% of annual U.S. revenue, with our largest customer in the U.S. accounting for approximately 13% of our U.S. sales for the year ended December 31, 2016. As of December 31, 2016 and 2015, \$316,976 or 14% and \$95,507 or 3% of our accounts receivable was due from this customer.

For the years ended December 31, 2016 and 2015, our international revenue derived outside of the U.S. was earned from one and two customers that accounted for approximately 9% and 24% of our annual international revenue for the respective periods, with our largest international customer accounting for approximately 9% and 17% of international sales for each of the respective periods. As of December 31, 2016 and 2015, \$24,394 or 1% and \$344,589 or 12% of our accounts receivable, respectively, were due from these international customers.

Advertising and Marketing

We first gained market recognition through customer word-of-mouth and later through third-party articles and reviews of the Leatt-Brace® in motorcycle and racing magazines, and unsolicited and unpaid endorsements from current and former celebrity motocross (and other) riders, but we now advertise our products in various motorsport industry magazines and in related online media. We also enhance our image through the sponsorship of sporting events, teams and individuals.

We believe that, as a result of our marketing efforts, and based on our internal marketing estimates, we have approximately 870 active distributors and dealers who stock Leatt products in the U. S. and approximately 240 active distributors and dealers in South Africa. We expect that the number of our distributors and dealers will also grow as the market segments that we sell to and our product offering grows but we cannot guarantee that this will be the case.

Our advertising and marketing expenses for the years ended December 31, 2016 and 2015 were \$1,588,599 and 1,498,307, respectively, representing approximately 10% and 8% of our revenues for each period.

Our Growth Strategy

We are committed to growing our business in the coming years. The key elements of our growth strategy are summarized below:

Regional Distribution. Our product range has attracted the interest of global retailers and distributors of protective gear for motor and extreme sports, as well as automotive and motorcycle manufacturers and racing teams like the KTM teams. The resultant interest and the expected demand for our products have prompted us to change our production and distribution strategy in order to cater to this demand. In November 2007, we established Two Eleven, our wholly owned California subsidiary, to manage and control the distribution of our products, particularly in the United States. We distribute products to international consumers through a network of international distributors who are selected by our management team based on their financial status and creditworthiness, their location in major geographic

locations, their marketing and media presence, their portfolio of leading motorcycle brands and accessories, and their reputation among industry players. We are working on developing our bicycle distribution network throughout the world by appointing new distributors and dealers with a specific focus on the bicycle market. We believe that regional distributors will better promote our products in the designated regions and expand our global customer base. In the U.S we are expanding and upgrading our dealer network and sales management team.

Strategic Alliances. We are actively researching and evaluating strategic alliances that will enable the Company to grow into markets outside of its core markets in an efficient manner. We are also working with our OEM partners to develop more mutually beneficial, sustainable, long-term relationships in line with the Company's goals.

- 28 -

Industry Accreditation and Endorsements. We are pursuing accreditation and endorsements of our products from global motor sports governing bodies and industry organizations. We are in discussions with governing racing bodies, such as the Commission Internationale de Karting, or CIK, the FIM, the FIA, and NASCAR, to have the Leatt-Brace® accredited. We believe that these accreditations and endorsements will increase sales of our products and solidify our position as a leader in safety products. SFI testing is compulsory for neck protection used in automotive racing in the United States, therefore should neck protection be compulsory we believe that such accreditations and endorsements will additionally increase our sales.

Developing Brand Awareness and Brand Loyalty. We are continuing with our efforts to develop brand loyalty by refining our marketing strategy and by engaging in more targeted communication with current and potential consumers of our products. We are working to build loyalty among more consumers in our core bicycle and moto markets by introducing more price points for our products and addressing more consumer needs in more segments, while remaining true to our mission pioneering functional safety gear.

Expanding our Portfolio of Products. We are always looking for opportunities to introduce new products to reach a wider audience and penetrate new markets. This will include extending our product range to include both innovative protection products as well as peripheral or accessory products such as clothing. In the 2015 first quarter our Knee Brace was accepted for registration by both the United States Food and Drug Administration (FDA) and the UK's Medicine and Healthcare Regulatory Products Agency (MHRA), and our Shoulder Brace was accepted by the FDA, as Class 1 Medical Devices. FDA and MHRA registration will allow us take these products directly to market as medical devices for patients (not just athletes) recuperating from injuries, surgery, muscle tears or strains, dislocations, breaks or fractures. In 2016, we launched two additions to our body armor product range, namely helmets and gloves. We also added two full apparel lines to our product range one line designed for the off-road motorcycle market and the other designed for the bicycling market. We expect that our sales of peripheral products and accessories will increase in line with increased brand awareness.

Our Research and Development Efforts

Our Chairman and Founder, Dr. Christopher Leatt, is our primary research and development consultant and heads the research and development efforts conducted at our research facility, or Leatt Lab, located at our executive headquarters in Cape Town, South Africa. The facility houses a team of biomedical engineers and designers who ensure products are scientifically and mechanically sound. This facility features state of the art testing and prototyping equipment and sophisticated simulation models. Leatt also utilizes other consultants, academic institutions and engineering companies from time to time to assist us with our research and development efforts.

We believe that the development of new products and new technology is critical to our success. We are continuously working to improve the quality, efficiency and cost-effectiveness of our existing products. All our products have achieved CE certification when necessary. We are working to develop technology to expand our range of products with further innovation, comfort, ergonomics and market appeal. We believe that our scientific and medical approach to product development gives our products a competitive edge.

Our research and development expenses for the fiscal years ended December 31, 2016 and 2015, amounted to \$1,443,451 and \$1,180,227, respectively. These expenses included salaries for research and development staff as well as other direct product development and research costs.

Competition

We compete with a small number of dominant competitors in the neck brace and body protection market, some of whom have substantially greater financial and other resources than we currently have. We believe that our major

competitors in the body protection, helmet and knee brace market are Fox Racing and EVS Sports, and our major competitors in the neck brace market are Atlas Brace USA, LLC, Alpinestars S.p.A and EVS Sports.

Competition is based on quality, price reputation, industry endorsements and certifications, as well as, on product design, brand names, marketing support and distribution strategies. We believe that our products can be distinguished from the products offered by our competitors due to the fact that our products are innovative, safety tested, versatile, aesthetically appealing, priced competitively and comfortable without compromising quality and performance.

According to a 2017 reader survey by RacerX magazine, an industry publication (available at <http://mediakit.filterpubs.com/survey>), we hold an approximately 61.3% market share for neck braces and 14.5% of the market share for chest protectors in the U.S. off road motorcycle market, which represents approximately 50% of the worldwide off road motorcycle market. We believe that we have gained our market share, largely due to the innovation and quality of our products, the growth of the market, our increased marketing efforts and our steps to secure our international patents and protect our patents from infringement.

Our Competitive Strengths

We believe that our competitive strengths include the following:

Intellectual Property. Licensed patented technology allows us to provide a product that cannot easily be duplicated by our competitors. We have invested extensive resources to patent our products worldwide and have taken legal action to protect our intellectual property rights from infringement.

Diverse Multi-Cultural Skilled Management Team. Our management team is knowledgeable and experienced in the personal protective equipment industry, sports medicine and business development. Our executive corporate management team consists of Mr. Sean Macdonald, Dr. Christopher James Leatt, Mr. Erik Olsson and Mr. Todd Repsher. Mr. Macdonald is our Chief Executive Officer, Chief Financial Officer, President and Director, and is a Chartered Accountant with 9 years experience in the financial and operational aspects of running sports orientated growth companies. Dr. Leatt is our Founder, Chairman and Research and Development consultant, who developed the Leatt-Brace® from his study of the benefits and viability of a neck protection system for helmet clad sport and recreational users. Mr. Olsson is our General Manager and Head of International Distribution and has served as a Sales and Product Manager for various companies in the power sports industry for the past 16 years. Mr. Repsher is our US General Manager, who is an award-winning sales executive with over fifteen years experience in the marketing and sales of sports orientated companies in North America.

Outsourced Manufacturing. We outsource our manufacturing to third-party manufacturers in order to produce large volumes of our products. The manufacturing process remains subject to our strict quality control guidelines safeguarded by our employees and the third party inspectors who we hire as consultants to ensure that these guidelines are being implemented at the production point. While such manufacturing arrangements pose a risk to our ability to safeguard our property technologies and may lead to increased costs, as discussed under the Risk Factors heading in this report, we expect that the increase in expected sales volumes will contribute to a lower production cost per unit and that this will translate to better margins for our distributors and retailers.

Research, Development, Certification and Marketing Capabilities. We have in-house know how in the areas of product development, testing and accreditation, particularly in the field of personal protective equipment. With the experience and capabilities developed and established in taking our product to market, we believe that we are well positioned to develop, manufacture and market additional products. With our medical and mechanical expertise, demonstrated research and development capabilities, established outsource manufacturing capacity, established brand and our dedicated, loyal and enthusiastic distribution network, we believe that we have the components necessary to bring new successful products to market.

Industry Accreditation, Testing Standards and Regulations. We are pursuing accreditation and endorsements of our products from global motor sports governing bodies and industry organizations. We have obtained homologations of our products from various global racing authorities where objective standards have been set and we are in discussions with governing racing bodies, such as the FIM, FIA, CIK, and NASCAR, to have the Leatt-Brace® accredited. SFI testing is compulsory for neck protection used in automotive racing in the U. S., therefore any of our competitors will also have to pass the certification testing. Should industry accreditation become compulsory, we would be ahead of our competitors in the market place.

Brand Recognition. We believe that public recognition of the Leatt® brand drives the sales of our products, regardless of the action of competitors and competitive products. We expect that the reputation of our brand in the market place, particularly our product testing and applicable CE certification, will

continue to ensure market acceptance and facilitate market penetration of our new products. In order to bolster and grow the Leatt® brand, stringent quality control and assurance are our highest priority and our ongoing marketing, advertising and public relations efforts continue to stress the quality, safety and innovation of our products.

- 30 -

Our Intellectual Property

We believe that the continued success of our business is dependent on our intellectual property portfolio consisting of globally registered trademarks, design patents and utility patents related to the Leatt-Brace®. Most of these initial intellectual property rights are held by Xceed Holdings, a corporation controlled by our Chairman, Dr. Christopher Leatt and the rest of these rights are held by the Company and Three Eleven Distribution, our South African subsidiary. We license most of our intellectual property from Xceed Holdings, pursuant to a patent and royalty license agreement, or Licensing Agreement, dated March 1, 2006, between the Company and Xceed Holdings. Under the terms of the Licensing Agreement, we are obligated to pay Xceed Holdings 4% of all our revenues from the Leatt-Brace®. In addition, pursuant to a separate license agreement between us and Mr. De Villiers, we are obligated to pay a royalty fee of 1% of all our billed and received sales revenue, in quarterly installments, based on sales of the previous quarter, to a trust that is beneficially owned and controlled by Mr. De Villiers. We also rely on nondisclosure agreements and other methods to protect our intellectual property rights. However, the steps we have taken may be inadequate to prevent the misappropriation of our technology.

The following table lists the patents and designs licensed from Xceed Holdings:

Country	Application No	Patent No	Filing Date	Invention Title	Status	Renewal Date
South Africa	2006/05044	2006/05044	6/20/2006	Neck Brace	Granted	11/26/2017
Brazil	PI0416971-9		5/26/2006	Neck Brace	Pending	11/26/2017
Canada	2,547,855	2,547,855	5/26/2006	Neck Brace	Granted	11/26/2017
China	20048003507 2.4		5/26/2006	Neck Brace	Granted	11/26/2017
Indonesia	W002006014 67	IDP0030269	6/19/2006	Neck Brace	Granted	02/11/2017
Israel	175931	175931	6/19/2006	Neck Brace	Granted	11/26/2018
Japan	2006541524	4553903	5/26/2006	Neck Brace	Granted	7/22/2017
South Korea	10-2006- 7012173	10-0904041	6/19/2006	Neck Brace	Granted	6/19/2017
Morocco	PV29105	28229	6/15/2006	Neck Brace	Granted	11/26/2017
Mexico	JL/a/2006/000 026	301465	5/26/2006	Neck Brace	Granted	11/26/2017
Malaysia	PI 20062407	MY-145683-A	5/25/2006	Neck Brace	Granted	3/15/2018
Singapore	200808773-6	148205	5/26/2006	Neck Brace	Granted	11/26/2017
USA	11/440,576	7,993,293	5/25/2006	Neck Brace	Granted	2/9/2019
USA (Broad)	11/690,412	8,002,723	3/23/2007	Neck Brace	Granted	2/23/2019
USA (Continuation)	13/206,312	8,562,551	8/9/2011	Neck Brace	Granted	4/22/2017
Eurasia	200601049	10815	6/26/2006	Neck Brace	Granted	11/26/2017
Australia	2004293118	2004293118	6/23/2003	Neck Brace	Granted	11/26/2017
India	2315/CHENP/ 2006		6/26/2006	Neck Brace	Granted	11/26/2017

Edgar Filing: Leatt Corp - Form 10-K

Norway	20062971	327461	6/26/2006	Neck Brace	Granted	11/30/2017
New Zealand	548068	548068	6/22/2006	Neck Brace	Granted	11/26/2017
Vietnam	1-2006-01015		6/26/2006	Neck Brace	Granted	02/09/2018
Germany	04816084.0	6020040259 75,6	6/22/2006	Neck Brace	Granted	11/30/2017
France	04816084.0	1696842	6/22/2006	Neck Brace	Granted	11/26/2017
UK	04816084.0	1696842	6/22/2006	Neck Brace	Granted	11/30/2017
Switzerland	04816084.0	1696842	6/22/2006	Neck Brace	Granted	11/30/2017
Spain	04816084.0	2342402	6/22/2006	Neck Brace	Granted	11/26/2017
Italy	04816084.0	1696842	6/22/2006	Neck Brace	Granted	11/30/2017
Netherlands	04816084.0	1696842	6/22/2006	Neck Brace	Granted	11/30/2017

- 31 -

Edgar Filing: Leatt Corp - Form 10-K

Taiwan	97109256	I 359009	3/17/2008	SSS Brace	Granted	2/28/2018
Brazil	PI07180047		4/27/2009	SSS Brace	Pending	10/26/2017
China	2007 80047024.0	ZL200780047024 .0	6/19/2009	SSS Brace	Granted	10/26/2017
Japan	2009-534037		4/27/2009	SSS Brace	Granted	03/13/2018
USA	12/447,452	8,484,768	4/27/2009	SSS Brace	Granted	1/16/2021
New Zealand	577131	577131	5/21/2009	SSS Brace (clip)	Granted	10/26/2017
New Zealand	592116	592116	5/21/2009	SSS Brace (tether)	Granted	10/26/2017
USA	12/812,596	8,439,042	7/12/2010	MRX Brace	Granted	14/11/2020
Australia	2009321240	2009321240	6/8/2011	MRX Brace	Granted	11/26/2017
China	20098014755 8.X	ZL200980147558 .X	5/26/2011	MRX Brace	Granted	11/26/2017
Austria	09801554.8	EP 2376032	5/31/2011	MRX Brace	Granted	11/30/2017
France	09801554.8	EP 2376032	11/26/2009	MRX Brace	Granted	11/30/2017
Germany	09801554.8	60 2009 029 841.0	11/26/2009	MRX Brace	Granted	11/30/2017
Italy	09801554.8	EP 2376032	11/26/2009	MRX Brace	Granted	11/30/2017
Spain	09801554.8	EP 2376032	11/26/2009	MRX Brace	Granted	11/30/2017
Sweden	09801554.8	EP 2376032	11/26/2009	MRX Brace	Granted	11/30/2017
Netherlands	09801554.8	EP 2376032	11/26/2009	MRX Brace	Granted	11/30/2017
UK	09801554.8	EP 2376032	11/26/2009	MRX Brace	Granted	11/30/2017
Japan	2011-537006	5643960	5/19/2011	MRX Brace	Granted	11/14/2017
Switzerland	09165346.9	2113231	7/13/2009	Neck Brace	Granted	11/30/2017
Germany	09165346.9	602004035367.1	7/13/2009	Neck Brace	Granted	11/30/2017
Spain	09165346.9	2377592	7/13/2009	Neck Brace	Granted	11/30/2017
France	09165346.9	2113231	7/13/2009	Neck Brace	Granted	11/30/2017
UK	09165346.9	2113231	7/13/2009	Neck Brace	Granted	11/30/2017
Italy	09165346.9	2113231	7/13/2009	Neck Brace	Granted	11/30/2017
Netherlands	09165346.9	2113231	7/13/2009	Neck Brace	Granted	11/30/2017
USA	29/224,261	D552,742	2/28/2005	Moto-R Brace	Registered	
USA	29/225,477	D542,919	3/17/2005	Moto-GPX Brace	Registered	
Europe	000 312 061- 0001	000 312 061- 0001	3/17/2005	Moto-GPX Brace	Registered	3/17/2020

Edgar Filing: Leatt Corp - Form 10-K

New Zealand	405978	405978	3/16/2005	Moto-GPX Brace	Registered	
-------------	--------	--------	-----------	-------------------	------------	--

USA	29/279,249	D631,167	4/24/2007	SSS Brace	Registered	
Europe	000 711 130- 0001	000 711 130- 0001	4/20/2007	SSS Brace	Registered	4/20/2017
USA	29/284,258	D592,310	9/4/2007	Moto-GPX Brace 2006	Registered	
Europe	000 785 373- 0001	000 785 373- 0001	9/6/2007	Moto-GPX Brace 2006	Registered	9/30/2017
USA	29/325,870	D633,623	10/7/2008	Damper Brace	Registered	

- 32 -

Edgar Filing: Leatt Corp - Form 10-K

The following table lists our own patents and designs:

Country	Application No	Patent No	Filing date	Invention Title	Status	Renewal Date
Held by Leatt Corporation						
South Africa	2013/01921	2013/01921	10/1/2010	Chest Protector	Granted	10/01/2017
South Africa	2015/00206	2015/00206	01/13/2015	Shoulder Brace	Granted	06/26/2017
USA	14/894,237		11/25/2015	Knee Brace	Pending	After Grant
Europe	14737320.3		12/3/2015	Knee Brace	Accepted	5/26/2017
USA	14/976,209		12/21/2015	Glove	Pending	After Grant
Europe	15730280.3		5/21/2015	Turbine Helmet	Pending	05/21/2017
USA	15/312,271		12/21/2016	Turbine Helmet	Pending	After Grant
China	201580025924.X		11/18/2016	Turbine Helmet	Pending	After Grant
Australia	2015262893		11/21/2016	Turbine Helmet	Pending	05/21/2019
Brazil	BR1120160269829		11/17/2016	Turbine Helmet	Pending	05/21/2017
Canada	2,949,756		11/21/2016	Turbine Helmet	Pending	05/21/2017
New Zealand	727758		12/20/2016	Turbine Helmet	Pending	05/21/2019
PCT	PCT/IB2016/057895		12/21/2016	Boot	Pending	
UK	1603129.6		02/23/2016	Neck Brace	Pending	
USA	29/381,768	D649,649	12/22/2010	STX Brace	Registered	
Europe	001 251 508- 0001	001 251 508-	12/23/2010	STX Brace	Registered	12/23/2020
Australia	15733/2010	334789	12/23/2010	STX Brace	Registered	12/23/2016
Japan	2010-031383	1422456	12/28/2010	STX Brace	Registered	8/4/2017
USA	29/297,349	D609,815	11/08/2007	Leatt Sock Kit	Registered	
USA	29/510,597		12/02/2014	Visor Screw	Accepted	
USA	29,509,338	D768,940	11/17/2014	Hydration System	Registered	
Europe	02588970-0001-0003	02588970-0001-0003	12/2/2014	Visor Screw & Hydration System	Registered	2/12/2019
Held by Three Eleven Distribution (Pty) Ltd.						
India	1863/KOLNP/ 2008		5/8/2008	Helmet	Pending	
Germany	06809017.4	60 2006 010 418.9-08	3/31/2008	Helmet	Granted	10/13/2016
France	06809017.4	1933656	3/31/2008	Helmet	Granted	10/13/2016

Edgar Filing: Leatt Corp - Form 10-K

UK	06809017.4	1933656	3/31/2008	Helmet	Granted	10/13/2016
Italy	67618/BE/201 0	1933656	3/31/2008	Helmet	Granted	10/13/2016
Netherlands	06809017.4	1933656	3/31/2008	Helmet	Granted	10/13/2016
Austria	06809017.4	AT-E 0447866	3/31/2008	Helmet	Granted	10/13/2016
Spain	06809017.4	1933656	3/31/2008	Helmet	Granted	10/13/2016
Sweden	06809017.4	1933656	3/31/2008	Helmet	Granted	10/13/2016

* The Patent Cooperation Treaty, or PCT, is an international agreement for filing patent applications having effect in up to 117 countries. Under the PCT, an inventor can file a single international patent application in one language with one patent office in order to simultaneously seek protection for an invention in up to 117 countries throughout the world.

Edgar Filing: Leatt Corp - Form 10-K

Patents applicable to specific products extend for varying periods according to the date of patent application filing or patent grant and the legal term of patents in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the country. Issued patents or patents based on pending patent applications or any future patent applications may not exclude competitors or may not provide a competitive advantage to us. In addition, patents issued or licensed to us may not be held valid if subsequently challenged and others may claim rights in or ownership of such patents. In addition, the validity and breadth of claims in protective gear technology patents involve complex legal and factual questions and, therefore, the extent of their enforceability and protection is highly uncertain.

The following table lists our licensed and/or registered and pending trademarks:

Country	Trademark	TM Class	Application No	Registration No	Filing Date	Renewal Date	Status
China	Leatt-Brace	10	6287826	6287826	21/09/2007	02/20/2020	Registered
China	Leatt	10	6287824	6287824	21/09/2007	02/20/2020	Registered
China	The Helmet for your Neck	10	6287823	6287823	21/09/2007	02/20/2020	Registered
	Device						
CTM	Leatt-Brace	9	6313993	6313993	19/09/2007	09/19/2017	Registered
CTM	The Helmet for your neck	9	6314009	6314009	19/09/2007	09/19/2017	Registered
CTM	Leatt	9	6314017	6314017	19/09/2007	09/19/2017	Registered
CTM	Device (The Helmet for your neck)	9	6314132	6314132	19/09/2007	09/19/2017	Registered
USA	ALPT	9	77/742,823	3,926,378	22/05/2009	03/01/2021	Registered
USA	Alternative Load Path Technology	9	77/742,826	3868833	22/05/2009	10/26/2020	Registered
CTM	Alternative Load Path Technology	9	8358046	8358046	11/06/2009	06/11/2019	Registered
CTM	Alternative Load Path	9	8358061	8358061	11/06/2009	06/11/2019	Registered
CTM	ALPT	9	8358079	8358079	11/06/2009	06/11/2019	Registered
USA	Leatt Device	9	77/765,739	3,861,760	23/06/2009	10/12/2020	Registered
CTM	Leatt Device	9	8444168		23/07/2009	07/23/2019	Registered
Australia	Leatt	9,10, 28	1372902	1372902	16/07/2010	07/16/2020	Registered
Japan	Leatt	9, 10, 28	2010-056635	5432253	16/07/2010	08/12/2021	Registered
Japan	Leatt	25	2010-74427	5403909	22/09/2010	04/01/2021	Registered

Edgar Filing: Leatt Corp - Form 10-K

CTM	Leatt	25	9395997	9395997	23/09/2010	09/23/2020	Registered
Brazil	Leatt Brace	10	829468323	829468323	03/11/2010	11/03/2020	Registered
Brazil	Leatt Brace (Special Script)	9	829994920	829994920	24/11/2008	02/08/2021	Registered
Brazil	Leatt Brace (Special Script)	25	829994939	829994939	24/11/2008	02/08/2021	Registered
Brazil	Leatt (Special Script)	9	830409432	830.409.432	05/11/2009	10/09/2022	Registered
Brazil	Leatt and Device	9	830409440	830.409.440	05/11/2009	10/09/2022	Registered
Brazil	Leatt (Special Script)	10	902094165	902.094.165	05/11/2009	10/09/2022	Registered
Brazil	Leatt and Device	10	902094149	902094149	05/11/2009	01/14/2024	Published
Brazil	Leatt (Special Script)	25	902094238	902.094.238	05/11/2009	10/09/2022	Registered
Brazil	Leatt and Device	25	902094190	902.094.190	05/11/2009	10/09/2022	Registered
Canada	LEATT	25	1535498	841,643	13/07/2011	01/29/2028	Registered
USA	BraceOn	9	85/429,145	4,276,706	22/09/2011	01/15/2023	Registered

Edgar Filing: Leatt Corp - Form 10-K

Australia	BraceOn	28	1450772	1450772	23/09/2011	09/23/2021	Registered
CTM	BraceOn	9, 28	10288405	10288405	23/09/2011	09/23/2021	Registered
NZ	Leatt	9	829603	829603	30/08/2010	08/30/2020	Registered
NZ	Leatt	25	831034	831034	27/09/2010	09/27/2020	Registered
NZ	Leatt	28	831035	831035	27/09/2010	09/27/2020	Registered
NZ	Leatt	10	831036	831036	27/09/2010	09/27/2020	Registered
Brazil	Device	10	902.094.084	902.094.084	05/11/2009	10/09/2022	Registered
Brazil	Device	25	902.094.157	902.094.157	05/11/2009	10/09/2022	Registered
Brazil	Device	9	830.409.416	830.409.416	05/11/2009	10/09/2022	Registered
CTM	Device	9, 25, 28	13289822	13289822	23/09/2014	09/23/2024	Registered
USA	THREE L DEVICE	9, 25, 28	86445638	5,124,832	5/11/2014	01/17/2027	Registered
USA	LEATT	9, 18, 25, 28	86551815		3/3/2015		Pending
USA	Leatt	25	85135308	4,202,879	22/09/2010	09/04/2021	Registered
SA	DEVICE (NEW LOGO)	9	2009/11856	2009/11856	26/06/2009	06/26/2019	Registered
SA	DEVICE (NEW LOGO)	10	2009/11857	2009/11857	26/06/2009	06/26/2019	Registered
SA	DEVICE (NEW LOGO)	28	2009/11858	2009/11858	26/06/2009	06/26/2019	Registered
SA	Leatt-Brace (Special Script)	10	2004/08584	2004/08584	28/05/2004	05/28/2024	Registered
SA	Leatt	10	2006/22761	2006/22761	26/09/2006	09/26/2026	Registered
SA	The Helmet for your Neck	10	2006/22760	2006/22760	26/09/2006	09/26/2017	Registered
SA	Helmet for your Neck Device	10	2007/15892	2007/15892	19/07/2007	07/19/2017	Registered
SA	Helmet for your Neck Device	28	2007/15893	2007/15893	19/07/2007	07/19/2017	Registered
SA	Adventure Leatt and Device	9	2008/15403	2008/15403	04/07/2008	07/04/2018	Registered

Edgar Filing: Leatt Corp - Form 10-K

SA	Adventure Leatt and Device	10	2008/15404	2008/15404	04/07/2008	07/04/2018	Registered
SA	Adventure Leatt and Device	28	2008/15405	2008/15405	04/07/2008	07/04/2018	Registered
SA	Adventure Brace	9	2008/28131	2008/28131	01/12/2008	12/01/2018	Registered
SA	Adventure Brace	10	2008/28132	2008/28132	01/12/2008	12/01/2018	Registered
SA	Adventure Brace	28	2008/28133	2008/28133	01/12/2008	12/01/2018	Registered
USA	Leatt-Brace	9	77227507	3483439	11/07/2007	08/12/2018	Registered
USA	The Helmet For Your Neck Device	9	77236512	3483523	23/07/2007	08/12/2018	Registered
USA	The Helmet For Your Neck	9	77264171	3483644	24/08/2007	08/12/2018	Registered
USA	LEATT	9	77264178	3483646	24/08/2007	08/12/2018	Registered
CTM	Adventure Brace	9, 10, 28	8224479	8224479	26/03/2009	03/26/2019	Registered
China	Leatt-Brace	9	7668832	7668832	09/03/2009	03/06/2021	Registered
China	LEATT	9	7668830	7668830	03/09/2009	03/06/2021	Registered
China	LEATT	18	21157818		31/08/2016		Pending
China	LEATT	25	Pending		31/08/2016		Pending
China	LEATT	28	Pending		31/08/2016		Pending
China	The Helmet For Your Neck Device	9	7668857	7668857	03/09/2009	03/06/2021	Registered
China	Leatt	25	8706821	870682	28/09/2010	09/28/2021	Registered

* A Community Trade Mark or CTM, is any trademark which is pending registration or has been registered in the European Union as a whole (rather than on a national level within the EU). The CTM system creates a unified trademark registration system in Europe, whereby one registration provides protection by being enforceable in all member states of the EU.

From time to time, we have had to enforce our intellectual property rights through litigation and we may be required to do so in the future. Reverse engineering, unauthorized copying or other misappropriation of our technologies could enable third parties to benefit from our technologies without paying us. We cannot assure you that our competitors have not developed or will not develop similar products, will not duplicate our products, or will not design around any patents issued to or licensed by us. We believe that a loss of these rights would harm or cause a material disruption to our business and, our corporate strategy is to aggressively take legal action against any violators of our intellectual property rights, regardless of where they may be.

Our Employees

As of December 31, 2016, we employed 44 full-time employees, 11 independent contractors and no part-time employees. The following table sets forth the number of our full-time employees by function as of December 31, 2016.

Employee Function	Number
Executive	3
Internet Technology	2
Product	5
Marketing	6
Finance	3
Operations and Distributions/Logistics	5
Research and Development / Leatt Lab	4
Legal and Compliance	2
Sales/Customer Services	11
Support Staff (Receptionist/Cleaners/Driver)	3
Independent Contractors	11
Total	55

We are required to pay UIF, or unemployment insurance, for each of our South African employees. We are also required to withhold income taxes for our South African and U.S. based employees. We generally provide health care benefits and other standard benefits to our employees. We do not have any pension or retirement plans for any of our employees.

We believe that we maintain a satisfactory working relationship with our employees and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations.

Regulations

The 2012 JOBS Act

We qualify as an emerging growth company, as defined in Title I of the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). An emerging growth company is defined as an issuer, including a foreign private issuer, with less than \$1 billion of total annual gross revenues during the most recently completed fiscal year. The SEC has interpreted total annual gross revenues to mean total revenues as presented on the income statement presentation under U.S. GAAP, which for the Company was \$16.4 million for the fiscal year ended December 31, 2016. We will retain our status as an emerging growth company until the earlier of: (1) the fifth anniversary of the date we first sell securities pursuant to an IPO registration statement; (2) the last day of the fiscal year in which we first exceed \$1 billion in annual gross revenues; (3) the time we become a large accelerated filer (an SEC registered company with a public float of at least \$700 million); or (4) the date on which we have issued, within the previous three years, \$1 billion of nonconvertible debt, whether issued in a registered or unregistered offering and whether or not it is still outstanding at the determination date.

The JOBS Act provides scaled disclosure provisions for us, including, among other things: (a) permitting us to include only two years of audited financial statements in a registration statement filed under the Securities Act of 1933 for an IPO of common equity securities; (b) allowing us to comply with the smaller reporting company version of Item 402 of Regulation S-K (Executive Compensation); and (c) removing the requirement that our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting in accordance with Section 404(b) of the Sarbanes-Oxley Act of 2002. The JOBS Act also exempts us from the following additional compensation-related disclosure provisions that were imposed on U.S. public companies pursuant to the Dodd-Frank Act: the advisory say-on-pay vote on executive compensation required under Section 14A(a) of the Exchange Act; the Section 14A(b) requirements relating to shareholder advisory votes on golden parachute compensation; the Section 14(i) requirements for disclosure relating to the relationship between executive compensation and financial performance of the issuer; and the requirement of Dodd-Frank Act Section 953(b)(1), which will require disclosure as to the relationship between CEO and median employee pay.

Under Section 102(b)(1) of the JOBS Act, "emerging growth companies" can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. However, we have irrevocably elected not to avail ourselves of this extended transition period for compliance with new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not "emerging growth companies."

European Union Directives

All our products are compliant with applicable European Union directives, or CE certified, where appropriate. All Leatt Personal Protective Equipment (PPE) products are CE Certified showing compliance with European Economic Community (EEC) directive 89/686/EEC that imposes mandatory accreditation of all Personal Protective Equipment products offered for sale in the EEC. This includes the Company's Leatt-Brace® and body protection products.

This means that as a minimum these products must comply with: the basic Health and Safety requirements of the directive; certain chemical innocuousness tests prescribed in EN 340:2003 - Protective clothing - General Requirements; and the requirements relating to usage, care, cleaning, sizing and other information to be supplied with the product. Accordingly, all Leatt-Braces®, chest protectors and body protection products are CE certified. Only our peripheral products such as jackets, clothing, and caps are not covered.

In addition to the minimum requirements the Company complies with the European Standards, or EN (European Norm), specific to certain categories of PPE. An EN is a standard that has been adopted by one of the three recognized European Standardization Organizations (ESOs): CEN, CENELEC or ETSI. It is produced by all interested parties (including manufacturers, users, consumers and regulators of a particular material, product, process or service) through a transparent, open and consensus based process. In the Company's case these are the applicable EN standards: EN 14021 Stone Shields; EN 1621-1 Limb Protectors; EN 1621-2 Back Protectors; and CE EN1621-3 level 2 impact front Chest Protectors. These standards are more performance related and, among other things, measure the performance of PPE at various intensity levels and under different environmental conditions. They also prescribe product labeling, tests for user comfort and ease of use. Where no specific standards exist in the EU, such as with the neck brace, the Notifying Body will be responsible for CE evaluation and certification.

FDA and MHRA Registration

In the 2015 first quarter our Knee Brace was accepted for registration by both the FDA and the MHRA, and our Shoulder Brace was accepted by the FDA, as Class 1 Medical Devices. FDA and MHRA registration will allow us take these products directly to market as medical devices for patients (not just athletes) recuperating from injuries, surgery, muscle tears or strains, dislocations, breaks or fractures. The Company's FDA registration included the contract manufacturer of the braces, a Good Manufacturing Practices (GMP) vendor. Our initial registration period expired on December 31, 2016 and we renewed our registration until December 31, 2017. For the duration of our

registration period, we are required to maintain logs of complaints or problems, and to provide appropriate labelling for medical uses. The MHRA registration of the knee brace is open-ended, subject to the Company's continued monitoring of product performance in the market place and delivery of prompt responses to the MHRA as necessary.

- 37 -

Other Accreditation

We have also obtained certification for certain of our products, such as the MRX head and neck restraint system, by the SFI Foundation (USA), or the SFI. To attain SFI certification, a safety device must, every five years, pass a series of impact sled tests with an instrumented crash test dummy at a SFI accredited test lab, as well as flammability tests on various parts of the safety device. These tests are done according to the SFI38.1 specification that can be found at <http://www.sfifoundation.com>. SFI 38.1 accreditation is mandatory for any safety device that is used by participants in SFI sanctioned events worldwide. We also voluntarily submitted our Moto GPX neck brace to be tested by the in-house engineers of BMW Motorrad (Germany) and to be reviewed by KTM (Austria). We believe that such testing, while not mandatory, provides validation for our product's performance.

We are also in discussions with governing and racing bodies, such as the FIA, the FIM and NASCAR, to have the Leatt-Brace® accredited by these bodies. To acquire NASCAR accreditation, the safety device must obtain SFI 38.1 accreditation, discussed above, and be recertified every 5 years. In addition, the safety device must undergo review and a series of NASCAR specific tests by NASCAR's technical panel to ensure that it meets all the NASCAR safety requirements. NASCAR accreditation is mandatory for any safety device that is used by participants in NASCAR events. To acquire FIA accreditation, the safety device must obtain SFI 38.1 accreditation, discussed above, and be recertified every 5 years. In addition, the device must undergo review by a FIA technical panel, which assesses the device in accordance with FIA standards for frontal head restraint (FHR) systems and conduct more product specific testing if necessary. To achieve FIA standards, the device must pass certain FIA stress tests for the FHR, the tethers and end fittings, and the attachments included on the protective helmet. FIA accreditation is mandatory for any safety device that is used by participants in FIA sanctioned events worldwide. While there is currently no official accreditation for FIM sanctioned events, we have submitted test documents for FIM review. We cannot guarantee that we will secure any of these accreditations.

ITEM 1A. RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this report, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should read the section entitled "Special Note Regarding Forward-Looking Statements" above for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this report.

RISKS RELATED TO OUR BUSINESS

Our operations may be impaired if our information technology systems fail to perform adequately or if they are the subject of a security breach or cyber attack.

We rely on a variety of information technology systems in the ordinary course of business to manage business data, communications, supply chain, order entry and fulfillment, and other business processes. Our information technology systems are potentially vulnerable to malfunctions, computer viruses, unauthorized access, and cyber-attacks, including individual or advanced persistent cyber-attacks on our information technology infrastructure and attempts by others to gain access to our proprietary or sensitive information. While we use procedures and controls designed to properly maintain and safeguard our information technology systems, including monitoring of threats to mitigate our exposure, such efforts may not be sufficient to prevent a failure of our information security systems or cyber security incidents. The failure of any of our information technology systems to perform as anticipated could disrupt our business and could result in transaction errors, processing inefficiencies and the loss of sales and customers, which could materially adversely affect our financial condition, business and results of operations. A successful breach of our information technology systems could result in the theft of the Company's intellectual property, impose liability on

the Company for the loss of customer, supplier or employee confidential information, increase costs from litigation and reputational damage, any of which results would have a material adverse impact on the Company's financial condition, business and results of operations. Any remedial costs or other liabilities related to information security system failures and cybersecurity incidents may not be fully insured or indemnified by other means.

The ongoing global economic turmoil could negatively affect our business, results of operations, and financial condition.

The ongoing turmoil in the global economy, especially in the U.S., South America and Europe, may have an impact on our business and our financial condition, and we may face challenges if economic conditions do not improve. These economic conditions impact levels of consumer spending, which have deteriorated and may remain depressed for the foreseeable future. If demand for our products fluctuates as a result of these economic conditions or otherwise, our revenue and gross margin could be harmed.

In order to grow at the pace expected by management, we may require additional capital to support our long-term growth strategies. If we are unable to obtain additional capital in future years, we may be unable to proceed with our plans and we may be forced to curtail our operations.

We currently meet our working capital requirements with cash flow provided by our operating activities and we expect to continue doing so for the foreseeable future. However, in the future we may require additional working capital to support our long-term growth strategies, including identifying suitable targets for horizontal or vertical mergers or acquisitions so as to enhance the overall productivity and benefit from economies of scale. If the uncertainty arising out of domestic and global economic conditions and the ongoing tightening of domestic credit markets persist, we may not be able to generate adequate cash flows or obtain adequate levels of additional financing, whether through equity financing, debt financing or other sources. Even if we are able to get additional financing, it might not be on terms that are favorable to the Company. Furthermore, additional financings could result in significant dilution to our earnings per share or the issuance of securities with rights superior to our current outstanding securities, including registration rights. If we are unable to raise additional financing, we may be unable to implement our long-term growth strategies, develop or enhance our products and services, take advantage of future opportunities or respond to competitive pressures on a timely basis, if at all. In addition, a lack of additional financing could force us to substantially curtail operations.

A substantial amount of our sales revenue is derived from sales to a limited number of customers, and our business will suffer if sales to these customers decline.

We have derived a significant portion of our revenue from a limited number of customers, however none of our customers account for more than 10% of our consolidated revenues. For the year ended December 31, 2016, our U.S. revenue was concentrated in one customer that accounted for approximately 13% of annual U.S. revenue. As of December 31, 2016 and 2015, \$316,976 or 14% and \$95,507, or 3% of our accounts receivable, was due from this customer.

For the years ended December 31, 2016 and 2015, our international revenue derived outside of the U.S. was earned from one and two customers that accounted for approximately 9% and 24% of our annual international revenue for the respective periods, with our largest international customer accounting for approximately 9% and 17% of international sales for each of the respective periods. As of December 31, 2016 and 2015, \$24,394 or 1% and \$344,589 or 12% of our accounts receivable, respectively, were due from these international customers.

We do not have long term contractual arrangements with most of these wholesale customers. The loss of one or more of these customers could damage our business, financial condition and results of operations.

We engage in international sales, which expose us to trade restrictions that could harm our business and competitive position.

For the years ended December 31, 2016 and 2015, annual revenues from product sales to international customers were \$9,685,191 and 11,642,970, or 59% or 63% of our total revenue, respectively. As a result, we are subject to risks associated with shipping products across borders, including shipping delays, customs duties, export quotas and other trade restrictions that could have a significant impact on our revenue and profitability. While we have not encountered significant difficulties in connection with the sales of our products in international markets, if we cannot deliver our products on a competitive and timely basis, our relationships with international customers will be damaged and our financial condition could also be harmed. Furthermore, the future imposition of, or significant increases in, the level of custom duties, export quotas or other trade restrictions could have an adverse effect on us. We cannot assure you that the laws of foreign jurisdictions where we sell and seek to sell our products afford similar or any protection of our intellectual property rights as may be available under U.S. laws. We are directly impacted by the political, economic, military and other conditions in the countries where we sell or seek to sell our products.

Significant fluctuations in fuel prices could have an adverse impact on our business and operations.

A significant portion of our revenue is derived from international sales and so significant fluctuations in fuel prices could adversely affect our business and operations. While fluctuations in fuel prices could lead to higher commuter costs which may encourage the increased use of motorcycles and bicycles as alternative modes of transportation and lead to an increase in the market for our protection products, significant fluctuations in world fuel prices could significantly increase the price of shipping or transporting our products which we may not be able to pass on to our customers.

Expansion of our business may put added pressure on our management, financial resources and operational infrastructure impeding our ability to meet any increased demand for our products and possibly hurting our operating results.

Our business plan is to significantly grow our operations to meet anticipated growth in demand for existing products, and by the introduction of new product offerings. Our planned growth includes the construction of several new production lines to be put into operation over the next five years. Growth in our business may place a significant strain on our personnel, management, financial systems and other resources. We may be unable to successfully and rapidly expand sales to potential customers in response to potentially increasing demand or control costs associated with our growth.

To accommodate any such growth and compete effectively, we may need to obtain additional funding to improve information systems, procedures and controls and expand, train, motivate and manage our employees, and such funding may not be available in sufficient quantities, if at all. If we are not able to manage these activities and implement these strategies successfully to expand to meet any increased demand, our operating results could suffer.

We rely on patent and trade secret laws that are complex and difficult to enforce and we may not be able to prevent others from unauthorized use of our intellectual property. If we are not able to adequately secure and protect our patent, trademark and other proprietary rights our business may be materially affected.

The continued success of our business is dependent on our intellectual property portfolio consisting of globally registered trademarks, design patents and utility patents related to the Leatt-Brace®. We also rely on nondisclosure agreements and other methods to protect our intellectual property rights. However, the steps we have taken may be inadequate to prevent the misappropriation of our technology. In addition, the validity and breadth of claims in protective gear technology patents involve complex legal and factual questions and, therefore, the extent of their enforceability and protection is highly uncertain. Issued patents or patents based on pending patent applications or any future patent applications may not exclude competitors or may not provide a competitive advantage to us. In addition, patents issued or licensed to us may not be held valid if subsequently challenged and others may claim rights in or ownership of such patents. Reverse engineering, unauthorized copying or other misappropriation of our technologies could enable third parties to benefit from our technologies without paying us. We cannot assure you that our competitors have not developed or will not develop similar products, will not duplicate our products, or will not design around any patents issued to or licensed by us.

We believe that a loss of these rights would harm or cause a material disruption to our business and, our corporate strategy is to aggressively take legal action against any violators of our intellectual property rights, regardless of where they may be.

We depend on key personnel, and turnover of key employees and senior management could harm our business.

Our future business and results of operations depend in significant part upon the continued contributions of our key technical and senior management personnel, including specifically, Dr. Christopher Leatt, our Chairman and Research and Development Consultant, Sean Macdonald, our Chief Executive Officer and President, Erik Olsson, our International General Manager and Todd Repsher, our U.S. General Manager. They also depend in significant part upon our ability to attract and retain additional qualified management, technical, marketing and sales and support personnel for our operations. To address this risk we have taken out key man insurance on Key Staff members such as Dr. Leatt. However, if we lose a key employee or if a key employee fails to perform in his or her current position, or if we are unable to attract and retain skilled employees as needed, our business could suffer. Significant turnover in our senior management could significantly deplete our institutional knowledge held by our existing senior management team. We depend on the skills and abilities of these key employees, as well as the intellectual property owned by Dr. Leatt, in managing the development, manufacturing, technical, marketing and sales aspects of our business, any part of which could be harmed by further turnover.

We face an inherent business risk of exposure to product liability claims that could have a material adverse effect on our operating results.

Because of the nature of our products, we face an inherent business risk of exposure to product liability claims arising from the claimed failure of our products to prevent the types of personal injury or death against which they are designed to protect. Plaintiffs may also advance other legal theories supporting claims that our products or actions resulted in harm to them. We maintain product liability insurance policies with a self-insured retention to attempt to manage this risk worldwide. We are currently defending against 1 such claim which we have a fair expectation will be resolved in our favor. But although we maintain product liability insurance coverage, there can be no absolute assurance that our coverage limits will be sufficient to cover any successful product liability claims made against us now or in the future. Furthermore, our insurance coverage does not include damages which may be assessed against us for willful and/or intentional injury, or for exemplary or punitive damages. Any claim or aggregation of claims substantially in excess of our insurance coverage, or any substantial claim not covered by insurance, could have a material adverse effect on our financial condition and results of operations. These aforementioned claims also have a negative impact on the renewal our product liability insurance policy and the premiums.

We may not be able to adequately finance the significant costs associated with the development of new protective equipment products.

The products in the protective equipment market can change dramatically with new technological advancements. We are currently conducting research and development on new products, which requires a substantial outlay of capital. To remain competitive, we must continue to incur significant costs in product development, equipment, facilities and invest in research and development of new products. These costs may increase, resulting in greater fixed costs and operating expenses.

In addition to research and development costs, we could be required to expend substantial funds for and commit significant resources to the following:

- additional engineering and other technical personnel;
- advanced design, production and test equipment;
- manufacturing services that meet changing customer needs;
- technological changes in manufacturing processes;
- working capital and;
- manufacturing capacity

Our future operating results will depend to a significant extent on our ability to continue to provide new and competitive products that compare favorably on the basis of cost and performance with the design and manufacturing capabilities of competitive third-party technologies. We will need to sufficiently increase our net sales to offset these increased costs, the failure of which would negatively affect our operating results.

We may be exposed to potential risks relating to our internal controls over financial reporting and our ability to have those controls attested to by our independent auditors.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, or SOX 404, the SEC adopted rules requiring public companies to include a report of management on the company's internal controls over financial reporting in their annual reports, including Form 10-K. Under current law, we became subject to the requirements of SOX 404 beginning with our annual report for the fiscal year ended December 31, 2012 and since becoming a U.S. public company, we have evaluated our internal control systems in order to allow our management to meet these requirements, including for this annual report for the fiscal year ended December 31, 2016. We can provide no assurance that we will comply with all of the requirements imposed thereby in the coming years. In the event that we ever identify significant deficiencies or material weaknesses in our internal controls that we cannot remediate in a timely manner, investors and others may lose confidence in the reliability of our financial statements.

We are an "emerging growth company," and have availed ourselves of scaled public company reporting requirements and requirements for stockholder approval and advice applicable to emerging growth companies, which could make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we remain an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies, including not being required to comply with the independent auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We intend to take advantage of these reporting exemptions and requirements of stockholder advisory votes and approvals until we are no longer an emerging growth company.

We could be an "emerging growth company" for up to five years after the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act, which we expect will be pursuant to a Registration Statement on Form S-8 or on Form S-1. However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer," our annual gross revenues exceed \$1 billion or we issue more than \$1 billion of non-convertible debt in any three-year period, we would cease to be an "emerging growth company" prior to the end of such five year period. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choice we make to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile.

RISKS RELATED TO OUR INDUSTRY

We may not be able to maintain or improve our competitive position because of strong competition in the personal protective equipment industry, and we expect this competition to continue to intensify.

We face competition from other global manufacturers and distributors who provide personal protective equipment to users of motorcycles, ATVs, snowmobiles, motor racing cars and other helmeted sports. Some of our international competitors are larger than we and possess greater name recognition, assets, personnel, sales and financial resources. These entities may be able to respond more quickly to changing market conditions by developing new products and services that meet customer requirements or are otherwise superior to our products and services and may be able to more effectively market their products than we can because they have significantly greater financial, technical and marketing resources than we do. They may also be able to devote greater resources than we can to the development, promotion and sale of their products. Increased competition could require us to reduce our prices, result in our receiving fewer customer orders, and result in our loss of market share. We cannot assure you that we will be able to distinguish ourselves in a competitive market. To the extent that we are unable to successfully compete against existing and future competitors, our business, operating results and financial condition would be materially adversely affected.

If we are unable to develop competitive new products our future results of operations could be adversely affected.

Our future revenue stream depends to a large degree on our ability to utilize our technology in a way that will allow us to offer new types of safety products to a broader client base. We will be required to make investments in research and development in order to continue to develop new products, enhance our products and achieve market acceptance. We may incur problems in the future in innovating and introducing new and innovative products or, if developed, such products may not achieve significant customer acceptance. If we are unable to successfully define, develop and introduce competitive new products or improve on existing ones, our future results of operations would be adversely affected.

The value of our brand and sales of our products could be diminished if we, the individuals who use our products or the sport and activity categories in which our products are used, are associated with negative publicity.

Our success depends on the value of our brand. Our brand could be adversely affected if our public image or reputation were to be tarnished by negative publicity. Many athletes and other public individuals use our products and actions taken by such persons that harm the reputations of activities they participate in could also harm our brand image and result in a material decrease in our revenues and net income, which could have a negative effect on our financial condition and liquidity. In addition, negative publicity resulting from severe injuries or death occurring in the sports or activities in which our products are used and negatively impacts the popularity of such sport or activity, could have a subsequent negative effect on our net sales of products used in that sport or activity.

We may not be able to receive certain industry certifications and accreditation for our products.

We have obtained certification and approvals for certain of our products, including certification of our MRX head and neck restraint system by the SFI, and approval of our new knee brace as a Class 1 medical device by both the U.S. FDA and the UK's Medicine and Healthcare Regulatory Products Agency (MHRA), and approval of our shoulder brace as a Class 1 medical device by the U.S. FDA. We also voluntarily submitted our Moto GPX neck brace to be tested by the in-house engineers of BMW Motorrad (Germany) and to be reviewed by KTM (Austria). We believe that such testing, while not mandatory, will provide validation for our product's performance. There is no guarantee that our products will receive SFI certification or meet BMW testing standards.

We are also in discussions with governing and racing bodies, such as the FIA, FIM and NASCAR, to have the Leatt-Brace® accredited by these bodies. To acquire NASCAR accreditation, the safety device must obtain SFI 38.1

accreditation, discussed above, and be recertified every 5 years. In addition, the safety device must undergo review and a series of NASCAR specific tests by NASCAR's technical panel to ensure that it meets all the NASCAR safety requirements. NASCAR accreditation is mandatory for any safety device that is used by participants in NASCAR events. To acquire FIA accreditation, the safety device must obtain SFI 38.1 accreditation, discussed above, and be recertified every 5 years. In addition, the device must undergo review by a FIA technical panel, which assesses the device in accordance with FIA standards for frontal head restraint (FHR) systems and conduct more product specific testing if necessary. To achieve FIA standards, the device must pass certain FIA stress tests for the FHR, the tethers and end fittings, and the attachments included on the protective helmet. FIA accreditation is mandatory for any safety device that is used by participants in FIA sanctioned events worldwide. While there is currently no official accreditation for FIM sanctioned events, we have submitted test documents for FIM review. We cannot guarantee that we will secure any of these accreditations.

RISKS RELATED TO DOING BUSINESS IN NON-US JURISDICTIONS

We face risks associated with doing business in non-US jurisdictions.

We have affiliates, and our products are manufactured in and distributed from facilities, located in foreign countries, including countries in Asia and South Africa. International operations are subject to certain risks inherent in doing business abroad, including:

- Exposure to political, social and economic instability;
- Expropriation and nationalization;
- Withholding and other taxes on remittances and other payments by subsidiaries;
- Difficulties in enforcement of contract and intellectual property rights;
- Exposure to foreign current exchange rates, interests rates and inflation;
- Investment restrictions or requirements; and Export and import restrictions.

We are highly dependent on our foreign affiliates for their production capabilities and increasing our foreign operations and business relationships are important elements of our strategy. As a result, our exposure to the risks described above may be greater in the future. The likelihood of such occurrences and their potential impact on us varies from country to country and are unpredictable.

Our operations and assets in China are subject to significant political and economic uncertainties.

Our products are manufactured and shipped from production facilities in China. If our manufacturing in China is disrupted, our overall capacity could be significantly reduced and sales or profitability could be negatively impacted. Furthermore, changes in PRC laws and regulations, or their interpretation, or the imposition of confiscatory taxation, restrictions on currency conversion, imports and sources of supply, devaluations of currency or the nationalization or other expropriation of private enterprises could have a material adverse effect on our business, results of operations and financial condition. Under its current leadership, the Chinese government has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization. There is no assurance, however, that the Chinese government will continue to pursue these policies, or that it will not significantly alter these policies from time to time without notice.

We may have limited legal recourse under PRC law if disputes arise under our outsourcing manufacturing arrangements with third parties.

The Chinese government has enacted some laws and regulations dealing with matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, their experience in implementing, interpreting and enforcing these laws and regulations is limited, and our ability to enforce commercial claims or to resolve commercial disputes is unpredictable. If our outsourcing manufacturing arrangements are unsuccessful or other adverse circumstances arise from these arrangements, we face the risk that our third-party manufacturers may dishonor our purchase orders or unwritten arrangements. The resolution of these matters may be subject to the exercise of considerable discretion by agencies of the Chinese government, and forces unrelated to the legal-merits of a particular matter or dispute may influence their determination. Any rights we may have to specific performance, or to seek an injunction under PRC law, in either of these cases, are severely limited, and without a means of recourse by virtue of the Chinese legal system, we may be unable to prevent these situations from occurring. The occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations.

Our potential inability to adequately protect our intellectual property during the outsource manufacturing of our products in China could negatively impact our performance.

Our products are manufactured primarily in China through third-party outsource manufacturing arrangements. We rely on our third-party manufacturers to implement customary manufacturer safeguards onsite, such as the use of

confidentiality agreements with employees, to protect our proprietary information and technologies during the manufacturing process, however, these safeguards may not effectively prevent unauthorized use of such information and technical knowhow, or prevent such manufacturers from retaining them. The legal regime governing intellectual property rights in China is relatively weak and it is often difficult to create and enforce intellectual property rights or protect trade secrets there. We face risks that our proprietary information may not be afforded the same protection in China as it is in countries with well-developed intellectual property laws, and local laws may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights in China, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

We may be exposed to liabilities under the Foreign Corrupt Practices Act and Chinese anti-corruption laws, and any determination that we violated these laws could have a material adverse effect on our business.

We are subject to the Foreign Corrupt Practice Act, or FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute, for the purpose of obtaining or retaining business. We have operations and agreements with third parties worldwide and such activities create the risk of unauthorized payments or offers of payments by the employees, consultants, sales agents or distributors of our Company, even though they may not always be subject to our control. It is our policy to implement safeguards to discourage these practices by our employees. However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants, sales agents or distributors of our Company may engage in conduct for which we might be held responsible. Violations of the FCPA or Chinese anti-corruption laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the U.S. government may seek to hold our Company liable for successor liability in connection with FCPA violations committed by companies in which we invest or that we acquire.

Fluctuations in currency exchange rates could negatively affect our performance.

We are exposed to foreign exchange risk as our revenues and consolidated results of operations may be affected by fluctuations in foreign currency as we translate these currencies into U.S. dollars when we consolidate our financial results. While our reporting currency is the U.S. Dollar, a portion of our consolidated revenues are denominated in South African Rand, or ZAR, certain of our assets are denominated in ZAR, and our research and marketing operations in South Africa utilize South African labor sources. A decrease in the value of the U.S. dollar in relation to the ZAR could increase our cost of doing business in South Africa. If the ZAR depreciates against the U.S. Dollar, the value of our ZAR revenues, earnings and assets as expressed in our U.S. Dollar financial statements will decline. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk. Furthermore since 59% of our sales is derived outside the U.S. where the U.S. dollar is not the primary currency, significant fluctuations in exchange rates such as the strengthening of the dollar versus our customers' local currency can adversely affect our ability to remain competitive in those areas.

Your ability to bring an action against us, and those of our officers and directors who are based in South Africa, or to enforce a judgment against us or recover assets in our possession may be difficult since any such action or recovery of assets would be an international matter, involving South African laws and geographic and temporal disparities.

We conduct substantial operations in South Africa through our foreign registered branch and a substantial portion of our assets are located outside of the United States. In addition, all but two of our management personnel reside in South Africa. As a result, it may be difficult or impossible for you to bring an action against us or these individuals in the United States in the event that you believe that your rights have been violated under applicable law or otherwise. Even if an action of this type is successfully brought, the laws of the United States and of South Africa may render a judgment unenforceable.

RISKS RELATING TO OUR COMMON STOCK

There is not now, and there may not ever be, an active market for our common stock and we cannot assure you that the common stock will become liquid or that it will be listed on a securities exchange.

There currently is no active market for our common stock. We plan to list our common stock as soon as practicable. However, we cannot assure you that we will be able to meet the initial listing standards of any stock exchange, or that we will be able to maintain any such listing. Until our common stock is listed on an exchange, we expect that it would be eligible to continue being quoted in the over-the-counter market maintained by the OTC Markets Group Inc. In this

venue, however, an investor may find it difficult to obtain accurate quotations as to the market value of the common stock and trading of our common stock may be extremely sporadic. For example, several days may pass before any shares may be traded. A more active market for the common stock may never develop. In addition, if we failed to meet the criteria set forth in SEC regulations, various requirements would be imposed by law on broker-dealers who sell our securities to persons other than established customers and accredited investors. Consequently, such regulations may deter broker-dealers from recommending or selling the common stock, which may further affect its liquidity. This would also make it more difficult for us to raise additional capital.

We are subject to penny stock regulations and restrictions that may affect our ability to sell our securities on the secondary market.

The SEC has adopted regulations that generally define penny stock to be an equity security that has a market price of less than \$5.00 per share, subject to specific exemptions. The market price of our common stock is less than \$5.00 per share and therefore is a penny stock. Brokers or dealers effecting transactions in penny stock must disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules may restrict the ability of brokers or dealers to sell our common stock and may affect your ability to sell shares.

Our holding company structure may limit the payment of dividends.

We have no direct business operations, other than our ownership of our subsidiaries. While we have no immediate intention of paying dividends, should we decide in the future to do so, as a holding company, our ability to pay dividends and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiaries and other holdings and investments. In addition, our operating subsidiaries, from time to time, may be subject to restrictions on their ability to make distributions to us, including as a result of restrictive covenants in loan agreements, restrictions on the conversion of local currency into U.S. dollars or other hard currency and other regulatory restrictions as discussed below. If we determine that we will pay dividends to the holders of our common stock, we cannot assure that such dividends will be paid on a timely basis. As a result, you will not receive any return on your investment prior to selling your shares in our company and, for the other reasons discussed in this Risk Factors section, you may not receive any return on your investment even when you sell your shares in our company and your shares may become worthless. If future dividends are paid in ZAR, fluctuations in the exchange rate for the conversion of ZAR into U.S. dollars may reduce the amount received by U.S. stockholders upon conversion of the dividend payment into U.S. dollars.

The management team collectively has the power to make all major decisions regarding the company without the need to get consent from any stockholder or other person. This discretion could lead to decisions that are not necessarily in the best interests of minority shareholders.

Our management team collectively owns 41.53% of our common stock (including our preferred stock which converts on a one-for-one basis to common stock). Management, therefore, has the power to make all major decisions regarding our affairs, including decisions regarding whether or not to issue stock and for what consideration, whether or not to sell all or substantially all of our assets and for what consideration and whether or not to authorize more stock for issuance or otherwise amend our charter or bylaws. The management team is in a position to elect all of our directors and to dictate all of our policies.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our corporate headquarters are located in a 948 square meter space located at 12 Kiepersol Drive, Atlas Gardens, Contermanskloof Road, Durbanville, Western Cape, South Africa, 7441. Approximately 25% of the space is used by our finance, legal and operations teams, 35% is used for warehousing and South African distribution, 10% is used by marketing and the remaining 30% is used by Leatt Lab and our research and development team. We occupy these premises pursuant to a lease agreement, dated December 5, 2016, between Leatt SA and AJ Brutus Investments CC, which expires on December 15, 2018. The lease agreement requires us to pay a monthly rent of ZAR 62,932 (or \$4,611).

Edgar Filing: Leatt Corp - Form 10-K

Two Eleven, our California subsidiary, leases a 14,101 square foot space in Santa Clarita, California, pursuant to a lease agreement between Two Eleven and Centre Pointe Properties, LLC, dated September 11, 2012, as amended. Two Eleven uses approximately 9% of the office space for executive offices and the remaining 91% of the space for warehousing. The current lease agreement, dated March 16, 2015 (as amended), calls for a monthly base rent in the amount of \$9,734 through April 1, 2016, and then for a base rent of \$10,015 through April 30, 2017.

- 45 -

We also lease extra warehouse space from time to time to store stock. These agreements are on a month-to-month basis and vary during the course of the year.

We believe that all space is in good condition and that the property is adequately insured by the Company.

ITEM 3. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings in the ordinary course of our business. Other than as set forth below, we are currently not aware of any legal proceedings the ultimate outcome of which, in our judgment based on information currently available, would have a material adverse effect on our business, financial condition or operating results.

On February 25, 2015, a lawsuit was filed against the Company on behalf of a motorcycle rider in the Northern District Court of Indiana, Lafayette Division for strict liability, breach of warranty, negligence, punitive damages and deceptive and misleading advertising and marketing. The litigation is at an early stage and the Company is in the process of investigating the claim. The Company believes that the lawsuit is without merit and intends to vigorously defend itself.

On October 27, 2016, the Company was served with a complaint by Simpson Performance Products, Inc. for patent infringement based on the United States Patent No. 9,351,529 entitled Multi-Point Tethering System for Head and Neck Restraint Devices issued May 31, 2016, related to the sale of the Company's MRX Pro. In this matter, there are multiple defendants. The litigation is at an early stage and the Company is in the process of investigating the claim. The Company believes that the lawsuit is without merit. The plaintiff is requesting that the Court permanently enjoin Leatt Corporation from selling the MRX Pro and damages.

ITEM 4. MINING SAFETY DISCLOSURES.

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common stock is quoted on the *QB* tier of the over-the-counter electronic bulletin board maintained by the OTC Markets Group Inc. under the symbol LEAT. The CUSIP number for our common stock is 522132 10 9.

The following table sets forth, for the periods indicated, the high and low closing prices of our common stock as quoted on the OTC. These prices reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

	Closing Prices ⁽¹⁾			
		High		Low
Year Ended December 31, 2017				
1 st Quarter (January 1, 2017 to March 16, 2017)	\$	2.46	\$	2.11
Year ended December 31, 2016				
1 st Quarter	\$	4.00	\$	2.52
2 nd Quarter	\$	3.46	\$	2.05
3 rd Quarter	\$	2.75	\$	1.85

Edgar Filing: Leatt Corp - Form 10-K

4 th Quarter	\$	4.00	\$	2.00
<i>Year ended December 31, 2015</i>				
1 st Quarter	\$	3.25	\$	1.30
2 nd Quarter	\$	3.91	\$	2.08
3 rd Quarter	\$	5.36	\$	2.17
4 th Quarter	\$	5.28	\$	2.08

- 46 -

(1) The above table sets forth the range of high and low closing prices per share of our common stock as reported by www.quotemedia.com for the periods indicated.

Holders

As of March 22, 2017, there were approximately 221 stockholders of record of our common stock. The number of record holders does not include persons who held our common stock in nominee or street name accounts through brokers.

Dividend Policy

We have never declared dividends or paid cash dividends. Our board of directors will make any future decisions regarding dividends. We currently intend to retain and use future earnings for the development and expansion of our business and do not anticipate paying cash dividends in the immediate future.

Our board of directors has complete discretion on whether to pay dividends, subject to the approval of our shareholders. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

Securities Authorized for Issuance under Equity Compensation Plans

Our officers and directors are eligible for equity awards in the form of stock options and restricted stock under the Leatt Corporation Amended and Restated 2011 Equity Incentive Plan (the 2011 Plan), pursuant to which the Company is authorized to issue and sell up to 920,000 shares of common stock of the Company, par value \$0.001 per share. Equity awards under the 2011 Plan are granted at the discretion of the Board. The size of an award to any individual, including named executive officers, depends in part on individual performance, including the components of our key performance appraisal index described above and any other indicators of the impact that such employee s productivity may have on stockholder value over time. Other factors include salary level and competitive data. In addition, in determining the awards granted to each named executive officer, the Board considers the future benefits potentially available to the named executive officers from existing awards. We have no program, plan or practice of granting equity awards that coincide with the release by the Company of material non-public information.

The following table includes the information as of December 31, 2016 for each category of our equity compensation plan:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	30,000	\$1.00	306,800
	323,000	\$2.60	
Equity compensation plans not approved by security holders	0	--	0

Total	353,000	--	306,800
--------------	----------------	-----------	----------------

Recent Sales of Unregistered Securities

We have not sold any equity securities during 2016 that were not previously disclosed in a quarterly report on Form 10-Q or a current report on Form 8-K that was filed during the period.

- 47 -

Purchases of Equity Securities

No repurchases of our common stock were made during the fourth quarter of 2016.

ITEM 6. SELECTED FINANCIAL DATA.

Not Applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following management's discussion and analysis should be read in conjunction with our financial statements and the notes thereto and the other financial information appearing elsewhere in this report. In addition to historical information, the following discussion contains certain forward-looking information. See Special Note Regarding Forward Looking Statements above Part I, for certain information concerning those forward looking statements. Our financial statements are prepared in U.S. dollars and in accordance with U.S. GAAP.

Overview of our Business

We were incorporated in the State of Nevada on March 11, 2005 under the name Treadzone, Inc. We were a shell company with little or no operations until March 1, 2006, when we acquired the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company owned and controlled by the Company's Chairman and founder, Dr. Christopher Leatt. On May 25, 2005, we changed our name to Leatt Corporation in connection with our anticipated acquisition of the Leatt-Brace® rights. Leatt designs, develops, markets and distributes personal protective equipment for participants in all forms of motor sports and leisure activities, including riders of motorcycles, bicycles, snowmobiles and ATVs, as well as racing car drivers. The Company sells its products to customers worldwide through a global network of distributors and retailers. Leatt also acts as the original equipment manufacturer for neck braces sold by other international brands.

The Company's flagship products are based on the Leatt-Brace® system, a patented injection molded neck protection system owned by Xceed Holdings, designed to prevent potentially devastating injuries to the cervical spine and neck. The Company has the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company owned and controlled by the Company's Chairman and founder, Dr. Christopher Leatt. The Company also has the right to use apparatus embodying, employing and containing the Leatt-Brace® technology and has designed, developed, marketed and distributed other personal protective equipment using this technology, as well as its own developed technology, including the Company's new body protection products which it markets under the Leatt Protection Range brand.

The Company's research and development efforts are conducted at its research facilities, located at its executive headquarters in Cape Town, South Africa. The Company employs 4 full-time employees who are dedicated exclusively to research, development, and testing. The Company also utilizes consultants, academic institutions and engineering companies as independent contractors or consultants, from time to time, to assist it with its research and development efforts. Leatt products have been tested and reviewed internally and by external bodies. All Leatt products are compliant with applicable European Union directives, or CE certified, where appropriate. Certain products, such as the MRX Head and Neck Restraint system, have been certified by SFI Foundation (USA) and the Moto GPX was tested by BMW Motorrad (Germany) and reviewed by KTM (Austria). The Company is also in discussions with governing and racing bodies, such as the Fédération Internationale de l'Automobile (FIA), the Fédération Internationale de Motocyclisme (FIM) and the National Association for Stock Car Auto Racing (NASCAR), to have the Leatt-Brace® accredited by these bodies.

Our products are manufactured in China under outsource manufacturing arrangements with third-party manufacturers located there. The Company utilizes outside consultants and its own employees to ensure the quality of its products through regular on-site product inspections. Products purchased through international sales are usually shipped directly from our manufacturers' warehouses or points of dispatch to customers or their import agents.

Leatt earns revenues through the sale of its products through approximately 60 distributors worldwide, who in turn sell its products to retailers. Leatt distributors are required to follow certain standard business terms and guidelines for the sale and distribution of Leatt products. Two Eleven and Leatt SA directly distribute Leatt products to retailers in the United States and South Africa, respectively.

Principal Factors Affecting Our Financial Performance

We believe that the following factors will continue to affect our financial performance:

Global Economic Fragility The ongoing turmoil in the global economy, especially in the U.S. and Europe, may have an impact on our business and our financial condition, and we may face challenges if economic conditions do not improve. These economic conditions impact levels of consumer spending, which have deteriorated and may remain depressed for the foreseeable future. If demand for our products fluctuates as a result of these economic conditions or otherwise, our revenue and gross margin could be harmed.

Fuel Prices Significant fluctuations in fuel prices could have both a positive and negative effect on our business and operations. A significant portion of our revenue is derived from international sales and significant fluctuations in world fuel prices could significantly increase the price of shipping or transporting our products which we may not be able to pass on to our customers. On the other hand, fluctuations in fuel prices lead to higher commuter costs which may encourage the increased use of motorcycles and bicycles as alternative modes of transportation and lead to an increase in the market for our protection products.

Product Liability Litigation We face an inherent business risk of exposure to product liability claims arising from the claimed failure of our products to help prevent the types of personal injury or death against which they are designed to help protect. Therefore we have acquired very costly product liability insurance worldwide. We have not experienced any material uninsured losses due to product liability claims, but it is possible that we could experience material losses in the future. After a two-week trial in the United States District Court for the Northern District of Ohio (Eastern) ending on April 17, 2014, a federal jury returned a defense verdict for the Company in the first Leatt- Brace® product liability lawsuit to be tried in the United States. The plaintiffs in that case had alleged that defective product design and failure to warn had caused a then fifteen-year-old motocross rider, to suffer multiple mid- thoracic spine fractures, causing immediate and permanent paraplegia, when he crashed at a relatively low speed on February 13, 2011. When the accident occurred, he was wearing a helmet and other safety gear from several different companies, including the Company's acclaimed Leatt-Brace®. The Company produced evidence at trial showing that his thoracic paraplegia was an unavoidable consequence of his fall, not the result of wearing a Leatt- Brace®, and that the neck brace likely saved his life (or saved him from quadriplegia) by preventing cervical spine injury. The Company had maintained from the onset that this and a small handful of other lawsuits are without merit and that it will vigorously defend itself in each case. In this case, the plaintiffs subsequently appealed the court's decision and the parties reached an amicable settlement. Although we carry product liability insurance, a successful claim brought against us could significantly harm our business and financial condition and have an adverse impact on our ability to renew our product liability insurance or secure new coverage.

Protection of Intellectual Property We believe that the continued success of our business is dependent on our intellectual property portfolio consisting of globally registered trademarks, design patents and utility patents related to the Leatt-Brace®. We believe that a loss of these rights would harm or cause a material disruption to our business and, our corporate strategy is to aggressively take legal action against any violators of our intellectual property rights, regardless of where they may be. From time to time, we have had to enforce our intellectual property rights through litigation and we may be required to do so in the future. Such litigation may result in substantial costs and could divert resources and management attention from the operations of our business.

Fluctuations in Foreign Currencies We are exposed to foreign exchange risk as our revenues and consolidated results of operations may be affected by fluctuations in foreign currency as we translate these

currencies into U.S. dollars when we consolidate our financial results. While our reporting currency is the U.S. Dollar, a portion of our consolidated revenues are denominated in South African Rand, or ZAR, certain of our assets are denominated in ZAR, and our research and marketing operations in South Africa utilize South African labor sources. A decrease in the value of the U.S. dollar in relation to the ZAR could increase our cost of doing business in South Africa. If the ZAR depreciates against the U.S. Dollar, the value of our ZAR revenues, earnings and assets as expressed in our U.S. Dollar financial statements will decline. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk. Furthermore since 59% of our sales is derived outside the U.S. where the U.S. dollar is not the primary currency, significant fluctuations in exchange rates such as the strengthening of the dollar versus our customers' local currency can adversely affect our ability to remain competitive in those areas.

- 49 -

Results of Operations***Year ended December 31, 2016 compared to the year ended December 31, 2015***

The following table summarizes the results of our operations during the years ended December 31, 2016 and 2015 and provides information regarding the dollar and percentage of year-over-year increase or (decrease).

Item	Fiscal Year Ended December 31,		Increase (Decrease)	Percentage Increase (Decrease)
	2016	2015		
REVENUES	\$ 16,416,465	\$ 18,343,172	\$ (1,926,707)	-11%
COST OF REVENUES	8,178,017	8,741,131	\$ (563,114)	-6%
GROSS PROFIT	8,238,448	9,602,041	\$ (1,363,593)	-14%
PRODUCT ROYALTY INCOME	103,366	182,485	\$ (79,119)	-43%
OPERATING EXPENSES				
Salaries and Wages	2,332,167	2,225,646	\$ 106,521	5%
Commissions and Consulting	566,105	570,937	\$ (4,832)	-1%
Professional Fees	538,076	845,575	\$ (307,499)	-36%
Advertising and Marketing	1,588,599	1,498,307	\$ 90,292	6%
Office Rent and Expenses	258,950	246,616	\$ 12,334	5%
Research and Development Costs	1,443,451	1,180,227	\$ 263,224	22%
Bad Debt Expense	62,667	124,213	\$ (61,546)	-50%
General and Administrative	1,873,981	1,793,698	\$ 80,283	4%
Depreciation	409,534	371,089	\$ 38,445	10%
Total Operating Expenses	9,073,530	8,856,308	\$ 217,222	2%
INCOME (LOSS) FROM OPERATIONS	(731,716)	928,218	\$ (1,659,934)	-179%
Other Income	97,521	32,304	\$ 65,217	202%
INCOME (LOSS) BEFORE INCOME				
TAXES	(634,195)	960,522	\$ (1,594,717)	-166%
Income Taxes	(178,958)	385,590	\$ (564,548)	-146%
NET INCOME (LOSS)	\$ (455,237)	\$ 574,932	\$ (1,030,169)	-179%

Revenues We earn revenues from the sale of our Protective gear comprising of Neck braces, Body armor, Helmets and Other products, Parts and Accessories. Revenues for the year ended December 31, 2016 were \$16.42 million, an 11% decrease, compared to revenues of \$18.34 million for the year ended December 31, 2015. This decrease in revenues is attributable to a \$1.73 million decrease in neck brace sales, and a \$0.84 million decrease in Body armor sales, that were partially offset by a \$0.18 million increase in Helmet sales and a \$0.47 million increase in sales of Other Products, Parts and Accessories, respectively, during the year ended December 31, 2016. Changes in prices did not impact the decrease in revenues as our selling prices have not fluctuated by any significant level. Although revenues in the United States were marginally higher during 2016, revenues derived from sales to distributors outside of the United States decreased by 17%. This decrease in sales revenues was the result of a decrease in sales to our largest European customers who had less purchasing power due to the continued strengthening of the US Dollar against the EURO. These customers, who made significant investments in inventory in prior periods, adjusted their prior purchasing pattern during the period to manage the increased prices.

The following table sets forth our revenues by product line for the years ended December 31, 2016 and 2015:

	Year Ended December 31,			
	2016	% of Revenues	2015	% of Revenues
Neck braces	\$ 5,701,503	35%	\$ 7,430,800	40%
Body armor	7,699,973	47%	8,540,332	47%
Helmets	1,608,854	10%	1,431,090	8%
Other Products, Parts and Accessories	1,406,135	8%	940,950	5%
	\$ 16,416,465	100%	\$ 18,343,172	100%

Sales of our flagship Neck brace accounted for \$5.70 million and \$7.43 million, or 35% and 40% of our revenues for the years ended December 31, 2016 and 2015, respectively. The 23% decrease in Neck brace revenues was due to a decrease in the volume of neck braces sold in the United States and abroad. In the United States, the decrease in neck brace volumes was primarily as a result of decreased sales to our primary OEM customer. The decrease in neck brace sales volumes to customers outside of the United States was primarily the result of significant U.S. dollar strength in relation to the local currencies of our customers in the respective regions discussed above. The Company continues to evaluate measures to remain competitive in these areas.

Our Body armor products are comprised of chest protectors, full upper body protectors, upper body protection vests, back protectors, knee braces, gloves and knee and elbow guards. Body armor sales accounted for \$7.70 million and \$8.54 million, or 47% and 47% of our revenues for the years ended December 31, 2016 and 2015, respectively. The 10% decrease in Body armor revenues was primarily due to a decrease in the volume of C-Frame Knee Braces sold globally. We expect that Knee Brace sales will improve in the coming quarters with the anticipated release and shipment of our new C-Frame Pro knee brace.

Our Helmets accounted for \$1.61 million and \$1.43 million, or 10% and 8% of our revenues for the year ended December 31, 2016 and 2015, respectively. The 12% increase in Helmet revenues is due to the on-going shipment of our GPX 5.5 Composite and GPX 6.5 Carbon helmets.

Our Other Products, Parts and Accessories are comprised of apparel, aftermarket support items required primarily to replace worn or damaged parts through our global distribution network as well as clothing, outerwear and accessories that include hats, jackets, bags, hydration kits and cooling garments. Other Products, Parts and Accessories sales accounted for \$1.41 million and \$0.94 million, or 8% and 5% of our revenues for the years ended December 31, 2016 and 2015, respectively. The increase in our Other Products, Parts and Accessories is primarily due to the initial shipment of our GPX and DBX apparel lines designed for off-road motorcycle and bicycle use respectively.

Costs of Revenues and Gross Profit Cost of revenues for the years ended December 31, 2016 and 2015 were \$8.18 million and \$8.74 million, respectively. Gross Profit for the years ended December 31, 2016 and 2015 were \$8.24 million or 50% of revenues, and \$9.60 million, or 52% of revenues, respectively. Our helmet and neck brace products continue to generate a higher gross margin than our other product categories. Neck brace revenues accounted for 35% and 40% of our revenues for the years ended December 31, 2016 and 2015, respectively. Management continues to actively assess all measures that may reduce the cost of the Company's revenues.

Product Royalty Income Product royalty income is earned on sales to distributors that have royalty agreements in place as well as sales of licensed products by third parties that have licensing agreements in place. Product royalty income for the years ended December 31, 2016 and 2015 were \$103,366 and \$182,485, respectively. The 43% decrease in product royalty income is primarily due to a decrease in sales of licensed products by licensees during the 2016 period.

Salaries and Wages Salaries and wages for the years ended December 31, 2016 and 2015 were \$2,332,167 and \$2,225,646 respectively. This 5% increase in salaries and wages during the 2016 period was primarily due to the employment of additional sales and marketing personnel that are based in Europe and are incentivized to drive sales

and brand awareness. Additionally, during the 2016 period, the Company issued incentive share options to purchase an aggregate of 323,000 shares under the 2011 Plan.

Commissions and Consulting Expense Commissions and consulting expense for the years ended December 31, 2016 and 2015 were \$566,105 and \$570,937, respectively. This 1% decrease in commissions and consulting expenses is primarily the result of a decrease in sales which attract commission.

Professional Fees Professional fees consist of costs incurred for audit, tax, regulatory filings and quarterly reporting requirements, as well as patent maintenance, protection and litigation expenses incurred as the Company continues to expand. Professional fees for the years ended December 31, 2016 and 2015 were \$538,076 and \$845,575, respectively. The 36% decrease in professional fees is primarily due to decreased spending on product liability litigation during the 2016 period.

Advertising and Marketing The Company places paid advertising in various motorsport magazines and online media, and sponsors a number of events, teams and individuals to increase exposure. Advertising and marketing expenses for the years ended December 31, 2016 and 2015 were \$1,588,599 and \$1,498,307, respectively. This \$90,292, or 6%, increase in advertising and marketing expenditure is primarily due to various advertising and marketing campaigns designed to promote the Company's expanding product range and new market penetration strategies with an emphasis on the Company's new range of helmets and gear that shipped during the fourth quarter of 2016.

Office Rent and Expenses Office rent and expenses for the years ended December 31, 2016 and 2015 were \$258,950 and \$246,616, respectively. The 5% increase in office rent and expenses is primarily the result of escalation in the rental of warehouse space occupied by Two Eleven, our US subsidiary. This increase was partially offset by a decrease in rental expenditure when denominated in U.S. dollars incurred at our South African headquarters as a result of the weakening of the ZAR against the U.S. dollar.

Research and Development Costs These costs include the salaries of staff members that are directly involved in the research and development of protective gear, as well as the direct costs associated with developing these products. Research and development costs for the years ended December 31, 2016 and 2015 were \$1,443,451 and \$1,180,227, respectively. This 22% increase in research and development costs is a result of costs incurred to expand the Company's product range, as well as the employment of additional specialist design and development resources.

Bad Debt Expense Bad debt expense for the years ended December 31, 2016 and 2015 were \$62,667 and \$124,213, respectively. This 50% decrease is primarily as a result of the write off of higher value unrecoverable debts owing to the Company during the 2015 period.

General and Administrative Expenses General and administrative costs consist of insurance, travel, merchant fees, communication costs, office and computer supplies with insurance and travel comprising a substantial part of these expenses. General and administrative expenses for the years ended December 31, 2016 and 2015 were \$1,873,981 and \$1,793,698, respectively. The 4% increase in general and administrative expenses is primarily the result of increased travel costs incurred by the Company's sales and marketing staff in the United States and abroad.

Depreciation Expense Depreciation expense for the years ended December 31, 2016 and 2015 was \$409,534 and \$371,089, respectively. The 10% increase in depreciation expense is primarily as a result of the additional molds and tooling required for the Company's growing product range.

Total Operating Expenses Total operating expenses increased by \$217,222 to \$9,073,530 for the year ended December 31, 2016, or 2%, compared to \$8,856,308 in the 2015 period. This increase is primarily due to increases in research and development costs and salaries and wages that were partially offset by a decrease in professional fees.

Net Income (Loss) The net loss after income taxes for the year ended December 31, 2016 was \$455,237, as compared to a net income after income taxes of \$574,932 for the 2015 period. This 179% decrease in net income is primarily due to the 11% decrease in revenues discussed above.

Liquidity and Capital Resources

At December 31, 2016, we had cash and cash equivalents of \$1.10 million and short-term investments of \$0.06 million, as compared to cash and cash equivalents of \$1.05 million and short-term investments of \$0.06 million at December 31, 2015. The following table sets forth a summary of our cash flows for the periods indicated:

	December 31,	
	2016	2015
Net cash provided by operating activities	\$ 320,192	\$ 1,239,679
Net cash used in investing activities	\$ (239,360)	\$ (780,564)
Net cash provided by (used in) financing activities	\$ (77,107)	\$ 63,710
Effect of exchange rate changes on cash and cash equivalents	\$ 44,528	\$ (192,782)
Net increase in cash and cash equivalents	\$ 48,253	\$ 330,043
Cash and cash equivalents at the beginning of period	\$ 1,054,750	\$ 724,707
Cash and cash equivalents at the end of period	\$ 1,103,003	\$ 1,054,750

Cash increased by \$48,253, or 4.6%, for the year ended December 31, 2016. The primary sources of cash during fiscal year 2016 were an increase in accounts payable of \$460,638 and a decrease in accounts receivable of \$714,305. The primary uses of cash during fiscal year 2016 were a net loss of \$455,237, an increase in inventory of \$342,577, payments in advance of \$361,468, and increased capital expenditures of \$239,336 relating primarily to molds to be used for the Company's increased range of products. As of December 31, 2016, we did not have any credit facilities or significant amounts owing to third party lenders.

The Company is currently meeting its working capital needs through cash on hand as well as internally generated cash from operations. Management believes that its current cash and cash equivalent balances, along with the net cash generated by operations are sufficient to meet its anticipated operating cash requirements for at least the next twelve months. There are currently no plans for any major capital expenditures in the next twelve months. Our long-term financing requirements depend on our growth strategy, which relates primarily to our desire to increase revenue both domestically as well as internationally.

Obligations under Material Contracts

Pursuant to our Licensing Agreement with Xceed Holdings, a company owned and controlled by Dr. Christopher Leatt, our founder, chairman and head of research and development, we pay Xceed Holdings, 4% of all neck brace sales revenue billed and received by the Company on a quarterly basis, based on sales of the previous quarter. In addition, pursuant to a separate license agreement between the Company and Mr. J. P. De Villiers, our former director, the Company is obligated to pay a royalty fee of 1% of all our billed and received neck brace sales revenue, in quarterly installments, based on sales of the previous quarter, to a trust that is beneficially owned and controlled by Mr. De Villiers. During the years ended December 31, 2016 and 2015, the Company paid an aggregate of \$58,356 and \$87,470 in licensing fees to Mr. DeVilliers.

Pursuant to a Premium Finance Agreement, dated October 13, 2016, between the Company and AFCO Acceptance Corporation (AFCO), the Company is obligated to pay AFCO an aggregate sum of \$637,260 in eleven payments of \$58,921, at an annual interest rate of 3.397%, commencing on November 1, 2016 and ending on September 1, 2017. Any late payment during the term of the agreement will be assessed a late penalty of 5% of the payment amount due, and in the event of default AFCO has the right to accelerate the payment due under the agreement. As of December 31, 2016, the Company had not defaulted on its payment obligations under this agreement.

Pursuant to a Premium Finance Agreement, dated May 9, 2016, between the Company and AFCO, the Company is obligated to pay AFCO an aggregate sum of \$59,120 in eleven payments of \$5,375 at a 3.397% annual interest rate, commencing on June 1, 2016 and ending on April 1, 2017. Any late payment during the term of the agreement will be assessed a late penalty of 5% of the payment amount due, and in the event of default AFCO has the right to accelerate

the payment due under the agreement. As of December 31, 2016, the Company had not defaulted on its payment obligations under this agreement.

On July 8, 2015, the Company entered a consulting agreement with Innovate Services Limited, or Innovate, a Seychelles limited company in which, Dr. Christopher Leatt, the Company's founder, chairman and executive director of research and development is an indirect beneficiary. Pursuant to the terms of the Consulting Agreement, Innovate has agreed to serve as the Company's exclusive research, development and marketing consultant, in exchange for a monthly fee of \$35,639; provided that Dr. Leatt personally performs the services to be performed by Innovate under the Agreement, pursuant to a separate employment agreement between Innovate and Dr. Leatt. The parties further agreed that all intellectual property generated in connection with the services provided under the Consulting Agreement will be the sole property of the Company. The Consulting Agreement was effective as of May 15, 2015, and will continue unless terminated by either party in accordance with its terms. Either party has the right to terminate the Consulting Agreement upon 6 months' prior written notice, except that the Consulting Agreement may be terminated immediately without notice if the services to be performed under the Consulting Agreement cease to be performed by Dr. Leatt, or for any other material breach of the Agreement. The parties have agreed to settle any dispute under the Consulting Agreement through arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (AAA), and that the resulting arbitration award will be final and binding on both parties and will not be subject to any appeal. The foregoing description does not purport to be a complete statement of the parties' rights and obligations under the Consulting Agreement and the transactions contemplated thereby, or a detailed explanation of the material provisions thereof. The foregoing description is qualified in its entirety by reference to the Consulting Agreement filed as Exhibit 10.1 to the Company's report on Form 8-K filed on July 8, 2015.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. We have identified the following as the items that require the most significant judgment and often involve complex estimation: revenue recognition, estimating allowances for doubtful accounts receivable, inventory valuation, impairment of long-lived assets and accounting for income taxes.

Revenue and Cost Recognition - All manufacturing of Leatt-Brace products is performed by third party subcontractors in China. The Company's products are sold worldwide to a global network of distributors and dealers, and directly to consumers when there are no dealers or distributors in their geographic area (collectively the "customers"). Revenues from product sales are recognized when earned, net of applicable provisions for discounts and returns and allowances in the event of product defect. Revenue is considered to be realized or realizable and earned when all of the following criteria are met: title and risk of loss have passed to the customer, persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed and determinable and collectability is reasonably assured. Our distributor payment terms range from pre-payment in full to 60 days after shipment and subsequent sales of our products by distributors have no effect on the amount and timing of payments due to us. Furthermore, products purchased by distributors may not be returned to us in the event that any such distributor relationship is terminated.

Since the Company (through its wholly-owned subsidiary) serves as the distributor of Leatt products in the United States, the Company records its revenue and related cost of revenue for its product sales in the United States upon shipment of the merchandise to the dealer or to the ultimate consumer when there is no dealer in the geographic area and the sales order was received directly from, and paid by, the ultimate consumer. Since the Company (through its South African branch) serves as the distributor of Leatt products in South Africa, the Company records its revenue and related cost of revenue for its product sales in South Africa upon shipment of the merchandise from the branch to the dealer. International sales (other than in South Africa) are generally drop-shipped directly from the third party manufacturer to the international distributors.

Revenue and related cost of revenue is recognized at the time of shipment from the manufacturer's port when the shipping terms are Free On Board ("FOB") shipping point. Cost and Freight ("CFR") or Cost and Insurance to named place ("CIP") as legal title and risk of loss to the product pass to the distributor. Sales to all customers (distributors, dealers and consumers) are generally final; however, in limited instances, product may be returned due to product quality issues. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in product returns. Cost of revenues also includes royalty fees associated with sales of Leatt-Brace products. Product royalty income is recorded as the underlying product sales occur, in accordance with the related licensing arrangements.

Allowance for Doubtful Accounts Receivable - Accounts receivable consist of amounts due to the Company from normal business activities. Credit is granted to substantially all distributors on an unsecured basis. We continuously monitor collections and payments from customers and maintain an allowance for doubtful accounts receivable based upon historical experience and any specific customer collection issues that have been identified. In determining the amount of the allowance, we are required to make certain estimates and assumptions. Accounts receivable balances that are still outstanding after we have used reasonable collection efforts are written off as uncollectible. While such credit losses have historically been minimal, within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. A significant change in the liquidity or financial position of any of our significant customers could have a material adverse effect on the collectability of our accounts receivable and our future operating results.

Inventory Valuation Inventory is stated at the lower of cost or market. Cost is determined using the first-in first-out (FIFO) method. Inventory consists primarily of finished goods. Shipping and handling costs are included in the cost of inventory. In assessing the inventory value, we make estimates and judgments regarding reserves required for product obsolescence, aging of inventory and other issues potentially affecting the saleable condition of products. In performing such evaluations, we utilize historical experience as well as current market information. The reserve for obsolescence as of the years ended December, 2016 and 2015 was \$166,107 and \$160,515, respectively.

Impairment of Long-Lived Assets Our long-lived assets include property and equipment. We evaluate our long-lived assets for recoverability whenever events or changes in circumstances indicate that an asset may be impaired. In evaluating an asset for recoverability, we estimate the future cash flow expected to result from the use of the asset and eventual disposition. If the expected future undiscounted cash flow is less than the carrying amount of the asset, an impairment loss, equal to the excess of the carrying amount over the fair value of the asset, is recognized. We have determined there was no impairment charge during the years ended December, 2016 and 2015.

Income Taxes - As part of the process of preparing our consolidated financial statements, we are required to estimate our income tax provision (benefit) in each of the jurisdictions in which we operate. This process involves estimating our current income tax provision (benefit) together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheets. We regularly evaluate our ability to recover the reported amount of our deferred income taxes considering several factors, including our estimate of the likelihood of the Company generating sufficient taxable income in future years during the period over which the temporary differences reverse.

Recent Accounting Pronouncements

See Note 2, **Summary of Significant Accounting Policies** in the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements, including the respective dates of adoption, or expected adoption and effects of our consolidated financial position, results of operations and cash flows.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to its stockholders.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Some of our operations are carried out in the Republic of South Africa, or RSA, and we are subject to specific considerations and significant risks not typically associated with companies in North America and Western Europe. Accordingly, our business, financial condition and results of operations may be influenced by the political, economic and legal environments in the RSA, and by the general state of the RSA economy. Our results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

Foreign Exchange Risk

While our reporting currency is the U.S. Dollar, a portion of our consolidated revenues are denominated in South African Rand, or ZAR. Certain of our assets are also denominated in ZAR. As a result, we are exposed to foreign exchange risk as our revenues and results of operations may be affected by fluctuations in the exchange rate between the U.S. Dollar and the ZAR. If the ZAR depreciates against the U.S. Dollar, the value of our ZAR revenues, earnings and assets as expressed in our U.S. Dollar financial statements will decline. Assets and liabilities are translated at exchange rates at the balance sheet date and revenue and expenses are translated at the spot exchange rate on the transaction date. Any resulting translation adjustments are not included in determining net income but are included in determining other comprehensive income, a component of stockholder's equity. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk. The value of the ZAR against the U.S. dollar and other currencies is affected by, among other things, changes in the RSA's political and economic conditions.

Inflation

Inflationary factors such as increases in the cost of our sales and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net sales if the selling prices of our products do not increase with these increased costs.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The full text of our audited consolidated financial statements as of December 31, 2016 and 2015 begins on page F-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information that would be required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including to our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15 under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, Mr. Sean Macdonald, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2016. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer determined that, as of December 31, 2016, and as of the date that the evaluation was completed, our disclosure controls and procedures were effective.

Internal Controls over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP, and includes those policies and procedures that:

- (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and

- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, management used the framework set forth in the report entitled Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting, as of December 31, 2016 was effective.

Because the Company is a smaller reporting company, this annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm.

Changes in Internal Controls over Financial Reporting

There were no changes in its internal controls over financial reporting in 2015 that would materially affect, or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

We have no information to disclose that was required to be in a report on Form 8-K during the period covered by this report, but was not reported. There have been no material changes to the procedures by which security holders may recommend nominees to our board of directors.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Directors, Executive Officers, Promoters and Control Persons

The following sets forth the name and position of each of our current executive officers, directors and significant employees and their ages and titles as of March 22, 2017.

Name	Age	Title
Dr. Christopher James Leatt	48	Founder, Chairman and Research & Development Consultant
Sean Macdonald	39	CEO, CFO, President and Director
Jeffrey Joseph Guzy	65	Director

DR. CHRISTOPHER LEATT: Dr. Leatt, aged 48, has served as the Company's Chairman since 2005 and as the Company's Research and Development consultant since July 2015. He held positions in General Surgery and General Medicine/Geriatrics/Gastroenterology before becoming a General Medical Practitioner and Chairman of ERIPO (Eerste River Independent Practitioners Association), an organization formed to look after both the Medical and Business interests of forty Independent Practitioners. Dr. Leatt then worked in casualty/trauma at various hospitals before becoming a surgical medical officer. A brief stint as an Orthopedic Registrar at Groote Schuur Hospital preceded his post as Neurosurgery Registrar at the Department of Neurosurgery, Tygerberg Academic Hospital. Dr. Leatt's duties as a surgical registrar in this discipline included ward work, High-Care duties, evaluation of referrals, outpatient consultations, emergency and elective surgery, logbook of all surgical procedures completed. He resigned from his post in Neurosurgery in order to develop and study the benefits and viability of a neck protection system (the Leatt-Brace®) for helmet clad sport and recreational users in an attempt to reduce devastating neck injuries. Dr. Leatt is a fixed wing and helicopter pilot and is an active participant in competitive cross-country motorcycle endurance races, as well as Super Sport and Battle of the Twins (BOTTS) track racing events. He won the Western Province BOTTS championship in 2011. When not participating in such events, Dr. Leatt is often involved in providing medical support there.

SEAN MACDONALD: Mr. Macdonald, CA (SA), aged 39, has served as the Company's Chief Executive Officer and President since November 2010, as its Chief Financial Officer since August 2009, and as a Director since May 2010. Prior to joining the Company, Mr. Macdonald served from August 2004 to December 2009, as the Chief Financial Officer of Cyclelab, the largest bicycle retailer in South Africa, where he was responsible for operational, financial and strategic leadership of the business including the implementation of a franchise model in order to grow the business. Mr. Macdonald holds a Bachelor of Commerce Degree in Finance and Information Systems from the

University of Cape Town, as well as a Post-Graduate Diploma in Accounting, which included 3 years of articles at KPMG Cape Town. Mr. Macdonald is also a South Africa registered Chartered Accountant.

JEFFREY GUZY: Mr. Guzy, aged 65, has served as a director since April 2007 and serves as a business development consultant and entrepreneur in Arlington, Virginia. Mr. Guzy is currently working with CENTRAL Oil and Gas Corporation and PrecyseTech. Prior to that, Mr. Guzy served, from October 2007 to August 2010 as our President. Mr. Guzy has a MBA in Strategic Planning and Management from The Wharton School of the University of Pennsylvania; a M.S. in Systems Engineering from the University of Pennsylvania; a B.S. in Electrical Engineering from Penn State University; and a Certificate in Theology from Georgetown University. Mr. Guzy has served as an executive manager or consultant for business development, sales, customer service and management in the telecommunications industry, specifically, with IBM Corp., Sprint International, Bell Atlantic Video Services, Loral CyberStar and FaciliCom International. Mr. Guzy has also started his own telecommunications company providing Internet services in Western Africa. He serves as an independent director and chairman of the audit committee of Capstone Industries (OTC.CAPC) a public corporation.

There are no agreements or understandings for any of our executive officers, directors or significant employees to resign at the request of another person and no officer or director is acting on behalf of nor will any of them act at the direction of any other person.

Qualifications, Attributes, Skills and Experience Represented on the Board

The Board has identified particular qualifications, attributes, skills and experience that are important to be represented on the board as a whole, in light of our current needs and business priorities. The Board believes that each director is a recognized person of high integrity with a proven record of success in his or her field. Each director demonstrates innovative thinking, familiarity with and respect for corporate governance requirements and practices, an appreciation of multiple cultures and a commitment to the business and operations of the Company. In addition to the foregoing qualifications, the Board has assessed the intangible qualities including the director's ability to ask difficult questions and, simultaneously, to work collegially. The Board also considers diversity of age, cultural background and professional experiences in evaluating candidates for Board membership. Diversity is important because a variety of points of view contribute to a more effective decision-making process.

Set forth below is a tabular disclosure summarizing some of the specific qualifications, attributes, skills and experiences of our directors.

Name	Title	Qualifications
Dr. Christopher James Leatt	Founder, Chairman and Head of Research & Development	<p>Dr. Leatt holds a Bachelor of Medicine and Bachelor of Surgery Degree and is the inventor of the Leatt Brace® and the Founder of the Company.</p> <p>He supports the Company's research and development department and has an intimate knowledge of the Company's innovative products.</p>
Sean Macdonald	CEO, CFO, President and Director	<p>He contributes invaluable long-term knowledge of the Company's business and operations and extensive experience in the industry.</p> <p>Mr. Macdonald is a registered Chartered Accountant and holds a Bachelor of Commerce Degree in Finance and Information Systems and a Post-Graduate Diploma in Accounting.</p>
Jeffrey Joseph Guzy	Director	<p>His invaluable experience in finance and accounting provides insight for the implementation of effective operational, financial and strategic leadership of the Company.</p> <p>Through his Masters Degree in Business Administration in Strategic Planning & Management and his knowledge of U.S. capital markets, Mr. Guzy provides invaluable guidance and perspective to the Board.</p>
		<p>He has also served as the Company's President and has invaluable long-term knowledge of the Company's business and operations.</p>

Family Relationships

There are no family relationships among our directors or officers.

- 58 -

Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers has, during the past ten years:

been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offences);

had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;

been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;

been found by a court of competent jurisdiction in a civil action or by the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;

been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Except as set forth in our discussion below in Certain Relationships and Related Transactions, and Director Independence Transactions with Related Persons, none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

Significant Employees

Name	Age	Position
Erik Olsson	49	International General Manager and Head of International Distribution
Todd Repsher	46	U.S. General Manager

ERIK OLSSON: Mr. Olsson, aged 49, has served as our International General Manager and Head of International Distribution since January 2012. Prior to that, Mr. Olsson served from January 2010 to December 2011, as European General Manager and later as General Manager of Asia, Europe, the Middle-East and the Central Pacific (Oceania).

Mr. Olsson has over 15 years experience as a sales and product manager for various companies in the power sports industry. Prior to joining us he served from January 2003 to December 2009 as Area Manager for Jofrab Ab, a Swedish distributor of motorcycles and recreational vehicles.

TODD REPSHER: Mr. Repsher, aged 46, has served as our U.S. General Manager since 2016 and served as our US National Sales Manager since March 2014. Mr. Repsher is an award-winning sales executive with over 15 years experience in the marketing and sales of sports orientated companies in North America. Prior to joining us he was the National Sales Manager for Switzerland-based Scott Sports, Inc. from 2011 to 2013, where he managed the sale and distribution of all North American motorsports (off-road, on-road, snowmobile) apparel and accessories for Scott Sports. Prior to that, Mr. Repsher served, from 2002 to 2011, as the Outside Sales Territory Manager for California-based Fox Racing, Inc.

Stockholder Communication with the Board of Directors

Stockholders may communicate with the Board by sending a letter to our Board of Directors, c/o Corporate Secretary, 12 Kiepersol Drive, Atlas Gardens, Contermanskloof Road, Durbanville, Western Cape, South Africa, 7441, for submission to the board or committee or to any specific director to whom the correspondence is directed. Stockholders communicating through this means should include with the correspondence evidence, such as documentation from a brokerage firm, that the sender is a current record or beneficial stockholder of the Company. All communications received as set forth above will be opened by the Corporate Secretary or his designee for the sole purpose of determining whether the contents contain a message to one or more of our directors.

Any contents that are not advertising materials, promotions of a product or service, patently offensive materials or matters deemed, using reasonable judgment, inappropriate for the Board will be forwarded promptly to the chairman of the Board, the appropriate committee or the specific director, as applicable.

Code of Ethics

We have adopted a written code of ethics that applies to all of our officers, directors and employees, including our principal executive officer and principal financial officer, or persons performing similar functions, a copy of which is attached as an exhibit to this report.

ITEM 11. EXECUTIVE COMPENSATION**Summary Compensation Table Update**

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to the following persons for services rendered in all capacities during the indicated periods. No other executive officers received total annual salary and bonus compensation in excess of \$100,000.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)⁽¹⁾	Non-Equity Incentive Plan Compensation Earnings (\$)	Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Dr. Christopher James Leatt, Chairman and Head of Research and Development ⁽²⁾	2014	487,668	--	--	160	--	--	8,956	496,784
	2015	182,876	5,000	--	--	--	--	275,691	463,567
	2016	60,000	--	--	28,392	--	--	435,530	523,922
Sean Macdonald, President, CEO, CFO and Director	2014	172,774	13,055	--	240	--	--	10,338	196,407
	2015	173,318	22,500	--	--	--	--	5,373	201,191
	2016	195,000	6,000	--	42,588	--	--	--	243,588
Todd Repsher U.S. National sales manager	2014	106,000	4,915	--	--	--	--	--	110,915
	2015	140,000	5,000	--	--	--	--	--	145,000

	2016	163,363	5,000	--	42,588	--	--	--	210,951
--	------	---------	-------	----	--------	----	----	----	---------

- (1) The option awards reflect a 1-for-25 reverse split effected by the Company on September 20, 2012.
- (2) Also reflects compensation to Dr. Leatt in his capacity as our Research and Development consultant as discussed under the *Summary of Employment Agreements* heading below. Compensation received by Dr. Leatt in his role as Chairman of the Company's board of directors is separately reflected under the Compensation heading below.

Summary of Employment Agreements

We have entered into an employment agreement, effective as of January 1, 2014, with Sean Macdonald our President, CEO and CFO, pursuant to which, as amended, we were obligated to pay him an annual base salary of \$204,120 per annum. This Agreement includes the duty to pay Mr. Macdonald's director's fees of \$650 per month. Mr. Macdonald receives coverage under the Company's employment benefit plans and is entitled to an annual performance based bonus at the sole discretion of the Company's Board of Directors. Mr. Macdonald is also subject to the customary confidentiality covenants and South African Labor Laws which entitle Mr. Macdonald to one week's severance pay for each year of service to the Company. The agreement may be terminated by either party with six months' written notice; provided that Mr. Macdonald will be obligated to assist in the appointment and orientation of his successor during such six-month period. Mr. Macdonald may also be terminated by the Company with no notice for gross misconduct, incapacity or for breach of the employment agreement.

We have entered into an employment agreement, effective as of March 3, 2014, with Todd Repsher, our U.S. General Manager, pursuant to which, as amended, we are obligated to pay him an annual base salary of \$15,000 per month. Mr. Repsher also receives coverage under the Company's employment benefit plans and is subject to customary confidentiality and indemnification requirements. The agreement may be terminated at any time by the Company and upon three months' written notice by Mr. Repsher, however, in advance of any termination based on neglect of duty or breach of the employment agreement, the Company may, in its sole discretion, give Mr. Repsher 15 days' advance notice with an opportunity to cure the deficiency. The agreement is subject to California law and disputes under the agreement are subject to resolution by arbitration.

We had also entered into an employment agreement, effective as of November 9, 2010, with Dr. Christopher Leatt, in his capacity as our Chairman and Head of Research and Development, pursuant to which, we were obligated to pay him an annual base salary of \$487,668. Dr. Leatt also received coverage under the Company's employment benefit plans as well as the mandatory one week's severance pay for each year of service to the Company. He was also subject to the customary confidentiality covenants. However, on July 8, 2015, the Company terminated this employment agreement and entered into a consulting agreement or Consulting Agreement, with Innovate Services Limited or Innovate, a Seychelles limited company in which, Dr. Leatt is an indirect beneficiary. Pursuant to the terms of the Consulting Agreement, Innovate has agreed to serve as the Company's exclusive research, development and marketing consultant in exchange for a monthly fee of \$35,639; provided that Dr. Leatt personally performs the services to be performed by Innovate under the Agreement, pursuant to a separate employment agreement between Innovate and Dr. Leatt. The parties further agreed that all intellectual property generated in connection with the services provided under the Consulting Agreement will be the sole property of the Company. The Consulting Agreement is effective as of May 15, 2015, and will continue unless terminated by either party in accordance with its terms. Either party has the right to terminate the Consulting Agreement upon 6 months' prior written notice, except that the Consulting Agreement may be terminated immediately without notice if the services to be performed under the Consulting Agreement cease to be performed by Dr. Leatt or for any other material breach of the Agreement by any of the parties. The parties have agreed to settle any dispute under the Consulting Agreement through arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (AAA), and that the resulting arbitration award will be final and binding on both parties and will not be subject to any appeal.

Grants of Plan-Based Awards

The following table sets forth information regarding equity grants to named executive officers during the fiscal year ended December 31, 2016, including prior year grants that vested during the period.

Name	Grant Date	All other stock awards: Number of	All other option awards: Number of	Exercise or base price of option awards	Grant date fair value of stock and

		shares of stock or units	securities underlying options	(\$/Sh)	option awards (\$)
Dr. Christopher Leatt	3/29/2016	--	52,000	\$2.60	\$135,200
Sean Macdonald	3/29/2016	--	78,000	\$2.60	\$202,800

Outstanding Equity Awards at Fiscal Year End

The following table sets forth the equity awards outstanding at December 31, 2016 for each of our named executive officers.

Name	OPTION AWARDS				
	Number of securities underlying unexercised options exercisable	Number of securities underlying unexercised options unexercisable	Equity incentive plan awards: number of securities underlying unexercised unearned options	Option exercise price (\$)	Option expiration date
Dr. Christopher Leatt	52,000	--	--	\$2.60	March 28, 2026
Sean Macdonald	78,000	--	--	\$2.60	March 28, 2026

On February 1, 2012, the Board of Directors of the Company approved the grant to Dr. Christopher Leatt, the Company's Chairman, of a 5-year option to purchase 1,300,000 shares of the Company's common stock at \$0.04 per share under the Company's 2011 Plan. After giving effect to the reverse split effected on September 20, 2012, Dr. Leatt had vested options to purchase 52,000 shares of the Company's common stock at \$1.00 per share. On July 26, 2016, Dr. Leatt exercised these options and received 31,200 shares in a cashless transaction. On March 29, 2016, the Board approved the grant to Dr. Leatt of a 10-year option under the Company's 2011 Plan, to purchase another 52,000 shares of the Company's common stock at an exercise price of \$2.60 a share, 15,600 of which immediately vested. The initial option grant to Dr. Leatt had vesting scheduled for the remaining underlying shares on December 31, 2016 (30%), March 29, 2017 (20%) and March 29, 2018 (20%), however on November 22, 2016, the Company's board of directors modified the option award to push out the vesting period in line with the Company's expected 2016 fourth quarter performance. As a result of the modification, the option will now expire on March 28, 2026, the December 31, 2016 vesting date was eliminated and the remaining options to purchase 15,600 shares, 10,400 shares and 10,400 shares will vest on March 29, 2017, 2018 and 2019, respectively. The foregoing modification did not affect the exercise price as the fair market value of the underlying shares on the initial grant date was the same as the fair market value on the modification date.

On February 1, 2012, the Board of Directors of the Company approved the grant to Sean Macdonald, the Company's Chief Executive Officer and Chief Financial Officer, of a 5-year option to purchase 1,950,000 shares of the Company's common stock at \$0.04 per share under the Company's 2011 Plan. After giving effect to the reverse split effected on September 20, 2012, Mr. Macdonald had vested options to purchase 78,000 shares of the Company's common stock at \$1.00 per share. On July 28, 2016, Mr. Macdonald exercised these options and received 46,800 shares in a cashless transaction. On March 29, 2016, the Board approved the grant to Mr. Macdonald of a 10-year option under the Company's 2011 Plan, to purchase another 78,000 shares of the Company's common stock at an exercise price of \$2.60 a share, 23,400 of which immediately vested. The initial option grant to Mr. Macdonald had vesting scheduled for the remaining underlying shares on December 31, 2016 (30%), March 29, 2017 (20%) and March 29, 2018 (20%), however on November 22, 2016, the Company's board of directors modified the option award to push out the vesting period in line with the Company's expected 2016 fourth quarter performance. As a result of the modification, the option will now expire on March 28, 2026, the December 31, 2016 vesting date was eliminated and the remaining options to purchase 23,400 shares, 15,600 shares and 15,600 shares will vest on March 29, 2017, 2018 and 2019, respectively. The foregoing modification did not affect the exercise price as the fair market value of the underlying shares on the initial grant date was the same as the fair market value on the modification date.

Option Exercises and Stock Vested

Except as set forth under the heading, Executive Compensation *Outstanding Equity Awards at Fiscal Year End*, above, no named executive officers exercised stock options, stock appreciation rights or similar instruments or had vesting stock during the fiscal year ended December 31, 2016.

Pension Benefits

No named executive officers received or held pension benefits and the Company does not maintain a pension benefit plan during the fiscal year ended December 31, 2016.

Nonqualified Deferred Compensation

No nonqualified deferred compensation was offered or issued to any named executive officer during the fiscal year ended December 31, 2016.

- 62 -

Potential Payments upon Termination or Change in Control

Our named executive officers are not entitled to severance payments or other benefit upon the termination of their employment agreements or following a change in control.

Compensation of Directors

The following table sets forth the total director compensation earned by our directors during our fiscal year ended December 31, 2016:

Name	Fees earned or paid in cash (\$)	Stock awards (\$)	Option awards (\$)	All other compensation (\$)	Total (\$)
------	----------------------------------	-------------------	--------------------	-----------------------------	------------

Dr. Christopher James Leatt	60,000	-	28,392	-	88,392
Jeffrey J. Guzy	7,800	-	217	-	8,017
Sean Macdonald	7,800	-	42,588	-	50,388

Narrative to Director Compensation Table

During the 2016 fiscal year, we paid our directors approximately \$650 per month compensation for their services as our directors. In the future, we may adopt a policy of paying independent directors a fee for their attendance at board and committee meetings. We also reimburse our directors for reasonable travel expenses related to their duties as our directors.

On February 14, 2014, the Board of Directors of the Company approved the grant to Jeff Guzy, one of the Company's Directors, of a 5-year option to purchase an aggregate of 15,000 shares of the Company's common stock at \$1.00 per share under the Company's 2011 Plan. The option to purchase an aggregate of 6,000 of the shares vested on February 14, 2014, the grant date and the option to purchase the remaining 9,000 shares vested in equal portions on February 14, 2015, 2016 and 2017, respectively. The option will expire on February 14, 2019. On November 22, 2016, the Board granted Mr. Guzy a 10-year option under the Company's 2011 Plan, to purchase an additional 10,000 shares of the Company's common stock, at an exercise price of \$2.60 per share. The option to purchase 60% or 6,000 of the shares will vest on March 29, 2017 and the option to purchase the remaining 40% or 4,000 shares will vest in two equal portions on March 29, 2018 and 2019, respectively. The option will expire on November 21, 2026.

On March 29, 2016, the Board approved the grant to Dr. Leatt of a 10-year option under the Company's 2011 Plan, to purchase another 52,000 shares of the Company's common stock at an exercise price of \$2.60 a share, 15,600 of which immediately vested. The initial option grant to Dr. Leatt had vesting scheduled for the remaining underlying shares on December 31, 2016 (30%), March 29, 2017 (20%) and March 29, 2018 (20%), however on November 22, 2016, the Company's board of directors modified the option award to push out the vesting period in line with the Company's expected 2016 fourth quarter performance. As a result of the modification, the option will now expire on March 28, 2026, the December 31, 2016 vesting date was eliminated and the remaining options to purchase 15,600 shares, 10,400 shares and 10,400 shares will vest on March 29, 2017, 2018 and 2019, respectively. The foregoing modification did not affect the exercise price as the fair market value of the underlying shares on the initial grant date was the same as the fair market value on the modification date.

On March 29, 2016, the Board approved the grant to Mr. Macdonald of a 10-year option under the Company's 2011 Plan, to purchase another 78,000 shares of the Company's common stock at an exercise price of \$2.60 a share, 30% or

23,400 of which immediately vested. The initial option grant to Mr. Macdonald had vesting scheduled for the remaining underlying shares on December 31, 2016 (30%), March 29, 2017 (20%) and March 29, 2018 (20%), however on November 22, 2016, the Company's board of directors modified the option award to push out the vesting period in line with the Company's expected 2016 fourth quarter performance. As a result of the modification, the option will now expire on March 28, 2026, the December 31, 2016 vesting date was eliminated and the remaining options to purchase 23,400 shares, 15,600 shares and 15,600 shares will vest on March 29, 2017, 2018 and 2019, respectively. The foregoing modification did not affect the exercise price as the fair market value of the underlying shares on the initial grant date was the same as the fair market value on the modification date.

On July 8, 2015, the Company entered into a Director Agreement with Board Chairman, Dr. Christopher Leatt, pursuant to which, in addition to his duties with the Company's Research and Development department, Dr. Leatt agreed to devote as much time as is necessary to perform the duties of a director of the Company, including duties as a member of any committees that he may be appointed to by the Board of Directors, including but not limited to assisting the Company with the development of business and new business strategies relating to the objectives of the Company, participation in the Company's investor relations activities, including road shows and shareholder communication activities, and participation in corporate strategy decisions of the Company. Dr. Leatt will receive a base fee of \$5,000 per month as compensation for his services, and the Company has agreed to indemnify him to the full extent allowed by law except where such indemnification is prohibited due to intentional misconduct, fraud or knowing violation of law. Either party may terminate the Director Agreement at any time upon six months' written notice unless he resigns from his position or is removed by shareholders of the Company prior to such termination.

Limitation of Liability and Indemnification

Section 78.138 of the NRS provides that a director or officer will not be individually liable unless it is proven that (i) the director's or officer's acts or omissions constituted a breach of his or her fiduciary duties, and (ii) such breach involved intentional misconduct, fraud or a knowing violation of the law.

Section 78.7502 of NRS permits a company to indemnify its directors and officers against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with a threatened, pending or completed action, suit or proceeding if the officer or director (i) is not liable pursuant to NRS 78.138 or (ii) acted in good faith and in a manner the officer or director reasonably believed to be in or not opposed to the best interests of the corporation and, if a criminal action or proceeding, had no reasonable cause to believe the conduct of the officer or director was unlawful.

Section 78.751 of NRS permits a Nevada company to indemnify its officers and directors against expenses incurred by them in defending a civil or criminal action, suit or proceeding as they are incurred and in advance of final disposition thereof, upon receipt of an undertaking by or on behalf of the officer or director to repay the amount if it is ultimately determined by a court of competent jurisdiction that such officer or director is not entitled to be indemnified by the company. Section 78.751 of NRS further permits the company to grant its directors and officers additional rights of indemnification under its articles of incorporation or bylaws or otherwise.

Section 78.752 of NRS provides that a Nevada company may purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee or agent of the company, or is or was serving at the request of the company as a director, officer, employee or agent of another company, partnership, joint venture, trust or other enterprise, for any liability asserted against him and liability and expenses incurred by him in his capacity as a director, officer, employee or agent, or arising out of his status as such, whether or not the company has the authority to indemnify him against such liability and expenses.

Our Articles of Incorporation provide that no director or officer of the Company will be personally liable to the Company or any of its stockholders for damages for breach of fiduciary duty as a director or officer; provided, however, that the foregoing provision shall not eliminate or limit the liability of a director or officer (i) for acts or omissions which involve intentional misconduct, fraud or knowing violation of law, or (ii) the payment of dividends in violation of Section 78.300 of NRS. In addition, our Bylaws implement the indemnification and insurance provisions permitted by Chapter 78 of the NRS by providing that:

The Company shall indemnify its directors to the fullest extent permitted by the NRS and may, if and to the extent authorized by the board of directors, so indemnify its officers and any other person whom it has the power to indemnify against liability, reasonable expense or other matter whatsoever.

The Company may at the discretion of the board of directors purchase and maintain insurance on behalf of any person who holds or who has held any position identified in the paragraph above against any and all liability incurred by such person in any such position or arising out of his status as such.

Insofar as indemnification by us for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling the company pursuant to provisions of our articles of incorporation and bylaws, or otherwise, we have been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification by such director, officer or controlling person of us in the successful defense of any action, suit or proceeding is asserted by such director, officer or controlling person in connection with the securities being offered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Other than as disclosed herein, there is no pending litigation or proceeding involving any of our directors or executive officers to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of March 22, 2017, the stock ownership of (i) each of our executive officers and directors, (ii) of all our executive officers and directors as a group, and (iii) of each person known by us to be a beneficial owner of 5% or more of our common stock. Except as otherwise noted, each person listed below is the sole beneficial owner of the shares and has sole investment and voting power of such shares. No person listed below has any option, warrant or other right to acquire additional securities of the Company, except as may be otherwise noted. Unless otherwise specified, the address of each of the persons set forth below is in care of Leatt Corporation, 12 Kiepersol Drive, Atlas Gardens, Contermanskloof Road, Durbanville, Western Cape, South Africa, 7441.

Title of Class		Name & Address of Beneficial Owner	Office, If Any	Amount and Nature of Beneficial Ownership ⁽²⁾	Percent of Class ⁽³⁾
Common Stock, \$0.001 par value	Class A Voting Convertible Preferred Stock, \$0.001 par value ⁽¹⁾				
Officers and Directors					
X	-	Dr. Christopher J. Leatt ⁽⁴⁾	Founder, Innovation Officer and	2,040,707	38.05%
-	X		Chairman	96,000	80.00%
X	-	Jeffrey J. Guzy ⁽⁵⁾	Director	41,667	0.77%
-	-	Sean Macdonald ⁽⁶⁾	Chief Executive Officer, President and Director	70,200	1.30%
X	-	All officers and directors as a group (persons named above)		2,152,574	40.13%
-	X			96,000	80.00%
5% Shareholders					
X	-	Jean-Pierre De Villiers		369,200	6.88%
-	X			24,000	20.00%
X		Christian Matthias Weise		398,096	7.42%
X		Jason Hirschman		281,500	5.24%

- (1) The Preferred Stock votes with the Common Stock at a vote of 100-for-one, subject to adjustments resulting from any future stock splits. The Preferred Stock has priority over the Common Stock in any liquidation

preferences but no dividend rights (except as may be declared by the Board). The Common Stock has dividend rights in respect of any dividend distributions when and if declared and paid by the Company. The Common Stock has a claim to any liquidation distribution, subject to the priority claim of the Preferred Stock. No dividends have been paid to date on any securities. There are no other classes of equity securities authorized and issued.

- 65 -

- (2) Beneficial Ownership is determined in accordance with the rules of the U.S. Securities and Exchange Commission or SEC and generally includes voting or investment power with respect to securities. Each of the beneficial owners listed above has direct ownership of and sole voting power and investment power with respect to the shares of our common stock.
- (3) As of the date of this report and after giving effect to the Company's 1-for-25 reverse stock split effected on September 20, 2012 (the Reverse Split), the Company has 28,000,000 shares of common stock authorized with 5,362,992 shares issued and outstanding, and 1,120,000 shares of Preferred Stock authorized with 120,000 shares issued and outstanding. For each Beneficial Owner above, any options exercisable within 60 days have been included in the denominator.
- (4) Includes a 10-year option to purchase 52,000 shares of the Company's common stock at \$2.60 per share, issued to Dr. Leatt under the Company's 2011 Plan on March 28, 2016. On March 29, 2016, the Board approved the grant to Dr. Leatt of a 10-year option under the Company's 2011 Plan, to purchase another 52,000 shares of the Company's common stock at an exercise price of \$2.60 a share, 15,600 of which immediately vested. The initial option grant to Dr. Leatt had vesting scheduled for the remaining underlying shares on December 31, 2016 (30%), March 29, 2017 (20%) and March 29, 2018 (20%), however on November 22, 2016, the Company's board of directors modified the option award to push out the vesting period in line with the Company's expected 2016 fourth quarter performance. As a result of the modification, the option will now expire on March 28, 2026, the December 31, 2016 vesting date was eliminated and the remaining options to purchase 15,600 shares, 10,400 shares and 10,400 shares will vest on March 29, 2017, 2018 and 2019, respectively. The foregoing modification did not affect the exercise price as the fair market value of the underlying shares on the initial grant date was the same as the fair market value on the modification date.
- (5) Includes a vested 5-year option to purchase 15,000 shares of the Company's common stock at \$1.00 per share, issued to Mr. Guzy under the Company's 2011 Plan on February 14, 2014. On November 22, 2016, Mr. Guzy also received a 10-year option to purchase 10,000 shares of the Company's common stock at \$2.60 per share under the Company's 2011 Plan, 6,000 of which will vest on March 29, 2017 and the remaining 4,000 of which will vest in two equal parts on March 29, 2018 and 2019.
- (6) Includes a 10-year option to purchase 78,000 shares of the Company's common stock at \$2.60 per share, issued to Mr. Macdonald under the Company's 2011 Plan on March 29, 2016. On March 29, 2016, the Board approved the grant to Mr. Macdonald of a 10-year option under the Company's 2011 Plan, to purchase another 78,000 shares of the Company's common stock at an exercise price of \$2.60 a share, 30% or 23,400 of which immediately vested. The initial option grant to Mr. Macdonald had vesting scheduled for the remaining underlying shares on December 31, 2016 (30%), March 29, 2017 (20%) and March 29, 2018 (20%), however on November 22, 2016, the Company's board of directors modified the option award to push out the vesting period in line with the Company's expected 2016 fourth quarter performance. As a result of the modification, the option will now expire on March 28, 2026, the December 31, 2016 vesting date was eliminated and the remaining options to purchase 23,400 shares, 15,600 shares and 15,600 shares will vest on March 29, 2017, 2018 and 2019, respectively. The foregoing modification did not affect the exercise price as the fair market value of the underlying shares on the initial grant date was the same as the fair market value on the modification date.

Changes in Control

We do not currently have any arrangements which if consummated may result in a change of control of our Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Transactions with Related Persons

The following includes a summary of transactions since the beginning of the last fiscal year, or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds \$120,000, and in which any related person had or will have a direct or indirect material interest (other than compensation described under Executive Compensation). We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions.

On March 1, 2006, we entered into a Licensing Agreement with Xceed Holdings (formerly, Leatt Brace Holdings), a South African company that is controlled by Dr. Leatt, the Company's Chairman, and by Mr. De Villiers until his resignation on August 29, 2006. Under the terms of the Licensing Agreement, we are obligated to pay Xceed Holdings 4% of all sales revenue billed and received by us, on a quarterly basis based on sales of the previous quarter. In addition, pursuant to a separate license agreement between us and Mr. De Villiers, we are obligated to pay a royalty fee of 1% of all our billed and received sales revenue, in quarterly installments, based on sales of the previous quarter, to a trust that is beneficially owned and controlled by Mr. De Villiers. Royalties totaled \$291,781 and \$480,689 for the years ended December 31, 2016 and 2015, respectively.

In July 2015, the Company entered into a consulting agreement with Innovate Services Limited, a Seychelles limited company in which, Dr. Christopher Leatt, the Company's founder and chairman, is an indirect beneficiary. Pursuant to the terms of the Consulting Agreement, Innovate has agreed to serve as the Company's exclusive research, development and marketing consultant in exchange for a monthly fee of \$35,639; provided that Dr. Leatt personally performs the services to be performed by Innovate under the Agreement, pursuant to a separate employment agreement between Innovate and Dr. Leatt. The parties further agreed that all intellectual property generated in connection with the Services provided under the Consulting Agreement will be the sole property of the Company. The Consulting Agreement is effective as of May 15, 2015, and will continue unless terminated by either party in accordance with its terms. Either party has the right to terminate the Consulting Agreement upon 6 months' prior written notice, except that the Consulting Agreement may be terminated immediately without notice if the Services to be performed under the Consulting Agreement cease to be performed by Dr. Leatt or for any other material breach of the Agreement by any of the parties. The parties have agreed to settle any dispute under the Consulting Agreement through arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (AAA), and that the resulting arbitration award will be final and binding on both parties and will not be subject to any appeal.

Simultaneously with the closing of the Consulting Agreement, the Company also entered into a Side Letter Agreement, dated July 8, 2015, with Dr. Leatt, pursuant to which the parties agreed to terminate Dr. Leatt's existing employment agreement, dated as of May 15, 2015, with the Company in its entirety, in lieu of Dr. Leatt undertaking to perform the services under the Consulting Agreement.

Under the terms of the Side Letter, Dr. Leatt also agreed, among other things: (1) not to perform services similar to the services provided under the Consulting Agreement for any current or future, direct or indirect competitor of the Company or any similar company; (2) not to solicit any current or future employees of the Company for employment with Innovate or any other entity with which he may become affiliated, or to contact or solicit any current or future stockholder or investor of the Company in connection with any matter that is not directly related to the ongoing or future business operations of the Company; and (3) that he will apprise the Company of any business opportunity that he becomes aware of that could benefit the Company so that the Company, can in its sole discretion, make a determination regarding whether to pursue such opportunity in the best interest of the Company and its stockholders. Dr. Leatt further agreed to continue dedicating a majority of his time on matters related to performance of his duties as a director of the Company and to the fulfillment of his obligations to the Company's research and development efforts under the Consulting Agreement, and the Company will have the right to adjust the amount of the fees payable under the Consulting Agreement to the extent of any substantial diminution in his fulfillment of such duties and obligations.

Except as set forth in our discussion above, none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

Policies and Procedures for Review, Approval or Ratification of Transactions with Related Persons

As we increase the size of our board of directors to include additional independent directors, we expect to prepare and adopt a written related-person transactions policy that sets forth our policies and procedures regarding the identification, review, consideration and approval or ratification of related-persons transactions. For purposes of our policy only, a related-person transaction will be a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we and any related person are participants involving an amount that exceeds \$120,000. Transactions involving compensation for services provided to us as an employee, director, consultant or similar capacity by a related person will not be covered by this policy. A related person will be any executive officer, director or a holder of more than five percent of our common stock, including any of their immediate family members and any entity owned or controlled by such persons.

We anticipate that, where a transaction has been identified as a related-person transaction, the policy will require management to present information regarding the proposed related-person transaction to our audit committee (or, where approval by our audit committee would be inappropriate, to another independent body of our board of directors) for consideration and approval or ratification. Management's presentation will be expected to include a description of, among other things, the material facts, the direct and indirect interests of the related persons, the benefits of the transaction to us and whether any alternative transactions are available.

To identify related-person transactions in advance, we are expected to rely on information supplied by our executive officers, directors and certain significant stockholders. In considering related-person transactions, our board of directors will take into account the relevant available facts and circumstances including, but not limited to:

- the risks, costs and benefits to us;
- the impact on a director's independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- the terms of the transaction;
- the availability of other sources for comparable services or products; and
- the terms available to or from, as the case may be, unrelated third parties or to or from our employees generally.

We also expect that the policy will require any interested director to excuse himself from deliberations and approval of the transaction in which the interested director is involved.

Promoters and Certain Control Persons

We did not have any promoters at any time during the past five fiscal years.

Director Independence

Our Board of Directors has determined that our director, Mr. Jeffery Guzy, is an independent director, as the term independent is defined by the rules of the Nasdaq Stock Market.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Independent Auditors Fees

The following is a summary of the fees billed to the Company for professional services rendered for the fiscal years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
Audit Fees	\$ 106,750	\$ 96,000
Audit-Related Fees	15,000	12,000
Tax Fees	8,193	15,950
All Other Fees	-	-
TOTAL	\$ 129,943	\$ 123,950

Audit Fees consisted of fees billed for professional services rendered by the principal accountant for the audit of our annual financial statements and review of the financial statements included in our Form 10-K and 10-Qs or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

Audit-Related Fees consisted of fees billed for assurance and related services by the principal accountant that were reasonably related to the performance of the audit or review of our financial statements and are not reported under the paragraph captioned Audit Fees above.

Tax Fees consisted of fees billed for professional services rendered by the principal accountant for tax returns preparation.

All Other Fees consisted of fees billed for products and services provided by the principal accountant, other than the services reported above under other captions of this Item 14.

Pre-Approval Policies and Procedures

Under the Sarbanes-Oxley Act of 2002, all audit and non-audit services performed by our auditors must be approved in advance by our board of directors to assure that such services do not impair the auditors' independence from us. In accordance with its policies and procedures, our board of directors pre-approved the audit and non-audit services performed by Fitzgerald & Co, CPAs, P.C. for our financial statements as of and for the year ended December 31, 2016.

PART IV**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES. Financial Statements and Schedules**

The financial statements are set forth under Item 8 of this annual report on Form 10-K. Financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

Exhibit List

Exhibit Number	Exhibit Title
-----------------------	----------------------

2.1	Settlement Agreement, dated as of September 25, 2008, between Leatt Corp., Christopher J. Leatt and J. P. De Villiers (incorporated by reference to Exhibit 2.1 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
2.2	Amendment No. 1 to Settlement Agreement, dated February 4, 2010, between Leatt Corp., Christopher J. Leatt and Jean- Pierre DeVilliers (incorporated by reference to Exhibit 2.2 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
3.1	Amended and Restated Articles of Incorporation, as filed with the Secretary of State of Nevada on October 28, 2008 (incorporated by reference to Exhibit 3.1 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
3.2	Amended and Restated Bylaws, adopted on October 28, 2008 (incorporated by reference to Exhibit 3.2 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
4.1	Certificate of Designation of Series A Voting Convertible Preferred Stock, as filed with the Secretary of State of Nevada on October 29, 2008 (incorporated by reference to Exhibit 4.1 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
4.2	Leatt Corp. 2011 Equity Incentive Plan (incorporated by reference to Exhibit 4.5 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
4.3*	<u>Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Dr. Christopher Leatt</u>
4.4*	<u>Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Sean Macdonald</u>
4.5*	<u>Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Todd Repsher</u>
4.6*	<u>Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Erik Olsson</u>
4.7	Stock Option Agreement, dated February 14, 2014, between Leatt Corp. and Jeffrey Guzy (incorporated by reference to Exhibit 4.10 to the Company's annual report on Form 10-K, filed on March 19, 2014)
4.8*	<u>Stock Option Agreement, dated November 22, 2016, between Leatt Corp. and Jeffrey Guzy</u>
10.1	Patent and Royalty License Agreement, dated March 1, 2006, between Leatt Corp., Xceed Holdings (Pty) Ltd. (formerly, Leatt Brace Holdings (Pty) Ltd.) and J. P. De Villiers Trust (incorporated by reference to Exhibit 10.1 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
10.2	Amendment to Patent and Royalty License Agreement, dated as of March 1, 2006, between Leatt Corp. and Xceed Holdings (Pty) Ltd. (formerly, Leatt Brace Holdings (Pty) Ltd.) (incorporated by reference to Exhibit 10.2 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
10.3	Patent Assignment Agreement, dated January 1, 2009, between Xceed Holdings (Pty) Ltd. and Three Eleven Distribution (Pty) Ltd. (incorporated by reference to Exhibit 10.3 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)

Edgar Filing: Leatt Corp - Form 10-K

- 10.4 Software License Agreement, dated July 2, 2010, between Leatt Corp., Esteq Design (Pty) Ltd. and Siemens Industry Software Ltd. (incorporated by reference to Exhibit 10.4 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
- 10.5 Copyright Licensing Agreement, dated January 31, 2013, between Silva Mattos & CIA, LTDA and Leatt Corp. (incorporated by reference to Exhibit 10.5 to the Company's annual report on Form 10-K, filed on March 19, 2014)
- 10.6 End User Licensing Agreement, dated June 30, 2011, between Bluekey Software Solutions and Leatt Corp. (incorporated by reference to Exhibit 10.6 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)

- 69 -

10.7*	<u>Lease Agreement, dated September 11, 2012, between Two Eleven Distribution LLC and Center Pointe Properties, LLC as amended.</u>
10.8*	<u>Lease Agreement, dated December 5, 2016, between Leatt Corp. and AJ Brutus Investments cc.</u>
10.9	Leatt Distributor Form Business Terms, dated February 10, 2010 (incorporated by reference to Exhibit 10.11 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
10.10*	<u>Premium Finance Agreement, dated October 13, 2016, between AFCO Acceptance Corp. and Leatt Corp.</u>
10.11*	<u>Premium Finance Agreement, dated May 1, 2016, between AFCO Acceptance Corp. and Leatt Corp.</u>
10.12*	<u>Employment Agreement, dated January 1, 2014, between Leatt Corp. and Sean Macdonald (as amended)</u>
10.13	Premium Finance Agreement, dated October 19, 2015, between AFCO Acceptance Corp and Leatt Corp. ((incorporated by reference to Exhibit 10.14 to the Company's annual report on Form 10-K, filed on March 18, 2016)
10.14	Service Level Agreement, dated April 24, 2013, between MikroTik SA and Leatt Corp. (incorporated by reference to Exhibit 10.17 to the Company's annual report on Form 10-K, filed on March 19, 2014)
10.15	Consulting Agreement, dated July 8, 2015, between Innovate Services Limited and Leatt Corporation (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K, filed on July 8, 2015)
10.16	Employment Agreement, dated July 8, 2015, between Innovate Services Limited and Dr. Christopher Leatt (incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K, filed on July 8, 2015)
10.17	Side Letter Agreement, dated July 8, 2015, between Leatt Corporation and Dr. Christopher Leatt (incorporated by reference to Exhibit 10.3 to the Company's current report on Form 8-K, filed on July 8, 2015)
10.18	Director Agreement, dated July 8, 2015, between Leatt Corporation and Dr. Christopher Leatt (incorporated by reference to Exhibit 10.4 to the Company's current report on Form 8-K, filed on July 8, 2015)
14.1	Code of Ethics (incorporated by reference to Exhibit 14.1 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
21	List of subsidiaries of the registrant (incorporated by reference to Exhibit 21 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
31.1*	<u>Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2*	<u>Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1*	<u>Certifications of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2*	<u>Certifications of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101**	Interactive data files pursuant to Rule 405 of Regulation S-T

* Filed herewith

** Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Annual Report on Form 10-K for the period ended December 31, 2015, is formatted in XBRL interactive data files: (i) Consolidated Balance Sheets at December 31, 2016 and 2015; (ii) Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2016 and 2015; (iii) Consolidated Statements of Changes in Shareholders' Equity as of and for the years ended December 31, 2016 and 2015; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2016 and 2015; and (vi) Notes to Consolidated Financial Statements. Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or for purposes of Section 18 of the Securities Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: March 29, 2017

LEATT CORPORATION

By: /s/ Sean Macdonald
Sean Macdonald, Chief Executive
Officer and Chief Financial Officer
*(Principal Executive Officer and
Principal Financial and Accounting Officer)*

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ Sean Macdonald Sean Macdonald	Chief Executive Officer, Chief Financial Officer and Director (Principal Executive Officer)	March 29, 2017
/s/ Dr. Christopher J. Leatt Dr. Christopher J. Leatt	Chairman	March 29, 2017
/s/ Jeffrey J. Guzy Jeffrey J. Guzy	Director	March 29, 2017

LEATT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

LEATT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

CONTENTS	PAGE
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
Consolidated Financial Statements:	
<u>Consolidated Balance Sheets</u>	<u>F-3</u>
<u>Consolidated Statements of Operations and Comprehensive Income (Loss)</u>	<u>F-4</u>
<u>Consolidated Statements of Changes in Stockholders' Equity</u>	<u>F-5</u>
<u>Consolidated Statements of Cash Flows</u>	<u>F-6</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-7</u>
	<u>F-20</u>

F-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Leatt Corporation

We have audited the accompanying consolidated balance sheets of **LEATT CORPORATION** as of December 31, 2016 and 2015 and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2016. **LEATT CORPORATION**'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **LEATT CORPORATION** as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

Vienna, Virginia
March 29, 2017

LEATT CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Current Assets		
Cash and cash equivalents	\$ 1,103,003	\$ 1,054,750
Short-term investments	58,196	58,172
Accounts receivable	2,217,840	2,901,699
Inventory	4,578,125	4,241,140
Payments in advance	569,498	208,030
Income tax refunds receivable	83,567	-
Prepaid expenses and other current assets	847,032	1,070,774
Total current assets	9,457,261	9,534,565
Property and equipment, net	1,190,688	1,313,325
Deferred tax asset	108,300	115,000
Other Assets		
Other receivables	-	90,000
Deposits	24,892	16,493
Intangible assets	69,133	61,273
Total other assets	94,025	167,766
Total Assets	\$ 10,850,274	\$ 11,130,656

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable and accrued expenses	\$ 3,021,618	\$ 2,560,980
Income taxes payable	-	384,950
Short term loan, net of finance charges	542,532	658,639
Total current liabilities	3,564,150	3,604,569
Deferred tax liabilities	65,400	73,000
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, \$.001 par value, 1,120,000 shares authorized, 120,000 shares issued and outstanding	3,000	3,000
Common stock, \$.001 par value, 28,000,000 shares authorized, 5,362,992 and 5,231,823 shares issued and outstanding	130,053	130,040
Additional paid - in capital	7,469,694	7,346,782
Accumulated other comprehensive loss	(610,083)	(710,032)
Retained earnings	228,060	683,297

Edgar Filing: Leatt Corp - Form 10-K

Total stockholders' equity	7,220,724	7,453,087
Total Liabilities and Stockholders' Equity	\$ 10,850,274	\$ 11,130,656

The accompanying notes are an integral part of these consolidated financial statements.

F-3

LEATT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Revenues	\$ 16,416,465	\$ 18,343,172
Cost of Revenues	8,178,017	8,741,131
Gross Profit	8,238,448	9,602,041
Product Royalty Income	103,366	182,485
Operating Expenses		
Salaries and wages	2,332,167	2,225,646
Commissions and consulting expenses	566,105	570,937
Professional fees	538,076	845,575
Advertising and marketing	1,588,599	1,498,307
Office rent and expenses	258,950	246,616
Research and development costs	1,443,451	1,180,227
Bad debt expense	62,667	124,213
General and administrative expenses	1,873,981	1,793,698
Depreciation	409,534	371,089
Total operating expenses	9,073,530	8,856,308
Income (Loss) from Operations	(731,716)	928,218
Other Income		
Interest and other income, net	97,521	32,304
Total other income	97,521	32,304
Income (Loss) Before Income Taxes	(634,195)	960,522
Income Taxes	(178,958)	385,590
Net Income (Loss) Available to Common Shareholders	\$ (455,237)	\$ 574,932
Net Income (Loss) per Common Share		
Basic	\$ (0.09)	\$ 0.11
Diluted	\$ (0.08)	\$ 0.10
Weighted Average Number of Common Shares Outstanding		
Basic	5,310,966	5,216,483
Diluted	5,448,942	5,537,476
Comprehensive Income (Loss)		
Net Income (Loss)	\$ (455,237)	\$ 574,932
Other comprehensive income (loss), net of \$17,100 and \$43,100 deferred income taxes in 2016 and 2015		

Edgar Filing: Leatt Corp - Form 10-K

Foreign currency translation		99,949	(331,601)
Total Comprehensive Income (Loss)	\$	(355,288)	\$ 243,331

The accompanying notes are an integral part of these consolidated financial statements.

F-4

LEATT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Preferred Stock A		Common Stock		Additional	Accumulated	Retained	Total
	Shares	Amount	Shares	Amount	Paid - In Capital	Other Comprehensive Income (Loss)	Earnings	
Balance, January 1, 2015	120,000	\$ 3,000	5,200,623	\$ 130,008	\$ 7,314,136	\$ (378,431)	\$ 108,365	\$ 7,177,078
Compensation cost recognized in connection with stock options	-	-	-	-	1,478	-	-	1,478
Exercise of stock options	-	-	31,200	32	31,168	-	-	31,200
Net income	-	-	-	-	-	-	574,932	574,932
Foreign currency translation adjustment	-	-	-	-	-	(331,601)	-	(331,601)
Balance, December 31, 2015	120,000	\$ 3,000	5,231,823	\$ 130,040	\$ 7,346,782	\$ (710,032)	\$ 683,297	\$ 7,453,087
Compensation cost recognized in connection with stock options	-	-	-	-	157,458	-	-	157,458
Exercise of stock options	-	-	39,000	39	38,961	-	-	39,000
Options exercised on a cashless basis	-	-	118,620	-	-	-	-	-
Cancellation of shares	-	-	(26,451)	(26)	(73,507)	-	-	(73,533)
Net loss	-	-	-	-	-	-	(455,237)	(455,237)
Foreign currency translation adjustment	-	-	-	-	-	99,949	-	99,949
Balance, December 31, 2016	120,000	\$ 3,000	5,362,992	\$ 130,053	\$ 7,469,694	\$ (610,083)	\$ 228,060	\$ 7,220,724

The accompanying notes are an integral part of these consolidated financial statements.

F-5

LEATT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Net income (loss)	\$ (455,237)	\$ 574,932
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	409,534	371,089
Deferred income taxes	(900)	(22,468)
Stock-based compensation	157,458	1,478
Other income	(73,533)	-
Bad debts	(30,446)	28,258
Inventory reserve	5,592	(1,078)
Gain on sale of property and equipment	-	(27,101)
(Increase) decrease in:		
Accounts receivable	714,305	1,309,341
Inventory	(342,577)	(836,208)
Payments in advance	(361,468)	137,376
Prepaid expenses and other current assets	223,742	(76,771)
Income tax refunds receivable	(83,567)	25,299
Other receivables	90,000	120,000
Deposits	(8,399)	1,487
Increase (decrease) in:		
Accounts payable and accrued expenses	460,638	(419,905)
Income taxes payable	(384,950)	53,950
Net cash provided by operating activities	320,192	1,239,679
Cash flows from investing activities		
Capital expenditures	(239,336)	(813,912)
Proceeds from sale of property and equipment	-	33,367
Increase in short-term investments, net	(24)	(19)
Net cash used in investing activities	(239,360)	(780,564)
Cash flows from financing activities		
Issuance of common stock	39,000	31,200
Proceeds from (repayments of) short-term loan, net	(116,107)	32,510
Net cash provided by (used in) financing activities	(77,107)	63,710
Effect of exchange rates on cash and cash equivalents	44,528	(192,782)
Net increase in cash and cash equivalents	48,253	330,043
Cash and cash equivalents - beginning of year	1,054,750	724,707
Cash and cash equivalents - end of year	\$ 1,103,003	\$ 1,054,750

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Edgar Filing: Leatt Corp - Form 10-K

Cash paid for interest	\$	12,779	\$	11,645
Cash paid for income taxes	\$	273,359	\$	395,672
Other noncash investing and financing activities				
Common stock issued for services	\$	157,458	\$	1,478
Cancellation of shares as settlement of debt	\$	(73,533)	\$	-

The accompanying notes are an integral part of these consolidated financial statements.

F-6

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 - DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Leatt Corporation (the Company) designs, develops, markets and distributes personal protective equipment for participants in all forms of motor sports and leisure activities, including riders of motorcycles, bicycles, snowmobiles and ATVs. The Company's flagship products are based on the Leatt-Brace® system, a patented injection molded neck protection system owned by Xceed Holdings CC (Holdings), designed to prevent potentially devastating injuries to the cervical spine and neck. The Company has the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Holdings, a South African incorporated company owned and controlled by the Company's Chairman and founder, Dr. Christopher Leatt. The Company also has the right to use apparatus embodying, employing and containing the Leatt-Brace® technology and has designed, developed, marketed and distributed other personal protective equipment.

The Company's products are manufactured in China and sold to customers worldwide through a global network of distributors and dealers. Leatt also acts as the original equipment manufacturer for neck braces and other personal protective equipment sold by other international brands.

The Company was incorporated in the State of Nevada on March 11, 2005, under the name Treadzone, Inc. On June 17, 2005, the Company changed its name to Leatt Corporation in connection with the Company's acquisition of rights to use the Leatt neck brace patents and trademarks. The Company conducts business in South Africa as a foreign registered branch, and in the United States through the Company's wholly-owned subsidiary, Two Eleven Distribution, LLC (Two Eleven) a California limited liability company. Research and development efforts, global sales and global operations are managed out of the Company's foreign registered branch located in Cape Town, South Africa. Two Eleven acts as a distributor of Leatt-Brace® products in the United States. United States sales and marketing are managed by Two Eleven located in Santa Clarita, California. The Company also has a wholly-owned subsidiary, Three Eleven Distribution (Three Eleven) which was an inactive South African incorporated company until December 2008, when it acquired South African registered patents relating to products unrelated to the Leatt-Brace® from Holdings. The Company established a wholly-owned subsidiary, Leatt New Zealand Limited (New Zealand Limited) during the first quarter of 2009. This Company acted as the distributor of Leatt-Brace® products in New Zealand, until the 4th quarter of 2011 when operations of New Zealand Limited ceased. As of December 31, 2016, all remaining assets had been distributed to Leatt Corporation and the entity was in the process of being dissolved.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Leatt Corporation and its wholly-owned subsidiaries: Two Eleven Distribution, LLC, Three Eleven Distribution (Pty) Ltd and Leatt New Zealand Limited. All significant intercompany transactions have been eliminated.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Cost Recognition - All manufacturing of Leatt products is performed by third party subcontractors in China. The Company's products are sold worldwide to a global network of distributors, dealers and directly to consumers when there are no dealers or distributors in their geographic area (collectively the "customers"). Revenues from product sales are recognized when earned, net of applicable provisions for discounts and returns and allowances in the event of product defect.

Revenue is considered to be realized or realizable and earned when all of the following criteria are met: title and risk of loss have passed to the customer, persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed and determinable and collectability is reasonably assured. Since the Company (through its wholly-owned subsidiary) serves as the distributor of Leatt products in the United States, the Company records its revenue and related cost of revenue for its product sales in the United States upon shipment of the merchandise to the dealer or to the ultimate consumer when there is no dealer in the geographic area and the sales order was received directly from, and paid by, the ultimate consumer. Since the Company (through its South African branch) serves as the distributor of Leatt products in South Africa, the Company records its revenue and related cost of revenue for its product sales in South Africa upon shipment of the merchandise from the branch to the dealer. International sales (other than in South Africa) are generally drop-shipped directly from the third party manufacturer to the international distributors.

Revenue and related cost of revenue is recognized at the time of shipment from the manufacturer's port when the shipping terms are Free On Board ("FOB") shipping point, Cost and Freight ("CFR") or Cost and Insurance to named place ("CIP") as legal title and risk of loss to the product pass to the distributor. Sales to all customers (distributors, dealers and consumers) are generally final; however, in limited instances, product may be returned due to product quality issues. If a distributor relationship were to be terminated by Leatt, then product return may occur. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in product returns. Cost of revenues also includes royalty fees associated with sales of Leatt-Brace products.

Product royalty income is recorded as the underlying product sales occur, in accordance with the related licensing arrangements.

Short-term investments - The Company's short-term investments consist of a certificate of deposit with a maturity of greater than three months but less than twelve months.

Accounts Receivable and Allowance for Doubtful Accounts - Accounts receivable consist of amounts due to the Company from normal business activities. Credit is granted to substantially all distributors on an unsecured basis. The Company continuously monitors collections and payments from customers and maintains an allowance for doubtful accounts receivable based upon historical experience and any specific customer collection issues that have been identified. In determining the amount of the allowance, management is required to make certain estimates and assumptions.

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Allowance for Doubtful Accounts (Continued) - Accounts receivable balances that are still outstanding after management has used reasonable collection efforts are written off as uncollectible. While such credit losses have historically been minimal, within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. A significant change in the liquidity or financial position of any of our significant customers could have a material adverse effect on the collectability of our accounts receivable and our future operating results. The allowance for doubtful accounts for the years ended December 31, 2016 and 2015 was \$100,878 and \$131,324, respectively.

Inventory - Inventory is stated at the lower of cost or market. Cost is determined using the first-in first-out (FIFO) method. Inventory consists primarily of finished goods. Shipping and handling costs are included in the cost of inventory. In assessing the inventory value, the Company must make estimates and judgments regarding reserves required for product obsolescence, aging of inventory and other issues potentially affecting the saleable condition of products. In performing such evaluations, the Company utilizes historical experience as well as current market information. The reserve for obsolescence for the years ended December 31, 2016 and 2015 was \$166,107 and \$160,515, respectively.

Property and Equipment - Property and equipment are recorded at cost. Depreciation is provided using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes over the estimated useful lives of the respective assets. The estimated useful lives of assets for financial reporting purposes are as follows: moulds and tools, 2 to 5 years; computer equipment and software, 2 to 5 years; office and other equipment, 3 to 6 years; vehicles, 3 to 5 years; leasehold improvements, 3 years. The costs of improvements that extend the lives of the assets are capitalized. Repairs and maintenance are expensed as incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Impairment of Long-Lived Assets - The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows to be generated by the assets. Based on these reviews, no asset impairment charges were made to the carrying value of long-lived assets during the years ended December 31, 2016 and 2015.

Intangible Assets - The Company's intangible assets consist of acquired patents with an indefinite useful life and are thus not amortized. Intangible assets are carried at cost less impairment. There was no impairment of intangible assets at December 31, 2016 or 2015.

Short-term Loan - The Company carries product liability insurance policies with a U.S. and South African-based insurance carrier. The Company finances payment of its product liability insurance premiums over the period of coverage, which is generally twelve months. The previous short-term loan was payable in monthly installments of \$71,952 over eleven months including interest at 2.897% and has been paid in full. The current short-term loan is payable in monthly installments of \$58,921 over eleven months including interest at 3.397% .

The Company carries directors and officers liability insurance. The Company finances payment of its short-term insurance premiums over a period of coverage, which is generally twelve months. The short-term loan is payable in eleven payments of \$5,375 at 3.397% annual interest rate.

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Preferred Stock - The Company's preferred stock, when issued, is generally convertible to common stock at or above the then current market price of the Company's common stock and therefore, contains no beneficial conversion feature. The Preferred Stock is convertible on a 1:1 ratio to common stock. Each holder of the Preferred Stock is not entitled to receive dividends and is entitled to 100 votes for each one share of Preferred Stock.

Shipping and Handling Costs - The Company includes shipping and handling fees billed to customers in revenues and shipping and handling costs incurred in cost of revenues.

Advertising - Costs of advertising and marketing are expensed as incurred.

Patent-related Costs - In connection with the Company's license agreement with Holdings, and its company owned patents, the Company incurs legal costs associated with approved patents and patent applications in various jurisdictions which are expensed as incurred and classified as professional fees in the consolidated statements of operations. Patent-related costs totaled \$107,738 and \$137,549, respectively for the years ended December 31, 2016 and 2015.

Research and Development - Research and development costs are expensed as incurred and include the salaries of those individuals directly involved in research and development activities.

Foreign Currency Translation and Foreign Currency Transactions - The U.S. dollar is the Company's reporting currency. Assets and liabilities of the Company's foreign operations, consisting of its South African Branch and New Zealand, denominated in local currencies, SA RAND and NEW ZEALAND DOLLAR respectively, are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at the rate of exchange at the date of the transaction in the applicable period. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are included in the foreign currency translation adjustment, a component of accumulated other comprehensive income in stockholders' equity. Gains and losses generated by transactions denominated in foreign currencies are recorded in the accompanying statement of operations in the period in which they occur. Net unrealized gains (losses) on foreign currency translation adjustments totaled \$99,949 and (\$331,601), respectively, during the years ended December 31, 2016 and 2015.

Stock-Based Compensation - The Company accounts for stock-based compensation in accordance with the fair-value-base method set forth in FASB ASC Topic 718-10, Stock-Based Compensation, which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors, including employee stock options, based on the estimated fair values on the date of grant or the fair value of the services performed. The Company recognizes these compensation costs, net of an estimated forfeiture rate, on a pro rata basis over the requisite service period of each vesting tranche of each award. The Company considers voluntary termination behavior as well as trends of actual option forfeitures when estimating the forfeiture rate.

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes - The Company uses the asset and liability approach to account for income taxes. Deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the income tax basis of assets and liabilities. A valuation allowance is applied against any net deferred tax asset if, based on available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The provision for income taxes included taxes currently payable, if any, plus the net change during the year in deferred tax assets and liabilities recorded by the Company.

The Company applies the provisions of FASB ASC Topic 740-10, Accounting for Uncertainty in Income Taxes (Standard), which provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if the position is more likely than not of being sustained upon an examination by tax authorities. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, the standard provides guidance on derecognition, classification, interest and penalties; accounting in interim periods, disclosure and transition, and any amounts when incurred would be recorded under these provisions.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of December 31, 2016 and 2015, the Company has no unrecognized tax benefits.

Net Income (Loss) Per Share of Common Stock - Basic net income (loss) per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted-average number of common stock shares and dilutive potential common shares outstanding during the period. For the year ended December 31, 2016, the Company had 473,000 potential common shares, consisting of 120,000 preferred shares, options to purchase 30,000 shares, outstanding that were dilutive, and options to purchase 323,000 shares that were anti-dilutive and therefore, not included in diluted net income (loss) per share. For the year ended December 31, 2015, the Company had 379,000 potential common shares, consisting of 120,000 preferred shares and 259,000 stock options outstanding that were included in diluted net income (loss) per share.

Comprehensive Income (Loss) - Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including foreign currency translation adjustments and unrealized gains and losses on marketable securities. Accumulated comprehensive income (loss) at December 31, 2016 and 2015 represents cumulative translation adjustments related to the Company's foreign registered branch office and subsidiaries. The Company presents comprehensive income (loss) in the consolidated statements of operations and comprehensive income (loss).

Fair Value of Financial Instruments - The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, short-term investments, accounts receivable, inventory, payments in advance, accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments.

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk - The Company maintains cash and cash equivalent balances at several financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2016, and 2015, the Company's uninsured bank balances totaled \$874,024 and \$834,299, respectively. The Company has not experienced any significant losses on its cash and cash equivalents.

The Company's trade receivables are derived from sales to distributors and dealers. The Company has adopted credit policies and standards intended to accommodate industry growth and inherent risk. Management believes that credit risks are moderated by the diversity of the Company's end customers and geographic sales areas. The Company performs ongoing credit evaluations of its customers' financial condition and requires collateral as deemed necessary. The Company maintains allowances for potential credit losses as needed.

The Company has derived, and believes that it will continue to derive, a significant portion of its revenue from a limited number of customers. For the years ended December 31, 2016 and December 31, 2015, the Company's U.S. revenue was concentrated in one customer that accounted for approximately 13% and 7%, respectively, of annual U.S. revenue.

As of December 31, 2016 and 2015, \$316,976, or 14% and \$95,507, or 3% of the Company's accounts receivable, respectively, were due from this customer. For the years ended December 31, 2016 and 2015, the Company's international revenue was concentrated in one and two customers that accounted for approximately 9% and 24%, respectively, of annual international revenue. As of December 31, 2016 and 2015, \$24,394, or 1%, and \$344,589, or 12%, of the Company's accounts receivable, respectively, were due from these international customers.

The Company generates revenue both in the United States and internationally. For the years ended December 31, 2016 and 2015, annual revenues associated with international customers were \$9,685,191 and \$11,642,970, or 59% and 63% of total revenue, respectively.

Statement of Cash Flows - The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less from the date of purchase to be cash equivalents.

Recent Accounting Pronouncements - In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, (ASU 2014-09). ASU 2014-09, as amended, outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. On August 12, 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*". The amendments in this update defers the effective date of Update 2014-09 for all entities by one year. The ASU, as amended, is effective for the first interim period within an annual period beginning after December 15, 2017, and early adoption is not permitted.

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued) - The new guidance allows for two methods of adoption: (a) full retrospective adoption, meaning that the standard is applied to all periods presented, or (b) modified retrospective adoption, meaning that the cumulative effect of applying the new guidance is recognized as an adjustment to the opening retained earnings balance for the year of implementation. The Company plans to adopt the new revenue standard effective January 1, 2018, on a modified retrospective method with the cumulative effect of the change reflected in retained earnings as of January 1, 2018, and not restate prior periods. The Company has continued to monitor FASB activity to assess certain interpretative issues and the associated implementation of the new standard. We are in the process of reviewing our revenue arrangements, which we expect to include product sales and royalty payments, and are not yet able to estimate the anticipated impact to our consolidated financial statements from the implementation of the new standard as we continue to interpret the principles of the new standard.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which applies to inventory that is measured using first-in, first-out (FIFO) or average cost. This ASU simplifies the subsequent measurement of inventories by replacing the lower of cost or market test with a lower of cost or net realizable value test. The ASU is effective for annual periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect the adoption of this ASU to have a material effect on the consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. This ASU requires that deferred tax assets and liabilities be classified as non-current on the balance sheet rather than being separated into current and non-current.

This ASU is effective for annual and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted. The Company elected to retrospectively adopt this accounting standard in the beginning of the first quarter of fiscal 2016 and as a result, prior periods in the consolidated financial statements were adjusted.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU is a comprehensive new lease standard that amends various aspects of existing accounting guidance for leases. The core principle of this ASU will require lessees to present the assets and liabilities that arise from leases on their balance sheets. The ASU is effective for public companies for annual and interim reporting periods beginning after December 15, 2018. Early adoption is permitted. The Company is evaluating the new standard to determine the impact on the Company's consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No 2016-09 *Improvements to Employee Share-Based Payment Accounting ("ASC 2016-09")*. ASC 2016-09 will change certain aspects of accounting for share-based payments to employees. The new guidance will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It also will allow an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. The ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company is evaluating the new standard to determine the impact on the Company's consolidated financial statements.

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued) - In August 2016, the FASB issued Accounting Standards Update No. 2016-15, *Statement of Cash Flows* ("ASU 2016-15"). ASU 2016-15 addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The ASU is effective for the Company in the first quarter of 2018, with early adoption permitted, and is to be applied using a retrospective approach. The Company is evaluating the new standard to determine the impact on the Company's consolidated financial statements.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16, *Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory* ("ASU 2016-16"). The ASU clarifies the accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. The ASU is effective for the Company in the first quarter of 2018, with early adoption permitted, and is to be applied using a modified retrospective approach. The Company is evaluating the new standard to determine the impact on the Company's consolidated financial statements.

In October 2016, the FASB issued Accounting Standards Update No. 2016-17, *Consolidation* ("ASU 2016-17"). The ASU amends the consolidation guidance on how variable interest entities should treat indirect interest in the entity held through related parties. The ASU is effective for the Company in the first quarter of 2017, with early adoption permitted, and is to be applied using a retrospective approach. The Company does not expect the adoption of this ASU to have a material effect on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. The ASU requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents are to be included with cash and cash equivalents when reconciling the beginning of period and end of period amounts shown on the statement of cash flows. The ASU is effective for the Company for annual reporting periods beginning after December 15, 2017. The adoption of this ASU will not have a material impact on the Company's consolidated financial statements.

NOTE 3 - INVENTORY

Inventory consists primarily of finished goods. Shipping and handling costs are included in the cost of inventory. In assessing the inventory value, the Company must make estimates and judgments regarding reserves required for product obsolescence, aging of inventory and other issues potentially affecting the saleable condition of products.

In performing such evaluations, the Company utilizes historical experience as well as current market information. All products are manufactured by third parties in China and shipped to either a warehouse in California, the corporate offices in South Africa or to distributors throughout South America, Africa, Europe, Asia, Australia and New Zealand. The reserve for obsolescence for the years ended December 31, 2016 and 2015 was \$166,107 and \$160,515, respectively. During the years ended December 31, 2016 and 2015 the Company wrote off and destroyed \$119,785, and \$356,369, respectively, of product which was deemed to be obsolete.

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2016, and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 355,397	\$ 314,994
Moulds and tools	2,676,000	2,507,494
Computer equipment and software	493,261	441,744
Office and other equipment	389,246	361,582
Vehicles	208,831	174,118
Leasehold improvements	95,590	84,579
	\$ 4,218,325	\$ 3,884,511
Accumulated depreciation	(3,027,637)	(2,571,186)
Property and equipment, net	\$ 1,190,688	\$ 1,313,325

NOTE 5 - PAYMENTS IN ADVANCE

Payments in advance represent upfront payments made to contract manufacturers for the manufacturing of the Company's products. Payments in advance of \$569,498 and \$208,030 as of December 31, 2016 and 2015 are recorded in current assets on the consolidated balance sheets.

NOTE 6 - STOCKHOLDERS EQUITY

On December 6, 2011, the Board of Directors adopted and the shareholders subsequently approved the 2011 Equity Incentive Plan (the "Plan") which provides for, among other incentives, the granting to employees, directors and consultants incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares as the Plan Administrator may determine. In June 2013, the shareholders approved an increase in the maximum shares from 260,000 to 460,000. In December 2015, the shareholders approved an increase in the maximum shares from 460,000 to 920,000. The maximum number of shares of common stock which may be issued under the Plan is 920,000. The maximum number of shares of common stock that may be awarded to an individual participant under the Plan in any one fiscal year is 78,000 shares. Options are generally exercisable at the fair market value or higher on the date of grant over a five-year or ten-year period. Shares are generally issued at the fair market value on the date of issuance.

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 - STOCKHOLDERS EQUITY (Continued)

In March, options to purchase 323,000 of the Company's common stock were granted to key employees and to the outside director under the Plan at the exercise price of \$ 2.60 per share, exercisable over a 5-year period. On the date of grant 27% of the shares underlying these options immediately vested with a compensation expense of \$154,440 and the remaining 73% of the shares were unvested with unrecognized compensation values of \$ 426,960. The fair value of the stock options granted was estimated at the date of grant using the Black Scholes option-pricing model. Based on the list of assumptions presented below, the fair value of the options granted during the year ended December 31, 2016, was \$ 1.80 per share.

In November 2016, the options granted in March were amended to increase the exercise period to 10 years from the date of the modification. The fair value of the amended stock options was estimated at the date of the amendment using the Black Scholes option-pricing model. Based on the list of assumptions presented below, the fair value of the amended options was \$1.82, a \$0.02 increase from the original grant date value. Additional compensation expense for the 27% already vested shares of \$1,716 has been recognized and included in share based compensation, with the additional 73% unvested shares having additional unrecognized compensation value of \$4,744.

During the year ended December 31, 2014, options to purchase 90,000 shares of the Company's common stock were granted under the Plan, to key employees and to the outside director at the exercise price of \$1.00 per share, exercisable over a 5-year period. On the grant date 40% of the shares underlying these options immediately vested with a compensation expense of \$2,426 and the remaining 60% of the shares were unvested with unrecognized compensation values of \$3,640. During the year ended December 31, 2015 an additional 20% of the underlying shares vested with a compensation expense of \$1,478 and during the year ended December 31, 2016 an additional 20% of the underlying shares vested with a compensation expense of \$1,302. The unrecognized compensation costs as of December 31, 2016 was \$ 1,302, which is expected to be recognized in the next year. The fair value of the stock options granted was estimated at the date of grant using the Black Scholes option-pricing model. Based on the list of assumptions presented below, the fair value of the options granted during the year ended December 31, 2014, was \$0.07 per share.

	2014 Options Granted	2016 Options Granted	Modification to 2016 Options Granted
Expected term in years	5	5	10
Years Risk-free interest rate	3.38%	2.20%	2.69%
Expected volatility	22.85%	0.88%	0.57%
Expected dividend yield	0.00%	0.00%	0.00%

The expected volatility was determined with reference to the historical volatility of the Company's stock. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted represents the period of time during which the options granted are expected to be outstanding. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury rate in effect at the time of grant.

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 - STOCKHOLDERS EQUITY (Continued)

Total stock-based compensation expense related to vested stock options during the year ended December 31, 2016 was \$157,458. As of December 31, 2016, there were \$433,006 of unrecognized compensation costs related to unvested stock options, which is expected to be recognized over the next four years.

A summary of information related to stock option activity during the years ended December 31, 2016 and 2015 is as follows:

	Outstanding Stock <u>Options</u>		Weighted - Average Exercise <u>Price</u>		Aggregate Intrinsic <u>Value</u>
Options outstanding at January 1, 2015	290,200	\$	1.00	\$	156,708
Stock options exercised	(31,200)	\$	1.00		
Options outstanding at December 31, 2015	259,000	\$	1.00	\$	898,730
Stock options granted	323,000	\$	2.60		
Stock options exercised	(229,000)	\$	1.00		
Options outstanding at December 31, 2016	353,000	\$	1.00 to \$2.60	\$	45,000
Options vested and exercisable at December 31, 2016	97,800	\$	1.00 to \$2.60	\$	18,000

The intrinsic value is the difference between the current fair value of the stock and the exercise price of the stock option. The weighted-average remaining contractual life of options outstanding, vested and exercisable as of December 31, 2016 is one to ten years.

In addition, on April 7, 2016, the Company issued 26,220 shares of common stock to employees who exercised employee stock options in a cashless exercise; and on March 29, 2016 an employee exercised stock options for the issuance 39,000 shares for \$39,000. On May 24, 2016, the Company also cancelled and returned 26,451 shares of common stock, granted to a former employee, to authorized and unissued status in settlement of a legal matter. The fair value of the shares as of the date of cancellation was \$73,533 and is included in other income for the year ended December 31, 2016. On September 1, 2016, the Company issued an additional 92,400 shares of common stock to employees who exercised employee stock options in a cashless exercise.

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 7 - INCOME TAXES

The Company's income tax expense (benefit) for the years ended December 31, 2016 and 2015 consists of the following components:

	<u>2016</u>	<u>2015</u>
Current		
Federal	\$ (196,758)	\$ 406,458
State	1,600	1,600
	(195,158)	408,058
Deferred		
Federal	16,200	(22,468)
	16,200	(22,468)
Income tax expense	\$ (178,958)	\$ 385,590

The Company's effective income tax expense (benefit) differs from the federal statutory amount because of the effect of the following items:

	<u>2016</u>	<u>2015</u>
Federal tax statutory rate	34.00%	34.00%
Effect of prior year (over) under provision	-4.00%	2.00%
Timing and permanent differences	-2.00%	4.00%
	28.00%	40.00%

F-18

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 7 - INCOME TAXES (Continued)

Deferred income taxes (benefit) reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and the tax effects of net operating losses that are available to offset future taxable income. Significant components of the Company's deferred tax assets (liabilities) at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Deferred tax assets:		
Accounts receivable	\$ 34,300	\$ 45,000
Inventory	56,500	54,000
Vacation accrual	17,500	16,000
Net operating loss carryforwards	1,307,300	1,434,000
Less valuation allowance	(1,307,300)	(1,434,000)
Deferred tax assets, net	\$ 108,300	\$ 115,000
Deferred tax liabilities:		
Depreciation	\$ 65,400	\$ 73,000
Deferred tax liabilities, net	\$ 65,400	\$ 73,000

In assessing the ultimate realization of deferred tax assets and liabilities, management considers whether it is more likely than not that some or all of them will not be realized. Based on the Company's anticipation of fluctuations in the Company's net earnings for state tax purposes, the Company has established a valuation allowance due to the uncertainty as to the realization of the net operating loss carryforwards. As of December 31, 2016 and 2015, the Company has approximately \$14,785,300 and \$16,220,800 of net operating loss carryforwards to offset certain future state taxable income, expiring in 2029.

The Company files a consolidated federal and separate company state income tax returns in the United States. As of December 31, 2016, the tax years that remain subject to examination are 2013 to 2016 for federal and 2013 to 2016 for state tax purposes.

The Company has reviewed its open tax positions and determined that no exposures exist that require an adjustment as of December 31, 2016 or 2015. While the Company believes that it has performed adequate procedures to identify all reasonably identifiable exposures, it is possible that exposures exist and that these exposures will need to be assessed and may potentially have a material impact on the Company's consolidated financial statements.

NOTE 8 - RELATED PARTY TRANSACTIONS

Royalty fees associated with sales of Leatt-Brace® products are paid to Holdings, a company owned by a director, and a related individual who is a shareholder. Royalties are based on 5% of the cash received from net sales of the neck braces worldwide and totaled \$291,781 and \$437,349 for the years ended December 31, 2016 and 2015. The term of the royalty agreement is for the life of the intellectual property. As of December 31, 2016 and 2015, accrued royalties totaled \$26,455 and \$22,598.

Consulting fees in connection with product research, development and marketing are paid to Innovate, a company in which the Company's founder and chairman is an indirect beneficiary. Monthly consulting fees amounting to \$35,639 are payable in terms of the agreement effective, May 15, 2015 and totaled \$427,668 and \$267,293 for the years ended December 31, 2016 and 2015, respectively.

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 9 - COMMITMENTS AND CONTINGENCIES**Office / Warehouse Lease**

The Company's California entity is leasing office and warehouse space in Santa Clarita, California. The lease was renewed on February 23, 2016 and continues through April 30, 2017. The lease agreement calls for monthly base rent in the amount of \$10,016.

In addition, the Company's South African branch leases space in South Africa. The lease was renewed on November 30, 2016 and continues through December 15, 2018. The lease agreement calls for an initial monthly rent of \$4,611.

Minimum lease payments under non-cancellable operating lease agreements in each of the years subsequent to December 31, 2016 are as follows:

2017	\$	95,397
2018	\$	53,030

Rent expense totaled \$211,601 and \$207,849, respectively, for the years ended December 31, 2016 and 2015.

Litigation/Potential Litigation

In the ordinary course of business, the Company is involved in various legal proceedings involving product liability and personal injury and intellectual property litigation. The Company is insured against loss for certain of these matters. The Company will record contingent liabilities resulting from asserted and unasserted claims against it when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. The Company will disclose contingent liabilities when there is a reasonable possibility that the ultimate loss will exceed the recorded liability. While the outcome of the currently pending litigation is not yet determinable, the ultimate exposure with respect to these matters cannot be ascertained. However, based on the information currently available to the Company, the Company does not expect that any liabilities or costs that might be incurred to resolve these matters will have a material adverse effect on the financial condition, results of operations, liquidity or cash flow of the Company.

NOTE 10 SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through March 29, 2017, the date the financial statements were released.

EXHIBIT INDEX

Exhibit Number	Exhibit Title
2.1	Settlement Agreement, dated as of September 25, 2008, between Leatt Corp., Christopher J. Leatt and J. P. De Villiers (incorporated by reference to Exhibit 2.1 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
2.2	Amendment No. 1 to Settlement Agreement, dated February 4, 2010, between Leatt Corp., Christopher J. Leatt and Jean- Pierre DeVilliers (incorporated by reference to Exhibit 2.2 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
3.1	Amended and Restated Articles of Incorporation, as filed with the Secretary of State of Nevada on October 28, 2008 (incorporated by reference to Exhibit 3.1 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
3.2	Amended and Restated Bylaws, adopted on October 28, 2008 (incorporated by reference to Exhibit 3.2 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
4.1	Certificate of Designation of Series A Voting Convertible Preferred Stock, as filed with the Secretary of State of Nevada on October 29, 2008 (incorporated by reference to Exhibit 4.1 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
4.2	Leatt Corp. 2011 Equity Incentive Plan (incorporated by reference to Exhibit 4.5 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
<u>4.3*</u>	<u>Stock Option Agreement, dated March 28, 2016, between Leatt Corp. and Dr. Christopher Leatt</u>
<u>4.4*</u>	<u>Stock Option Agreement, dated March 28, 2016, between Leatt Corp. and Sean Macdonald</u>
<u>4.5*</u>	<u>Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Todd Repsher</u>
<u>4.6*</u>	<u>Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Erik Olsson</u>
4.7	Stock Option Agreement, dated February 14, 2014, between Leatt Corp. and Jeffrey Guzy (incorporated by reference to Exhibit 4.10 to the Company's annual report on Form 10-K, filed on March 19, 2014)
<u>4.8*</u>	<u>Stock Option Agreement, dated November 22, 2016, between Leatt Corp. and Jeffrey Guzy</u>
10.1	Patent and Royalty License Agreement, dated March 1, 2006, between Leatt Corp., Xceed Holdings (Pty) Ltd. (formerly, Leatt Brace Holdings (Pty) Ltd.) and J. P. De Villiers Trust (incorporated by reference to Exhibit 10.1 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
10.2	Amendment to Patent and Royalty License Agreement, dated as of March 1, 2006, between Leatt Corp. and Xceed Holdings (Pty) Ltd. (formerly, Leatt Brace Holdings (Pty) Ltd.) (incorporated by reference to Exhibit 10.2 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
10.3	Patent Assignment Agreement, dated January 1, 2009, between Xceed Holdings (Pty) Ltd. and Three Eleven Distribution (Pty) Ltd. (incorporated by reference to Exhibit 10.3 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
10.4	Software License Agreement, dated July 2, 2010, between Leatt Corp., Esteq Design (Pty) Ltd. and Siemens Industry Software Ltd. (incorporated by reference to Exhibit 10.4 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
10.5	Copyright Licensing Agreement, dated January 31, 2013, between Silva Mattos & CIA, LTDA and Leatt Corp. (incorporated by reference to Exhibit 10.5 to the Company's annual report on Form 10-K, filed on March 19, 2014)
10.6	End User Licensing Agreement, dated June 30, 2011, between Bluekey Software Solutions and Leatt Corp. (incorporated by reference to Exhibit 10.6 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
<u>10.7*</u>	<u>Lease Agreement, dated September 11, 2012, between Two Eleven Distribution LLC and Center Pointe Properties, LLC as amended.</u>
<u>10.8*</u>	<u>Lease Agreement, dated December 5, 2016, between Leatt Corp. and AJ Brutus Investments cc.</u>
10.9	Leatt Distributor Form Business Terms, dated February 10, 2010 (incorporated by reference to Exhibit 10.11 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
<u>10.10*</u>	<u>Premium Finance Agreement, dated October 13, 2016, between AFCO Acceptance Corp. and Leatt Corp.</u>

Edgar Filing: Leatt Corp - Form 10-K

- 10.11* Premium Finance Agreement, dated May 1, 2016, between AFCO Acceptance Corp. and Leatt Corp.
- 10.12* Employment Agreement, dated January 1, 2014, between Leatt Corp. and Sean Macdonald (as amended)
- 10.13 Premium Finance Agreement, dated October 19, 2015, between AFCO Acceptance Corp and Leatt Corp. ((incorporated by reference to Exhibit 10.14 to the Company s annual report on Form 10-K, filed on March 18, 2016)
- 10.14 Service Level Agreement, dated April 24, 2013, between MikroTik SA and Leatt Corp. (incorporated by reference to Exhibit 10.17 to the Company s annual report on Form 10-K, filed on March 19, 2014)
- 10.15 Consulting Agreement, dated July 8, 2015, between Innovate Services Limited and Leatt Corporation (incorporated by reference to Exhibit 10.1 to the Company s current report on Form 8-K, filed on July 8, 2015)
- 10.16 Employment Agreement, dated July 8, 2015, between Innovate Services Limited and Dr. Christopher Leatt (incorporated by reference to Exhibit 10.2 to the Company s current report on Form 8-K, filed on July 8, 2015)
-

- 10.17 Side Letter Agreement, dated July 8, 2015, between Leatt Corporation and Dr. Christopher Leatt (incorporated by reference to Exhibit 10.3 to the Company's current report on Form 8-K, filed on July 8, 2015)
- 10.18 Director Agreement, dated July 8, 2015, between Leatt Corporation and Dr. Christopher Leatt (incorporated by reference to Exhibit 10.4 to the Company's current report on Form 8-K, filed on July 8, 2015)
- 14.1 Code of Ethics (incorporated by reference to Exhibit 14.1 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
- 21 List of subsidiaries of the registrant (incorporated by reference to Exhibit 21 to the Company's registration statement on Form 10-12G, filed on October 9, 2012)
- 31.1* Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2* Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1* Certifications of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2* Certifications of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101** Interactive data files pursuant to Rule 405 of Regulation S-T

* Filed herewith

** Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Annual Report on Form 10-K for the period ended December 31, 2015, is formatted in XBRL interactive data files: (i) Consolidated Balance Sheets at December 31, 2016 and 2015; (ii) Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2016 and 2015; (iii) Consolidated Statements of Changes in Shareholders' Equity as of and for the years ended December 31, 2016 and 2015; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2016 and 2015; and (vi) Notes to Consolidated Financial Statements. Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or for purposes of Section 18 of the Securities Act of 1934, as amended, and otherwise are not subject to liability under those sections.
