

FRANCHISE DISCLOSURE DOCUMENT

Velofix Holdings USA, Inc.
a Delaware corporation
velofix.com
twitter.com/thevelofix
facebook.com/thevelofix
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303 West 5th Avenue
Vancouver, British Columbia, Canada V5Y 1J6
604-558-0248 (office)



The franchise is for a mobile workshop business that provides on-site repair and servicing of all types of bicycles as well as other ancillary services and products.

The total investment necessary to begin operation of a Velofix Business ranges from \$170,200 to \$202,950, including \$90,200 to \$96,000 that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Davide Xausa at 303 West 5th Avenue, Vancouver, British Columbia, Canada V5Y 1J6 or 604-558-0248 or davide@velofix.com.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Date of Issuance: March 27, 2019

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Attachment A for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION ONLY AT THE AMERICAN ARBITRATION ASSOCIATION OFFICE NEAREST TO OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS, CURRENTLY VANCOUVER, BRITISH COLUMBIA, CANADA, AND BY LITIGATION ONLY IN THE STATE AND FEDERAL DISTRICT COURTS LOCATED IN THE STATE OF DELAWARE (SUBJECT TO STATE LAW). OUT OF STATE MEDIATION AND LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE WITH US AT THE AMERICAN ARBITRATION ASSOCIATION OFFICE NEAREST TO OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS AND TO SUE US IN DELAWARE THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT DELAWARE LAW GOVERNS THE FRANCHISE AGREEMENT (SUBJECT TO STATE LAW), AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS
3. IF THE FRANCHISEE IS AN INDIVIDUAL, THE FRANCHISEE'S SPOUSE MUST SIGN A PERSONAL GUARANTY UNDER WHICH THE SPOUSE WILL BE JOINTLY AND SEVERALLY LIABLE FOR OBLIGATIONS OF THE FRANCHISEE WHETHER OR NOT THE SPOUSE IS INVOLVED IN THE OPERATION OF THE FRANCHISED BUSINESS. THIS REQUIREMENT PLACES THE PERSONAL AND MARITAL ASSETS OF THE FRANCHISE OWNERS AND THE SPOUSES AT RISK.
4. THE FRANCHISOR HAS BEEN OFFERING FRANCHISES FOR A SHORT PERIOD OF TIME. THEREFORE, THERE IS ONLY A BRIEF OPERATING HISTORY TO ASSIST YOU IN JUDGING WHETHER OR NOT TO MAKE THIS INVESTMENT.
5. YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM OUTLETS THAT WE OWN, OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS THAT WE CONTROL.

6. THE FRANCHISOR HAS LIMITED FINANCIAL RESOURCES WHICH MIGHT NOT BE ADEQUATE TO FUND THE FRANCHISOR'S PRE-OPENING OBLIGATIONS TO EACH FRANCHISEE AND PAY OPERATING EXPENSES.
7. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$170,200 to \$202,950. THIS AMOUNT EXCEEDS FRANCHISOR'S STOCKHOLDERS' EQUITY AS OF DECEMBER 31, 2018, WHICH IS \$50,150.
8. THE FRANCHISOR'S AUDITED FINANCIAL STATEMENTS REFLECT THAT CURRENT LIABILITIES EXCEED CURRENT ASSETS. AS PER THE AUDITED BALANCE SHEET DATED DECEMBER 31, 2018, THE FRANCHISOR HAD A WORKING CAPITAL DEFICIENCY OF \$187,907.
9. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

See the following state effective date summary page for state effective dates.

VELOFIX HOLDINGS USA, INC.
STATE EFFECTIVE DATE SUMMARY PAGE

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California	-	Effective Date: _____, 2019
Hawaii	-	Effective Date: _____, 2019
Illinois	-	Effective Date: _____, 2019
Indiana	-	Effective Date: _____, 2019
Maryland	-	Effective Date: _____, 2019
Michigan	-	Effective Date: March 27, 2019
New York	-	Effective Date: _____, 2019
Virginia	-	Effective Date: _____, 2019
Washington	-	Effective Date: _____, 2019
Wisconsin	-	Effective Date: _____, 2019

**ADDENDUM TO VELOFIX HOLDINGS USA, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MICHIGAN**

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

- (a) a prohibition on the right of a franchisee to join an association of franchisees.
- (b) a requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) a provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) a provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) a provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) a provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) a provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) the failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) the fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) the failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) a provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) a provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this franchise disclosure document on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

The address for notices to the Michigan Attorney General is: Department of the Attorney General, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 1st Floor, 525 W. Ottawa Street, Lansing, MI 48909; 517-373-7117.

**VELOFIX HOLDINGS USA, INC.
FRANCHISE DISCLOSURE DOCUMENT**

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor, Its Parent, Predecessors, and Affiliates

The Franchisor is Velofix Holdings USA, Inc., referred to in this disclosure document as “we,” “us” or “our.” We refer to the person interested in buying a franchise as “you” or “your.” If you are a corporation, partnership, limited liability company or other entity, certain provisions of the Franchise Agreement will apply to your owners. These will be addressed in this disclosure document where appropriate. Initially capitalized terms used but not defined in this disclosure document have the meaning given to them in the Franchise Agreement.

We were organized as a Delaware corporation on October 21, 2014. Our principal business address is 303 West 5th Avenue, Vancouver, British Columbia, Canada V5Y 1J6, and the address for our agent for service of process in Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. We have no predecessor.

We do business under our corporate name and under the name the “Velofix.” Our agents for service of process in the states which require franchise registration are listed in Attachment B.

We sell franchises for mobile workshop businesses (the “Velofix Business” or “Business”) that provide on-site repair and servicing of all types of bicycles as well as other ancillary services and products through customized vehicles (the “Customized Vehicles”). Velofix Businesses do business under the name “Velofix” and other trade names, service marks, trademarks, logos and commercial symbols that we authorize (the “Marks”). We do not operate Velofix Businesses.

We began to offer franchises in the United States on November 26, 2014. We are not engaged in any other businesses and have never offered franchises in any other lines of business.

Our affiliate, Velofix Holdings Ltd. (“Holdings”), has operated Velofix Businesses in British Columbia, Canada since October 2012. (See Item 20) Holdings has offered franchises for Velofix Businesses in Canada since December 2013. Holdings shares our principal business address.

Our direct parent is 1016464 B.C. LTD. (“Parent”). Our Parent shares our principal business address.

Our affiliate, Yellow Jersey Supply, Inc. (“Yellow Jersey”), is the designated supplier of certain parts to our franchisees for the operation of their Velofix Businesses. Yellow Jersey is not engaged in any other types of business and has never offered franchises for any line of business. Yellow Jersey shares our principal business address.

Our affiliate, Broken Spoke Outfitters, Inc. (“Broken Spoke”), provides Customized Vehicle build-out services to our franchisees. Broken Spoke shares our principal business address. Broken Spoke is not engaged in any other types of business and has never offered franchises for any line of business.

We have no other affiliates required to be disclosed in this Item. Except as described above, we have no predecessors or affiliates that have offered franchises for this business or any other lines of business.

The Franchise

We offer qualified applicants franchises for the right to operate a Velofix Business under the Velofix System and the Marks. The Velofix System includes uniform standards, specifications, methods, policies and procedures for operations; high quality and uniformity of the products and services offered; proprietary equipment, products, services and manuals; training and assistance; and advertising and promotional programs, all of which may be changed, improved, and further developed by us periodically.

The franchise agreement attached as Exhibit B to this disclosure document (the “Franchise Agreement”) will grant you the right to establish and operate a Velofix Business within a specified geographic area (the “Territory”). The size of the Territory may vary depending on local market conditions and other factors and will range from a single ZIP code to a group of ZIP codes. Your Territory will be determined before you sign the Franchise Agreement. (See Item 12)

Prior to opening to the public for business and at all times during the term of the Franchise Agreement, you must maintain an office located within the Territory described in the Franchise Agreement or within a 20-mile radius around the outside boundaries of the Territory (the “Franchisee’s Location”) in accordance with our standards and specifications. (See Items 7 and 11)

You will initially operate the Velofix Business with 1 Customized Vehicle in the Territory. We will require you to purchase and use a second Customized Vehicle in the Territory if you generate over \$200,000 in Gross Sales during any 12 consecutive month period and you are not in default of any agreement with us or our affiliates.

We may, in our sole discretion and from time to time, provide referrals to you of potential or existing Customers that have multiple locations, where at least 1 of the locations is located outside the Territory (“Key Accounts”). We may, at our discretion, require you to service 1 or more of these Key Accounts in accordance with our Manuals. You must honor the terms and conditions of any arrangement we have or may develop for Key Accounts, including, any maximum pricing for services. We reserve the right to designate any of your Customer accounts as Key Accounts in our sole discretion if such Customer has a location outside of your Territory. If you fail to service a Key Account customer in accordance with our protocols and in the time required, we may immediately arrange to service them directly or with another franchisee.

If you are an entity, we may require your current and future Owners to sign a Guaranty and Assumption Agreement (“Guaranty”), guaranteeing your performance and binding themselves individually to certain provisions of the Franchise Agreement, including the covenants against competition and disclosure of confidential information, restrictions on transfer and dispute resolution procedures. Those of your Owners who are not required to sign the Guaranty, all Lead Mechanics and any managers or other employees that we request will each sign a Confidentiality Agreement and Ancillary Covenants Not to Compete, with Owner’s undertakings, in the form attached to the Franchise Agreement. (See Item 15)

The person or entity signing the Franchise Agreement is the “Franchisee.” In this disclosure document, the terms “Franchisee’s Owners” and “Owners” and “you” and “your” include the Franchisee under the Franchise Agreement unless we have noted otherwise.

Competition

The market for bicycle repair services and related services and products is well established and highly competitive. You must expect to compete with retail stores offering in-store bicycle repair services. Competitors may be locally owned or large regional or national chains. The bicycle repair

business is also affected by various factors, including changes in the seasons, demographics, and general economic conditions.

Industry Specific Regulation

The repair of personal property and the sale of retail consumer products may be subject to legal requirements and you should obtain assistance in evaluating and complying with applicable federal, state and local laws, rules and regulations. Many of the laws, rules and regulations that apply to business generally, such as the Americans With Disabilities Act, Federal Wage and Hour Laws and the Occupational Safety and Health Act, also apply to bicycle repair businesses. However, some jurisdictions may have other laws, rules and regulations that have particular applicability to bicycle repair businesses. You should consider these laws and regulations when evaluating your purchase of a franchise.

ITEM 2

BUSINESS EXPERIENCE

Davide Xausa: President

Mr. Xausa has served as our President since our formation in October 2014. He is also President of Yellow Jersey and Broken Spoke and has held those positions since their formation in October 2014. Mr. Xausa also serves as President of Holdings and our Parent and has held that position since September 2012. He also serves as President of AXYS Holdings Ltd., a privately held commercial real estate land owner and property management company, and has held that position since 2001. From October 2006 to November 2014, he held various positions with BC Hydro, including Customer Service Manager (Custom Care Operations), Contracts Manager (Strategic Partnership) and Key Accounts Manager (Commercial and Government).

Chris Guillemet: Chief Executive Officer

Mr. Guillemet has served as our Chief Executive Officer since our formation in October 2014. He is also Chief Executive Officer of Yellow Jersey and Broken Spoke and has held those positions since their formation in October 2014. Mr. Guillemet also serves as Chief Executive Officer of Holdings and our Parent and has held that position since October 2012. He also founded and serves as the Managing Director of TAG Solutions and has held that position since January 2007. From May 2008 to February 2014 he served as Customer Business Manager for Wrigley Canada.

Boris Martin: Director, Procurement and Operations

Mr. Martin has served as our Director, Procurement and Operations since our formation in October 2014. He is also Director, Procurement and Operations of Yellow Jersey and Broken Spoke and has held those positions since their formation in October 2014. Mr. Martin also serves as Director, Procurement and Operations of Holdings and our Parent and has held that position since October 2012. From April 2012 to September 2013, he was Head Bicycle Mechanic at West Point Cycles in Vancouver.

Unless otherwise noted, all of the individuals listed above are based in Vancouver, British Columbia, Canada.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Unless otherwise indicated below, all fees and costs are non-refundable and are imposed uniformly on all franchisees.

Initial Franchise Fee

You must pay us an initial franchise fee of \$25,000 when you sign your Franchise Agreement.

Velonet Set-Up Fee

You must pay us a set-up fee of \$2,500 for each Customized Vehicle you put into service, for the installation of, and connection to, our online management system software ("Velonet").

Designated Equipment Package/Customization of Customized Vehicle

You must purchase from our affiliate, Broken Spoke, the Designated Equipment Package, which includes hand tools, fixed equipment, customized stainless steel shelving and custom work surface and storage solutions that we require to be used and installed in each Customized Vehicle you put into service. Broken Spoken will also customize each Customized Vehicle that you put into service, including installing the Designated Equipment Package in each Customized Vehicle, building-out the interior of the Customized Vehicle, and wrapping the Customized Vehicle in accordance with our standards and specifications. We estimate that the cost for customizing your first Customized Vehicle with the Designated Equipment Package will range between \$47,000 to \$52,000.

Initial Inventory & Supplies

You must purchase our recommended level of initial inventory and supplies from Yellow Jersey. We estimate the cost of your initial inventory and supplies will be approximately \$12,500.

Uniforms

You must purchase from us or our affiliate the Velofix uniforms for your employees. We estimate that the cost of uniforms for your initial employees will range between \$500 to \$1,000.

Promotional Kit

You must purchase from us or our affiliate a Promotional Kit, which includes initial marketing and advertising materials and a logoed tent. The cost of the Promotional Kit is \$3,000.

ITEM 6

OTHER FEES

Type of Fee⁽¹⁾	Amount	Due Date	Remarks
Royalty Fee	8% of Gross Sales	3 rd Business Day of each month for the preceding month	<p>See Note 2 for the definition of Gross Sales. We require you to pay the royalty fee by electronic funds transfer.</p> <p>If there is a Force Majeure event that prevents you from operating your Velofix Business, you must continue to pay the 8% royalty fee during the period in which the Business is not operational based on the Gross Sales of the Business for the 4 week period immediately preceding the disruption of operations.</p>
Branding Fund Contribution	2% of Gross Sales	Same as royalty fee	See Note 2 for the definition of Gross Sales. We require you to pay contributions to the Branding Fund by electronic funds transfer.
Local Advertising	2% of Gross Sales	As incurred	<p>You must spend an amount equal to 2% of your Gross Sales on local advertising and promotion of your Business each fiscal year. (See Item 11)</p> <p>See Note 2 for the definition of Gross Sales.</p>
Velonet User Fee	Reasonable fee, currently, \$90 per month	Same as royalty fee	You must pay us or our affiliate a monthly user fee for each user designated by you to access Velonet. We require you to pay the user fee by electronic funds transfer.
Client Services Center Fee	Reasonable fee, currently, a per minute transaction charge (currently, \$0.69 per minute) or a percentage of Gross Sales not to exceed 3%, at our discretion	Same as royalty fee, or as invoiced, if applicable	See Note 2 for the definition of Gross Sales. We require you to pay the Client Services Center fee by electronic funds transfer.

Type of Fee⁽¹⁾	Amount	Due Date	Remarks
Interest	18% per year or the maximum lawful rate	On demand	We may charge interest on all overdue amounts.
Tax Adjustment	The amount of the tax	On demand	All payments to us under the Franchise Agreement must be in an amount net of any Taxes, except for Taxes that may be characterized as an income tax on our net taxable income.
Inventory, Equipment, and Supplies	Varies	As invoiced	You must purchase from us or our affiliates certain inventory, equipment, and supplies for your Business.
Fleet Management System Fee	This is an optional service. Reasonable fee, currently, \$49.95 per Customized Vehicle per month	As invoiced	Only if you elect to enter into and maintain a service agreement with our designated supplier to install a fleet management system.
Additional Training	At our option, a reasonable fee, currently, \$600.	Before additional training.	You must also pay the expenses of your personnel attending training. Training will be required for a replacement or successor Lead Mechanic.
Optional Ongoing Training Fee	Reasonable fee, currently, \$150 to \$350	Before optional training	We may charge a fee for any optional training program that we may provide from time to time.
Conventions	Registration fee, currently, \$750 to \$1,500	When billed	You must pay us a registration fee for attendance at any annual convention that we may hold from time to time for our franchisees, whether or not you attend such annual convention.
Transfer Fee	\$10,000, plus any fees or expenses that we incur in dealing with the transfer application	With transfer application	You must pay us a transfer fee and any fees or expenses that we incur in dealing with your transfer application (including attorneys' fees).
Renewal Fee	Our costs and expenses to process and document the renewal, not to exceed \$7,500	Signing of renewal franchise agreement	You must give us at least 7 months' and not more than 12 months' notice to renew and meet other renewal conditions.

Type of Fee⁽¹⁾	Amount	Due Date	Remarks
Securities Offering Fee	Our reasonable costs to review the proposed offering	When invoiced	We limit our review to the manner in which the officer materials treat your and our relationship.
Inspection and Testing	Cost of inspection, if applicable, and cost of test	When billed	Before approving a supplier, we may require you to pay the cost of testing the supplier's products and inspecting its facilities.
Indemnification	Varies according to loss	On demand	You must indemnify us when certain of your actions result in loss to us.
Audit Fee	Cost of audit, plus any costs that we incur as a result of the audit	When billed	Payable if an audit shows (1) you failed to provide required reports or documents, (2) your records and procedures were insufficient to allow us to properly determine your Gross Sales at any time, (3) you have understated any amount owed to us by 3% or more, or (4) you did not comply with our standards and specifications.
Insurance Fee	A reasonable amount based on our expenses	On demand	If you fail to maintain the required insurance, we may (but need not) obtain it for you. If we do, we will charge you a fee, plus our expenses.
Enforcement Costs	Will vary	As incurred	You must pay our costs of enforcement (including attorney's fees and costs) if you do not comply with the Franchise Agreement.

Notes:

(1) All fees and expenses described above are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. Unless we have noted differently, we may increase these amounts based on changes in market conditions, our cost of providing services and future policy changes, but we have no present plans to increase any fees.

(2) Gross Sales is the entire amount of the actual sales price of all sales of Services and Products, and all other receipts or receivables whatsoever from any and all business conducted upon or originating from the Business, whether such sales or other receipts be by check, for cash, credit, charge accounts, exchange or otherwise. In the case of barter transactions, the fair market value of goods and services

received by you in exchange for the Services and/or Products provided by you is to be included in your Gross Sales. Gross Sales shall include the amount of all sales assumed to have been lost by the interruption of business, to be determined on the basis upon which proceeds of any business interruption insurance are paid or are payable to you. Gross Sales shall not include: (i) the amount of any tax imposed by any federal, state, municipal or governmental authority directly on sales and collected from Customers if such tax is added to the selling price and actually paid by you to such governmental authority, and (ii) the amount of the refund or credit given in respect of any products returned or exchanged by a Customer for which a refund of the whole or a part of the purchase price is made or for which a credit is given, provided that the selling price thereof was included in Gross Sales.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount Low - High	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$25,000	Lump Sum	On signing of Franchise Agreement	Us
Furniture, Fixtures & Equipment (1)	\$0 to \$2,500	As Arranged	As Arranged	Suppliers
Initial Training Expenses (2)	\$3,700 to \$7,200, plus employee wages (if any).	As Arranged	As Arranged	Employees and Suppliers
Customized Vehicle (3)	\$49,000 to \$55,500	As Arranged	As Arranged	Supplier
Designated Equipment Package and Customization of Customized Vehicle (4)	\$47,000 to \$52,000	Lump Sum	As Arranged	Us or Our Affiliate
Computer Hardware and Software (5)	\$2,500 to \$2,750	As Arranged	As Arranged	Us and Suppliers
Office Supplies, Printing and Stationary (6)	\$500 to \$1,000	As Arranged	As Arranged	Suppliers
Initial Inventory and Supplies (7)	\$12,500	As Arranged	As Arranged	Us, Our Affiliate, and Suppliers
Professional Services (8)	\$3,000 to \$5,000	As Arranged	As Arranged	Accountants and Lawyers
Promotional Expenses (9)	\$8,000 to \$13,000	As Arranged	As Arranged	Us and Suppliers
Insurance (10)	\$3,500 to \$5,500	As Arranged	As Arranged	Insurance Broker
Uniforms (11)	\$500 to \$1,000	As Arranged	As Arranged	Us or Our Affiliate
Additional Funds – For Initial 3-Month Period (13)	\$15,000 to \$20,000	As Arranged	As Arranged	Us or Third Parties
TOTAL	\$170,200 to \$202,950			

Notes:

(1) Franchisee's Location may be at your or your Owner's home. If Franchisee's Location is your or your Owner's home, we require that you establish a space for the operation of your Business that is separate and distinct from your general living space. The estimate in the chart is for items such as a desk, chair, task lighting, waste-basket, land-line telephone handset, file cabinet and table for your printer-fax-scanner machine to be included in a home office. We do not specify the brand of furniture or fixtures that you must purchase. The lower end of the estimate contemplates that you presently have office furniture that you can use in your home office, and the high end of the estimate contemplates the purchase of office furniture. If you elect to establish your business in an office location other than your home, you may need additional furniture or fixtures that will increase your expenditure, and you will have rent deposit expenses and other expenses not contemplated in this chart.

(2) The cost of the Initial Training Program is included in the Initial Franchise Fee, but you are responsible for transportation, lodging and meals expenses for yourself, your Lead Mechanic or a key employee, and meals while attending training. The total cost will vary depending on your proximity to the location where the Initial Training Program is held, the class of accommodations you choose, method of travel, living expenses (food, transportation, etc.) and if you or your Lead Mechanic have to attend training to obtain required certifications. These expenses are typically non-refundable. The lower estimate in this range covers moderately priced travel expenses and the Velonet set-up fee for one Customized Vehicle (which includes the installation of, and connection to, our online management system software), while the higher estimate covers higher priced flights, rental car, and accommodations and the Velonet set-up fee. Actual costs are based on the travel and accommodations chosen by you while attending training and may be higher or lower than what is estimated. Wages for your personnel while in training are not included. (See Item 11) If we elect to provide our Initial Training Program to you in or near your Territory, you will be required to pay us the reasonable travel and living expenses incurred by our personnel during the course of the Initial Training Program, which are not contemplated in the chart.

(3) The estimate is for the full cost of 1 Customized Vehicle (excluding customization work). You may lease or finance the Customized Vehicle through a third party, in which event, the initial out-of-pocket cost will be lower.

(4) Once you obtain the Customized Vehicle, you must obtain the Designated Equipment Package and engage Broken Spoke to complete the customization of the Customized Vehicle.

(5) The cost of computer hardware, peripherals and software for Franchisee's Location and the Customized Vehicle will vary depending on if you already have a system that meets our requirements. The low end of the cost includes the Velonet set-up fee and the high end of the cost includes the optional \$250 fleet management set up fee which applies if you elect to use the NexTraQ fleet management system. (See Item 11)

(6) This estimate is for the office supplies for Franchisee's Location, such as paper, presentation folders, pens, pencils, printer ink, paper clips, stapler, file folders, note pads, stationery, business cards, etc., that you will need to operate your Business. The low end of the estimate is for lower quality and quantity of supplies and the higher estimate represents a higher quality product and/or quantity of supplies.

(7) These costs include the purchase of our recommended initial inventory and supplies.

(8) This estimate is for the cost to establish an entity to hold the franchise and review the franchise documentation, accounting services and other professional fees you may incur in establishing your Business. The cost of professional services can vary widely.

(9) You must carry out a grand opening promotion for your Business in compliance with our written specifications. You must spend at least \$5,000 on a pre-opening and opening promotion campaign for the Business at least 1 week immediately preceding the opening and for the first 3 weeks of operation of the Business. You must provide us with written evidence of your expenditures. We must approve all advertising items, methods and media. The estimate includes the cost of the Promotional Kit.

(10) This amount represents an estimate of the down payment on your annual insurance premiums. You must obtain the insurance coverage described in the Franchise Agreement. We must be named as an additional insured on these policies. Your cost of insurance may vary depending on the insurer, the location of your Business, your claims history, and other factors. These costs do not include any additional insurance that you may wish to carry above our stated minimums.

(11) You must purchase from us or our affiliate the Velofix uniforms for your employees. The total cost will depend upon the number of employees that you choose to employ or contract. The lower estimate in this range is for 1 employee uniform, while the higher estimate covers up to 5 employee uniforms.

(12) You will need additional funds during the start-up phase of your business to pay employees, purchase supplies and pay other expenses. We estimate the start-up phase to be 3 months from the date you open for business. These amounts do not include any estimates for debt service. You must also pay the Royalty Fee, User Fee, Branding Fund Contribution and other related fees described in Item 6 of this disclosure document. These figures are estimates, and we cannot assure you that you will not have additional expenses. Your actual costs will depend on factors like your management skills, experience and business acumen, local economic conditions, the local market for our products and services, the prevailing wage rate, competition and the sales level reached during the initial period. You should base your estimated start-up expenses on the anticipated costs in your market and consider whether you will need additional cash reserves. We relied on the experience of Holdings' Velofix Businesses in Canada to compile these estimates. You should review these figures carefully with your business advisor.

Unless otherwise stated above, these estimates are subject to increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time, we have no plans to increase payments we control.

We do not offer any financing for your initial franchise fee or any portion of your initial investment. Unless otherwise stated, the amounts described above are not refundable.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

You generally have no obligation to purchase or lease from us, our affiliates, or other designated third party suppliers any of the products, services, supplies, fixtures, equipment (including computer hardware and software), inventory or real estate used in establishing or operating the Business. However, there are some exceptions, as follows:

Designated Equipment Package

You must purchase from our designated supplier the Designated Equipment Package, which includes hand tools, fixed equipment, customized stainless steel shelving and custom work surface and storage solutions that we require to be used and installed in each Customized Vehicle you put into service. Our current designated supplier for the Designated Equipment Package is Broken Spoke.

Customized Vehicle Customization Services

You must use our designated supplier to customize each Customized Vehicle that you put into service, including installing the Designated Equipment Package in each Customized Vehicle, building-out the interior of the Customized Vehicle, and wrapping the Customized Vehicle in accordance with our standards and specifications. Our current designated supplier for vehicle customization services is Broken Spoke.

Inventory, Products and Supplies

You must purchase our recommended level of approved brands or types of inventory, products and supplies only from suppliers approved by us, which may include us or our affiliates. Our current designated supplier for inventory, products and supplies is Yellow Jersey. You are required to participate in the Automatic Shipment Program, under which Yellow Jersey will arrange for shipment of regular replenishments of inventory, products and supplies to you. For all other orders, you will place the purchase order directly to Yellow Jersey in accordance with the Manual or other written directives. You must place orders for inventory, products and supplies on or before the deadlines set by Yellow Jersey.

Promotional Kit

You must purchase from us a Promotional Kit, which includes initial marketing and advertising materials and a logoed tent.

Uniforms

You must purchase our approved Velofix uniforms for your employees only from us, our designated supplier or as otherwise approved in writing by us. Currently, you will purchase the Velofix uniforms from us.

Approved Suppliers

In addition to the above, if we have approved suppliers (including manufacturers, distributors and other sources) for any products, services, supplies, inventory, equipment, customer contracts and related forms, computer hardware and software, fixtures, furnishings and signs, you must obtain these items from those suppliers. Approved suppliers are those who demonstrate the ability to meet our then-current standards and specifications for quality, design, appearance, function and performance and who possess adequate quality controls and the capacity to supply your needs promptly and reliably, whom we have approved in writing and whom we have not later disapproved. We may change the number of approved suppliers at any time and may designate ourselves, an affiliate, or a third party as the exclusive source for any particular item. We may profit from your purchases from approved suppliers, and we and/or our affiliates may receive payments, fees, commissions or reimbursements from such suppliers in respect of your purchases.

Our affiliate, Yellow Jersey, is currently the approved supplier of inventory, products and supplies for our franchisees, but we may, in our sole discretion, require these items to be purchased exclusively from us or another of our affiliates or from approved suppliers or distributors. We or our affiliates may derive revenue based on your purchases and leases (including from charging you for products and services that we or our affiliates provide to you and from payments made to us or our affiliates by suppliers that we designate or approve).

If you wish to purchase, lease or use any products, services, inventory or other items from an unapproved supplier, you or your supplier must submit to us a written request for approval. You must not

purchase or lease the item from the supplier until and unless we have approved the supplier in writing. We have the right to require you to submit information, specifications and samples to us to enable us to determine whether the supplier meets our criteria. We also have the right to inspect the supplier's facilities, and to have samples from the supplier delivered to us or to an independent laboratory we designate for testing. We may condition our approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial compatibility, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) or other criteria. We may re-inspect the facilities and products of any approved supplier, and may revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. If we revoke our approval of any supplier, you must promptly discontinue use of that supplier. You must reimburse us for the costs that we incur in the supplier approval process. We are not required to approve any particular supplier, and we are not required to notify you of our approval or disapproval within any specified period of time. Our specifications for products and criteria for supplier approval are generally issued through written communications and are available to franchisees and approved suppliers.

Our affiliates and designated suppliers, Yellow Jersey and Broken Spoke, are owned by Parent. Davide Xausa, our President; Chris Guillemet, our CEO; and Boris Martin, our Director, Procurement and Operations, have ownership interests in Parent. Otherwise, none of our officers owns an interest in any privately-held suppliers, or a material interest in any publicly-held suppliers, of the Velofix franchise system. From time to time, our officers may own non-material interests in publicly-held companies that may be suppliers to our franchise system.

Purchases According to Specifications

You must comply with all of our standards and specifications relating to the purchase of all products, services, supplies, inventory, equipment, customer contracts and related forms, computer hardware and software, fixtures, furnishings and signs used in the Business. We formulate our standards and specifications based on a variety of factors, including Holdings' experience in operating Velofix Businesses in Canada. In addition, the following must comply with our specifications:

Franchisee's Location

Prior to opening to the public for business and at all times during the term of the Franchise Agreement, you must maintain an office at Franchisee's Location (located within the Territory described in the Franchise Agreement or within a 20-mile radius around the outside boundaries of the Territory) in accordance with our standards and specifications. If Franchisee's Location is your or your Owner's home, we require that you establish a space for the operation of your Business that is separate and distinct from your general living space.

Advertising and Promotional Materials

All of your advertising and promotions must conform to our standards and requirements. We must approve all advertising and promotional plans and materials before you use them if we have not prepared them or previously approved them during the 12 months preceding the date of their proposed use. You must submit any unapproved plans and materials to us, and we will approve or disapprove them within 20 days after we receive them. You must not use the plans or materials until we have approved them, and must promptly discontinue using any advertising or promotional plans or materials, whether or not we have previously approved them, if we notify you to do so.

Insurance

Not later than sixty (60) days prior to the date on which the Franchised Business opens to the public for business, you must obtain and at all times during the term of the Franchise Agreement

insurance policies that protect you, us, and our affiliates, successors, and assigns, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, and employees of each of them, from claims arising or occurring at or in connection with the operation of the Franchised Business. These policies must be written by a responsible insurance carrier or carriers rated “A” or better by the A.M. Best Company, Inc. and that are acceptable to us. At a minimum, you must carry (i) comprehensive commercial general liability insurance, premises and operations, broad form contractual liability, broad form property damage, personal injury, advertising injury, ongoing and completed operations, products liability, independent contractors, explosion, collapse, and underground hazards (XCU), and fire damage coverage in the amount of \$1,000,000 for each occurrence and \$2,000,000 general aggregate; (ii) Umbrella coverage of \$1,000,000 per occurrence, which must be in excess of the general liability, workers compensation, and automobile liability coverage; (iii) Commercial automobile liability insurance for coverage of owned, non-owned, and hired vehicles, including the Customized Vehicle(s) and equipment permanently attached to the Customized Vehicle(s), minimum limit bodily injury and property damage combined of \$500,000 per accident or loss; (iv) Workers’ compensation coverage for all of your employees in accordance with statutory requirements or if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation for injured workers that is satisfactory to us, covering employer’s liability, and/or a medical/disability policy covering medical expenses for on-the-job accidents with the following minimum limits for employer liability: bodily injury by accident, \$500,000 for each accident, bodily injury by diseases, \$500,000 policy limit and \$500,000 each employee; and (v) any other insurance required by the state or locality in which your Franchise Business is located.

Vehicles

Any vehicle, including the Customized Vehicle, you use in the operation of the Business must meet our image and standards. You must place the signs and other decor items we require on the vehicle and keep it clean and in good working order at all times. You cannot permit anyone to operate the vehicle who is under 18 years old, or who does not have a valid driver’s license in the state in which the Business is located, has a criminal record, or a has driving record with serious driving infractions. You must require each vehicle operator to comply with all laws, regulations and rules of the road and use due care and caution in operating and maintaining the vehicle.

Purchasing Arrangements

In our last fiscal year ending December 31, 2018, we did not receive any revenues from the sale of products or services to franchisees in the United States, however, our affiliates had revenues of \$2,072,164 for the sale of parts, tools custom trucks and other products to franchisees. This information is derived from the books and records of our affiliates. Neither we nor our affiliates received payments from any designated sources because of transactions with franchisees in the United States.

We intend to negotiate certain purchase arrangements (including price terms) for the purchase of certain items with suppliers for the benefit of franchisees. In doing so, we will seek to promote the overall interests of our franchise system and our interests as the franchisor. We or our affiliates may receive payments from any supplier on account of its dealings with you and other franchisees. We do not provide material benefits to franchisees based upon their use of designated or approved suppliers. There are currently no purchasing or distribution cooperatives for the System.

Your obligations to purchase or lease goods, services, supplies, fixtures, equipment, inventory, and computer hardware and software, or other items from us or our designee, from suppliers we approve, or under our specifications are all considered “required purchases.” We describe these obligations in detail in the preceding sections of this Item 8. The magnitude of required purchases in relation to all purchases you make to establish and operate the Business is difficult to determine due to the highly variable nature of expenditures necessary to establish and operate the Business as described in Item 7. We

estimate that your total initial required purchases will be about 98% of the cost of your initial purchases or leases. We estimate your required purchases for the operation of the Business will be 98% or more of your annual purchases or leases. The majority of these required purchases will be from us or our affiliates under our specifications.

ITEM 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 2.5 of the Franchise Agreement	Items 1, 7, 8, 11 and 12
b. Pre-opening purchases/leases	Sections 6.1, 8.3 and Article 11 of the Franchise Agreement	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 2.5, and 6.1 of the Franchise Agreement	Items 1, 7, 8 and 11
d. Initial and ongoing training	Section 5.1, 5.7 and 6.1(m) of the Franchise Agreement	Items 6, 7 and 11
e. Opening	Sections 2.6 and 8.3 of the Franchise Agreement	Items 7 and 11
f. Fees	Article 3 and Sections 4.2(h), 6.6, 10.4, 11.6, 13.2(h) and 18.2 of the Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies/Manuals	Article 1 and 7 and Sections 2.1, 2.5, 6.1, 6.4, 6.7 and 9.1 of the Franchise Agreement	Items 8, 11, 14 and 16
h. Trademarks and proprietary information	Articles 1 and 9 and Section 7.2 of the Franchise Agreement	Items 11, 13 and 14
i. Restrictions on products/services offered	Sections 2.1 and 6.4 of the Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Sections 2.3, 5.6, 6.1(h) and (i) and 6.8 of the Franchise Agreement	Item 16
k. Territorial development and sales quotas	Not Applicable	Not Applicable
l. Ongoing product/service purchases	Article 6 of the Franchise Agreement	Items 8, 11 and 16

Obligation	Section in Agreement	Disclosure Document Item
m. Maintenance, appearance and remodeling requirements	Article 6 and Section 13.2 of the Franchise Agreement	Item 8
n. Insurance	Article 11 of the Franchise Agreement	Items 6, 7 and 8
o. Advertising	Article 8 of the Franchise Agreement	Items 6, 8 and 11
p. Indemnification	Section 18.1 of the Franchise Agreement	Item 6
q. Owner's participation/management/staffing	Sections 6.1 and 14.3 of the Franchise Agreement	Items 1, 11 and 15
r. Records and reports	Article 10 of the Franchise Agreement	Item 11
s. Inspections and audits	Section 10.4 of the Franchise Agreement	Items 6 and 11
t. Transfer	Article 13 of the Franchise Agreement	Items 6, 12 and 17
u. Renewal or extension of rights	Section 4.2 of the Franchise Agreement	Items 6, 12 and 17
v. Post-termination obligations	Section 15.2 of the Franchise Agreement	Item 17
w. Noncompetition covenants	Article 12 and Schedule E of the Franchise Agreement	Item 17
x. Dispute resolution	Section 16 of the Franchise Agreement	Item 17

ITEM 10

FINANCING

Neither we nor any agent or affiliate of ours offers direct or indirect financing to you, guarantees any note, lease or obligation of yours.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we are not required to provide you with any assistance:

Pre-Opening Obligations. Before you open your Business to the public, we will:

1. Provide you with access to 1 set of our Manuals, either in paper or electronic form (Franchise Agreement, Section 7.1).

2. Provide you with a list of approved or designated suppliers (Franchise Agreement, Section 6.4). We or our affiliates also currently sell certain items and services to you, including the Designated Equipment Package, Customized Vehicle customization services, certain inventory and supplies, promotional kits, and uniforms (see Item 8). Other than providing you with a list of approved or designated suppliers and selling these items and services to you, we do not assist you in obtaining or installing any equipment, signage, fixtures, inventory, or supplies.

3. Provide our Initial Training Program to you and your Lead Mechanic, or another key employee (Franchise Agreement, Section 5.1).

4. Provide you with assistance with respect to pre-opening and opening activities, which will be conducted as reasonably determined by us. (Franchise Agreement, Section 5.2).

Site Selection and Typical Length of Time Before You Open Your Store.

You must operate the Franchised Business from an office that is located in the Territory or within a 20-mile radius of the outside boundaries of the Territory. Your office may be located in your home or in a separate commercial office location. If you choose to use commercial space for your office, we are not required to assist you in selecting your the site, and we do not provide you any site selection guidance or criteria. We do not review or approve the location of your Franchised Business.

The typical length of time between the signing of the Franchise Agreement and the opening of the business to the public is approximately 3 to 4 months. Factors that may affect this period may include your ability to obtain a vehicle, arrange leasing and financing, customize the vehicle, employ or contract a Lead Mechanic, attend and complete initial training, meet legal requirements, obtain inventory and equipment, and similar factors.

You must place the Customized Vehicle into operation within 15 Business Days from taking delivery of the Customized Vehicle, and you must otherwise open the Business to the public for business within 120 days from the Effective Date of the Franchise Agreement (Franchise Agreement Section 2.6. If you fail to begin operations within the stated time, we may unilaterally terminate the Franchise Agreement (Franchise Agreement, Section 5.1(a)).

Continuing Obligations. During the operation of your Business, we will:

1. Give you advice and guidance that you reasonably require and at our sole discretion with respect to the planning, opening and operation of the Business (Franchise Agreement, Section 5.3).

2. Give you an updated list of approved or designated suppliers as we deem appropriate (Franchise Agreement, Section 6.4(b)).

5. Provide additional training programs at our option (Franchise Agreement, Section 5.7).

6. Determine whether an item or supplier meets our standards and notify you whether you are authorized to use the item or purchase from the supplier, if you first follow our procedures for requesting review and approval of an unauthorized item or supplier (Franchise Agreement, Section 6.4(b)).

7. Establish and administer a branding fund and provide any advertising and promotional materials we develop for use by franchisees (Franchise Agreement, Section 8.23).

8. Use reasonable effort to contact you if we receive a lead from a potential customer located in the Territory and to first offer you the opportunity to service the customer. (Franchise Agreement, Section 5.6).

Advertising

You must participate in all advertising and sales promotion programs that we may authorize or develop for the Velofix System (Franchise Agreement, Section 6.1(w)).

You must participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty or retention programs that we implement for all or part of the Velofix franchise system and sign the forms and take the other action we require for you to participate in these programs. (Franchise Agreement, Section 6.1(v)).

We require you to spend 2% of your Gross Sales each year to promote the Business and the System to the public in the Territory. You must submit all advertising and promotions you wish to utilize to us for our written approval. If the advertising and/or promotions have not been approved within 5 Business Days they are deemed to be disapproved. (Franchise Agreement, Section 8.1(b)).

We have established a branding fund ("Branding Fund") to which all franchisees located in the United States are required to contribute 2% of their Gross Sales each month. You must contribute 2% of your Gross Sales to the Branding Fund. We will use the Branding Fund to develop, prepare, produce and administer advertising for the System in the United States on a regional and/or national basis. (Franchise Agreement, Section 8.2).

All advertising and promotions you place in any medium must be conducted professionally and must conform to our standards and requirements, as described in Item 8 (Franchise Agreement, Section 6.1 (w)).

We administer the Branding Fund. We will direct all advertising programs, including the creative concepts, materials and media used in the programs. We may use the Branding Fund to satisfy the costs of maintaining, administering, directing, preparing and producing advertising. This includes media costs, commissions, market research costs, maintaining, updating and improving the website, creative and production costs, including the costs of creating promotions and artwork, printing costs, social media, and other costs relating to advertising and promotional programs undertaken by us; and costs of our personnel and other departmental costs for advertising that we administer or prepare internally. We are not required to make expenditures for you that are equivalent or proportionate to your Branding Fund contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising, nor are we required to spend any amount on advertising in any particular franchisee's Territory. Velofix Businesses located in the United States that are owned by us or our affiliate will make similar contributions to the Branding Fund on the same basis as franchisees located in the United States. Currently, no portion of the Branding Fund is used for advertising that is principally a solicitation for the sale of franchises. However, a portion of the Branding Fund may be spent on the development and maintenance of our website, which may contain information relating to franchise opportunities for Velofix Businesses, and some of our advertising and marketing materials contain contact numbers for obtaining information about franchises.

We anticipate that Branding Fund advertising will be conducted primarily through electronic or print media and campaigns in the United States on a regional or national basis, and that the majority of our advertising will initially be developed in-house. We presently do not have an advertising council.

We will not use your Branding Fund contributions to defray any of our general operating expenses, except for any reasonable salaries, administrative costs and overhead that we may incur in

administering or directing the Branding Fund and its advertising programs, including conducting market research. We will prepare an annual statement of the Branding Fund's operations and will make it available to you if you request it from us in writing. We are not required to, and presently do not, have the Branding Fund statements audited. Branding Fund contributions that are not spent in the year in which they are collected will be carried over to succeeding years.

The following is a percentage breakdown of the use of the Brand Building Fund for our 2018 fiscal year:

Production	0%
Media Placement	5%
Administrative Expenses	5%
Other	
- Sponsorships and Public Relations	45%
- Digital and Social Marketing	25%
- Ambassador Programs	20%
Total	100%

You are not required to participate in any local or regional advertising cooperatives.

Computer and Electronic Cash Register Systems

You must install and maintain a desktop or laptop computer at Franchisee's Location with an operating system that is capable of running the software that we require. The computer must have a high-speed modem and you must maintain a high-speed Internet connection that permits you to connect to the Internet and to transmit and receive e-mail, and this computer must be used only for the Business and only with software that we approve to be loaded on the computer. We estimate that the cost of the computer system will be approximately \$1,500 to \$2,250, which includes the cost of the mobile point of sale system and Velonet software described below.

You must purchase a mobile point of sale system with credit card processing services to process customer transactions. We do not currently have a designated supplier for a point of sale system with credit card processing services. You must maintain mobile Wi-Fi devices in the Customized Vehicles that permits you to connect to the Internet.

You must install and connect to our online management system software, Velonet. You must pay us a set-up fee of \$2,500 for each Customized Vehicle you put into service, for the installation and connection to Velonet. You must also pay us a reasonable monthly user fee for each user designated by you with access to Velonet. Currently, the user fee is \$90 per user.

You have the option to use fleet management system software from our designated supplier. Our current designated supplier for the fleet management system software is Nextraq. If you elect to enter into and maintain a service agreement with our designated supplier, you must pay the designated supplier in accordance with the agreement. A copy of the current form of service agreement for the fleet management system is attached hereto as Exhibit G. Currently, the designated supplier charges a set-up fee of \$250 and an ongoing monthly fee of \$49.95 per Customized Vehicle for the use of the software.

You must use our client services center (Client Services Center) and pay us a reasonable fee for any services that the Client Services Center provides to you or your Customers at the same time and manner as your royalty fee payment to us or in accordance with our invoice. Currently, we may charge you a per minute transaction charge (currently, \$0.69 per minute) or a percentage of your Gross Sales not to exceed 3% of your monthly Gross Sales, at our discretion.

Except for the fleet management system software maintenance agreement, neither we, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades, or updates to your computer system nor are there any optional or required maintenance/upgrade contracts for the computer system.

You must install any other hardware or software for the operation of the Business that we may require in the future, including any enhancements, additions, substitutions, modifications, and upgrades. We may also require you to license from us, or others we designate, any computer software we develop or acquire for use by Velofix Businesses. We may require you to submit sales data electronically to allow us to compile sales data, consumer trends, costs, and other financial and marketing information we deem appropriate, as well as inventory data for the Automatic Shipment Program. We may require you to provide us with independent access to information and data maintained on your computer system. There is no contractual limitation on the frequency or cost of these obligations or on our ability to access your information.

Confidential Manuals

After you sign the Franchise Agreement and pay us the initial franchise fee, we will provide you with access to a copy of our Manuals either in electronic or paper form. A copy of the table of contents of the Manuals is attached as Exhibit E. We consider the contents of the Manuals to be proprietary, and you must treat them as confidential.

Training

Prior to opening the Business to the public, we will provide you and your Lead Mechanic, or one other key employee, with our initial training program at a location selected by us ("Initial Training Program"). You and your Lead Mechanic must complete the Initial Training Program to our satisfaction before opening the Business to the public. If in our opinion, acting reasonably, you or your Lead Mechanic's participation in the Initial Training Program shows an inability to adequately manage and operate a Velofix Business, we may immediately terminate the Franchise Agreement. (Franchise Agreement, Section 15.1(b)).

Currently, the Initial Training Program is conducted in Vancouver, British Columbia, Canada. We provide instructors and training materials at no charge for the Initial Training Program, but you must pay all expenses you and your personnel incur during the course of the Initial Training Program, including costs of travel, lodging, meals and wages. For initial training of any replacement or successor Lead Mechanics, we will charge you a fee (currently, \$600) and pay all expenses you and your Lead Mechanics incur during the course of the initial training, including costs of travel, lodging, meals and wages. (Franchise Agreement, Section 5.1).

The Initial Training Program is administered by one or a combination of Boris Martin and Cheylene Rondpre. Mr. Martin has 9 years of experience in the bicycle industry and over 5 years with us. Cheylene Rondpre has extensive experience working within the service and customer care operations, focusing on operations, business analysis, and business development. She has been with us for 18 months.

The Initial Training Program is offered as needed during the year depending on the number of new franchisees entering the System, the number of other personnel needing training, and the scheduled opening of new Velofix Businesses. The Initial Training Program generally lasts 3-4 days, but may last longer in our sole discretion. Training is provided at our headquarters, in our mobile vehicle and at on-site customer visits. The subjects covered and other information relevant to the Initial Training Program are described below.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Welcome/Introduction-Review of Corporate Vision and Mission, History and Future	1	-	Vancouver, B.C.
Review of Standard Operating Procedures Manual-Section 1-Operator	4	-	Vancouver, B.C.
Review of Standard Operating Procedures Manual-Section 2-Administrator	2	-	Vancouver, B.C.
Introduction and Walk Thru of Velonet Back End Operating System	1.5	-	Vancouver, B.C.
Velonet Role-Play-Practice Cases and Scenarios to Gain System Familiarity & Onsite Training	4	2	Vancouver, B.C.
Marketing Strategy and Sales Playbook Review	3	-	Vancouver, B.C.
Administrative Review & General Business-Reporting, Billing	2.5	4	Vancouver, B.C.
Bicycle Repair and Testing	6	8	Vancouver, B.C.
In Vehicle Driver Skills Training	-	3	Vancouver, B.C.
TOTAL	24	17	

The materials used in training include the Manuals as well as other presentation materials, including PowerPoint presentations and handouts. The Initial Training Program is subject to change without notice to reflect updates in the materials, methods and manuals and changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the trainees.

We may provide from time to time mandatory and optional training programs covering such subjects as new policies and procedures, marketing, and other aspects of business operations. These programs may be conducted for various lengths of time and at various locations selected by us, or may be provided by way of on-line presentations (e.g., “Webinars” or interactive tutorials) or in any other reasonable manner. Mandatory training programs will be offered at no charge; however, we reserve the right to charge a fee for optional training programs and you must pay all expenses you and your personnel incur during the course of any mandatory and optional training programs, including costs of travel, lodging, meals and wages. (Franchise Agreement, Section 5.7)

ITEM 12

TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from Business that we or our affiliates own, or from other channels of distribution or competitive brands that we control.

The Franchise Agreement gives you the right to operate a Velofix Business in a geographic area that is defined by a ZIP code or group of ZIP codes and is set out in Schedule A to the Franchise Agreement. The Territory will consist of at least one ZIP code, but there is no minimum geographic area that will comprise your Territory. The determination of the size of your Territory is based on an analysis of various factors, including, population density, income level and the number of households and businesses in the area. We will determine the Territory and insert it in the Franchise Agreement before you sign the Franchise Agreement.

If you are in compliance with the Franchise Agreement and any other agreement you have with us or our affiliates, we and our affiliates will not establish or authorize anyone except you to establish a Velofix Business in the Territory.

Continuation of your Territory does not depend on the achievement of a certain sales volume, market penetration or other contingency. However, we will require you to purchase and use a second Customized Vehicle in the Territory if you generate over \$200,000 in Gross Sales during any 12 consecutive month period and you are not in default of any agreement with us or our affiliates. Your failure to purchase and put into service the additional Customized Vehicle in the Territory within the time period provided in the Franchise Agreement is considered a material default under the Franchise Agreement, and as a result, we may terminate the Franchise Agreement or reduce the size of the Territory instead of terminating your agreement. We also may modify your Territory upon renewal. You do not receive the right to acquire additional franchises outside of your Territory unless you sign another Franchise Agreement with us.

Prior to opening to the public for business and at all times during the term of the Franchise Agreement, you must maintain an office (Franchisee's Location) located within the Territory or within a 20-mile radius around the outside boundaries of the Territory in accordance with our standards and specifications.

You must operate the Business only from Franchisee's Location and in the Territory set forth in the Franchise Agreement. You cannot relocate Franchisee's Location without our consent, which will not be unreasonably withheld. You are prohibited from sublicensing your rights to others and from assigning or delegating your rights and obligations to operate the Business without our prior written consent.

You may not market or sell any Products or Services to Customers located outside your Territory through any method of distribution, including alternative channels such as the Internet, catalog sales, telemarketing, or other direct marketing, without our prior written consent or in accordance with our then-current policies and procedures, which we may modify or eliminate at any time in our discretion.

Because our franchisees may establish their office location either within their territory or within a 20-mile radius around the outside boundaries of their territory, another Velofix franchisee may establish and operate their location within your Territory.

We may, in our sole discretion and from time to time, provide referrals to you of potential or existing Customers that have multiple locations, where at least 1 of the locations is located outside the Territory ("Key Accounts"). We may, at our discretion, require you to service one or more of these Key

Accounts in accordance with our Manuals. You must honor the terms and conditions of any arrangement we have or may develop for Key Accounts, including, any maximum pricing for services. We reserve the right to designate any of your Customer accounts with at least 1 location outside of your Territory as Key Accounts in our sole discretion. If you fail to service a Key Account customer in accordance with our protocols and in the time required, we may immediately arrange to service them directly or with another franchisee. To the extent we are permitted to accept business from customers inside your Territory, we are not required to compensate you for this business.

We and our affiliates retain all other rights. Among other things, this means we or our affiliates can:

- (i) Operate, and license others to operate, Velofix Businesses at any location outside the Territory;
- (ii) Within and outside the Territory, develop and establish other business systems using the Marks and grant licenses to use those systems;
- (iii) Advertise and promote the System in the Territory;
- (iv) Within and outside the Territory, provide the Products and Services to Customers under Key Accounts;
- (v) Merge with or acquire any other business, including a business that competes with the Business, or acquire and convert any retail stores, including retail stores operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned; and
- (vi) Except for the restrictions on establishing or licensing others to establish Velofix Businesses within the Territory as described above, to engage, directly or indirectly, in the license, provision and sale of any and all services and products, including bicycle repair and maintenance services, under the Marks or under other names or marks, within and outside the Territory, through any method of distribution, including, but not limited to, the Internet, regardless of the competitive impact on the Velofix Business.


You may only use the Internet to advertise on our website in compliance with the Franchise Agreement.

ITEM 13

TRADEMARKS

The Franchise Agreement grants you a license to operate a Velofix Business using the Velofix System and the Marks, including the mark “Velofix” and any future Marks we authorize.

The following Marks have been registered with the U. S. Patent and Trademark Office (PTO) and are owned by Holdings. Holdings intends to renew the registrations and to file all appropriate affidavits at the appropriate times required by law.

MARK	REGISTER	REGISTRATION NUMBER	REGISTRATION DATE
VELOFIX (standard characters)	Principal	4,827,448	October 6, 2015
 (design)	Principal	4,788,231	August 11, 2015
SAVE TIME. RIDE MORE (standard characters)	Principal	4,788,232	August 11, 2015
Velofix DIRECT (standard characters)	Principal	5,235,054	July 4, 2017

There is no presently effective determination of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding, nor any pending material litigation involving any Mark which is relevant to its ownership, use or licensing.

We know of no superior prior rights or infringing use that could materially affect your use of the Marks, and we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

Our rights to the Marks and the proprietary System know-how are derived from a nonexclusive perpetual license (the “Intercompany License”) between us and Holdings. The Intercompany License grants us the right to use the Marks and the proprietary information related to the System, such as the know-how and the Manuals, for the purpose of licensing them to our franchisees and fulfilling our obligations under the Franchise Agreement. The Intercompany License is terminable only for material breach of the Intercompany License agreement and only if we do not cure or begin to cure the breach within 90 days after notice. We know of no other agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to you.

We are not obligated to protect your rights to use the Marks or to protect you against claims of infringement or unfair competition. We are not obligated to participate in your defense and/or indemnify you for expenses or damages if you are party to an administrative or judicial proceeding involving the Marks if the proceeding is resolved unfavorable to you.

You must immediately notify us of any infringement of the Marks or of any challenge to the use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Owners must agree not to communicate with any person other than us, any designated affiliate and our or their counsel about any infringement, challenge or claim. We or our affiliates have sole discretion to take any action we deem appropriate and the right to exclusively control any litigation, or PTO (or other) proceeding, from any infringement, challenge or claim concerning any of the Marks. You must sign all instruments and documents and give us any assistance that, in our counsel’s opinion, may be necessary or advisable to protect and maintain our interests or those of our affiliates in any litigation or proceeding or to otherwise protect and maintain our or their interest in the Marks.

You may not use any of the Marks as part of your corporate or other name. You must also follow our instructions for identifying yourself as a franchisee and for filing and maintaining the requisite trade name or fictitious name registrations. You must sign any documents we or our counsel determine are necessary to obtain protection for the Marks or to maintain their continued validity and enforceability. Neither you nor your Owners may take any action that would prejudice or interfere with the validity of our rights with respect to the Marks and may not contest the validity of our interest in the Marks or assist others to do so.

We have the right to substitute different trade names, service marks, trademarks and indicia of origin for the Marks if the Marks can no longer be used, or if we determine, in our sole discretion, that the substitution will be beneficial to the System. If we do, we may require you to discontinue or modify your use of any Mark or use one or more additional or substitute Marks at your expense.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents, and do not have any pending patent applications, that are material to the franchise. We do claim copyright protection and proprietary rights in the original materials used in the System, including our Manuals, bulletins, correspondence and communications with our franchisees, training, advertising and promotional materials, and other written materials relating to the operation of Velofix Businesses and the System.

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use or licensing of the copyrights.

We treat all of this information as trade secrets and you must treat any of this information we communicate to you confidentially. You and your Owners must agree not to communicate or use our confidential information for the benefit of anyone else during and after the term of the Franchise Agreement. You and your Owners must also agree not to use our confidential information at all after the Franchise Agreement terminates or expires. You and your Owners can give this confidential information only to your employees who need it to operate your Business. You must have your all of your Owners not signing the Guaranty, all Lead Mechanics, and at our request, any managers or other of your personnel, sign similar covenants (See Item 15.).

If you, your employees or your Owners develop any new concept, process or improvement in the operation or promotion of your Business, you must promptly notify us and give us all necessary information about the new process or improvement, without compensation. You and your Owners agree that any of these concepts, processes or improvements will become our property, and we may use or disclose them to other franchisees, as we determine appropriate.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must devote full time and best efforts to conduct the Business in accordance with the Franchise Agreement.

Prior to opening your business to the public, you must employ or contract on a continuing basis a Lead Mechanic to supervise and train all bicycle mechanics that you contract with or employ. The Lead Mechanic must have the industry certifications that we require and must complete our Initial Training Program to our satisfaction. We have the right to terminate the Franchise Agreement if, in our reasonable opinion, you or the Lead Mechanic's participation in the Initial Training Program discloses an inability to adequately manage and operate a Velofix Business. We may also terminate the Franchise Agreement if you fail to employ or contract with a Lead Mechanic.

You must have all Lead Mechanics, and at our request, any managers or other of your personnel, sign covenants not to compete and must maintain the confidentiality of information they have access to through their relationship with you. (See Item 14.) These covenants will be in substantially the form of Schedule E to the Franchise Agreement. Those of your Owners who are not signing the Guaranty also must sign these covenants. If you are an individual, your spouse must sign a personal guaranty, making your spouse jointly and severally liable for your obligations. We have the right, in our sole discretion, to decrease the period of time or geographic scope of the noncompetition covenants or eliminate the noncompetition covenant altogether for any person who must sign an agreement described in this paragraph (See Item 17.).

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all of the products and services that we require and only the products and services which we authorize for the System. You will not offer to sell or provide through the Business any products or services that have not been approved by us in writing, and you must discontinue any services or products that we disapprove.

There are no contractual limits on our right to make changes to the types of products and services that you must sell. We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products and services.

You may not market or sell any products or services outside of the Territory without our prior written consent or in accordance with our then-current policies regarding the same. You must comply with all of our policies regarding customer protection. You will not offer to sell, attempt to offer or sell, or sell any products or services to other Velofix franchisees' customers.

We may, in our sole discretion and from time to time, provide referrals to you of potential or existing Customers that have multiple locations, where at least 1 of the locations is located outside the Territory (Key Accounts). We may, at our discretion, require you to service one or more of these Key Accounts in accordance with our Manuals. You must honor the terms and conditions of any arrangement we have or may develop for Key Accounts, including, any maximum pricing for services. We reserve the right to designate any of your Customer accounts with at least 1 location outside of your Territory as Key Accounts in our sole discretion. If you fail to service a Key Account customer in accordance with our protocols and in the time required, we may immediately arrange to service them directly or with another franchisee. To the extent we are permitted to accept business from customers inside your Territory, we are not required to compensate you for this business.

You must participate in any marketing or other promotional programs we require generally for Velofix Businesses.

You may not advertise, promote, post or list information relating to the Business on the Internet (through the creation of a Website or otherwise), without our prior written approval, which we may give

or withhold at our discretion. You will not use the Marks as part of any domain name, web address or e-mail address.

We do not impose any other restrictions in the Franchise Agreement or otherwise on the goods or services that you may offer or sell to the customers to whom you may offer or sell.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	Section 4.1	5-year initial term.
b. Renewal or extension of the term	Section 4.2	2 consecutive 5-year periods.
c. Requirements for franchisee to renew or extend	Section 4.2	<p>Your renewal right permits you to remain as a franchisee after the initial term of your franchise agreement expires. However, to remain a franchisee, you must meet all required conditions to renewal, including signing our then-current form of franchise agreement, which may be materially different than the form attached to this disclosure document.</p> <p>Other conditions include: you must give written notice; you must update required items and comply with then-current standards; you are not in default; you must pay all money owed; you must retain right to Location; you must pay us a renewal fee; you and your Owners must sign a general release (See Exhibit F).</p>
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable

Provision	Section in franchise or other agreement	Summary
f. Termination by franchisor with “cause”	Section 15.1	We may terminate on your default.
g. “Cause” defined – curable defaults	Section 15.1	For any default except those specified as noncurable you have 10 days to cure (15 days for failure to pay monies to us, our affiliates or your creditors; 10 days for failure to comply with a notice in the Manual).
h. “Cause” defined – non-curable defaults	Section 15.1	Insolvency; general assignment for benefit of creditors; proceedings for composition of creditors; bankruptcy; receivership; final judgment remains unsatisfied for 30 days or more; dissolution; execution of levy or sale after levy; foreclosure proceedings not dismissed within 30 days; failure to place the Customized Vehicle into operation or open the business within the required time period; you or your Lead Mechanic’s participation in initial training does not meet our standards; abandonment or forfeiture of right to do business; failure to contract with or employ a Lead Mechanic; conviction of or pleading no contest to certain crimes; threat to public health or safety; actions that negatively impact our reputation and goodwill; bulk sale of assets/liquidation; loss of possession of the Customized Vehicle for more than 15 days; unauthorized transfer; default of mortgage or security contracts; false records or submission of false reports; failure to submit required reports within 10 days; breach of any covenants or false representations or material misstatements or omissions; understatement of Gross Sales by more than 5%; default of any other franchise agreement; repeated defaults whether or not cured. A provision in the Franchise Agreement which terminates the Franchise Agreement upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101.

Provision	Section in franchise or other agreement	Summary
i. Franchisee's obligations on termination/nonrenewal	Section 15.2	Stop operating the Business and using our confidential information, the System and Marks; pay amounts due and our damages and enforcement costs within 7 days; comply with confidentiality and non-competition covenants; return all Manuals and other proprietary materials; at our option, assign us your rights in business telephone numbers; cancel and remove postings from social networking sites; completely debrand the Business or permit us to do so.
j. Assignment of contract by franchisor	Section 13.6	We may transfer our rights without restriction.
k. "Transfer" by franchisee – defined	Section 13.1	You must not transfer any direct or indirect interest in you, the Franchise Agreement or the assets of the Business without our consent.
l. Franchisor's approval of transfer by franchisee	Section 13.1	We must consent and you must meet conditions before transferring.
m. Conditions for franchisor's approval of transfer	Section 13.2	Pay all amounts due; not be in default; sign a general release (See Exhibit F); and pay transfer fee. Transferee must meet our criteria, complete required training, obtain required certifications, provide a business plan, guaranty obligations; update Customized Vehicle and Designated Equipment, enter into then-current franchise agreement and upgrade the Business.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 13.3	On 20 days written notice, we have the option to purchase an interest being transferred on the same terms and conditions offered by a third party.
o. Franchisor's option to purchase franchisee's business	Section 15.3	Upon termination or expiration of if you cease to do business as a Velofix franchisee, we have the right to purchase the Customized Vehicle, the Designated Equipment or any of the assets of the Business at fair market value. If we cannot agree on the fair market value, an appraiser we designate will determine the amount.

Provision	Section in franchise or other agreement	Summary
p. Death or disability of franchisee	Article 14	On death or permanent disability of you or a Owner the person's interest must be transferred to someone we approve within 6 months.
q. Non-competition covenants during the term of the franchise	Section 12.1	You, your Owners, and your or your Owner's Immediate Family members will not have an interest in or perform services for a business which is similar to the Velofix Business in the United States and anywhere else we or our affiliates have used the Marks, sought registration of the Marks, or operated or licensed others to operate under the Marks or similar marks.
r. Non-competition covenants after the franchise is terminated or expires	Section 12.2	For 2 years you and your Owners will not have an interest in, manage, advise, assist or participate in the management of any business that is similar to the Velofix Business, within the Territory, or within a 10-miles of the perimeter of the Territory, or within 10-miles of the perimeter of the Territory of any other Velofix Business.
s. Modification of the agreement	Sections 7.1 and 18.23	Except for changes we can make unilaterally, changes require mutual agreement in writing. You must comply with the Manuals as amended.
t. Integration/merger clause	Section 18.23	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable. We may not disclaim representations made in the disclosure document.
u. Dispute resolution by arbitration or mediation	Section 16.1	Claims, controversies or disputes from or relating to the Franchise Agreement must be mediated, except actions based on the Marks or confidential information.

Provision	Section in franchise or other agreement	Summary
v. Choice of forum	Section 16.1	<p>Unless contrary to applicable state law: Mediation at the office of the American Arbitration Association closest to our then-current principal office, except actions based on the Marks or confidential information; venue for any other proceeding is the state and federal district courts located in the State of Delaware (subject to state law).</p> <p>In addition to the provisions noted in this chart, the Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of the right to a jury trial, a waiver of punitive or exemplary damages and limitations on when claims may be raised (See Franchise Agreement, Article 16). We recommend that you carefully review all of these provisions, and all of the contracts listed in Item 22, with a lawyer.</p>
w. Choice of law	Section 16.3	<p>Unless contrary to applicable state law, the Franchise Agreement, the franchise and all claims between you and us are to be governed, interpreted and construed under Delaware law, except for Delaware choice of law rules (subject to state law).</p>

ITEM 18

PUBLIC FIGURES

We do not use any public figure to promote the franchise.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor

supplements the information provided in this Item 19, for example, by providing information about performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Davide Xausa, 303 West 5th Avenue, Vancouver, British Columbia, Canada V5Y 1J6, 604-558-0248, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

**Systemwide Outlet Summary
For years 2016 to 2018⁽¹⁾**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised ⁽²⁾	2016	10	50	+40
	2017	50	87	+37
	2018	87	113	+26
Company-Owned	2016	0	0	0
	2017	0	0	0
	2018	0	0	0
Total Outlets	2016	10	50	+40
	2017	50	87	+37
	2018	87	113	+26

Notes:

1. All numbers are as of our fiscal year end, which is December 31. Includes only U.S. outlets.
2. As of December 31, 2018, there are 26 Velofix Business franchisees operating in Canada. Our affiliate, Holdings, is the franchisor of Velofix Business franchises in Canada.

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2016 to 2018⁽¹⁾**

Column 1	Column 2	Column 3
State	Year	Number of Transfers
Arizona	2016	0
	2017	0
	2018	1
California	2016	0
	2017	1
	2018	0
Colorado	2016	0
	2017	0
	2018	1
District of Columbia	2016	0
	2017	0
	2018	1
Georgia	2016	0
	2017	0
	2018	2
Maryland	2016	0
	2017	0
	2018	1
Nevada	2016	0
	2017	0
	2018	1
Virginia	2016	0
	2017	0
	2018	1

Column 1	Column 2	Column 3
State	Year	Number of Transfers
Total	2016	0
	2017	1
	2018	8

Notes:

1. All numbers are as of our fiscal year end, which is December 31. These numbers do not include transfers for convenience of ownership when an individual franchisee transfers the franchise to an entity that the individual controls.

Table No. 3

**Status of Franchised Outlets
For years 2016 to 2018⁽¹⁾⁽²⁾**

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Arizona	2016	0	3	0	0	0	0	3
	2017	3	1	0	0	0	0	4
	2018	4	4	1	0	0	0	7
Arkansas	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
California	2016	3	5	0	0	0	0	8
	2017	8	8	0	0	0	0	16
	2018	16	12	0	0	0	0	28
Connecticut	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	3	0	0	0	0	3
Colorado	2016	2	2	0	0	0	0	4
	2017	4	0	0	0	0	0	4
	2018	4	1	0	0	0	0	5
District of Columbia	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina- tions	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Opera- tions- Other Reasons	Col. 9 Outlets at End of the Year
Florida	2016	0	7	0	0	0	0	7
	2017	7	1	0	0	0	0	8
	2018	8	1	1	0	0	0	8
Georgia	2016	0	0	0	0	0	0	0
	2017	0	2	0	0	0	0	2
	2018	2	1	0	0	0	0	3
Hawaii	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Illinois	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Indiana	2016	0	0	0	0	0	0	0
	2017	0	3	0	0	0	0	3
	2018	3	0	0	0	0	0	3
Kentucky	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Maryland	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Massachusetts	2016	0	0	0	0	0	0	0
	2017	1	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Michigan	2016	0	0	0	0	0	0	0
	2017	0	2	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Minnesota	2016	0	7	0	0	0	0	7
	2017	7	0	0	0	0	0	7
	2018	7	0	0	0	0	0	7
Missouri	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina- tions	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Opera- tions- Other Reasons	Col. 9 Outlets at End of the Year
Nevada	2016	0	1	0	0	0	0	1
	2017	1	2	0	0	0	0	3
	2018	3	0	0	0	0	0	3
New York	2016	0	0	0	0	0	0	0
	2017	0	6	0	0	0	0	6
	2018	6	0	0	0	0	1	5
Ohio	2016	1	0	0	0	0	0	1
	2017	1	1	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Oregon	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	3	0	0	0	0	4
Pennsylvania	2016	0	2	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Rhode Island	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Tennessee	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	2	0	0	0	0	2
Texas	2016	0	6	0	0	0	0	6
	2017	6	2	0	0	0	0	8
	2018	8	1	0	0	0	0	9
Utah	2016	0	1	0	0	0	0	1
	2017	1	2	0	0	0	0	3
	2018	3	0	0	0	0	0	3
Virginia	2016	0	1	0	0	0	0	1
	2017	1	2	0	0	0	0	3
	2018	3	0	0	0	0	0	3

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina- tions	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Opera- tions- Other Reasons	Col. 9 Outlets at End of the Year
Washington	2016	2	1	0	0	0	0	3
	2017	3	1	0	0	0	0	4
	2018	4	1	0	0	0	0	5
Totals	2016	10	40	0	0	0	0	50
	2017	50	37	0	0	0	0	87
	2018	87	29	2	0	0	1	113

Notes:

1. All numbers are as of our fiscal year end, which is December 31. Includes only U.S. outlets.
2. As of December 31, 2018, there are 26 Velofix Business franchisees operating in Canada. Our affiliate, Holdings, is the franchisor of Velofix Business franchises in Canada.

Table No. 4

**Status of Company-Owned Outlets
For years 2016 to 2018⁽¹⁾**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of Year
All U.S. States	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
TOTALS	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0

Notes:

1. All numbers are as of our fiscal year end, which is December 31. Includes only U.S. outlets.

Table No. 5**Projected Openings As Of December 31, 2018**

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet In The Next Fiscal Year	Column 4 Projected New Company-Owned Outlet In the Next Fiscal Year
Arizona	0	2	0
California	0	6	0
Colorado	0	1	0
Florida	0	4	0
Georgia	0	0	0
Idaho	0	2	0
Illinois	0	4	0
Maryland	0	2	0
Massachusetts	0	1	0
New Jersey	0	3	0
New Mexico	0	1	0
New York	0	4	0
North Carolina	0	4	0
Ohio	0	1	0
Pennsylvania	0	2	0
South Carolina	0	2	0
Tennessee	0	2	0
Texas	0	2	0
Virginia	0	1	0
Washington	0	1	0
TOTAL	0	45	0

The name, business address, and business telephone number of each current franchisee as of December 31, 2018 are listed on Exhibit C.

The name, city and state, and current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who has had a Business terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or has not communicated with us within 10 weeks of the date of issuance of this disclosure document are listed on Exhibit D.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

As of the date of this disclosure document, we are not offering outlets we control that were previously owned by a franchisee. If we begin to offer any such outlet, specific information about the outlet will be provided to you in a supplement to this disclosure document.

As of the date of this disclosure document, no independent trademark-specific franchisee organizations have asked to be included in this disclosure document and there are no franchisee organizations sponsored or endorsed by us.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit A are our audited financial statements for our fiscal years ending December 31, 2016, December 31, 2017 and December 31, 2018.

ITEM 22

CONTRACTS

Attached to this disclosure document are the following contracts and their attachments:

1. Franchise Agreement (with attachments).
2. Form of General Release (Exhibit F).
3. Service Agreement for Fleet Management System (optional).

ITEM 23

RECEIPTS

Attached as the last 2 pages of this disclosure document are duplicate Receipts to be signed by you. Keep one for your records and return the other one to us.

EXHIBIT A
FINANCIAL STATEMENTS

VELOFIX HOLDINGS USA, INC.

FINANCIAL STATEMENTS
(Expressed in United States Dollars)

DECEMBER 31, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Directors of
Velofix Holdings USA, Inc.

We have audited the accompanying financial statements of Velofix Holdings USA, Inc. (the “Company”), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations, changes in stockholders’ equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Velofix Holdings USA, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

March 22, 2019



VELOFIX HOLDINGS USA, INC.
BALANCE SHEETS
(Expressed in United States Dollars)
AS AT

	December 31, 2018	December 31, 2017
ASSETS		
<i>Current assets</i>		
Cash	\$ 109,741	\$ 8,164
Accounts receivable (Note 3 and 8)	65,443	175,256
Prepaid expenses	-	74,555
Total current assets	175,184	257,975
<i>Non-current assets</i>		
Accounts receivable (Note 3)	-	4,150
Deposit	12,500	12,500
Loans to related parties (Note 4 (a))	219,382	227,036
Equipment (Note 5)	6,175	8,706
Total assets	\$ 413,241	\$ 510,367
LIABILITIES		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities	\$ 67,666	\$ 137,991
Income taxes payable (Note 7)	11,240	17,000
Unearned revenue (Note 8)	25,000	112,300
Due to related parties (Note 4 (b))	259,185	197,339
Total current liabilities	363,091	464,630
STOCKHOLDERS' EQUITY		
<i>Stockholders' equity</i>		
Common stock (Note 6)		
Authorized 1,000 common shares with par value of \$0.01 per share		
Issued and outstanding: 100 shares (2017 – 100)	1	1
Additional paid-in capital (Note 6)	50,099	50,099
Retained earnings (deficit)	50	(4,363)
Total stockholders' equity	50,150	45,737
Total liabilities and stockholders' equity	\$ 413,241	\$ 510,367
Subsequent event (Note 11)		

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

VELOFIX HOLDINGS USA, INC.
STATEMENTS OF OPERATIONS
(Expressed in United States Dollars)

	Year ended December 31, 2018	Year ended December 31, 2017
REVENUE (Note 9)		
Initial franchise fees	\$ 664,500	\$ 1,172,200
Continuing franchise fees	473,092	323,390
Sponsorship revenue	59,000	36,800
Other revenue	88,820	37,687
Total revenue	1,285,412	1,570,077
DIRECT COSTS		
Contract labour	210,798	270,578
Conference expenses	107,286	64,580
Parts and supplies	22,189	57,822
Total direct costs	340,273	392,980
GROSS PROFIT	945,139	1,177,097
EXPENSES		
Advertising and promotion	168,915	341,364
Amortization	2,531	1,905
Bank charges and interest	34,644	20,849
Consulting fees	105,049	97,226
Insurance	29,946	13,361
Management fees – related party (Note 4 (c))	99,542	114,954
Office expenses	176,988	187,509
Professional fees	78,784	60,235
Travel	83,017	144,287
Wages and benefits	149,310	154,050
Total expenses	928,726	1,135,740
Net income before taxes	\$ 16,413	\$ 41,357
Income taxes (Note 7)	12,000	17,000
Net income for the year	\$ 4,413	\$ 24,357
Basic and diluted net income per share	\$ 44.13	\$ 243.57
Weighted average number of common shares outstanding – basic and diluted	100	100

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

VELOFIX HOLDINGS USA, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
(Expressed in United States Dollars)

	<u>Common stock</u>		Additional paid - in capital	Retained earnings (deficit)	Total
	Number	Amount			
Balance, December 31, 2016	1000	1	50,099	(28,720)	21,380
Net income	-	-	-	24,357	24,357
Balance, December 31, 2017	1000	1	50,099	(4,363)	45,737
Net income	-	-	-	4,413	4,413
Balance, December 31, 2018	1000	1	50,099	50	50,150

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

VELOFIX HOLDINGS USA, INC.
STATEMENTS OF CASH FLOWS
(Expressed in United States Dollars)

	Year ended December 31, 2018	Year ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	\$ 4,413	\$ 24,357
Item not involving cash:		
Amortization	2,531	1,905
Changes in non-cash working capital:		
Accounts receivable	109,813	13,707
Prepaid expenses	74,555	(47,542)
Accounts receivable – non-current	4,150	(4,150)
Deposit	-	(12,500)
Income taxes payable	(5,760)	12,000
Due to related parties	61,846	(221,496)
Accounts payable and accrued liabilities	(70,325)	(21,203)
Unearned revenue	(87,300)	(312,200)
Net cash generated from (used in) operating activities	93,923	(567,121)
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment purchases	-	(2,861)
Net cash used in investing activities	-	(2,861)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans to related parties	7,654	330,130
Net cash generated from financing activities	7,654	330,130
Change in cash during the year	101,577	(239,852)
Cash, beginning of year	8,164	248,016
Cash, end of year	\$ 109,741	\$ 8,164

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

1. NATURE OF OPERATIONS

Velofix Holdings USA, Inc. (the “Company”) was incorporated on October 21, 2014 under the Laws of the State of Delaware. The Company sells Velofix franchises in the United States for mobile workshop businesses that provide on-site repair and servicing of bicycles and other ancillary services. The Company provides to its member franchisees a proprietary system, developed brand, and ongoing franchise support. All Velofix businesses are operated by franchise partners.

All amounts are stated in United States dollars unless otherwise noted.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are as follows:

Generally accepted accounting principles

These financial statements have been prepared in conformity with generally accepted accounting principles (“GAAP”) in the United States of America.

Use of estimates

The preparation of financial statements in conformity with GAAP 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 amounts of revenues and expenses during the reporting period. Significant estimates incorporated into the Company’s financial statements include the estimated useful lives for depreciable assets, expense allocations to the Company incurred by a related company, revenue recognition of initial franchise fees, and the estimated allowances for doubtful accounts receivable. Actual results could differ from those estimates.

Foreign currency translation

Transactions denominated in foreign currencies are translated at exchange rates prevailing on the transaction dates. Carrying values of monetary assets and liabilities are adjusted at each balance sheet date to reflect the exchange rate at that date. Non-monetary assets and liabilities are translated at the exchange rate on the original transaction date. Gains and losses from translation of foreign currency monetary assets and liabilities are included in the statements of operations. Revenues and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in the statement of operations.

Financial instruments

The Company measures the fair value of financial assets and liabilities based on GAAP guidance (ASC 820 Fair Value Measurements and Disclosures) which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

Under GAAP, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy is also established, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets and liabilities in active markets or inputs that are observable.

Level 3 – Inputs that are unobservable (for example cash flow modeling inputs based on assumptions).

Refer to Note 10 for additional disclosures on financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Cash and cash equivalents

The Company considers cash held at banks and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. At December 31, 2018 and 2017, the Company did not hold any cash equivalents.

Accounts receivable

Accounts receivable are reported at face value less any provisions for uncollectible accounts considered necessary. Accounts receivable primarily includes initial and continuing fees relating to the franchises, and sponsorship fees (Note 8). In certain instances, deferred payment plans of initial fees will be agreed up with franchisees upon signing of the franchise agreement which results in non-current classification of accounts receivable. The Company estimates doubtful accounts on an item-by-item basis.

Impairment of long-lived assets

Long-lived assets to be held and used by the Company will be continually reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

For long-lived assets to be held and used, the Company will base its evaluation on such impairment indicators as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements, as well as other external market conditions or factors that may be present. In the event that facts and circumstances indicate that the carrying amount of an asset may not be recoverable and an estimate of future undiscounted cash flows is less than the carrying amount of an asset, an impairment loss will be recognized.

Equipment

Equipment is recorded at cost less accumulated depreciation. The Company provides for depreciation over the estimated life of each asset on a straight-line basis over the following periods:

Computer equipment	3 years
Demonstration equipment	5 years

Revenue recognition

The Company's revenues consist of fees from franchises (initial and continuing), sponsorship fees, and other revenue. The Company accounts for its revenues as follows:

Initial franchise fees:

- i) Initial franchise fees: These are revenues generated from the sale of individual franchises which includes: (i) the initial franchise fee; and (ii) the promotional package.
- ii) Franchise set-up fees: These are revenues generated from system software set-up within each franchise's mobile vehicle.

Initial fees are recognized when the Company has performed substantially all initial services required by the franchise agreement, see "Recent Accounting Pronouncements" below. Initial fees are non-refundable.

Initial fees are either recognized or deferred in full when received, per franchise. Cash collected by the Company as a deposit for a franchise territory is recorded and presented as unearned revenue. Cash received in advance of the opening of a new franchise are classified as unearned revenue (Note 8).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Revenue recognition (cont'd...)

Continuing franchise fees:

Continuing franchise fees are recognized in the year earned. These comprise the following: (i) Royalties, (ii) Branding fund contributions, and (iii) Monthly Velonet software user fees.

Sponsorship fees:

Sponsorship fees are recognized in the year earned and are made up of vendor sponsorship agreements for marketing service fees and sponsorship fees for the franchise partner conference (Note 8).

Other revenue:

Other revenue includes franchise partner registration fees and sponsorship income for the Velofix conference, and customer service charges, other services, and miscellaneous sales of parts and supplies.

Income taxes

A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss carry forwards. Deferred tax expenses (benefit) result from the net change during the period of deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net income (loss) per share

Basic net income (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding during the year. Diluted net income (loss) per share takes into consideration shares of common stock outstanding (computed under basic net income (loss) per share) and potentially dilutive shares of common stock. The Company has no dilutive or potentially dilutive instruments.

Recent Accounting Pronouncements

Revenue recognition

In May 2014, the FASB issued guidance codified in Accounting Standards Codification ("ASC") 606, "Revenue Recognition - Revenue from Contracts with Customers," which amends the guidance in former ASC 605, "Revenue Recognition." The core principle of the standard is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The standard also calls for additional disclosures around the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company will adopt the standard effective January 1, 2019, as is applicable for all non-public entities with calendar year ends.

The standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption ("modified retrospective method"). The Company has selected to apply the modified retrospective method.

The Company has determined that this standard will not impact its continuing franchise fees, which are based on a percent of sales in each franchise. The standard will change the manner in which the Company recognizes initial franchise fees from franchisees.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Recent Accounting Pronouncements (cont'd...)

The Company's accounting policy through December 31, 2018 was to recognize initial franchise fees when a new franchise opens. In accordance with the new guidance, the initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement and will therefore be treated as a single performance obligation. As such, beginning in January 1, 2019, initial franchise fees received will be recognized over the franchise term, which is generally 5 years.

The Company expects a material impact on its financial statements from the cumulative catch-up adjustment upon adoption of this standard. The Company also expects the adoption of this standard to negatively impact 2019 initial franchise fee revenues. No impact to the Company's statement of cash flows is expected as the initial franchise fees will continue to be collected upon signing of a franchise agreement.

Lease Accounting

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Most prominent among the amendments is the recognition of assets and liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019 for non-public entities, including interim periods within those fiscal years, with early adoption permitted. The Company will adopt the new standard effective January 1, 2020. The Company does not expect a significant impact from the adoption of the above standard.

3. ACCOUNTS RECEIVABLE

	2018	2017
Accounts receivable from franchises	\$ 65,443	\$ 175,256
Accounts receivable from franchises – non-current	-	4,150
	<u>\$ 65,443</u>	<u>\$ 179,406</u>

Accounts receivable comprises both initial and continuing fees owing from existing franchises and conference and sponsorship fees owing from vendors and franchise partners (Note 8). Management estimates that these amounts are collectible in full. No allowance for doubtful accounts has been recorded as at December 31, 2018 and 2017.

VELOFIX HOLDINGS USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in United States Dollars)
DECEMBER 31, 2018

4. RELATED PARTY TRANSACTIONS

	2018	2017
Loans to related parties – non-current (a)	\$ 219,382	\$ 227,036
Due to related parties – current (b)	\$ 259,185	\$ 197,339

- a) As at December 31, 2018, loans to related parties is comprised of amounts advanced by the Company to its parent company and one related entity for operating purposes (December 31, 2017 – comprised of amounts advanced to the parent company and two related entities for operating purposes). The amounts are non-interest bearing with no specific terms of repayment.
- b) As at December 31, 2018, due to related parties is comprised of expenses paid by two related companies on behalf of the Company (December 31, 2017 – comprised of expenses paid by a related company on behalf of the Company). The amounts are current as they are due to the related companies upon receipt by the Company.

Related party transactions:

- c) Management fees include \$3,859 (CAD \$5,000) (2017 - \$3,984 (CAD \$5,000)) for the provision of management services by the Company's parent company.

5. EQUIPMENT

A summary of equipment as of December 31, 2018 and 2017 is as follows:

	2018	2017
Computer equipment	\$ 1,461	\$ 1,461
Demonstration equipment	10,461	10,461
	11,922	11,922
Accumulated depreciation	5,747	3,216
Net book value	\$ 6,175	\$ 8,706

6. CAPITAL STOCK

The Company is authorized to issue 1,000 shares of common stock at a par value of \$0.01.

Holders of common stock are entitled to one vote for each share held. There are no restrictions that limit the Company's ability to pay dividends on its common stock. The Company has not declared any dividends since inception.

VELOFIX HOLDINGS USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in United States Dollars)
DECEMBER 31, 2018

7. INCOME TAXES

A reconciliation of the provision for income taxes with amounts determined by applying the statutory U.S. federal income tax rate for the years ended December 31, is as follows:

	2018	2017
Net income before taxes	\$ 16,413	\$ 41,357
Computed tax recovery at the federal statutory rate	8,000	16,000
Permanent differences	(1,000)	3,000
Change in unrecognized deductible temporary differences	1,000	-
Change in statutory, foreign tax, foreign exchange rates and other	4,000	(2,000)
Total current income taxes	\$ 12,000	\$ 17,000

8. UNEARNED REVENUE

	2018	2017
Initial franchise fees (deposits received)	\$ 25,000	\$ 14,100
Conference fee accrual – Franchisees (i)	-	44,200
Conference sponsorship accrual (i)	-	54,000
Total unearned revenue	\$ 25,000	\$ 112,300

(i) These amounts have been billed by the Company and have either been received prior to December 31, 2018 (December 31, 2017 – received prior to December 31, 2017) or are included in accounts receivable.

9. SEGMENT INFORMATION

All of the Company's revenue was earned from franchises in the United States ("USA"). The Company operates in one reportable segment, being the sale of franchises and the provision of ongoing franchise support in the United States. During the year ended December 31, 2018, the Company opened 28 franchises and mutually terminated 2 (2017 – opened 37 and no franchises mutually terminated). Refer to Note 11 for franchise sales subsequent to December 31, 2018. As at December 31, 2018, a cumulative 113 (2017 – 87) franchises have been opened in the USA.

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and loans or amounts due to/from related parties. Cash is carried at fair value using level 1 fair value measurement. The fair value of the Company's other financial instruments approximates their carrying values given their short-term to maturity. Loans to related parties approximates fair value due to the specific characteristics of the instrument.

Risk and concentrations

The Company is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Company's risk exposure at the balance sheet date.

10. FINANCIAL INSTRUMENTS (cont'd...)

a) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Management mitigates this risk by ensuring it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Company had a cash balance of \$109,741 to settle cash obligations related to current liabilities of \$338,091. The Company has other current liabilities being unearned revenue of \$25,000. Unearned revenue does not represent a cash obligation to the Company.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risks relate to its accounts receivable and loans to related parties. The Company's maximum credit risk exposure equates to the full carrying value of these instruments. The Company mitigates credit risk through standard credit and reference checks.

Loans from related parties involve companies with common directors. The credit risk exposure with respect to these balances is assessed as remote, as management and the common directors of the Company make decisions on repayment.

The Company maintains its cash balances with one financial institution. The Company is satisfied with the credit risk rating of the bank and has assessed the risk of loss to be remote.

c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. It is management's opinion that the Company is not exposed to significant currency risk as the Company collects revenues in United States dollars, and incurs expenses in United States dollars. The Company's currency risk exposure is limited to certain components of the loans to related parties that are denominated in Canadian dollars. Fluctuations in the foreign exchange rate would have an insignificant impact on the Company's results of operations.

ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk due to market fluctuations affecting the interest income earned by its cash balances. The Company does not have any fixed interest rate financial instruments.

iii) Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to significant other price risk.

11. SUBSEQUENT EVENT

Subsequent to December 31, 2018, the Company sold four additional franchise territories in the United States.

VELOFIX HOLDINGS USA, INC.

FINANCIAL STATEMENTS
(Expressed in United States Dollars)

DECEMBER 31, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Directors of
Velofix Holdings USA, Inc.

We have audited the accompanying financial statements of Velofix Holdings USA, Inc. (the “Company”), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, changes in stockholders’ equity (deficiency), and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Velofix Holdings USA, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

March 23, 2018



VELOFIX HOLDINGS USA, INC.
BALANCE SHEETS
(Expressed in United States Dollars)
AS AT

	December 31, 2017	December 31, 2016
ASSETS		
<i>Current assets</i>		
Cash	\$ 8,164	\$ 248,016
Accounts receivable (Note 3 and 8)	175,256	188,963
Prepaid expenses	74,555	27,013
Total current assets	257,975	463,992
<i>Non-current assets</i>		
Accounts receivable (Note 3)	4,150	-
Deposit	12,500	-
Loans to related parties (Note 4 (a))	227,036	557,167
Equipment (Note 5)	8,706	7,750
Total assets	\$ 510,367	\$ 1,028,909
LIABILITIES		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities	\$ 137,991	\$ 159,194
Income taxes payable (Note 7)	17,000	5,000
Unearned revenue (Note 8)	112,300	424,500
Due to related parties (Note 4 (b))	197,339	418,835
Total current liabilities	464,630	1,007,529
STOCKHOLDERS' EQUITY		
<i>Stockholders' equity</i>		
Common stock (Note 6)		
Authorized 1,000 common shares with par value of \$0.01 per share		
Issued and outstanding: 100 shares (2016 – 100)	1	1
Additional paid-in capital (Note 6)	50,099	50,099
Deficit	(4,363)	(28,720)
Total stockholders' equity	45,737	21,380
Total liabilities and stockholders' equity	\$ 510,367	\$ 1,028,909
Subsequent events (Note 11)		

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

VELOFIX HOLDINGS USA, INC.
STATEMENTS OF OPERATIONS
(Expressed in United States Dollars)

	Year ended December 31, 2017	Year ended December 31, 2016
REVENUE (Note 9)		
Initial franchise fees	\$ 1,172,200	\$ 707,400
Continuing franchise fees	323,390	122,246
Sponsorship revenue	36,800	54,000
Other revenue	37,687	16,355
Total revenue	1,570,077	900,001
DIRECT COSTS		
Contract labour	270,578	157,863
Conference expenses	64,580	-
Parts and supplies	57,822	29,054
Total direct costs	392,980	186,917
GROSS PROFIT	1,177,097	713,084
EXPENSES		
Advertising and promotion	341,364	305,785
Amortization	1,905	1,311
Bank charges and interest	20,849	8,038
Consulting fees	97,226	16,678
Insurance	13,361	2,687
Management fees – related party (Note 4 (c))	114,954	48,724
Office expenses	187,509	72,746
Professional fees	60,235	72,371
Travel	144,287	117,784
Wages and benefits	154,050	28,013
Total expenses	1,135,740	674,137
Net income before taxes	\$ 41,357	\$ 38,947
Income taxes (Note 7)	17,000	5,000
Net income for the year	\$ 24,357	\$ 33,947
 Basic and diluted net income per share	 \$ 243.57	 \$ 339.47
 Weighted average number of common shares outstanding – basic and diluted	 100	 100

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

VELOFIX HOLDINGS USA, INC.
STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIENCY)
(Expressed in United States Dollars)

	Common stock		Additional paid - in capital	Deficit	Total
	Number	Amount			
Balance, December 31, 2015	100	1	50,099	(62,667)	(12,567)
Net income	-	-	-	33,947	33,947
Balance, December 31, 2016	100	1	50,099	(28,720)	21,380
Net income	-	-	-	24,357	24,357
Balance, December 31, 2017	100	1	50,099	(4,363)	45,737

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

VELOFIX HOLDINGS USA, INC.
STATEMENTS OF CASH FLOWS
(Expressed in United States Dollars)

	Year ended December 31, 2017	Year ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	\$ 24,357	\$ 33,947
Changes in non-cash working capital:		
Amortization	1,905	1,311
Changes in non-cash working capital:		
Accounts receivable	13,707	(112,286)
Prepaid expenses	(47,542)	(25,658)
Accounts receivable – non-current	(4,150)	-
Deposit	(12,500)	-
Income taxes payable	12,000	5,000
Due to related parties	(221,496)	357,145
Accounts payable and accrued liabilities	(21,203)	116,747
Unearned revenue	(312,200)	306,000
Net cash generated from (used in) operating activities	(567,121)	682,206
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment purchases	(2,861)	(9,061)
Net cash used in investing activities	(2,861)	(9,061)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans to related parties	330,130	(476,236)
Net cash generated from (used in) financing activities	330,130	(476,236)
Change in cash during the year	(239,852)	196,909
Cash, beginning of year	248,016	51,107
Cash, end of year	\$ 8,164	\$ 248,016

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

1. NATURE OF OPERATIONS

Velofix Holdings USA, Inc. (the “Company”) was incorporated on October 21, 2014 under the Laws of the State of Delaware. The Company sells Velofix franchises in the United States for mobile workshop businesses that provide on-site repair and servicing of bicycles and other ancillary services. The Company provides to its member franchisees a proprietary system, developed brand, and ongoing franchise support. All Velofix businesses are operated by franchise partners.

All amounts are stated in United States dollars unless otherwise noted.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are as follows:

Generally accepted accounting principles

These financial statements have been prepared in conformity with generally accepted accounting principles (“GAAP”) in the United States of America.

Use of estimates

The preparation of financial statements in conformity with GAAP 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 amounts of revenues and expenses during the reporting period. Significant estimates incorporated into the Company’s financial statements include the estimated useful lives for depreciable assets, expense allocations to the Company incurred by a related company, revenue recognition of initial franchise fees, and the estimated allowances for doubtful accounts receivable. Actual results could differ from those estimates.

Foreign currency translation

Transactions denominated in foreign currencies are translated at exchange rates prevailing on the transaction dates. Carrying values of monetary assets and liabilities are adjusted at each balance sheet date to reflect the exchange rate at that date. Non-monetary assets and liabilities are translated at the exchange rate on the original transaction date. Gains and losses from translation of foreign currency monetary assets and liabilities are included in the statements of operations. Revenues and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in the statement of operations.

Financial instruments

The Company measures the fair value of financial assets and liabilities based on GAAP guidance (ASC 820 Fair Value Measurements and Disclosures) which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

Under GAAP, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy is also established, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets and liabilities in active markets or inputs that are observable.

Level 3 – Inputs that are unobservable (for example cash flow modeling inputs based on assumptions).

Refer to Note 10 for additional disclosures on Financial instruments.

2. **SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

Cash and cash equivalents

The Company considers cash held at banks and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. At December 31, 2017 and 2016, the Company did not hold any cash equivalents.

Accounts receivable

Accounts receivable are reported at face value less any provisions for uncollectible accounts considered necessary. Accounts receivable primarily includes initial and continuing fees relating to the franchises, and sponsorship fees (Note 8). In certain instances, deferred payment plans of initial fees will be agreed up with franchisees upon signing of the franchise agreement which results in non-current classification of accounts receivable. The Company estimates doubtful accounts on an item-by-item basis.

Impairment of long-lived assets

Long-lived assets to be held and used by the Company will be continually reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

For long-lived assets to be held and used, the Company will base its evaluation on such impairment indicators as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements, as well as other external market conditions or factors that may be present. In the event that facts and circumstances indicate that the carrying amount of an asset may not be recoverable and an estimate of future undiscounted cash flows is less than the carrying amount of an asset, an impairment loss will be recognized.

Equipment

Equipment is recorded at cost less accumulated depreciation. The Company provides for depreciation over the estimated life of each asset on a straight-line basis over the following periods:

Computer equipment	3 years
Demonstration equipment	5 years

Revenue recognition

The Company's revenues consist of fees from franchises (initial and continuing), sponsorship fees, and other revenue. The Company accounts for its revenues as follows:

Initial franchise fees:

- i) **Initial franchise fees:** These are revenues generated from the sale of individual franchises which includes: (i) the initial franchise fee; and (ii) the promotional package.
- ii) **Franchise set-up fees:** These are revenues generated from system software set-up within each franchise's mobile vehicle.

Initial fees are recognized when the Company has performed substantially all initial services required by the franchise agreement, see "Recent Accounting Pronouncements" below. Initial fees are non-refundable.

Initial fees are either recognized or deferred in full when received, per franchise. Cash collected by the Company as a deposit for a franchise territory is recorded and presented as unearned revenue. Cash received in advance of the opening of a new franchise are classified as unearned revenue (Note 8).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Revenue recognition (cont'd...)

Continuing franchise fees:

Continuing franchise fees are recognized in the year earned. These comprise the following: (i) Royalties, (ii) Branding fund contributions, and (iii) Monthly Velonet software user fees.

Sponsorship fees:

Sponsorship fees are recognized in the year earned and are made up of vendor sponsorship agreements for marketing service fees and sponsorship fees for the franchise partner conference (Note 8).

Other revenue:

Other revenue includes franchise partner registration fees and sponsorship income for the Velofix conference, and customer service charges, other services, and miscellaneous sales of parts and supplies.

Income taxes

A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss carry forwards. Deferred tax expenses (benefit) result from the net change during the period of deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net income (loss) per share

Basic net income (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding during the year. Diluted net income (loss) per share takes into consideration shares of common stock outstanding (computed under basic net income (loss) per share) and potentially dilutive shares of common stock. The Company has no dilutive or potentially dilutive instruments.

Recent Accounting Pronouncements

Revenue recognition

In May 2014, the FASB issued guidance codified in Accounting Standards Codification ("ASC") 606, "Revenue Recognition - Revenue from Contracts with Customers," which amends the guidance in former ASC 605, "Revenue Recognition." The core principle of the standard is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The standard also calls for additional disclosures around the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company will adopt the standard effective January 1, 2019, as is applicable for all non-public entities with calendar year ends.

The standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption ("modified retrospective method"). The Company has selected to apply the modified retrospective method.

The Company has determined that this standard will not impact its continuing franchise fees, which are based on a percent of sales in each franchise. The standard will change the manner in which the Company recognizes initial franchise fees from franchisees.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Recent Accounting Pronouncements (cont'd...)

The Company's accounting policy through December 31, 2017 was to recognize initial franchise fees when a new franchise opens. In accordance with the new guidance, the initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement, and will therefore be treated as a single performance obligation. As such, beginning in January 1, 2019, initial franchise fees received will be recognized over the franchise term, which is generally 5 years.

The Company is still assessing the impact of the cumulative catch-up adjustment to be recorded upon adoption of this standard. The Company expects the adoption of this standard to negatively impact 2019 initial franchise fee revenues. No impact to the Company's consolidated statement of cash flows is expected as the initial franchise fees will continue to be collected upon signing of a franchise agreement.

Lease Accounting

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Most prominent among the amendments is the recognition of assets and liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company will adopt the new standard effective January 1, 2019. The Company is currently assessing the impact of this standard on its financial statements.

3. ACCOUNTS RECEIVABLE

	2017	2016
Accounts receivable from franchises	\$ 175,256	\$ 188,963
Accounts receivable from franchises – non-current	4,150	-
	<u>\$ 179,406</u>	<u>\$ 188,963</u>

Accounts receivable comprises both initial and continuing fees owing from existing franchises and conference and sponsorship fees owing from vendors and franchise partners (Note 8). Management estimates that these amounts are collectible in full. No allowance for doubtful accounts has been recorded as at December 31, 2017 and 2016.

4. RELATED PARTY TRANSACTIONS

	2017	2016
Loans to related parties – non-current (a)	\$ 227,036	\$ 557,167
Due to related parties – non-current (b)	\$ 197,339	\$ 418,835

- a) As at December 31, 2017, loans to related parties is comprised of amounts advanced by the Company to its parent company and two related entities for operating purposes, (December 31, 2016 – comprised of amounts advanced to the parent company and one related entity for operating purposes). The amounts are non-interest bearing with no specific terms of repayment.
- b) As at December 31, 2017, due to related parties is comprised of expenses paid by a related company on behalf of the Company, (December 31, 2016 – comprised of cash received from franchises on behalf of a related company pursuant to revenue earned in that company, plus expenses paid by a related company on behalf of the Company). The amounts are current as they are due to the related companies upon receipt by the Company.

Related party transactions:

- c) Management fees include \$3,984 (CAD \$5,000) (2016 - \$3,724 (CAD \$5,000)) for the provision of management services by the Company's parent company. The Company also incurred management fees to directors and officers of the Company of \$nil (2016 - \$45,000).

5. EQUIPMENT

A summary of equipment as of December 31, 2017 and 2016 is as follows:

	2017	2016
Computer equipment	\$ 1,461	\$ -
Demonstration equipment	10,461	9,061
	11,922	9,061
Accumulated depreciation	3,216	1,311
Net book value	\$ 8,706	\$ 7,750

6. CAPITAL STOCK

The Company is authorized to issue 1,000 shares of common stock at a par value of \$0.01.

Holders of common stock are entitled to one vote for each share held. There are no restrictions that limit the Company's ability to pay dividends on its common stock. The Company has not declared any dividends since inception.

VELOFIX HOLDINGS USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in United States Dollars)
DECEMBER 31, 2017

7. INCOME TAXES

A reconciliation of the provision for income taxes with amounts determined by applying the statutory U.S. federal income tax rate for the years ended December 31, is as follows:

	2017	2016
Net income (loss) before taxes	\$ 41,357	\$ 38,947
Computed tax recovery at the federal statutory rate	16,000	16,000
Permanent differences	3,000	4,000
Change in unrecognized deductible temporary differences	(2,000)	(15,000)
Total current income taxes	\$ 17,000	\$ 5,000

8. UNEARNED REVENUE

	2017	2016
Initial franchise fees (deposits received)	\$ 14,100	\$ 424,500
Conference fee accrual – Franchisees (i)	44,200	20,440
Conference sponsorship accrual (i)	54,000	26,800
Total unearned revenue	\$ 112,300	\$ 471,740

(i) These amounts have been billed by the Company and have either been received prior to December 31, 2017, or are included in accounts receivable.

9. SEGMENT INFORMATION

All of the Company's revenue was earned from franchises in the United States ("USA"). The Company operates in one reportable segment, being the sale of franchises and the provision of ongoing franchise support in the United States. During the year ended December 31, 2017, the Company opened 37 franchises (2016 – 40). Refer to Note 11 for franchise sales subsequent to December 31, 2017. As at December 31, 2017, a cumulative 87 (2016 – 50) franchises have been opened in the USA.

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and loans or amounts due to/from related parties. Cash is carried at fair value using level 1 fair value measurement. The fair value of the Company's other financial instruments approximates their carrying values given their short-term to maturity. Loans to related parties approximates fair value due to the specific characteristics of the instrument.

Risk and concentrations

The Company is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Company's risk exposure at the balance sheet date.

10. FINANCIAL INSTRUMENTS (cont'd...)

a) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Management mitigates this risk by ensuring it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company had a cash balance of \$8,164 to settle cash obligations related to current liabilities of \$352,330. The Company has other current liabilities being unearned revenue of \$112,300. Unearned revenue does not represent a cash obligation to the Company.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risks relate to its accounts receivable and loans to related parties. The Company's maximum credit risk exposure equates to the full carrying value of these instruments. The Company mitigates credit risk through standard credit and reference checks.

Loans from related parties involve companies with common directors. The credit risk exposure with respect to these balances is assessed as remote, as management and the common directors of the Company make decisions on repayment.

The Company maintains its cash balances with one financial institution. The Company is satisfied with the credit risk rating of the bank and has assessed the risk of loss to be remote.

c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. It is management's opinion that the Company is not exposed to significant currency risk as the Company collects revenues in United States dollars, and incurs expenses in United States dollars. The Company's currency risk exposure is limited to certain components of the loans to related parties that are denominated in Canadian dollars. Fluctuations in the foreign exchange rate would have an insignificant impact on the Company's results of operations.

ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk due to market fluctuations affecting the interest income earned by its cash balances. The Company does not have any fixed interest rate financial instruments.

iii) Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to significant other price risk.

11. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the Company sold ten additional franchise territories in the United States.

EXHIBIT B
FRANCHISE AGREEMENT
(INCLUDING STATE-SPECIFIC AMENDMENTS)



Franchise Agreement

(for use in the United States)

Form dated March 27, 2019
FDD dated March 27, 2019

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SCHEDULE A – TERRITORY AND FRANCHISEE'S LOCATION
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SCHEDULE F – ELECTRONIC FUNDS TRANSFER AUTHORIZATION

FRANCHISE AGREEMENT

THIS AGREEMENT made this ____ day of _____ 20__ (the "Effective Date," which is the date on which Franchisor executes this Agreement).

AMONG: **Velofix Holdings USA, Inc.**

a Delaware corporation
having its office at:

303 West 5th Avenue
Vancouver, British Columbia, Canada V5Y 1J6

(Hereinafter referred to as the "Franchisor")

AND: _____

(Hereinafter referred to as the "Franchisee")

RECITALS

A. Franchisor has developed a marketing plan and system identified and distinguished by uniform standards, specifications, procedures of operation and by high quality and uniformity of services for the operation of a mobile workshop for the on-site repair and servicing of all types of bicycles as well as other ancillary and related products and services using uniform standards, methods, procedures and specifications established for use in such businesses (hereinafter called the "System");

B. The distinguishing features of the System include, but are not limited to methods and procedures, proprietary equipment, products, services, manuals, training programs, standards, specifications and proprietary marks and information;

C. Franchisor has developed and used and continues to use and control the use of, certain proprietary interests, trademarks, trade names and logos including "Velofix", hereinafter collectively referred to as (the "Marks"), to identify for the public the source of goods and services marketed thereunder and to represent to the public high and uniform standards of quality, cleanliness, safety, appearance and service;

D. By reason of a uniform business format or system and high standards of quality and service, Franchisor has established an excellent business reputation, created a substantial demand for its products and services and built up valuable goodwill;

E. Franchisor has the right to use and license the use of the System and the Marks and Franchisee wishes to obtain from Franchisor the right and license to operate a Velofix franchised business (the "Franchised Business") utilizing Franchisor's business format, methods, specifications, standards, operating procedures, and Marks upon the terms and conditions hereafter set forth.

F. Franchisor is willing to grant Franchisee a franchise to do so upon the terms and conditions set forth in this Agreement in reliance on Franchisee's application and Franchisee's representations made in this Agreement.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

1. DEFINITIONS

Where used herein or in any Schedules or amendments hereto, the following terms shall have the following meanings:

- (a) An "**affiliate**" of a named person is any person or entity that is controlled by, controlling or under common control with such named person.
- (b) "**Automatic Shipment Program**" means regular replenishments of Products which Franchisor's designated supplier shall ship to Franchisee, in Franchisor's designated supplier's sole discretion using its best commercial judgment, to ensure that Franchisee has sufficient inventory to satisfy consumer demand;
- (c) "**Business Day**" means each day other than a Saturday, Sunday, U.S. holidays or any other day on which the Federal Reserve is not open for business in the United States;
- (d) "**Competitive Business**" Any business, other than the Franchised Business authorized under this Agreement, which offers or sells products and/or services that are the same or similar the Products or Services offered by the Franchised Business (including, without limitation, any facility which primarily offers and sells bicycle repair and maintenance services or related products).
- (e) "**Confidential Information**" means all proprietary and confidential information relating to the establishment and operation of Velofix businesses, including, without limitation: (i) Franchisor's standards and specifications, including equipment, product, inventory, and supplier standards and specifications; (ii) advertising and marketing plans and programs; (iii) research, development and test programs for products, inventory, services and operations; (iv) the contents of the Manuals; (v) knowledge of the operating and financial results of Velofix Franchised Businesses, other than Franchisee's Franchised Business; (vi) Customer lists and related customer information; (vii) computer programs and systems, including electronic data files and passwords, and (viii) Improvements (as defined in Section 12.4).
- (f) "**Control**" means the ability to exercise votes attached to securities of a corporation which are sufficient to elect a majority of the directors of such corporation.
- (g) "**Customer**" means any person, company or association that uses the Services of, or purchases Products from, any Velofix Franchisee;
- (h) "**Customized Vehicle**" means a vehicle as Franchisor may designate in writing from time to time, customized by the installation of the Designated Equipment Package and decorated with Franchisor's Trade Dress;
- (i) "**Designated Equipment**" means equipment that meets Franchisor's requirements as set out in the Manual and which must be obtained and used in the operation of each Velofix Franchised Business;

- (j) **"Franchisee's Owners" or "Owners"** shall include, collectively and individually, Franchisee's spouse all officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) whom Franchisor designates as Franchisee's Owners and all holders of an ownership interest in Franchisee and of any entity directly or indirectly controlling Franchisee.
- (k) **"Franchised Business"** means the business to be operated by Franchisee under the trade name "Velofix" pursuant to the provisions of this Agreement;
- (l) **"Force Majeure"** means acts of God, strikes, lockouts or other industrial disturbances, war, terrorism, riot, epidemic, fire or other catastrophe or other forces beyond Franchisee's control.
- (m) **"Good Standing"** means if a franchisee (and each of its Owners and affiliates) are not in default of any obligation to Franchisor or its affiliates, whether arising from this Agreement or any other agreement, the Manual or other System obligations (Collectively the "Obligations"); provided that a franchisee is not in Good Standing if it is in default of any of the Obligations and such defaults are incurable by nature;
- (n) **"Gross Sales"** means the entire amount of the actual sales price of all sales of Services and Products, and all other receipts or receivables whatsoever from any and all business conducted upon or originating from the Franchised Business, whether such sales or other receipts be by check, for cash, credit, charge accounts, exchange or otherwise. In the case of barter transactions, the fair market value of goods and services received by Franchisee in exchange for the Services and/or Products provided by Franchisee is to be included in the Franchise's Gross Sales. Gross Sales shall include the amount of all sales assumed to have been lost by the interruption of business, to be determined on the basis upon which proceeds of any business interruption insurance are paid or are payable to Franchisee. Gross Sales shall not include:
 - (i) the amount of any tax imposed by any federal, state, municipal or governmental authority directly on sales and collected from Customers if such tax is added to the selling price and actually paid by Franchisee to such governmental authority, and
 - (ii) the amount of the refund or credit given in respect of any products returned or exchanged by a Customer for which a refund of the whole or a part of the purchase price is made or for which a credit is given, provided that the selling price thereof was included in Gross Sales.
- (m) **"Immediate Family"** means the spouse of a person, the natural and adoptive parents, natural and adopted siblings, and natural and adopted children of such person and their spouses.
- (n) **"Initial Term"** means the five (5) year term provided for in Section 4.1 hereof;
- (o) **"Interest Rate"** the lesser of eighteen (18%) percent per annum, or the maximum rate allowed by applicable law;
- (p) **"Key Account"** or **"Key Accounts"** means any potential or existing Customer that has multiple locations, at least one of which is located outside the Territory;
- (q) **"Lead Mechanic"** means an individual that is employed or contracted by Franchisee who has obtained the industry certifications required by Franchisor, and is responsible for the supervision and training of all bicycle mechanics employed or contracted by Franchisee;
- (r) **"Manual"** means Franchisor's confidential operations manual, which may consist of one or more manuals, containing Franchisor's mandatory and suggested standards, specifications and operating procedures relating to the development and operation of Velofix Franchised Businesses and Franchisee's obligations under this Agreement. The term also includes alternative or supplemental means of communicating information to Franchisee, including bulletins, videotapes, audio tapes, compact discs, computer diskettes, CD ROMs and electronic communications;

- (s) **“Marks”** means the trade name “Velofix” and the internet domain names www.velofix.ca and www.velofix.com together with such other trade-names, trade-marks, symbols, logos, distinctive names, service marks, certification marks, logo designs, insignia or otherwise which may be designated by Franchisor as part of the System from time to time, and not thereafter withdrawn;
- (t) **“Products”** means all authorized wares, merchandise, supplies, accessories and items rented, sold, dispensed, handled or otherwise dealt in the Franchised Business;
- (u) **“Services”** means all services authorized by Franchisor and performed by the Franchised Business;
- (v) **“Taxes”** means any present or future taxes, levies, imposts, duties or other charges of whatsoever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the Franchised Business, the payment of monies, or the exercise of rights granted pursuant to this Agreement, except taxes imposed on or measured by Franchisor’s net income;
- (w) **“Territory”** means the geographical area that is defined by a ZIP code or group of ZIP codes in Schedule A which is attached hereto. The size of the Territory may vary depending on the characteristics relating to the Territory. In the event the boundaries of any ZIP code designated in the Territory should change, the Territory shall be deemed to be the same geographical boundaries as those designated for that ZIP code on the Effective Date of this Agreement; and
- (x) **“Trade Dress”** means the Velofix design, logo and vehicle wrap as set out in the Manual.

2. GRANT

2.1 Grant

Subject to the terms and conditions of this Agreement and Franchisee’s compliance with its obligations hereunder, Franchisor grants Franchisee a license, and Franchisee accepts the obligation, to operate a Velofix Franchised Business in the Territory, using the Velofix System and Marks in accordance with Franchisor’s standards. Franchisee is specifically prohibited from sublicensing, assigning, or delegating to others any of Franchisee’s rights or obligations under this Agreement without Franchisor’s prior written consent. Franchisee may not market and/or sell any Products or Services outside of the Territory; provided, except with Franchisor’s prior written consent or in accordance with Franchisor’s then-current policies regarding the marketing and sale of Products and Services outside the Territory, which may be modified or eliminated at any time in Franchisor’s sole discretion. Additionally, Franchisee shall comply with all of Franchisor’s policies relating to customer protection, including, without limitation, refraining from offering or selling, or attempting to offer or sell, Products or Services to other Velofix franchisees’ customers.

2.2 Territorial Protection and Reserved Rights

- (a) If Franchisee is in compliance with this Agreement and all other agreements between Franchisee or its affiliates and Franchisor or its affiliates, during the term of this Agreement, Franchisor and its affiliates will not establish or authorize anyone except Franchisee to establish a Velofix Franchised Business in the Territory.
- (b) The rights granted to Franchisee under this Agreement are nonexclusive, and Franchisor and its affiliates have and retain all rights within and outside the Territory except those expressly granted to Franchisee. Accordingly, Franchisor, its affiliates, and any other authorized person or entity will have the right, among others, (i) to operate, and license others to operate, Velofix Franchised Businesses at any location outside the Territory; (ii) within and outside the Territory to develop and establish other business systems using the Marks and to grant licenses to use those systems; (iii) to advertise and promote the System in

the Territory; (iv) within and outside the Territory to provide the Products and Services to Customers under Key Accounts; (v) merge with or acquire any other business, including a business that competes with the Franchised Business, or acquire and convert any retail stores, including retail stores operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned; and (vi) except for the restriction in Section 2.2(a), to engage, directly or indirectly, in the license, provision and sale of any and all services and products, including, without limitation, the bicycle repair and maintenance services, under the Marks or under other names or marks, within and outside the Territory, through any method of distribution, including, but not limited to, the Internet, regardless of the competitive impact on the Velofix Franchised Business.

2.3 Key Accounts

Franchisee acknowledges that from time to time, Franchisor may, in its sole discretion, provide referral Customers through its Key Accounts system to Franchisee. Franchisee hereby agrees to service such Customers according to the protocols for Key Account Customers which are described in the Manuals and further agrees that in the event Franchisee fails to service such customers as required by such protocols and within the time required, that Franchisor, in its sole discretion, may immediately arrange to service them directly or with other franchisees. Without limitation of the foregoing, Franchisee must honor the terms and conditions Franchisor may specify and develop for Key Accounts, including the maximum pricing for services. Franchisor reserve the right to designate any of Franchisee's customers that have at least one (1) location outside of the Territory as Key Accounts, which determination will be made in Franchisor's sole discretion, at which time, the servicing and treatment of such Customer will be pursuant to Franchisor's Key Account protocols and policies.

2.4 Additional Customized Vehicles

The parties acknowledge and agree that Franchisee will begin the Velofix Franchised Business with one (1) Customized Vehicle. Franchisee acknowledges and agrees that upon generating Gross Sales in an amount greater than two hundred thousand (\$200,000.00) dollars for any twelve (12) consecutive calendar months, and provided that Franchisee is in compliance with the terms and conditions of this Agreement and all ancillary agreements and documents related hereto; Franchisee shall purchase and put into service one (1) additional Customized Vehicle in the Territory within ninety (90) days following the end of such twelve (12) consecutive calendar month period. A failure by Franchisee to purchase and put into service the additional Customized Vehicle in accordance with this Section 2.4 is a default for which Franchisor may terminate this Agreement in accordance with Section 15.1 hereof. Alternatively, upon such default, Franchisor may, in its sole discretion, reduce the size of the Territory in lieu of terminating.

2.5 Office

Before opening the Franchised Business to the public for business, Franchisee shall establish and maintain at all times an office that shall be located in the Territory or within a twenty (20) mile radius of the outside boundaries of the Territory (the "Franchisee's Location"). Franchisee's Location may be located in Franchisee's or one of its Owners' homes, or it may be located in a separate commercial office location. All signage, if any, at Franchisee's Location must comply with Franchisor's standards. If Franchisee's Location is located in Franchisee's or one of its Owners' home, it must be separate and distinct from the living space and be dedicated to the Franchised Business. If Franchisee has not selected a location for Franchisee's Location at the time that the parties execute this Agreement, the parties will amend Schedule A to reflect the address of Franchisee's Location when the location of Franchisee's Location is determined. Franchisee acknowledges that Franchisor does not review or approve Franchisee's Location. The inclusion of the address of Franchisee's Location in Schedule A does not constitute a guarantee, assurance, representation or warranty of any kind, express or implied, as to the

suitability of Franchisee's Location for the operation of the Franchised Business or for any other purpose. Franchisee acknowledges that it has independently investigated the suitability of Franchisee's Location for the operation of a Franchised Business.

The computer equipment, software and all books, records (including banking records) and tax returns related to the Franchised Business will be maintained solely at Franchisee's Location.

Franchisee will not change the address of Franchisee's Location without the prior written consent of Franchisor, such consent not to be withheld unreasonably.

2.6 Opening of Franchised Business

Franchisee shall place the Customized Vehicle Business into operation within fifteen (15) Business Days after taking delivery of the Customized Vehicle.

3. FEES & ROYALTY

3.1 Initial Fee

Franchisee shall pay to Franchisor upon the execution of this Agreement an initial, non-recurring, non-refundable franchise fee (the "Initial Franchise Fee") in the amount of twenty five thousand (\$25,000) dollars.

This Initial Franchise Fee shall be deemed to be fully earned by Franchisor upon the execution of this Agreement by Franchisee and in consideration of the grant by it to Franchisee of the opportunity to establish a Velofix Franchised Business as herein provided, and Franchisee shall not be entitled to a refund of any part thereof, regardless of the date of expiration or termination of this Agreement, except as specifically provided herein.

3.2 Royalty

In return for the on-going rights and privileges granted to Franchisee hereunder, Franchisee shall pay to Franchisor throughout the term of this Agreement a continuing royalty in an amount equal to eight (8%) percent of its Gross Sales (the "Royalty"). Such Royalty is payable in arrears on the third (3rd) Business Day of each month for the preceding month (or otherwise as we require from time-to-time).

3.3 Online Management System Software Set-up Fee

Franchisee shall pay to Franchisor a set-up fee (the "Set-up Fee") for each Customized Vehicle put into service by Franchisee in the amount of two thousand two hundred (\$2,200) dollars for the installation of, and connection to, Franchisor's online management system software ("Velonet"). The Set-up Fee must be paid in accordance with Franchisor's invoice for such amount.

3.4 Online Management System Software User Fee

Franchisee shall pay to Franchisor a reasonable monthly user fee (the "User Fee") for each user designated by Franchisee with access to Velonet at the same time and manner as the Royalty.

3.5 Client Services Center

Franchisee shall use the client services center that we have established ("Client Services Center") and shall pay to Franchisor a reasonable fee the services provided by the Client Services Center at the same time and manner as the Royalty or, if applicable, in accordance with Franchisor's invoice for such amount. The fees charged for the Client Service Center services may be a per transaction charge or may be based on a percentage of Franchisee's Gross Sales, in which event the such fees will not be more than 3% of Franchisee's monthly Gross Sales, as determined in Franchisor's sole discretion.

3.6 Royalties during an Event of Force Majeure

In the event that Franchisee is prevented from operating the Franchised Business due to any reason beyond its reasonable control Franchisee shall pay to Franchisor, in lieu of the Royalty required to be paid pursuant to Section 3.2, a Royalty equal to the amounts set out in Section 3.2 herein based on Gross Sales for the period from which Franchisee is prevented from operating the Franchised Business until such time as Franchisee resumes operation of the Franchised Business, based on the four (4) consecutive weeks ending on the Sunday immediately prior to the disruption of operations, within thirty (30) days following the resumption of operations of the Franchised Business.

3.7 Other Fees and Charges

In addition to the fees and amounts described in Sections 3.1 through 3.6, Franchisee agrees to pay to Franchisor or its affiliates and to other third party suppliers promptly when due all other fees, charges and reimbursable amounts payable under this Agreement or other agreements between Franchisor and Franchisee, their respective affiliates, or such third party suppliers. Such payments shall be made at such times and in such manner as may be specified in this Agreement, the Manuals, the relevant invoice for the fees or charges, or other agreements between Franchisor and Franchisee, their respective affiliates, or Franchisee's suppliers.

3.8 Applicable Taxes

It is the intent of the parties that Franchisor receive the amounts set forth in Sections 3.1 through 3.7 net of any Taxes except for Taxes that may be characterized as an income tax on Franchisor's net taxable income. Therefore, Franchisee agrees to pay Franchisor such additional amounts as may be necessary in order that Franchisor receive the same net amount Franchisor would have received under this Agreement had no such Taxes (except for Taxes that may be characterized as an income tax on Franchisor's net taxable income) been applicable to such payments.

3.9 Payment Procedures

Franchisee hereby authorizes Franchisor to initiate electronic debit entries ("EFT") against Franchisee's designated bank account and agrees to execute an authorization in the form of Schedule F to this Agreement and all other documents necessary to effect the authorization given herein. Should any electronic debit not be honored for any reason, Franchisee agrees that Franchisee will be responsible for that payment and any service charge. If any payments are not received when due, interest may be charged in accordance with Section 3.10. Upon written notice to Franchisee, Franchisor may designate another method of payment.

3.10 Interest on Late Payments

Any payment due from Franchisee that is not actually received by Franchisor on or before the due date shall be deemed overdue. All unpaid obligations under this Agreement shall bear interest from the date due until paid at the Interest Rate as defined in Section 1 herein. No provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment to reduce any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess shall be repaid to the party making the payment.

3.11 Acceptance and Application of Payments

- (a) Acceptance by Franchisor of any payments due subsequent to the due date shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, provisions, covenants or conditions of this Agreement.

- (b) Franchisor shall have the right to apply any payment it receives from Franchisee to any amounts Franchisee owes Franchisor or its affiliates under this Agreement or any other agreement between them and may offset any amounts owed by Franchisee to Franchisor, even if Franchisee has designated the payment for another purpose or account. Franchisor may accept any check or payment in any amount from Franchisee without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere shall constitute or be considered as an accord or satisfaction.
- (c) Franchisee shall have no right to withhold any payments due Franchisor on account of Franchisor's breach or alleged breach of this Agreement, and no right to offset any amount due Franchisor against any obligation that Franchisor may owe to Franchisee.

4. TERM

4.1 Initial Term

The Initial Term of this Agreement shall commence on the date hereof, and shall expire five (5) years thereafter, unless terminated sooner in accordance with the provisions of this Agreement.

4.2 Renewal

Franchisee may, at its option, renew its rights under this Agreement for two (2) additional consecutive terms of five (5) years each (the "Renewal Term" or "Renewal Terms"), subject to any or all of the following conditions which must, at Franchisor's option, be met prior to and at the time of renewal:

- (a) Franchisee shall notify Franchisor in writing not more than twelve (12) months nor less than seven (7) months prior to the expiration of the Initial Term or Renewal Term, as applicable, of its desire to exercise the said right of renewal;
- (b) Franchisee shall have paid all amounts owing by it to Franchisor or Franchisor's affiliates;
- (c) Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto; neither Franchisee nor its affiliates shall be in default of any other agreement with Franchisor or any of its affiliates; and Franchisee and its affiliates shall have substantially and timely complied with the terms and conditions of such agreements during the respective terms thereof;
- (d) Franchisee shall have timely satisfied all monetary obligations owed to Franchisor and its affiliates under this Agreement and any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates;
- (e) The Franchised Business has been brought into full compliance with the standards and specifications then-applicable for new Velofix franchisees, which may include, but is not limited to, refurbishing the Customized Vehicle, including upgrading of the Designated Equipment Package, new equipment, Trade Dress signage, compliance with all the then-current standards and image of the System, all at Franchisee's sole expense;
- (f) Franchisee shall execute Franchisor's then-current form of renewal franchise agreement, which agreement shall supersede this Agreement in all respects, and the terms of which (including, without limitation, the fees and methods of compensation and the size of the Territory) may differ from the terms of this Agreement;

- (g) Franchisee and the Owners shall execute a general release of any and all claims against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement or under federal, state or local laws, rules, regulations or orders; and
- (h) Franchisee shall pay to Franchisor a one time, non-recurring, non-refundable renewal fee (the "Renewal Fee") to reimburse Franchisor for any costs Franchisor may incur in the renewal of the Agreement, which in any case shall not exceed Seven Thousand Five Hundred Dollars (\$7,500).

5. OBLIGATIONS OF FRANCHISOR

5.1 Training by Franchisor

Franchisor shall provide to Franchisee and the Lead Mechanic, or one other key employee, prior to the commencement of the Franchised Business, an initial training program of up to five (5) days duration at such location as Franchisor may deem necessary, covering all aspects of the Franchised Business (the "Initial Training Program"). The duration of the Initial Training Program may be extended in the sole discretion of Franchisor. The Initial Training Program is provided at no additional charge; however, Franchisor reserves the right to charge a reasonable fee for training successor or replacement personnel. Franchisee shall be responsible for any and all expenses incurred in connection with any initial or additional training, including, without limitation, the costs of travel, lodging, meals and wages incurred by Franchisee, the Lead Mechanic or any key employee.

5.2 Opening Assistance

Franchisor shall provide Franchisee assistance with respect to pre-opening and opening activities, which will be conducted as reasonably determined by Franchisor.

5.3 Operating Assistance

During the term of this Agreement, Franchisor shall furnish to Franchisee such continuing advice and guidance as is from time to time reasonably required by Franchisee in the sole judgment of Franchisor with respect to the planning, opening and operation of the Franchised Business, including consultation and advice regarding marketing, and general business operations.

5.4 Delegation of Services by Franchisor

Franchisee acknowledges and agrees that Franchisor may delegate responsibility to deliver any part of the training and support Franchisor is required to deliver to Franchisee to a third party appointed by Franchisor specifically for such purpose.

5.5 Other Programs and Business Models

Franchisee acknowledges that Franchisor may develop other programs or business models from time to time and agrees that Franchisor will have no obligation to offer any of such programs or models to Franchisee unless they are developed on or for the System. Any programs or business models that are developed on or for the System will be operated, administered and offered to Franchisee on terms as determined by Franchisor in its sole discretion. The specifics for such programs or business models, and the terms on which they will be offered to Franchisee, will be detailed in the Manual, which will be revised to reflect any programs or business models that Franchisor may develop on or for the System.

5.6 Distribution of Leads by Franchisor

If Franchisor receives a lead from a potential Customer located within the Territory then Franchisor shall endeavor to contact Franchisee and to first offer Franchisee an opportunity to

service such potential Customer. For the purposes of this provision, Franchisor will be deemed conclusively to have used reasonable effort where Franchisor had attempted to e-mail, page or phone Franchisee during or after hours.

5.7 Additional Training Programs

Franchisor may provide from time to time mandatory and optional training programs covering such subjects as new policies and procedures, marketing, and other aspects of business operations. These programs may be conducted for various lengths of time and at various locations selected by Franchisor, or may be provided by way of on-line presentations (e.g., "Webinars" or interactive tutorials) or CD ROM or in any other reasonable manner. Mandatory training programs will be offered at no charge. Franchisor reserves the right to charge a fee for optional training programs.

6. OPERATION OF FRANCHISED BUSINESS

6.1 Duties and Obligations

Franchisee acknowledges that Franchisor has invested and is investing time and capital in the promotion of its System and is conducting business in a uniform and high quality manner. Franchisee understands and acknowledges that such promotion by Franchisor has created and is creating goodwill and Customer association in the Marks, which benefit Franchisor, Franchisee and all other franchisees of the System. Franchisee acknowledges that, to foster and preserve such goodwill, it is necessary for Franchisee to operate the Franchised Business in a manner and to a quality consistent with the System. Therefore, Franchisee agrees to operate the Franchised Business strictly in accordance with Franchisor's System, whether contained in the Manual, or otherwise. Without limiting the generality of the foregoing, Franchisee agrees to:

- (a) Obtain and equip at Franchisee's cost and expense a Customized Vehicle, which shall conform to the standards and specifications, set forth in the Manual with signs to be approved in writing in advance as to artwork, lettering, color scheme, size and overall appearance by Franchisor;
- (b) Purchase and maintain the "Designated Equipment Package" required by the Manuals and in accordance with Franchisor's standards and specifications. Franchisee must engage Franchisor or its designee to install the Designated Equipment Package in the Customized Vehicle. Franchisee shall pay to Franchisor or its designee the cost of the Designated Equipment Package as required by Franchisor's or its designee's invoice;
- (c) Purchase from Franchisor or its affiliate or designated or approved supplier Franchisor's recommended initial inventory and supplies;
- (d) Maintain the condition and appearance of the Customized Vehicle and the Designated Equipment used in the Franchised Business and to effect such maintenance of, and repairs to, the Customized Vehicle and Designated Equipment as is reasonably required by Franchisor on a regular and frequent basis;
- (e) Purchase use and maintain at the Location at Franchisee's expense the software, computer and other systems as Franchisor may modify them from time to time, and if required by Franchisor, to maintain its systems on-line to allow Franchisor to access data and information;
- (f) Obtain and maintain industry certifications required by Franchisor, or employ or contract on a continuing basis with a Lead Mechanic (as defined in Section 1 herein) that has obtained such certifications prior to commencing operation of the Franchised Business;
- (g) Devote its best efforts to conduct the Franchised Business in accordance with this Agreement;
- (h) Ensure that at all times prompt, courteous and efficient service is accorded to its Customers. Franchisee shall, in all dealings with its Customers, suppliers and

the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct;

- (i) Immediately report any escalated Customer complaints to Franchisor and to participate in any procedures specified by Franchisor for the resolution of such complaints;
- (j) Use only the standard forms and agreements approved by Franchisor and no other forms or documents, except with the express prior written permission of Franchisor;
- (k) Ensure that Franchisee and its employees shall wear uniforms, which conform to Franchisor's design and specifications. Franchisee shall purchase such uniforms only from Franchisor or suppliers designated or approved in writing by Franchisor;
- (l) Only employ or contract with individuals that have a clean criminal record and a driving record clear of any serious driving infractions;
- (m) Exclusively provide an initial training program for each employee of Franchisee and cause each employee of Franchisee to become familiar with the Manual and at all times to comply fully with its provisions and to cause its employees to attend and satisfactorily complete all mandatory training and certification programs, including basic and advanced training, and refresher courses as Franchisor may require from time to time;
- (n) Employ sufficient staff to properly operate the Franchised Business in accordance with this Agreement and the Manual, including employing or contracting a Lead Mechanic at all times who has completed the Initial Training Program to Franchisor's satisfaction;
- (o) Maintain regular days of operation and business hours that are specified by Franchisor in the Manual. Franchisee shall, upon Franchisor's request, extend the days of operation and business hours to accommodate Franchisor's promotional and marketing efforts;
- (p) Maintain in effect such merchant programs for the acceptance of debit and/or credit cards as prescribed in the Manual;
- (q) Maintain and employ at all times in connection with the Franchised Business such working capital as Franchisor may reasonably deem necessary to enable Franchisee to properly and fully carry out and perform all of its duties, obligations and responsibilities hereunder and to operate the Franchised Business in a proper, efficient and effective manner;
- (r) Provide at its own expense a mobile phone with a mobile phone number that shall be used exclusively in the Franchised Business;
- (s) Purchase from Franchisor a "Promotional Kit", which includes a tent;
- (t) Participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty or retention programs that Franchisor implements for all or part of the Velofix franchise system and shall sign the forms and take the other action that Franchisor requires in order for Franchisee to participate in such programs; and
- (u) Participate in all advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor that Franchisor may, from time to time, in its sole discretion, develop and administer to promote all Velofix businesses operating under the System or those Velofix businesses operating in a certain region. The standards and specifications established by Franchisor for such programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, shall be final and binding upon Franchisee. Franchisor may make, reproduce and publish in good taste photographs, videos and other media utilizing Franchisee, its employees and Customers on an individual or collective basis. Franchisee will obtain written consents from such parties in compliance with applicable law, as directed by Franchisor.

- (v) Franchisee agrees that protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and System. Accordingly, Franchisee agrees that it will cause the Franchised Business to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Data Security Standards (“**PCI DSS**”) council, or its successor, and other regulations and industry standards applicable to the protection of customer privacy and credit card information, including but not limited to the Fair and Accurate Credit Transaction Act (“**FACTA**”) and all other successor or additional laws, and all other data security requirements we prescribe. Franchisee is solely responsible for educating itself as to these regulations and standards and for achieving and maintaining applicable compliance certifications. Franchisee will defend, indemnify, and hold Franchisor harmless from and against all claims arising out of or relating to Franchisee’s violation of this Section 6.1(v).
- (w) Upon the occurrence of a Crisis Management Event, Franchisee agrees to immediately inform Franchisor of such event and to cooperate fully with Franchisor and with the appropriate authorities with respect to the investigation of the Crisis Management Event. In an effort to mitigate possible damages to the Marks and the System, Franchisee must cooperate fully with Franchisor with respect to managing statements and other responses to the Crisis Management Event. “**Crisis Management Event**” means any event that occurs in connection with the operation of the Franchised Business that has or may cause harm or injury to customers or employees, such as natural disasters, terrorist acts, shootings or other acts of violence, data breaches, real or threatened, or any other circumstance which may materially and adversely affect the System or the goodwill symbolized by the Marks.

6.2 System Modifications

Franchisee acknowledges and agrees that Franchisor may from time to time hereafter add to, subtract from, modify or otherwise change the System, including, without limitation, the adoption and use of new or modified trademarks or trade names, new services or products and new techniques in connection therewith, and Franchisee agrees, at its own cost, to promptly accept, implement, use and display all such alterations, modifications and changes within a reasonable period of time as required by Franchisor in its sole discretion.

6.3 Internet

Franchisor has established an Internet website containing contact information for the Franchised Businesses and other information about the System, the products and services offered by the Franchised Businesses. Franchisor shall have sole discretion and control over the website, including timing, design, contents and continuation. Without Franchisor’s prior written approval, which Franchisor may give or withhold in Franchisor’s sole discretion, Franchisee may not develop, create, generate, own, or otherwise use any computer and/or electronic media (including but not limited to the Internet, bulletin boards, social networking sites (e.g., Facebook), and news groups) in connection with the Business. Franchisee agrees that Franchisee has no authority to, and Franchisee will not, register any domain name in any class or category that uses or creates any association with the Marks (including any abbreviation, acronym, phonetic variation or visual variation of the Marks) or the System without Franchisor’s express prior written consent. Franchisor also has the sole right (but no obligation) to develop an Intranet through which Franchisor and Franchisor’s franchisees can communicate by e-mail or similar electronic means. If Franchisor develops an Intranet, Franchisee agrees to participate in strict compliance with Franchisor’s standards, protocols, and restrictions.

6.4 Sourcing; Purchase and Sale of Products

- (a) Franchisee agrees that Franchisee (i) will offer and sell only the Products and

Services that Franchisor periodically specifies; (ii) will not offer or sell any products or services that Franchisor has not authorized; and (iii) will immediately discontinue selling and offering for sale any products or services that Franchisor at any time disapproves.

- (b) In developing and operating the Franchised Business, Franchisee agrees to use only the products, services, supplies, inventory, equipment, customer contracts and related forms, computer hardware and software, fixtures, furnishings, and signs that Franchisor has approved as meeting its standards for quality, design, appearance, function and performance. Franchisor reserves the right to periodically designate or approve suppliers of any such items and if Franchisor requires, Franchisee agrees to purchase or lease all such items only from suppliers Franchisor designates or approves, which may include or be limited to Franchisor and/or its affiliates. Franchisor will provide Franchisee with a list of approved or designated suppliers and will from time to time issue revisions to the list. Franchisee acknowledges and agrees that (i) Franchisor may change the number of approved or designated suppliers at any time and may designate itself, its affiliate, or a third party as the exclusive source for any particular item; and (ii) Franchisor may profit from Franchisee's purchases from approved or designated suppliers, and Franchisor and/or its affiliates may receive payments, fees, commissions or reimbursements from such suppliers in respect of Franchisee's purchases. If Franchisee wishes to use any type or brand of item, or wishes to purchase an item from a supplier, that is not currently approved by Franchisor, Franchisee must notify Franchisor in writing of Franchisee's desire to do so and submit to Franchisor (or to an independent laboratory Franchisor designates) specifications, photographs, samples and/or other information Franchisor requests. Franchisor may also inspect the supplier's facilities. Within a reasonable time, Franchisor will determine whether such items or supplier meet Franchisor's standards and will notify Franchisee whether Franchisee is authorized to use such item or purchase from such supplier. Franchisor also has the right to revoke the approval of any item or supplier that fails to continue to meet Franchisor's standards. At Franchisor's request, Franchisee agrees to pay or reimburse Franchisor for Franchisor's reasonable expenses incurred in the supplier approval process (whether or not approval of the supplier is granted).
- (c) Franchisee shall participate in Franchisor's Automatic Shipment Program (as defined in Section 1 herein).
- (d) To the extent permitted by applicable law, Franchisor reserves the right to specify a retail price and/or to establish in writing minimum and/or maximum prices for the Services and Products, which shall or may be sold by Franchisee through the Franchised Business. Franchisee shall sell the Services and Products at the specified retail price or, if applicable, in accordance with the minimum and/or maximum prices established by Franchisor from time to time. Where no minimum and/or maximum prices have been specified or established by Franchisor with respect to a particular Service or Product that Franchisee shall or may sell, Franchisee may sell such applicable Service or Product at any reasonable price that it may chose. Franchisee acknowledges and agrees that the specified retail price and maximum and minimum prices for the Services and Products that Franchisee shall or may sell shall vary from region to region to the extent necessary in order to reflect differences in costs and other factors applicable to such region.
- (e) So long as Franchisee is not in default hereunder, Franchisor will endeavour to use its commercially reasonable efforts to fill all orders for Products placed by Franchisee with Franchisor as promptly as possible. However, Franchisor will not be liable for loss or damage due to delay in delivery resulting from any cause beyond its reasonable control, including, but not limited to, compliance with any regulations, orders or instructions of any federal, state, or municipal government

or any department or agency thereof, acts or omissions of Franchisee, acts of civil or military authority, fires, strikes, lockouts, embargoes, delays in transportation, and inability due to causes beyond Franchisor control to obtain the necessary Products. In no event shall Franchisor be liable for financial loss, including consequential or special damages on account of delay due to any cause.

- (f) Franchisee acknowledges and agrees that products, equipment, and technology are constantly changing, whether updated, improved, replaced, or discontinued. Consequently, such changes sometimes create transition and incompatibility challenges. By entering into this Agreement, Franchisee acknowledges the potential of such occurrences and assumes all risk associated therewith, which Franchisee acknowledges may affect its ability to order, receive, or sell products and/or offer services for a period of time and further acknowledges that Franchisor is not responsible for any damages caused by such issues or occurrences, including lost sales or profits.

6.5 Discounts, Rebates and Bonuses

In the event that any volume discounts, rebate fees or discount bonuses (whether by way of cash, kind or credit) are received by Franchisor from any manufacturer or supplier designated by Franchisor, whether or not on account of purchases made (i) by Franchisor for its own account or for the account of Franchisee or (ii) by Franchisee directly for its own account, Franchisor shall be entitled to retain the whole of the amount or any part of such volume discounts, rebate fees or discount bonuses.

6.6 Conventions

Franchisor may, in its sole discretion from time to time, hold annual conventions for all franchisees of the System. Attendance at such conventions is mandatory and will be at Franchisee's sole cost and expense. Franchisee acknowledges and agrees that it is in its best interests to attend such conventions and agrees that, whether or not it attends a particular convention, Franchisee will pay to Franchisor the reasonable non-refundable registration fee prescribed by Franchisor for attendance at such convention. Franchisee must be in Good Standing in order to attend an annual convention.

6.7 Social Media & Communication

Franchisee is required to comply with Franchisor's social media & communication policies as set out in the Manual, and to ensure that its employees are aware of and comply with such policies.

6.8 Customer Satisfaction and Survey Programs

Franchisee must participate in and comply with all of Franchisor's Customer satisfaction and Customer survey programs. Franchisee acknowledges that such programs may include "secret shopper" programs.

6.9 Central Telephone Number

Franchisee will utilize a central telephone number operated by Franchisor which will provide each franchisee with support, and client leads generated from advertising using a single central telephone number or address maintained by Franchisor and Franchisor will forward any leads to the appropriate franchisee by geographic area; provided, that Franchisor is not responsible for generating leads for the Franchised Business.

6.10 Compliance with Laws

In addition to complying with Franchisee's obligations under this Agreement, Franchisee agrees to comply with all applicable federal, state and local laws, rules, regulations, ordinances and

orders. Such laws, rules, regulations, ordinances and orders vary from jurisdiction to jurisdiction and may be amended or implemented or interpreted in a different manner from time to time. It is Franchisee's sole responsibility to apprise itself of the existence and requirements of all such laws, rules, regulations, ordinances and orders, and to adhere to them at all times during the term of this Agreement. Without limiting the foregoing, Franchisee certifies that neither Franchisee nor any of Franchisee's Owners, employees or anyone associated with Franchisee is listed in connection with any Anti-Terrorism Law (including, but not limited to, the Annex to Executive Order 13224 (The Annex is available at (<http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>), and Franchisee agrees not to hire or have any dealings with a person so listed. Franchisee further certifies that Franchisee has no knowledge or information that, if generally known, would result in Franchisee, Franchisee's Owners, employees, or anyone associated with Franchisee being so listed. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws and, in connection with such compliance, Franchisee represents and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and Franchisee's Owners are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions it must take to comply with all Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities as provided in this Agreement pertain to its obligations under this Section 6.10. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee, its Owners, or employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of its affiliates.

7. MANUAL AND CONFIDENTIALITY

7.1 Manual

The Manual shall be loaned to Franchisee in either paper or electronic form. The Manual is Franchisor's property and any print copies (if permitted or made available by Franchisor) shall be returned to Franchisor when this Agreement expires or is terminated for any reason. Franchisee and its Owners shall at all times treat the Manual, and the information contained therein, as confidential and shall maintain such information as secret and confidential in accordance with this Section 7. Franchisee and its Owners shall not at any time copy, duplicate, record or otherwise reproduce the Manual, in whole or in part, or otherwise make the same available to any unauthorized person. Franchisee shall make the Manual available only to those of Franchisee's employees who must have access to it in order to operate the Franchised Business. Franchisor has the right to add to or modify the Manual from time to time to, among other reasons, change operating procedures, maintain the goodwill associated with the Marks, and enable the System to remain competitive. Franchisee shall comply with the terms of all additions and modifications to the Manual and shall keep the Manual current. If there is a dispute about the contents of the Manual, the terms of the master copy at Franchisor's offices shall control. The entire contents of the Manual, and Franchisor's mandatory specifications, procedures and rules prescribed from time to time, shall constitute provisions of this Agreement as if they were set forth herein.

7.2 Nondisclosure of Confidential Information

Franchisor will disclose to Franchisee those parts of Franchisor's Confidential Information Franchisor deems necessary or advisable from time to time for the establishment and operation of the Franchised Business. Franchisee agrees the Confidential Information is owned by Franchisor or its affiliate and that Franchisee and its Owners will not acquire any interest in the Confidential Information, other than the right to use the Confidential Information disclosed to Franchisee in operating the Franchised Business during the term of this Agreement, and that the use or duplication of any Confidential Information in any other business would constitute an unfair method of competition. Franchisee agrees to disclose the Confidential Information to Franchisee's Owners and employees only to the extent reasonably necessary for the operation of the Franchised Business pursuant to this Agreement. Franchisor's Confidential Information is

proprietary, includes trade secrets owned by Franchisor and its affiliates, and is disclosed to Franchisee solely on the condition that Franchisee agrees, and Franchisee does hereby agree, that Franchisee: (i) will not use the Confidential Information in any other business or capacity; (ii) will maintain the confidentiality of the Confidential Information during and after the term of this Agreement; (iii) will not make unauthorized copies of any portion of the Confidential Information; and (iv) will adopt and implement all reasonable procedures that Franchisor prescribes from time to time to prevent the unauthorized use or disclosure of the Confidential Information, including, without limitation, restrictions on disclosure of the Confidential Information to Franchised Business personnel and others. These covenants shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each of the its Owners.

8. ADVERTISING

8.1 Local Advertising

Franchisee agrees to, during the Initial Term and any renewal thereof, expend annually on local advertising and promotions an amount equal to two (2%) of its Gross Sales in each fiscal year. Franchisee shall have the right to conduct such advertising and promotions in respect of the Franchised Business as Franchisee shall, in its reasonable discretion desire, provided that:

- (a) Franchisee shall advertise and promote only in a manner that will reflect favorably on Franchisor, Franchisee, the Products and Services, and the good name, goodwill and reputation thereof;
- (b) Franchisee shall submit to Franchisor for its approval, which approval shall not be unreasonably withheld or unduly delayed, all advertising and promotions to be utilised by Franchisee and until such time as Franchisor shall give its prior written approval to the use of such advertising and promotions, Franchisee shall not utilize same in any advertising or promotion. In the event Franchisor has not notified Franchisee that the advertising and/or promotions have been approved or denied within five (5) Business Days they shall be deemed to be disapproved; and
- (c) Franchisee hereby acknowledges that Franchisor is the sole and exclusive owner of all copyrights and any and all advertising and promotional material prepared by or on behalf of Franchisor or Franchisee and shall at all times remain the property of Franchisor.

8.2 Branding Fund

- (a) Recognizing the value of uniform branding to the goodwill and public image of the System, Franchisee agrees to contribute to a Branding Fund (the "Branding Fund" or "Fund") each month an amount equal to two (2%) percent of Franchisee's Gross Sales (the "Branding Fund Contribution"). The Branding Fund Contribution shall be paid at the same time and in the same manner as the Royalty.
- (b) Franchisor shall direct all such advertising programs in its sole discretion with respect to the creative concepts, materials, endorsements and media used therein, and the placement and allocation thereof.
- (c) The Branding Fund shall be used and expended for media costs, commissions, market research costs, maintaining, updating and improving the website, creative and production costs, including, without limitation, the costs of creating promotions and artwork, printing costs, social media, and other costs relating to advertising and promotional programs undertaken by Franchisor. Franchisor reserves the right to place and develop such advertisements and promotions and to market same as agent for and on behalf of Franchisee, either directly or through an advertising agency retained or formed for such purpose. The Branding Fund shall be accounted for separately from the other funds of Franchisor and shall not be used to defray any of Franchisor's general operating

expenses, except for such reasonable salaries, administrative costs and overhead (calculated on a fully allocated basis), if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Branding Fund and its advertising programs (including, without limitation, conducting market research). A statement of the operations of the Branding Fund shall be prepared annually and shall be made available to Franchisee upon request, the cost of such statement to be paid by the Branding Fund. Franchisor has the right to cause the Branding Fund to be incorporated or operated through a separate entity at such time as Franchisor deems appropriate, and such successor entity will have all of the rights and duties specified herein.

- (d) Franchisee acknowledges that the Branding Fund is intended to maximize recognition of the Marks and patronage of Velofix businesses. Although Franchisor will endeavor to utilize the Branding Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all Velofix businesses, Franchisor undertakes no obligation to ensure that expenditures by the Branding Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Branding Fund by Velofix businesses operating in that geographic area or that any Velofix business will benefit directly or in proportion to its contribution to the Branding Fund from the development of advertising and marketing materials or the placement of advertising. Franchisor may use a portion of the monies contained in the Branding Fund to establish regional marketing funds and/or to establish and maintain websites for Velofix businesses.
- (e) Except as expressly provided in this Section, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to collecting amounts due to, or maintaining, directing or administering, the Branding Fund.

8.3 Opening Promotion

Franchisee shall expend an initial amount of not less than five thousand (\$5,000.00) dollars on a pre-opening and opening promotional campaign for the Franchised Business at least one (1) week immediately preceding the opening and the first three (3) weeks of operation of the Franchised Business and provide Franchisor with backup documentation to support such expenditures.

9. MARKS

9.1 Right to Use the Marks

Franchisor grants Franchisee the right to use the Marks during the term of this Agreement in accordance with this Agreement and Franchisor's standards and specifications.

9.2 Agreements Regarding the Marks

Franchisee expressly acknowledges that:

- (a) As between Franchisor and Franchisee, Franchisor is the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them.
- (b) Neither Franchisee nor any Owner shall take any action that would prejudice or interfere with the rights of Franchisor or its affiliates in and to the Marks. Nothing in this Agreement shall give Franchisee any right, title, or interest in or to any of the Marks, except the right to use the Marks in accordance with the terms and conditions of this Agreement.

- (c) Any and all goodwill arising from Franchisee's use of the Marks shall inure solely and exclusively to the benefit of Franchisor or its affiliates, and upon expiration or termination of this Agreement and the license granted herein, no monetary amount shall be attributable to any goodwill associated with Franchisee's use of the Marks.
- (d) Franchisee shall not contest, or assist others to contest, the validity, or the interest, of Franchisor or its affiliates in the Marks.
- (e) Any unauthorized use of the Marks shall constitute an infringement of Franchisor's or its affiliates' rights in the Marks and a material event of default under this Agreement. Franchisee shall provide Franchisor with all assignments, affidavits, documents, information and assistance related to the Marks that Franchisor or its affiliates reasonably request, including all such instruments necessary to register, maintain, enforce and fully vest the rights of Franchisor or its affiliates in the Marks.
- (f) Franchisor shall have the right to substitute different trade names, trademarks, service marks, logos and commercial symbols for the current Marks to use in identifying the System and the Velofix businesses operating under the System if the current Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different marks will be beneficial to the System. In such event, Franchisor may require Franchisee, at Franchisee's expense, to discontinue or modify Franchisee's use of any of the Marks or to use one or more additional or substitute marks.
- (g) Franchisee shall, in its business cards, use the Marks only in obvious conjunction with the words, "An Independent Velofix Franchisee."

9.3 Use of the Marks

Franchisee further agrees that Franchisee shall:

- (a) Operate and advertise the Franchised Business only under the name "Velofix," without prefix or suffix, unless otherwise authorized or required by Franchisor. Franchisee shall not use the Marks or any portion thereof as part of its corporate or other legal name.
- (b) Identify itself as the owner of the Franchised Business in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts and contracts, and shall display a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business or on any vehicle used in the operation of the Franchised Business as Franchisor may designate in writing.
- (c) Not use the Marks to incur any obligation or indebtedness on behalf of Franchisor.
- (d) Comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, and execute any documents deemed necessary by Franchisor or its counsel to obtain protection of the Marks or to maintain their continued validity and enforceability.
- (e) Franchisee shall not use the Marks or any abbreviation or other name associated with Franchisor or the System as part of any e-mail address, domain name, or other identification of Franchisee in any electronic medium, except as expressly permitted by Franchisor in writing. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining Franchisor's written consent as to the content of such e-mail advertisements or solicitations as well as Franchisee's plan for transmitting such advertisements. In addition, Franchisee shall be solely responsible for compliance with any laws pertaining to sending e-mails including but not limited to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (the "CAN-SPAM Act of 2003").

9.4 Infringement

Franchisee shall notify Franchisor immediately of any apparent infringement of or challenge to Franchisee's use of any Mark and of any claim by any person of any rights in any Mark. Franchisee and its Owners shall not communicate with any person other than Franchisor, its affiliates, their counsel, and Franchisee's counsel in connection with any such apparent infringement, challenge or claim. Franchisor shall have complete discretion to take any action it deems appropriate in connection with any infringement of, or challenge or claim to, any Mark and the right to control exclusively, or to delegate control of, any settlement, litigation, Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. Franchisee agrees to execute all such instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any affiliate in the Marks.

10. ACCOUNTING, RECORDS, REPORTS, AUDITS AND INSPECTIONS

10.1 Bookkeeping, Accounting and Records

Franchisee shall establish a bookkeeping, accounting and recordkeeping system conforming to the requirements prescribed from time to time by Franchisor, including, without limitation, the use and retention of invoices, cash receipts, payroll records, check stubs, bank deposit receipts, sales tax records and returns, cash disbursement journals and general ledgers together with such further and other records and documents as may from time to time be required by Franchisor.

10.2 Reports and Financial Information

Franchisee shall furnish to Franchisor such reports as Franchisor may require from time to time. Without limiting the generality of the foregoing, Franchisee shall furnish to Franchisor in the form from time to time prescribed by Franchisor and together with such detail and breakdown and copies of supporting records as Franchisor may from time to time require:

- (a) By the 3rd day following the end of the preceding month, a report of the Gross Sales for such month, signed and verified by Franchisee;
- (b) Within sixty (60) days after the end of each three (3) consecutive months, a balance sheet and a profit and loss statement for the Franchised Business for such months;
- (c) Within sixty (60) days after the end of each fiscal year of the Franchised Business, financial statements for the Franchised Business, including a balance sheet, profit and loss statement and a statement of retained earnings for such period, which statements shall be signed and verified by Franchisee;
- (d) Within sixty (60) days of the end of each fiscal year of the Franchised Business, a statement of Gross Sales for such fiscal year determined in accordance with generally accepted accounting principles applied on a consistent basis;
- (e) Within thirty (30) days of filing, a true copy of all returns, schedules and reports filed by Franchisee for income, corporate or sales tax purposes, and
- (f) Franchisee hereby authorizes Franchisor to make inquiry of Franchisee's bankers, suppliers and other trade creditors as to their dealings with Franchisee in relation to the Franchised Business, to discuss the affairs, finances and accounts of the Franchised Business (and by its execution hereof Franchisee authorizes and directs such bankers, suppliers and other trade creditors to discuss with Franchisor the affairs, finances and accounts of the Franchised Business) and to obtain information and copies of invoices relating to sales or other dealings with all such persons and Franchisee in any way relating to the Franchised Business. If requested, Franchisee agrees to execute and deliver such directions and other documents as Franchisor may require in order to

permit such bankers, suppliers or other trade creditors to release or disclose any such information and documents to Franchisor.

10.3 Use of Financial Information

Franchisee hereby authorizes Franchisor (and agree to execute any documents we deem necessary to effect such authorization) to disclose data from Franchisee's reports to governmental entities and other third parties (including, without limitation, prospective or existing franchisees) if Franchisor determines, in its sole discretion, that such disclosure is necessary or advisable.

10.4 Inspection and Audit of Books and Records

Franchisor shall have the right, during normal business hours and with reasonable prior notice to Franchisee, to inspect or audit, or cause to be inspected or audited the financial books, records, bookkeeping and accounting records, documents or other materials in respect of the Franchised Business, including the right, without limitation, to have a person check, verify and tabulate Gross Sales, and/or to examine and make copies of all accounting and business records and procedures.

In the event that any such audit or inspection shall disclose an understatement of Gross Sales, Franchisee shall pay to Franchisor, within ten (10) days after receipt by Franchisee of the inspection or audit report, the Royalty, User Fee, Branding Fund Contribution and other sums due on account of such understatement. Further, if such audit or inspection is made necessary by the failure of Franchisee to furnish reports, financial statements or any other documentation as herein required, or if it is determined by any such audit or inspection that Franchisee's records and procedures were insufficient to permit a proper determination of Gross Sales for any year or part thereof to be made, or that Gross Sales for the period in question were understated by three (3%) percent or more of the Gross Sales actually received, or that Franchisee was not complying with each of the provisions of Section 10 hereof, Franchisee shall immediately take such steps as may be necessary to remedy such default in accordance with the recommendations of such auditor and Franchisee shall promptly pay to Franchisor all costs incurred in connection with such audit or inspection, including, without limitation, charges of an accountant and the travel expenses, room, board and compensation of employees of Franchisor.

If Franchisee's records and procedures were insufficient to permit a proper determination of Gross Sales, Franchisor shall have the right to deliver to Franchisee an estimate, made by Franchisor, of Gross Sales for the period under consideration and Franchisee shall immediately pay to Franchisor any amount shown thereby to be owing on account of the Royalty, Branding Fund Contributions and other sums due on account of any understatement. Any such estimate shall be final and binding upon Franchisee.

10.5 Auditor's Report to be Final

Any report of Franchisor's auditor rendered from time to time pursuant to this Section shall be final and binding upon all of the parties hereto; provided that, in making any such report, Franchisor's auditor shall make such report pursuant to generally accepted accounting principles.

10.6 Electronic Access to Data

Franchisor directly and through its authorized representatives shall be entitled and Franchisee shall cooperate with Franchisor to permit Franchisor and its authorized representatives from time to time to access electronically all information which Franchisor deems advisable to its monitoring of Franchisee's Business including, without limitation, Franchisee's revenue and expenses.

11. INSURANCE

11.1 Insurance Coverage Requirements

Not later than sixty (60) days prior to the date on which the Franchised Business opens to the public for business, Franchisee shall procure and shall maintain in full force and effect at all times during the term of this Agreement, at Franchisee's expense, an insurance policy or policies protecting the Franchisee, Franchisor, its affiliates, successors, and assigns, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors and employees of each of them, from claims arising or occurring at or in connection with the operation of the Franchised Business.

Such policy or policies shall be written by a responsible carrier or carriers rated "A" or better by the A.M. Best Company, Inc. and otherwise reasonably acceptable to Franchisor and shall be on a primary and non-contributory basis for the benefit Franchisor and shall include (except as additional coverages and higher policy limits may reasonably be specified by Franchisor from time to time in writing) and the following minimum insurance coverages and limits:

- (a) Comprehensive Commercial General Liability insurance, including premises and operations, broad form contractual liability, broad form property damage, personal injury, advertising injury, ongoing and completed operations, products liability, independent contractors, explosion, collapse, and underground hazards (XCU), and fire damage coverage.

Minimum limits Bodily Injury and Property

Damage Combined:	\$1,000,000 each occurrence
	\$2,000,000 general aggregate

- (b) Umbrella coverage of \$1,000,000 per occurrence, **which must be in excess of the general liability, workers compensation, and automobile liability coverage.**

- (c) Commercial automobile liability insurance for coverage of owned, non-owned, and hired vehicles, including the Customized Vehicle(s) and equipment permanently attached to the Customized Vehicle(s),

Minimum Limit Bodily Injury and Property

Damage Combined:	\$500,000 per accident or loss
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- (d) Workers' compensation coverage for all of Franchisee's employees in accordance with statutory requirements or if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation for injured workers satisfactory to Franchisor, covering employer's liability, and/or a medical/disability policy covering medical expenses for on-the-job accidents as follows:

Minimum Limits Employer's Liability:

Bodily Injury by Accident	\$500,000 each accident
Bodily Injury by Disease	\$500,000 policy limit
Bodily Injury by Disease	\$500,000 each employee

- (e) Such other insurance as may be required by the state or locality in which the Territory is located.

11.2 Deductibles; Waiver of Subrogation

Franchisee may elect to have reasonable deductibles in connection with the coverage required under Sections 11.1(a) through (f) hereof. Such policies shall also include a waiver of subrogation in favor of Franchisor, its affiliates and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them.

11.3 No Limitation of Other Obligations

Franchisee's obligation to obtain and maintain the foregoing policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 18.1 of this Agreement.

11.4 Additional Insured Designation

All insurance policies required hereunder, with the exception of workers' compensation, shall name Franchisor and its affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds, and shall expressly provide that their interest shall not be affected by Franchisee's breach of any policy provisions. All public liability and property damage policies shall contain a provision that Franchisor and its affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to them by reason of the negligence of Franchisee or its servants, agents or employees.

11.5 Certificates of Insurance

Upon execution of this Agreement, and thereafter thirty (30) days prior to the expiration of any policy required hereunder, Franchisee shall deliver to Franchisor certificates of insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. In addition, if requested by Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required hereunder. All insurance policies required hereunder shall expressly provide that no less than thirty (30) days' prior written notice shall be given to Franchisor in the event of a material alteration, expiration, or cancellation of the policies.

11.6 Remedies

Should Franchisee fail to procure or maintain the insurance required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) to procure such insurance and to charge the cost of such insurance to Franchisee, together with a reasonable fee for Franchisor's expenses in so acting. Such amounts shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

12. RESTRICTIVE COVENANTS AND TRADE SECRETS

12.1 Competition during Term of Agreement

Franchisee acknowledges and agrees that Franchisor would be unable to protect the Confidential Information against unauthorized use or disclosure or to encourage a free exchange of ideas and information among Franchised Businesses if Velofix franchisees were permitted to hold interests in or perform services for a Competitive Business. Franchisee also acknowledges that Franchisor has granted this franchise to Franchisee in consideration of and in reliance upon Franchisee's agreement that Franchisee and its Owners will deal exclusively with Franchisor. Franchisee therefore agrees that, without Franchisor's prior written consent, during the term of this Agreement, neither Franchisee, nor any of its Owners nor any Immediate Family member of Franchisee or the Owners will (a) have any direct or indirect interest as a disclosed or beneficial

owner in, or perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for, a Competitive Business, located or operating within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which Franchisor or its affiliates have used, sought registration of or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks, or (b) employ or seek to employ any person who is employed (as an employee or independent contractor) by Franchisor or its affiliates or by any other Velofix franchisee, nor induce nor attempt to induce any such person to leave his or her employment without the prior written consent of such person's employer. The restrictions of this Section 12.1 will not apply to the ownership of publicly-traded ownership interests that constitute less than five percent (5%) of a class of Ownership interests issued and outstanding. Franchisee and its Owners acknowledge that Franchisor shall have the right, in Franchisor's sole discretion, to reduce the scope of any obligation set forth in this Section 12.1 without Franchisee's or its Owners' consent, effective immediately upon notice to Franchisee. Franchisee and its Owners agree to promptly comply with any obligations as so modified.

12.2 Competition after Termination

Franchisee acknowledges that, as a franchisee under the Velofix System, Franchisee will receive Franchisor's Confidential Information, know-how and other market information that is proprietary to Franchisor and is not generally available in the marketplace and that gives Franchisor, its affiliates, and Velofix franchisees a competitive advantage. **THEREFORE, FOR TWO (2) YEARS AFTER THE EXPIRATION OR TERMINATION OF THIS AGREEMENT OR THE EFFECTIVE DATE OF AN APPROVED TRANSFER OF THIS AGREEMENT, FRANCHISEE AND FRANCHISEE'S OWNERS SHALL NOT DIRECTLY OR INDIRECTLY OWN ANY INTEREST IN, MANAGE, ADVISE, ASSIST, OR PARTICIPATE IN THE MANAGEMENT OF ANY COMPETITIVE BUSINESS WHICH IS LOCATED (I) WITHIN THE TERRITORY, OR (II) WITHIN TEN (10) MILES OF THE PERIMETER OF THE TERRITORY, OR (III) WITHIN TEN (10) MILES OF THE PERIMETER OF THE TERRITORY OF ANY OTHER VELOFIX FRANCHISED BUSINESS.** In the event any dispute regarding the enforceability of this Section 12.2 is resolved in Franchisor's favor, the two (2)-year period (or such other period as may be deemed reasonable by the court) shall run from the later of the date of the order permitting its enforcement or the date Franchisee complies with this Section 12.2.

12.3 Acknowledgments Regarding Restrictive Covenants

Franchisee agrees that each of the foregoing covenants contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or Franchisor's other business interests. Each covenant shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in Sections 12.1 or 12.2 is held unreasonable or unenforceable by a court having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee and Franchisee's Owners expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of Section 12.1 or Section 12.2, as applicable. The time period during which the post-term non-competition obligations in Section 12.2 apply will be tolled for any period of noncompliance.

Franchisee and Franchisee's Owners acknowledge that Franchisor will have the right, in Franchisor's sole discretion, to reduce the scope of any covenant set forth in Sections 12.1 or 12.2. without Franchisee's or Franchisee's Owners' consent, effective immediately upon notice to Franchisee; and Franchisee and Franchisee's Owners agree to promptly comply with any covenant as modified.

Franchisee and Franchisee's Owners expressly agree that the existence of any claims Franchisee or they may have against Franchisor, whether arising under this Agreement or otherwise, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 12.

12.4 Improvements

If Franchisee, Franchisee's employees, or Owners develop any new concept, process or improvement in the operation or promotion of a Velofix Businesses (an "Improvement"), Franchisee agrees to promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such Improvement shall become Franchisor's sole property and Franchisor shall be the sole owner of all related patents, patent applications, and other intellectual property rights. Franchisee and Franchisee's Owners hereby assign to Franchisor any rights Franchisee or they may have or acquire in the Improvements, including the right to modify the Improvement, and waive and/or release all rights of restraint and moral rights therein and thereto. Franchisee and Franchisee's Owners agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries and further agree to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights. Franchisee and Franchisee's Owners hereby irrevocably designate and appoint Franchisor as Franchisee's and their agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such Improvement. In the event that the foregoing provisions of this Section 12.4 are found to be invalid or otherwise unenforceable, Franchisee and Franchisee's Owners hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's or their rights therein.

12.5 Injunctive Relief

Franchisee and Franchisee's Owner acknowledge that any failure to comply with the requirements of this Section 12. shall constitute a material event of default under this Agreement and further acknowledge that such a violation would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Franchisee and Franchisee's Owners accordingly consent to the issuance of an injunction prohibiting any conduct by Franchisee or Franchisee's Owners in violation of the terms of this Section 12, without the requirement that Franchisor post a bond. Franchisee and Franchisee's Owners agree to pay all court costs and reasonable attorneys' fees and costs that Franchisor incurs in connection with the enforcement of this Section 12, including all costs and expenses for obtaining specific performance, or an injunction against the violation, of the requirements of this Section 12, or any part of it.

12.6 Execution of Covenants by Franchisee's Owners and Management

Franchisee agrees to require and obtain the execution of covenants similar to those set forth in Sections 12.1 and 12.2 from all of Franchisee's Owners not signing the Guaranty and Assumption Agreement, from all Lead Mechanics, and, at Franchisor's request, any managers or other of Franchisee's personnel. These covenants must be substantially in the form set forth in Schedule D; however, Franchisor reserves the right, in Franchisor's sole discretion, to decrease the scope of the noncompetition covenant set forth in Schedule D or eliminate such noncompetition covenant altogether for any person that is required to execute such agreement.

13. SALE, ASSIGNMENT, TRANSFER

13.1 Assignment by Franchisee

Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted rights under this Agreement in reliance on the business skill, financial capacity and personal character of Franchisee and the

Owners. Accordingly, neither Franchisee nor any Owner, nor any successor or assign of Franchisee or any Owner, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise dispose of or encumber any direct or indirect interest in this Agreement, the Franchised Business, the Customized Vehicle(s), or in Franchisee without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material breach under this Agreement. If Franchisee wishes to transfer all or part of its interest the Franchised Business, the Customized Vehicle(s) of Designated Equipment, or this Agreement, or if Franchisee or a Owner wishes to transfer any ownership interest in Franchisee, transferor and the proposed transferee shall apply to Franchisor for its consent.

13.2 Conditions for Approval of Transfer by Franchisee

In considering the request for sale, assignment, transfer or encumbrance (all of which are hereinafter included within the word "transfer") pursuant to Section 13.1 above, Franchisor may consider, among other things, the information set out in Franchisee's application, the qualifications, good character, requisite general business experience, apparent ability to operate the Franchised Business and credit standing of the proposed transferee, and its partners, managers, principal shareholders, directors and officers, as appropriate. In addition, Franchisor shall be entitled to require as a condition precedent to the granting of its consent that:

- (a) As of the date of Franchisee's request for consent and as of the effective date of transfer there shall be no default in the performance or observance of any of Franchisee's obligations under this Agreement or any other agreement between Franchisee and Franchisor or any affiliate or supplier thereof;
- (b) Franchisee shall have delivered to Franchisor a complete release of Franchisor, its directors and officers, its affiliates and the directors and officers thereof, from all obligations under this Agreement of any such persons, in a form satisfactory to Franchisor;
- (c) The transferee shall enter into a written agreement, in a form satisfactory to Franchisor, assuming full, unconditional, joint and several, liability for, and agreeing to perform from the date of the transfer, all obligations, covenants and agreements of Franchisee under this Agreement. If the transferee is a corporation, partnership, limited liability company or other entity, those of transferee's principals who are designated as principals, also shall execute such agreement and guarantee the performance thereof;
- (d) The transferee shall execute Franchisor's then-current form of franchise agreement for a term ending on the expiration date of this Agreement (including any renewal terms provided by this Agreement). The new franchise agreement shall supersede this Agreement in all respects and its terms may differ from the terms of this Agreement, including higher fees, but the transferee shall not be required to pay an initial franchise fee. If the transferee is a corporation, partnership, limited liability company or other entity, those of transferee's principals who are designated as principals, also shall execute such agreement and guarantee the performance thereof;
- (e) The proposed transferee completing, to the satisfaction of Franchisor, such training in the operations of the Franchised Business, at the proposed transferee's or Franchisee's sole expense, as Franchisor may require;
- (f) The proposed transferee or its Lead Mechanic obtaining the industry certifications required by Franchisor;
- (g) The proposed transferee providing, to the satisfaction of Franchisor, a business plan indicating that the proposed transferee possesses the required level of business experience and acumen necessary in the operation of Velofix Franchised Business;
- (h) Franchisee paying to Franchisor, any fees and/or expenses which may be incurred by Franchisor in dealing with Franchisee's said application for approval

and Franchisor's transfer fee in the amount of ten thousand (\$10,000.00) dollars (the "Transfer Fee"). The refusal of Franchisor to consent to the proposed transfer based upon the non-compliance with any of the foregoing conditions shall not be deemed to be an unreasonable withholding of such consent. Franchisor's consent to a transfer shall not operate to release Franchisee from any liability under this Agreement.

In any event, and notwithstanding anything to the contrary in this Agreement or otherwise, Franchisee may not transfer the Customized Vehicle or any of the Designated Equipment to anyone other than a new or existing Velofix franchisee that is in Good Standing. Any Designated Equipment which is transferred must first be fully refurbished and brought into compliance with all Designated Equipment offered by Franchisor to new franchisees. These requirements are agreed to be reasonable and appropriate as the Designated Equipment includes elements of valuable intellectual property owned by Franchisor and possession and/or use of the Designated Equipment by unauthorized persons could damage the shared interests of Franchisor and Franchisee, the integrity of the System and may cause significant loss.

13.3 Right of First Refusal

Without in any way derogating from Franchisor's right to reject a proposed transfer pursuant to Section 13.2 above, if at any time or times during the term of this Agreement, including any renewal thereof, Franchisee obtains a bona fide offer (the "Offer") to acquire the whole or any part of his interest in the Franchised Business, which Franchisee wishes to accept, Franchisee shall promptly give written notice thereof to Franchisor together with a true copy of the Offer. Upon receipt of such notice and Offer, Franchisor shall have the option of purchasing the Franchised Business forming the subject matter thereof upon the same terms and conditions as those set out in the Offer except that:

- (a) There shall be deducted from the purchase price the amount of any commissions or fee that would otherwise have been payable to any broker, agent or other intermediary in connection with the sale of such property to the offer, or;
- (b) Franchisor shall have the right to substitute cash for any other form of consideration specified in the Offer and to pay in full the entire purchase price at the time of closing. Franchisor may exercise its option at any time within twenty (20) days after receipt of the said notice by giving written notice to Franchisee. If Franchisor declines to exercise such option and if such transfer is approved by Franchisor, Franchisee shall be at liberty to complete the transfer to such third party transferee in accordance with the Offer, provided that, notwithstanding the terms of the Offer, such transaction must be completed within one hundred and eighty (180) days of the date on which Franchisor notifies Franchisee of its approval of such transaction. If the transaction is not completed within one hundred and eighty (180) days, the foregoing provisions of Section 13.2 shall apply again in respect of the proposed transfer and so on from time to time;
- (c) In addition to the Offer to be given by Franchisee to Franchisor together with the notice described in Section 13.3 above, Franchisee shall provide Franchisor with:
 - (i) Information relating to the business reputation and qualifications to carry on the Franchised Business of the proposed transferee; and
 - (ii) Any credit information Franchisee may have as to the financial ability and stability of the proposed transferee, including, if the proposed transferee is an individual, his personal net worth statement and if the proposed transferee is a corporation, partnership, or other entity, its latest financial statements.

13.4 Transfer for Convenience of Ownership

If the proposed transfer is to a corporation or other entity formed solely for the convenience of ownership, Franchisor's consent may be conditioned upon any of the requirements in Section 13.1, except that Sections 13.1(d), (e), (f), and (g) shall not apply and the transfer fee under Section 13.1(h) shall be an amount equal to the costs and expenses (including attorneys' fees) that Franchisor incurs in reviewing and documenting the transfer. In any transfer for the convenience of ownership, Franchisee shall be the owner of all the voting stock or ownership interests in the new entity, or, if Franchisee is more than one individual, each individual shall have the same proportionate ownership interest in the new entity as he or she had in Franchisee prior to the transfer.

13.5 Shareholders and Share Certificates

In the event Franchisee is a corporation, limited liability company, partnership, or other business entity:

- (a) Franchisee will provide a the full name(s) and address(es) of Franchisee's Owners and a description of the type of all currently held interests in Franchisee in Schedule C attached herein; and upon Franchisor's request from time to time, deliver to Franchisor a certificate certifying as to the then-current shareholders, directors, officers, members, or partners, as the case may be, of Franchisee.
- (b) Franchisee will cause the share certificates representing share ownership in the case of a corporation or the documents of title representing an ownership interest in the case of a partnership or other entity, to have typed or written thereon a legend stating that such shares or documents of title are subject to this agreement among, Franchisor, Franchisee and the Owners, that the said franchise agreement contains restrictions on the sale, assignment, transfer, mortgage, pledge, hypothecation, donation, encumbrancing or other dealings with the said shares or documents of title, and that notice of the said agreement is thereby given.
- (c) If, after the execution of this Agreement, any person ceases to qualify as one of the Franchisee's Owners or if any individual succeeds to or otherwise comes to occupy a position which, upon designation by Franchisor, would qualify it as one of Franchisee's Owners, Franchisee shall comply with the provisions of this Section 13. with respect to any such change and shall notify Franchisor within ten (10) days after any such change. In addition, Franchisee shall cause such person to execute all documents and instruments (including, as applicable, the Guaranty and Assumption Agreement or the Confidentiality and Ancillary Covenants Not To Compete) as Franchisor may require others in such positions to execute.

13.6 Assignment by Franchisor

Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity without Franchisee's consent, and upon such transfer or assignment, the transferee or assignee shall be solely responsible for all of Franchisor's obligations arising hereunder subsequent to the transfer or assignment. Without limitation of the foregoing, Franchisor may sell its assets to a third party; may offer its securities privately or publicly; may merge with or, acquire other corporations, or may be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. Franchisee agrees that Franchisor will have no liability after the effective date of such transfer or assignment for the performance of any obligations under this Agreement.

13.7 Securities Offerings

Interests in Franchisee shall not be offered to the public by private or public offering without Franchisor's prior written consent, which shall not be unreasonably withheld. As a condition of Franchisor's consent, Franchisor may, in its sole discretion, require that those of Franchisee's Owners who own an interest in Franchisee immediately prior to the offering retain a controlling interest in Franchisee after the offering. Franchisee shall give Franchisor written notice at least thirty (30) days prior to the commencement of any offering covered by this Section 13.7. All offering materials shall be submitted to Franchisor for review prior to being filed with any governmental agency or distributed for use. Franchisor's review of the offering materials shall be limited solely to the subject of the relationship between Franchisor and Franchisee. No offering shall imply that Franchisor is participating in an underwriting, issuance or offering of securities. Franchisor may require the offering materials to contain a written statement prescribed by Franchisor concerning the relationship between Franchisor and Franchisee. Franchisee, its Owners and the other participants in the offering must fully indemnify Franchisor, its affiliates, and its and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, past and present, in connection with the offering. For each proposed offering, Franchisee shall reimburse Franchisor for Franchisor's reasonable costs and expenses (including, without limitation, legal and accounting fees) associated with reviewing the offering materials.

14. DEATH OR PERMANENT DISABILITY

Franchisee or its representative shall promptly notify Franchisor of any death or claim of permanent disability subject to this Section 14. Any transfer upon death or permanent disability shall be subject to the following conditions, as well as to the conditions described in Section 13.2 for any inter vivos transfer.

14.1 Death

Upon the death of Franchisee (if Franchisee is a natural person) or any Owner who is a natural person (the "Deceased"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by Franchisor within six (6) months after the date of death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer such interest to a third party approved by Franchisor within six (6) months after the death of the Deceased.

14.2 Permanent Disability

Upon the permanent disability of Franchisee (if Franchisee is a natural person) or any Owner who is a natural person, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section 14 within six (6) months after notice to Franchisee. "Permanent disability" shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor, upon examination of the person; or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section 14. The costs of any examination required by this Section shall be paid by Franchisor.

15. TERMINATION

15.1 Events of Termination

Franchisor shall have the right to terminate this Agreement and the rights granted hereunder (Provided however that Sections 7 and 12, shall continue in full force and effect for the periods therein specified), without prejudice to the enforcement of any other legal right or remedy, immediately upon Franchisor giving written notice of such termination upon the happening of any of the following events:

- (a) If Franchisee fails to place the Customized Vehicle into operation within fifteen (15) Business Days from taking delivery of the Customized Vehicle or to otherwise open the Franchised Business to the public for business within one hundred twenty (120) days following the Effective Date of this Agreement;
- (b) If in Franchisor's opinion, acting reasonably, Franchisee's or the Lead Mechanic's participation in the Initial Training Program pursuant to Section 5.1 hereof discloses an inability to adequately manage and operate a Velofix Franchised Business;
- (c) If Franchisee loses the right to possession of the Customized Vehicle and such default shall continue for a period of fifteen (15) days;
- (d) If Franchisee abandons or fails to operate the Franchised Business for more than five (5) consecutive Business Days, unless previously approved in writing by Franchisor;
- (e) If Franchisee fails to employ or contract with a Lead Mechanic (as defined in Section 1 herein);
- (f) If Franchisee or any of its affiliates fails, refuses, or neglects promptly to pay any monies owed to Franchisor or any of its affiliates, when due under this Agreement or any other agreement, or if Franchisee fails to pay when due any fee, expense, charge or other amount due and owing to any creditor of Franchisee, and does not cure such default within fifteen (15) days following notice from Franchisor;
- (g) If Franchisee shall breach any other of the terms or conditions of this Agreement or any other agreement or undertaking entered into between Franchisor and Franchisee and such breach shall continue for a period of ten (10) days after written notice thereof has been given to Franchisee;
- (h) If Franchisee shall fail to observe or perform any of the rules, bulletins, directives or other notices set forth in the Manual and any such failure to observe or perform same shall continue for a period of ten (10) days after written notice thereof has been given to Franchisee;
- (i) If Franchisee ceases or threatens to cease to carry on business, or takes or threatens to take any action to liquidate its assets, or stops making payments in the usual course of business;
- (j) If Franchisee or any Owner is convicted of, or pleads no contest to, a felony, or to any crime of moral turpitude that is likely to adversely affect the reputation of Franchisee, any franchisee of the System or Franchisor, or the goodwill associated with the Marks;
- (k) If Franchisee or any Owner engage in any misconduct which unfavorably affects the reputation of Franchisee, or any franchisee of the System, or Franchisor, or the goodwill associated with the Marks (including, but not limited abuse of Customers, health or safety hazards, drug or alcohol problems, or permitting unlawful activities to be conducted through the Franchised Business);
- (l) If Franchisee is insolvent or makes or purports to make a general assignment for the benefit of creditors;
- (m) If Franchisee makes or purports to make a bulk sale of its assets;
- (n) If Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any

state thereof, or if an involuntary petition is filed with respect to Franchisee under any such laws and is not dismissed within 60 days after it is filed; if Franchisee admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated as bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state;

- (o) If a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction;
- (p) If proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee;
- (q) If a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed);
- (r) If Franchisee is dissolved;
- (s) If execution is levied against Franchisee's business or property;
- (t) If a judicial or non-judicial action to foreclose any lien or mortgage against the property of the Franchised Business is instituted against Franchisee and is not dismissed or settled by the earlier of (i) thirty (30) days from commencement or (ii) consummation of such sale; or if the real or personal property of Franchised Business shall be sold after levy thereupon by any sheriff, marshal or constable;
- (u) If either Franchisee shall commit or suffer any default under any contract of conditional sale, mortgage or other security instrument;
- (v) If Franchisee breaches in any material respect any of the covenants, or has falsely made any of the representations or warranties, set forth in Sections 6.10, 7.2 or Article 12, or if Franchisee makes any material misstatement or omission in the application for this franchise or in any other information provided to Franchisor;
- (w) If Franchisee has received from Franchisor, during any consecutive twelve (12) month period, three (3) or more notices relating to a Material Default (which notices shall make specific reference to this clause), whether or not such notices relate to the same or different Material Defaults and whether or not such material defaults are cured;
- (x) If Franchisee or any agent or representative of Franchisee:
 - (i) fails to submit any report required to be furnished pursuant hereto within ten (10) days of the date such report is due; or,
 - (ii) understates its Gross Sales by more than five (5%) percent on such report; or
 - (iii) if Franchisee materially distorts any other material information pertaining to the Franchised Business, or fails to maintain its records in a manner which permits a determination of Gross Sales, unless Franchisee proves to the satisfaction of Franchisor that it had no knowledge of such distortion;
- (y) If Franchisee or any of the Owners purports to transfer any rights or obligations under this Agreement or any interest in Franchisee or the Franchised Business to any third party without Franchisor's prior written consent or without offering Franchisor a right of first refusal contrary to the terms of Section 13, or if a transfer upon death or permanent disability is not made in accordance with Section 14.

For the purposes of this Agreement, the phrase "Material Default" shall mean any one of the defaults set out in Sections 15.1(a) to 15.1(y) inclusive, (some of which require notice with time to cure and others which do not).

15.2 Effect of Termination

Upon the expiration or termination of this Agreement for any reason whatsoever, the following shall apply:

- (a) Franchisee shall, immediately upon Franchisor's request (in order that Franchisor may protect its Marks and other proprietary rights and Franchisor's other franchisees), permit Franchisor or its representatives to enter any commercial premises used in connection with the Franchised Business and, at Franchisor's option, to cure any default by Franchisee, to operate the Franchised Business for account or to secure Franchisee's complete and timely compliance with the other obligations set forth in this Section;
- (b) Franchisee shall immediately discontinue the operation of the Franchised Business, and the use of the Marks and other proprietary rights licensed under this Agreement, and similar names and marks, or any other designations or marks associating Franchisee with Franchisor or the System. Franchisee shall cease displaying and using all signs, stationery, letterheads, packaging, forms, marks, manuals, bulletins, instruction sheets, printed matter, advertising and other physical objects used from time to time in connection with the System or containing or bearing any of the Marks or other names, marks or designations, and shall not thereafter operate or do business under any name or in any manner in violation of Section 9.2 above or that might tend to give the general public the impression that it is associated with Franchisor or the System or that it is operating a business similar to a Velofix Franchised Business or that it previously conducted its business under the Marks;
- (c) Franchisee shall notify the telephone company and all listing agencies of the termination or sooner expiration of this Agreement and with it Franchisee's right to use any telephone number and any classified or other telephone directory listings associated with the Marks and to authorize the transfer of same to Franchisor or its replacement Franchisee. Franchisee acknowledges that by the assignment shown in Schedule B attached hereto, Franchisor will have the sole option to acquire all rights to, and interest in, all telephone numbers, and directory listings associated with the Marks. (Accordingly, Franchisor may require Franchisee to cancel such numbers and listings.) Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact with full authority to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing;
- (d) Franchisee shall immediately cancel and remove any posting placed by Franchisee and/or Owner on any social networking service or website, and refrain from placing any future postings that bears any reference to the Franchise Business whatsoever;
- (e) Franchisee shall pay to Franchisor, within seven (7) days after the effective date of termination or expiration, all Royalties, User Fees, Branding Fund Contributions and other charges then due and unpaid by Franchisee, and,
- (f) Within seven (7) days after the effective date of expiration or termination, Franchisee shall return to Franchisor at its own cost, all copies of the Manual, and all other confidential material provided to Franchisee by Franchisor and all other materials required to be returned in accordance with this Agreement or the Manual.

15.3 Franchisor's Right to Purchase the Customized Vehicle & Designated Equipment

Upon the expiration or termination of this Agreement for any reason whatsoever, save and except in the event of a transfer or assignment pursuant to the provisions of Section 13 of this Agreement, Franchisor shall have the right, but not the obligation, such right to be exercised by notice in writing delivered to Franchisee within thirty (30) days of the date of expiration or

termination of this Agreement for any reason whatsoever, or if Franchisee at any time ceases to do business as a Velofix franchisee, to purchase the Customized Vehicle and/or the Designated Equipment, or any of the assets of the Franchised Business at fair market value (the "Assets"), with no allowance for goodwill. If Franchisee and Franchisor cannot agree on the fair market value of the Assets within a reasonable time, the determination of an independent appraiser designated by Franchisor shall be binding.

15.4 Exercise of Franchisor's Rights

If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off against and reduce the purchase price by any and all amounts owed by Franchisee to Franchisor or any of its affiliates under this Agreement. The purchase price shall be paid in cash at the closing of the purchase transaction, which shall take place no later than thirty (30) days after receipt by Franchisee of Franchisor's notice pursuant to Section 15.3 at which time Franchisee shall: (1) deliver all documents and instruments necessary to transfer good and merchantable title to the assets purchased, to Franchisor or its nominee free and clear of all liens and encumbrances and (2) transfer or assign to Franchisor all licences or permits, utilised by Franchisee in the conduct of the Franchised Business which may be assigned or transferred. Franchisee shall, prior to closing, comply with any applicable bulk sales legislation.

15.5 Additional Remedies

Franchisee expressly consents and agrees that, in addition to any other remedies Franchisor may have, at law or under this Agreement, Franchisor may obtain an injunction and/or appointment of a receiver which term includes a receiver and manager of the Franchised Business to terminate or prevent the continuation of any existing default, or to prevent the occurrence of any threatened default by Franchisee of this Agreement.

15.6 Survival of Covenants

Notwithstanding the expiration or termination of this Agreement for any reason whatsoever, all covenants and agreements to be performed and/or observed by Franchisee and/or the Owners under this Agreement or which by their nature survive the expiration or termination of this Agreement, including without limitation, those set out in Sections 7, and Sections 12.2, 15.2, 15.3, and 16 hereof shall survive any such expiration or termination.

15.7 Failure to Act Not to Affect Rights

The failure of Franchisor to exercise any rights or remedies to which it is entitled upon the happening of any of the events referred to in Section 15.1 hereof, shall not be deemed to be a waiver of or otherwise affect, impair or prevent Franchisor from exercising any rights or remedies to which it may be entitled, arising either from the happening of any such event, or as a result of the subsequent happening of the same or any other event or events provided for in Section 15.1 above. The acceptance by Franchisor of any amount payable by or for the account of Franchisee under this Agreement after the happening of any event provided for in Section 15.1 above, shall not be deemed to be a waiver by Franchisor of any rights and remedies to which it may be entitled, regardless of Franchisor's knowledge of the happening of such preceding event at the time of acceptance of such payment. No waiver of the happening of any event, referred to in Section 15.1 above, shall be deemed to be waived by Franchisor unless such waiver shall be in writing.

15.8 Right to Discontinue

Franchisor has the right, in addition to all other rights and remedies, upon the issuance to Franchisee of a notice of Material Default, to stop supplying and/or providing any Products and/or services until Franchisee has cured all Material Defaults.

16. DISPUTE RESOLUTION

16.1 Mediation

FRANCHISOR AND FRANCHISEE ACKNOWLEDGE THAT DURING THE TERM OF THIS AGREEMENT CERTAIN DISPUTES MAY ARISE THAT FRANCHISOR AND FRANCHISEE ARE UNABLE TO RESOLVE, BUT THAT MAY BE RESOLVABLE THROUGH MEDIATION. TO FACILITATE SUCH RESOLUTION, FRANCHISOR AND FRANCHISEE AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE BETWEEN FRANCHISOR OR ANY OF FRANCHISOR AFFILIATES (AND THEIR RESPECTIVE OWNERS, OFFICERS, DIRECTORS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) AND FRANCHISEE (AND FRANCHISEE'S OWNERS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) ARISING OUT OF OR RELATED TO (a) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN FRANCHISOR AND FRANCHISEE, (b) FRANCHISOR'S RELATIONSHIP WITH FRANCHISEE, OR (c) THE VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN FRANCHISOR AND FRANCHISEE, TO MEDIATION BEFORE BRINGING SUCH CLAIM, CONTROVERSY OR DISPUTE IN A COURT OR BEFORE ANY OTHER TRIBUNAL.

THE MEDIATION SHALL BE CONDUCTED BY A MEDIATOR AGREED UPON BY FRANCHISOR AND FRANCHISEE AND, FAILING SUCH AGREEMENT WITHIN NOT MORE THAN FIFTEEN (15) DAYS AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION, BY THE AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR ORGANIZATION ("AAA") IN ACCORDANCE WITH ITS RULES GOVERNING MEDIATION. MEDIATION SHALL BE HELD AT THE OFFICES OF THE AAA NEAREST TO FRANCHISOR'S THEN-CURRENT PRINCIPAL PLACE OF BUSINESS. THE COSTS AND EXPENSES OF MEDIATION, INCLUDING THE COMPENSATION AND EXPENSES OF THE MEDIATOR (BUT EXCLUDING ATTORNEYS' FEES INCURRED BY EITHER PARTY), SHALL BE BORNE BY THE PARTIES EQUALLY.

IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN NINETY (90) DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN, UNLESS SUCH TIME PERIOD IS EXTENDED BY WRITTEN AGREEMENT OF THE PARTIES, EITHER PARTY MAY BRING A LEGAL PROCEEDING PURSUANT TO SECTION 16.2. FRANCHISOR AND FRANCHISEE AGREE THAT STATEMENTS MADE BY EITHER FRANCHISOR OR FRANCHISEE IN ANY SUCH MEDIATION PROCEEDING WILL NOT BE ADMISSIBLE FOR ANY PURPOSE IN ANY SUBSEQUENT LEGAL PROCEEDING.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS SECTION 16.1, FRANCHISOR'S AND FRANCHISEE'S AGREEMENT TO MEDIATE SHALL NOT APPLY TO CONTROVERSIES, DISPUTES OR CLAIMS RELATED TO OR BASED ON PAYMENTS OWED PURSUANT TO THIS AGREEMENT, THE MARKS, OR THE CONFIDENTIAL INFORMATION. MOREOVER, ANYTHING IN THIS SECTION 16.1 OR IN SECTION 16.2 TO THE CONTRARY NOTWITHSTANDING, FRANCHISOR AND FRANCHISEE EACH HAVE THE RIGHT IN A PROPER CASE TO SEEK TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION TO ENFORCE THE PROVISIONS OF THIS AGREEMENT OR ANY OTHER RELATED AGREEMENT.

16.2 Litigation

WITH RESPECT TO ANY CONTROVERSIES, DISPUTES OR CLAIMS WHICH ARE NOT FINALLY RESOLVED THROUGH MEDIATION AS PROVIDED IN SECTION 16.1 ABOVE, THE PARTIES IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF THE STATE AND FEDERAL DISTRICT COURTS LOCATED IN THE STATE OF DELAWARE AND HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. FRANCHISOR AND FRANCHISEE AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON THEM IN ANY PROCEEDING RELATING TO

OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY DELAWARE OR FEDERAL LAW. FRANCHISOR AND FRANCHISEE FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE THE STATE AND FEDERAL DISTRICT COURTS LOCATED IN THE STATE OF DELAWARE.

16.3 Governing Law

EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN FRANCHISOR AND FRANCHISEE WILL BE GOVERNED BY AND INTERPRETED AND CONSTRUED UNDER DELAWARE LAW (EXCEPT FOR DELAWARE CONFLICT OF LAW RULES).

16.4 Parties' Acknowledgements

FRANCHISOR AND FRANCHISEE ACKNOWLEDGE THAT THE AGREEMENTS REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH ABOVE PROVIDE EACH OF THE PARTIES WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT. FRANCHISOR AND FRANCHISEE FURTHER ACKNOWLEDGE THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT.

16.5 Waiver of Punitive Damages

EXCEPT WITH RESPECT TO FRANCHISEE'S OBLIGATION TO INDEMNIFY FRANCHISOR PURSUANT TO SECTION 18.1 AND CLAIMS FRANCHISOR BRING AGAINST FRANCHISEE FOR FRANCHISEE'S UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, FRANCHISOR AND FRANCHISEE AND FRANCHISEE'S OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN FRANCHISOR AND FRANCHISEE, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

16.6 Limitations of Claims

EXCEPT FOR CLAIMS FRANCHISOR BRINGS WITH REGARD TO FRANCHISEE'S OBLIGATIONS TO INDEMNIFY FRANCHISOR PURSUANT TO SECTION 18.1 ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN FRANCHISOR AND FRANCHISEE PURSUANT TO THIS AGREEMENT WILL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED, OR ONE (1) YEAR FROM THE DATE ON WHICH FRANCHISOR OR FRANCHISEE KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST.

16.7 Jury Waiver

FRANCHISOR AND FRANCHISEE HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE RELATIONSHIP CREATED BY THIS AGREEMENT, OR ANY OTHER AGREEMENTS BETWEEN FRANCHISOR AND FRANCHISEE OR FRANCHISOR'S AND FRANCHISEE'S RESPECTIVE AFFILIATES. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. IN THE EVENT OF LITIGATION, THIS

AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A TRIAL BY THE COURT.

17. ACKNOWLEDGMENTS

17.1 Independent Investigation

Franchisee acknowledges, warrants, and agrees that:

- (a) Franchisee has carefully read and understands the contents of this Agreement and all other related documents to be executed concurrently or in conjunction with the execution of this Agreement. Franchisee acknowledges that it has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any business, the nature of the Franchised Business may evolve and change over time. Franchisee understands that its investment in the Franchised Business involves business risks and that Franchisee's business abilities and efforts are vital to the successful operation of the Franchised Business. Franchisee acknowledges that it has not received from Franchisor any warranty or guarantee, express or implied, as to the potential sales volume, profits or success of the Franchised Business. Franchisee further acknowledges that Franchisor has not represented or guaranteed, expressly or impliedly, that Franchisee will derive income from the Franchised Business which exceeds the price Franchisee paid, or that Franchisor will refund all or any part of the consideration Franchisee paid, or repurchase any products, equipment, supplies or other items (if any) supplied by Franchisor or its affiliates if Franchisee is unsatisfied with the Franchised Business. Franchisor has not refused to provide to Franchisee any information Franchisor was legally required to provide, Franchisee has had the opportunity and Franchisor has recommended to Franchisee that Franchisee obtain the advice of legal or other counsel in conducting its due diligence and in reviewing this Agreement, and Franchisee intends to comply with this Agreement and be bound hereby.
- (b) Franchisee has received a complete copy of this Agreement and all related schedules and exhibits and a complete copy of Franchisor's franchise disclosure document required by the Federal Trade Commission's Franchise Trade Regulation Rule (16 C.F.R. Part 436) within the time period required by applicable law before Franchisee executed this Agreement or paid any consideration to Franchisor. Franchisee acknowledges that it did not rely on any promises, representations or agreements about the Velofix System or the franchise not expressly contained in this Agreement or Franchisor's franchise disclosure document in making its decision to sign this Agreement. Franchisee acknowledges that Franchisor and its representatives have not made any promises, representations or agreements, oral or written, except as expressly contained in this Agreement and the franchise disclosure document. Franchisee further acknowledges that Franchisee has read this Agreement and Franchisor's franchise disclosure document and that Franchisee understands the terms of this Agreement and accepts them as being reasonably necessary for Franchisor to maintain the uniformity of Velofix Businesses and to protect the goodwill of the Marks and the integrity of the System.
- (c) Franchisee has the funds, or have made firm arrangements to acquire funds, to commence, open and operate the Franchised Business and is financially and otherwise able to accept the risks attendant upon entering into this Agreement;
- (d) Franchisee is not a party to any litigation or legal proceedings other than those which have been disclosed to Franchisor in writing;
- (e) All statements made by Franchisee in writing in connection with the application for this franchise were true when made and continue to be true as of the date of this Agreement;
- (f) There are no material financial obligations of Franchisee, whether actual or

contingent, which are outstanding as of the date of this Agreement other than those disclosed to Franchisor in writing, and

- (g) Franchisee is not or were not a party to or subject to any agreement, court or administrative order or action of any governmental authority which would limit or interfere in any way with the performance of any obligation hereunder including, without limiting the foregoing, any non-competition or non-solicitation agreements.

18. GENERAL PROVISIONS

18.1 Indemnification of Franchisor

Franchisee agrees to indemnify, defend and hold harmless Franchisor, Franchisor's affiliates, and their respective shareholders, directors, officers, employees, agents, successors and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, any and all claims, and liabilities directly or indirectly arising out of Franchisee's and/or its affiliates' employer/employee relationships, the operation of the Franchised Business, or Franchisee's breach of this Agreement, without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be sole, joint or concurrent, or active or passive) or strict liability of Franchisor or any other party or parties in connection therewith, including, without limitation, the other Indemnified Parties. Notwithstanding the foregoing, this indemnity shall not apply to any liability arising from Franchisor's gross negligence or willful misconduct, except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to Franchisee, Franchisee's Owners, officers, directors, employees, independent contractors or affiliates. For purposes of this indemnification, "claims" includes all obligations, damages (actual, consequential, exemplary or other) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. Franchisor has the right to defend any such claim against Franchisee. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will Franchisor or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate Franchisor's, their or Franchisee's losses and expenses, in order to maintain and recover fully a claim against Franchisee. Franchisee agrees that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts Franchisor or another Indemnified Party may recover from Franchisee. The terms of this Section 18.1 shall survive the termination, expiration or transfer of this Agreement or any interest herein.

18.2 Legal Fees

In the event Franchisor shall be made a party to any litigation commenced by or against Franchisee, then Franchisee shall indemnify and save Franchisor harmless against any losses, damages or claims whatsoever arising therefrom and shall pay all costs and expenses including reasonable legal fees, accountants and expert witness fees, costs of investigation and travel and living expenses incurred or paid by Franchisor in connection with such litigation. Further, if it is established that Franchisee has breached any of the terms and conditions of this Agreement, Franchisee hereby agrees to pay all costs and expenses including legal fees that may be incurred or paid by Franchisor in enforcing Franchisor's rights and remedies under this Agreement.

18.3 No Liability

Franchisor shall not be responsible or otherwise liable for any injury, loss, or damage resulting from, occasioned to or suffered by any person or persons or to any property because of any Products sold or Services provided by it to Franchisee.

18.4 Relationship of the Parties

Franchisee agrees that the relationship created by this Agreement is not a fiduciary, special, or any other similar relationship, but rather is an arm's-length business relationship, and Franchisor owes Franchisee no duties except as expressly provided in this Agreement. Franchisee shall be an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. All employees hired by or working for Franchisee will be Franchisee's or Franchisee's affiliate's employees and will not, for any purpose, be deemed employees of Franchisor or subject to Franchisor's control. Franchisor has no authority to hire, fire, promote, or demote any of Franchisee's employees or take any disciplinary action whatsoever against any of them. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor conducting its operations pursuant to the rights granted by Franchisor. Additionally, Franchisee must communicate to all employees that Franchisee, not Franchisor, is their employer; and Franchisee must ensure that no payroll checks or other employment-related documents (such as job applications and W-2s) contain or reference the Marks or Franchisor's name. Each of the parties will file its own tax, regulatory, and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof

Nothing in this Agreement authorizes Franchisee or any of the Owners to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of Franchisee or any of the Owners or any claim or judgment arising therefrom.

18.5 Joint and Severable

If two or more individuals, corporations, partnerships or other entities (or any combination of two or more thereof) shall sign or be subject to the terms and conditions of this Agreement as Franchisee, the liability of each of them under this Agreement shall be deemed to be joint and several.

18.6 Severability

Except as expressly provided to the contrary herein, each portion, section, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement; and there shall be automatically added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

18.7 Notices

Except as expressly provided in Section (2) below, any and all notices required or permitted under this Agreement shall be in writing and shall be delivered by electronic mail to the parties at the following e-mail addresses:

Notices to Franchisor: notices@velofix.com

Notices to Franchisee
and Owners: _____@velofix.com and
 [INSERT PERSONAL E-MAIL ADDRESS]

All notices and other written communications shall be sent through Franchisor's server and shall be deemed delivered and received on the date the transmission is received in the e-mail box designated above, whether or not the party receiving such message opens and reads the message in a timely manner. Franchisor and Franchisee have, and each of them hereby accept, the obligation to check, open and read the messages in the e-mail boxes designated above at least once each Business Day. Franchisee further agrees to forward any such message received to Franchisee's Owners.

Upon the expiration or termination of this Agreement or if, for any reason, Franchisor no longer provides a velofix.com e-mail account to Franchisee, then all future notices shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by prepaid facsimile (provided that the sender confirms the facsimile by sending an original confirmation copy by expedited delivery service or certified or registered mail within three (3) Business Days after transmission) to the respective parties at the addresses set forth below unless and until a different address has been designated by written notice to the other party. Any notice shall be deemed to have been given (whether or not delivery is accepted) at the time of personal delivery or, in the case of expedited delivery service on the next Business Day, or, in the case of registered or certified mail, three (3) Business Days after the date and time of mailing, or, in the case of facsimile, upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail as provided below).

Notices to Franchisor:

Velofix Holdings USA, Inc.
303 West 5th Avenue
Vancouver, British Columbia, Canada V5Y 1J6
Attention: Chief Executive Officer
Telephone: 604-787-8609
Facsimile: _____

Notices to Franchisee and
the Owners:

Attention: _____
Telephone: _____
Facsimile: _____

18.8 Headings, Article Numbers

The headings, article numbers and table of contents appearing in this Agreement or any Schedule hereto are inserted for convenience of reference only and shall not in any way affect the construction or interpretation of this Agreement.

18.9 Time of the Essence

Time shall be of the essence of this Agreement and of each and every part hereof.

18.10 Waiver of Obligations

No delay, waiver, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising out of any breach or default by Franchisee or the Owners under this Agreement shall constitute a waiver by Franchisor to enforce any such right, option, duty or

power against Franchisee or the Owners, or as to a subsequent breach or default by Franchisee or the Owners.

18.11 Approval or Consent

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor, and such approval or consent shall be obtained in writing. No waiver, approval, consent, advice or suggestion given to Franchisee, and no neglect, delay or denial of any request therefor, shall constitute a warranty or guaranty by Franchisor, nor does Franchisor assume any liability or obligation to Franchisee or any third party as a result thereof.

18.12 Gender

All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. Without limiting the obligations individually undertaken by the Owners under this Agreement, all acknowledgments, promises, covenants, agreements and obligations made or undertaken by Franchisee in this Agreement shall be deemed, jointly and severally, undertaken by all of the Owners.

18.13 Cross Default

In the event that Franchisee acquires the right and franchise to operate another or other Velofix franchised businesses, any default by Franchisee in the performance or observance of any of the terms and conditions under any one agreement governing the aforesaid right and franchise shall be deemed to be an event of default under all other agreements pursuant to which Franchisee operates such a Velofix Franchised Business or Businesses.

18.14 Further Assurances

The parties will promptly execute and deliver such further documents and take such further action as may be necessary in order to effectively carry out the intent and purposes of this Agreement.

18.15 Binding Agreement

Subject to the restrictions on assignment herein contained, this Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

18.16 When Agreement Binding on Franchisee

This Agreement is not effective until signed by a corporate officer of Franchisor. No field representative, employee, contractor or salesperson is authorized to execute this Agreement on behalf of Franchisor. Franchisee is advised not to incur any expense or obligation with respect to the proposed franchise business until Franchisee has received a fully executed copy of this Agreement from Franchisor.

18.17 Rights of Franchisor are Cumulative

The rights of Franchisor hereunder are cumulative and no exercise or enforcement by Franchisor of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor of any other right or remedy hereunder or which Franchisor is otherwise entitled by law to enforce.

18.18 Force Majeure

Upon the occurrence of an event of Force Majeure, the party affected thereby shall give prompt notice thereof to the other party, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of the Agreement to be affected, and a plan for resuming operation under the Agreement, which the party shall promptly undertake and

maintain with due diligence. Such affected party shall be liable for failure to give timely notice only to the extent of damage actually caused. If an event of Force Majeure shall occur, then, in addition to payments required under Section 3.6, Franchisee shall continue to be obligated to pay to Franchisor any and all amounts that it shall have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of such event and the Indemnitees shall continue to be indemnified and held harmless by Franchisee in accordance with Section 18.1. Except as provided in Section 3.6 and the immediately preceding sentence, neither party shall be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure.

18.19 No Guarantee of Obligations

Franchisee acknowledge that it is relying solely on Franchisor, and not on any entities or parent companies related to Franchisor, with regard to Franchisor's financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing, Franchisor has made any statement or promise to the effect that Franchisor's affiliates or parent companies guarantee Franchisor's performance or financially back Franchisor.

18.20 Guaranty and Assumption Agreement

The Owners that Franchisor designates shall jointly and severally guarantee the performance of Franchisee's obligations under this Agreement pursuant to the terms and conditions of the Guaranty and Assumption Agreement at Schedule D hereto, and shall otherwise bind themselves to the terms of this Agreement as stated herein.

18.21 No Third Party Beneficiary

Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors and personnel and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, authorized by Section 13.), any rights or remedies under or as a result of this Agreement.

18.22 Counterpart Execution

This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

18.23 Entire Agreement

This Agreement, the documents referred to herein, and the Schedules hereto, constitute the entire, full and complete agreement between Franchisor and Franchisee and the Owners concerning the subject matter hereof and shall supersede all prior related agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Franchisee. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

FRANCHISOR

Velofix Holdings USA, Inc.

By: _____
Name: _____
Its: _____

FRANCHISEE

By: _____
Name: _____
Its: _____

SCHEDULE A

TERRITORY AND FRANCHISEE'S LOCATION

The Territory is comprised of the following ZIP code(s) as geographically configured on the Effective Date of this Agreement:

Franchisee's Location is:

SCHEDULE B

CONDITIONAL ASSIGNMENT AGREEMENT

This Conditional Assignment Agreement is made between _____ (the "Franchisee") of _____ and Velofix Holdings USA, Inc. (the "Franchisor").

WHEREAS Franchisor has developed a system for establishing and operating mobile workshops for the on-site repair and servicing of all types of bicycles as well as other ancillary and related products and services using uniform standards, methods, procedures and specifications established for use in such businesses in the United States (hereinafter called the "System");

AND WHEREAS by a Franchise Agreement for Franchisee's Territory of _____ made effective the ____ day of _____, 20____ (the "Franchise Agreement"), Franchisor has granted to Franchisee a franchise for the System.

AND WHEREAS the Franchise Agreement requires Franchisee to enter into this Conditional Assignment Agreement.

NOW, THEREFORE, it is agreed as follows:

1. Telephone Numbers. Franchisee acknowledges that this Conditional Assignment Agreement pertains to all telephone numbers and listings therefore that are now or in the future used in the operation, advertising and marketing of its "Velofix" business licensed by the Franchise Agreement, including but not limited to the following numbers: _____ (the "Telephone Numbers"). Upon the fulfillment of the conditions in Paragraph 2 below, these Telephone Numbers will be automatically assigned to Franchisor or its successor or assign.
2. Assignment. Upon the expiration without renewal or termination of the Franchise Agreement, all of Franchisee's rights, title, and interest in and to the Telephone Numbers will automatically be assigned to Franchisor (the "Assignment"), provided Franchisor gives notice (under paragraph 4 below) to Franchisee's telephone company of Franchisor's acceptance of the Assignment.
3. Consent. Franchisee irrevocably consents to the Assignment and authorizes all telephone companies and telephone directory services and other public or private businesses using or authorizing any of said telephone numbers to immediately recognize the Assignment upon receipt of written notice from Franchisor. A copy of this Conditional Assignment Agreement, certified by an officer of Franchisor, is agreed to be as valid and binding as the original.
4. Notice. Franchisor shall give notice of its acceptance of the Assignment by sending said Notices in accordance with Section 18.7 of the Franchise Agreement, to Franchisee and to all other telephone companies and other businesses that are to recognize the Assignment.
5. Pro-ration. All telephone charges shall be pro-rated as of the time of Assignment, with Franchisee paying for all charges prior to the effectiveness of the Assignment. Franchisee shall indemnify Franchisor for all charges incurred by Franchisor on and prior to the date of the Assignment

6. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of Delaware (except for Delaware conflict of law rules).

IN WITNESS WHEREOF, the parties this Agreement on the ____ day of _____ 20____.

FRANCHISOR

By: _____

Its: _____

FRANCHISEE

By: _____

Its: _____

Title

SCHEDULE C

OWNERSHIP INTERESTS IN FRANCHISEE

The following is a list of all shareholders, partners, members or other investors owning a direct or indirect interest in Franchisee, and a description of the nature of their interest:

NAME	OWNERSHIP INTEREST IN FRANCHISEE	NATURE OF INTEREST

SCHEDULE D

GUARANTY AND ASSUMPTION AGREEMENT

This Guaranty and Assumption Agreement (the "Guaranty") is given this _____ day of _____, 20__, in consideration of, and as an inducement to Velofix Holdings USA, Inc. ("Franchisor") to enter into that certain Franchise Agreement dated _____, 20__ (the "Agreement") with _____ ("Franchisee"). Each of the undersigned and any other parties who sign counterparts of this Guaranty (referred to herein individually as a "Guarantor" and collectively as "Guarantors") are Owners (as defined in the Agreement) of Franchisee and will receive material benefit from the execution of the Agreement by Franchisor.

Each Guarantor hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, that Franchisee will punctually perform its obligations and pay all amounts due under the Agreement, including, without limitation, amounts due for initial franchise fees, royalties, Branding Fund contributions and purchases of equipment, materials, and supplies.

Each Guarantor waives:

- (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; and
- (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iv) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
- (v) all rights to payments and claims for reimbursement or subrogation which he or she may have against Franchisee arising as a result of his or her execution of and performance under this Guaranty; and
- (vi) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

- (i) his or her direct and immediate liability under this Guaranty will be joint and several not only with Franchisee, but also among the Guarantors; and
- (ii) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; and
- (iii) such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and
- (iv) such liability will not be diminished, relieved or otherwise affected by any subsequent rider or amendment to the Agreement or by any extension of time, credit or other indulgence that Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable throughout the

term of the Agreement and for so long thereafter as there are any monies or obligations owing by Franchisee to Franchisor under the Agreement; and

- (v) Franchisee's written acknowledgment, accepted in writing by us, or the judgment of any court or arbitration panel of competent jurisdiction establishing the amount due from Franchisee will be conclusive and binding on the undersigned as Guarantors.

Each Guarantor also makes all of the covenants, representations, warranties and agreements of the Owners set forth in the Franchise Agreement and is obligated to perform thereunder, including, without limitation, under Sections 6, 7, 12, 13, 15, 16, 18.1, 18.2 and 18.3.

If Franchisor is required to enforce this Guaranty in an administrative, judicial or arbitration proceeding, and prevail in such proceeding, Franchisor will be entitled to reimbursement of Franchisor's costs and expenses, including, but not limited to, legal and accounting fees and costs, administrative, arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of an administrative, judicial or arbitration proceeding and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the Guarantors will reimburse Franchisor for any of the above-listed costs and expenses incurred by Franchisor.

IN WITNESS WHEREOF, each Guarantor has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTORS

Name: _____

Name: _____

Name: _____

SCHEDULE E

CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE

This Agreement is made and entered into this ____ day of _____, 20__, between Velofix Holdings USA, Inc., a Delaware corporation ("Franchisor"), _____ ("Franchisee") and _____ ("Covenantor") in connection with a franchise agreement between Franchisor and Franchisee dated _____, 20__ ("Franchise Agreement"). Initially capitalized terms used, but not defined in this Agreement, have the meanings contained in the Franchise Agreement.

RECITALS

Franchisor has the right to use and license the use of a System for the establishment and operation of a Velofix Franchised Business.

The System is identified by certain Marks including, the mark "VELOFIX," and includes certain Confidential Information which provides economic advantages to Franchisor and licensed users of the System.

Franchisor has granted Franchisee the right to operate a Velofix Franchised Business pursuant to the Franchise Agreement.

In connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the Confidential Information.

Franchisor and Franchisee have agreed on the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition.

Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

Confidentiality Agreement

1. Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of a Velofix Franchised Business under the Franchise Agreement.
2. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor's express written permission.
3. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Franchisee and only to the limited extent necessary to train or assist other employees of Franchisee in the operation of the Franchised Business.
4. Covenantor shall surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment by Franchisee.

5. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

6. Covenantor acknowledges that Franchisor grants Franchisee access to the Manuals for limited purposes only and that the Manuals remain the property of Franchisor. Covenantor agrees that no Manuals may be reproduced, in whole or in part, without Franchisor's written consent.

[Covenants Not to Compete¹

In order to protect the goodwill of the System, and in consideration for the disclosure of the Confidential Information to Covenantor, Covenantor agrees that, during the term of his or her association with or employment by Franchisee, and for a period of one (1) year following the earlier of (i) the termination thereof, or (ii) the termination, expiration or transfer of Franchisee's interest in the Franchise Agreement, Covenantor will not, without Franchisor's prior written consent or as permitted under valid Franchise Agreements for Velofix Franchised Businesses:

a. Directly or indirectly divert, or attempt to divert any business opportunity or customer of the Franchised Business to any competitor; and

b. Directly or indirectly, for himself or through, on behalf of, or in conjunction with any other person, persons, partnership, corporation, limited liability company, or other association, or entity, own, maintain, operate, engage in or have any financial or beneficial interest in, advise, assist or make loans to, any business which is the same as or similar to a Velofix Franchised Business (including, without limitation, any facility which primarily offers and sells bicycle repair and maintenance services or related products) and which is, or is intended to be, located within the Territory or within a ten (10)-mile radius of the boundaries of the Territory or any other Velofix franchisee's Territory.]

[Owner's Undertaking

Covenantor also makes all of the covenants, representations, warranties and agreements of the Owners set forth in Sections [] of the Franchise Agreement and is obligated to perform thereunder.]

Miscellaneous

1. Franchisee shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that:

1. Each of the covenants herein contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor.

2. Each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Covenantor shall be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

¹If Covenantor is an Owner not signing the Guaranty and Assumption Agreement, delete the Covenants Not to Compete section and replace it with the Owner's Undertaking section.

3. In the event of a breach of this Agreement, Franchisor would be irreparably injured and without an adequate remedy at law and, therefore, upon any such breach or attempted breach of any provision hereof, Franchisor shall be entitled, in addition to any other remedies which it may have at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security. The obligations set forth in this Agreement will be tolled for any period of non-compliance.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees and costs) incurred by Franchisor and Franchisee in enforcing this Agreement.

4. Any failure by Franchisor or the Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach of any subsequent breach by Covenantor.

5. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REFERENCE TO DELAWARE CONFLICT OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE AND FEDERAL DISTRICT COURTS LOCATED IN THE STATE, COUNTY OR JUDICIAL DISTRICT IN WHICH THE FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY DELAWARE OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE THE COUNTY OR JUDICIAL DISTRICT IN WHICH THE FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.**

6. **THE PARTIES TO THIS AGREEMENT HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A TRIAL BY THE COURT**

7. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

8. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by facsimile or electronic mail to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to:

Velofix Holdings USA, Inc.

Attention: Chief Executive Officer

Telephone: _____

Facsimile: _____

If directed to Franchisee, the notice shall be addressed to:

Attention: _____

Facsimile: _____

If directed to Covenantor, the notice shall be addressed to:

Attention: _____

Facsimile: _____

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service on the next Business Day, or, in the case of registered or certified mail, three (3) Business Days after the date and time of mailing, or, in the case of facsimile or electronic mail, upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail).

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall insure to the benefit of its respective affiliates, successors and assigns. The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

(Signature page is the next page.)

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:

Velofix Holdings USA, Inc.,
a Delaware corporation

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____
Date: _____

COVENATOR:

By: _____
Name: _____
Title: _____
Date: _____

* If Franchisor will not be a party, delete reference and modify the agreement to reflect, including the addition of the following third party beneficiary language: "Franchisor and Franchisor's successors and assigns shall be third party beneficiaries of this Agreement, with the full and independent right, at Franchisor's and their option and in Franchisor's and their sole discretion, to enforce this Agreement."

SCHEDULE F

ELECTRONIC FUNDS TRANSFER AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO

VELOFIX HOLDINGS USA, INC./PAYEE

BANK NAME

ACCOUNT #

ABA#

FEIN

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the above named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as if it were a check drawn and signed by the Depositor. It is further agreed that if any such debit is not honored, whether with or without cause and whether intentionally or inadvertently, Depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least thirty (30) days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization:

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation therein.

Name of Depository: _____

Name of Depositor: _____

Designated Bank Acct.: _____

(Please attach one voided check for the above account.)

Franchisee's Location: _____

Franchised Business #: _____

For information call: _____

Address: _____

Phone #: _____

Fax #: _____

Name of Franchisee/Depositor (please print)

By: _____

Signature and Title of Authorized Representative

Date: _____

STATE SPECIFIC AMENDMENTS TO FRANCHISE AGREEMENT

**AMENDMENT TO VELOFIX HOLDINGS USA, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA**

The Velofix Holdings USA, Inc. Franchise Agreement between _____ ("Franchisee") and Velofix Holdings USA, Inc. ("Franchisor"), dated _____, 20__ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Business Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
- b. The Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
- c. The Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- d. The Agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.

2. Based on our audited financial statements, as a condition to becoming registered to offer and sell franchises in the state of California, the California Department of Business Oversight has required financial assurances. We will defer your obligation to pay the initial franchise fee until you begin operations and initial training has been provided. Therefore, notwithstanding anything to the contrary in Section 3.1 of the Agreement, during the period that such fee deferral requirement is in effect ("Fee Deferral Period"), you will not be required to pay the initial franchise fee until you begin operations and initial training has been provided. After the Fee Deferral Period, you must pay the initial franchise fee as provided in Section 3.1 of the Agreement.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20____.

FRANCHISOR:

Velofix Holdings USA, Inc.,
a Delaware corporation

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

**AMENDMENT TO VELOFIX HOLDINGS USA, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF HAWAII**

The Velofix Holdings USA, Inc. Franchise Agreement between _____ ("Franchisee") and Velofix Holdings USA, Inc. ("Franchisor"), dated _____, 20__ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

HAWAII LAW MODIFICATIONS

1. The Hawaii Department of Commerce and Consumer Affairs has required financial assurances. Therefore, notwithstanding anything to the contrary in the Agreement, during the period that such fee deferral requirement is in effect ("Fee Deferral Period"), you will not be required to pay the initial franchise fee and other initial fees until you begin operations and we have met all of our pre-opening obligations. After the Fee Deferral Period, you must pay the initial franchise fee as provided in the Agreement and all other initial fees subject to this deferral.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__

FRANCHISOR:

Velofix Holdings USA, Inc.,
a Delaware corporation

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

**AMENDMENT TO VELOFIX HOLDINGS USA, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS**

The Velofix Holdings USA, Inc. Franchise Agreement between _____ ("Franchisee") and Velofix Holdings USA, Inc. ("Franchisor"), dated _____, 20__ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 815 ILCS 705/1 *et seq.* To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to You concerning nonrenewal and termination of this Agreement. If this Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. Any release of claims or acknowledgments of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act shall be void and are hereby deleted with respect to claims under the Act.
- c. If this Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void with respect to claims under the Illinois Franchise Disclosure Act.
- d. If this Agreement requires that it be governed by a state's law, other than the State of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act, Illinois law governing claims arising under the Act will control.
- e. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void. If this Agreement contains a provision that is inconsistent with the Act, the Act will control.

2. In the state of Illinois, the Franchisor will defer the initial franchise fee and all other initial fees until the Franchisor has satisfied all of its pre-opening obligations to Franchisee and Franchisee has commenced doing business under this Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to the Franchisor's financial condition.

3. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20____.

FRANCHISOR:

Velofix Holdings USA, Inc.,
a Delaware corporation

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

**AMENDMENT TO VELOFIX HOLDINGS USA, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND**

The Velofix Holdings USA, Inc. Franchise Agreement between _____ ("Franchisee") and Velofix Holdings USA, Inc. ("Franchisor"), dated _____, 20__ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD. ANN. CODE, BUS REG., §§ 14-201 *et seq.* (2015 Repl. Vol.) ("**Law**"). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Any release required as part of the Agreement or as a condition of the sale, renewal, assignment, or transfer of the franchise will not apply to any liability under the Law.
- b. Any acknowledgments or representations of Franchisee made in the Agreement which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Law are not intended to nor will they act as a release, estoppel, or waiver of any liability incurred under the Law.
- c. Any requirement that litigation be conducted in a forum other than the State of Maryland will not be interpreted to limit any rights Franchisee may have under the Law to bring suit in the State of Maryland.
- d. The limitation on the period of time mediation and/or litigation claims must be brought will not act to reduce the 3-year statute of limitations afforded Franchisee for bringing a claim arising under the Law. Any claims arising under the Law must be brought within 3 years after the grant of the franchise.

2. Based upon our financial condition, the Maryland Securities Commission has imposed a fee deferral requirement. Therefore, notwithstanding anything to the contrary in the Agreement, you will not be required to pay the initial fees and other payments due to us and/or our affiliates for services provided and goods delivered prior to the opening the Franchised Business, including the Initial franchise fee and the cost of the equipment, inventory, uniforms, etc., until we have completed all our pre-opening obligations to you and you begin operating your Franchised Business.

3. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Law, with respect to each such provision, are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20____.

FRANCHISOR:

Velofix Holdings USA, Inc.,
a Delaware corporation

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

**AMENDMENT TO VELOFIX HOLDINGS USA, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK**

The Velofix Holdings USA, Inc. Franchise Agreement between _____ (“Franchisee”) and Velofix Holdings USA, Inc. (“Franchisor”), dated _____, 20__ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

NEW YORK LAW MODIFICATIONS

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.
- b. If the Agreement requires that it be governed by the law of a state, other than the State of New York, the choice of law provision shall not be considered to waive any rights conferred upon the Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the New York General Business Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20____.

FRANCHISOR:

Velofix Holdings USA, Inc.,
a Delaware corporation

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

**AMENDMENT TO VELOFIX HOLDINGS USA, INC.
FRANCHISE AGREEMENT
FOR THE COMMONWEALTH OF VIRGINIA**

The Velofix Holdings USA, Inc. Franchise Agreement between _____ (“Franchisee”) and Velofix Holdings USA, Inc. (“Franchisor”), dated _____, 20__ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

VIRGINIA LAW MODIFICATIONS

1. Section 3.1, “Initial Fee” is supplemented by the following:

“The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.”

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the State Corporation Commission under the Virginia Retail Franchising Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

FRANCHISOR:

Velofix Holdings USA, Inc.,
a Delaware corporation

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

**AMENDMENT TO VELOFIX HOLDINGS USA, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF WASHINGTON**

The Velofix Holdings USA, Inc. Franchise Agreement between _____ (“Franchisee”) and Velofix Holdings USA, Inc. (“Franchisor”), dated _____, 20__ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

WASHINGTON LAW MODIFICATIONS

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 to 19.100.940. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Washington Franchise Investment Protection Act provides rights to you concerning nonrenewal and termination of the Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. If the Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Washington Franchise Investment Protection Act; except when the release is executed under a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. If there are provisions in the Agreement that unreasonably restrict or limit the statute of limitations period for claims brought under the Act, or other rights or remedies under the Act, those provisions may be unenforceable.
- c. If the Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of Washington, the requirement may be unenforceable under Washington law. Arbitration involving a franchise purchased in the State of Washington, must either be held in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
- d. If the Agreement requires that it be governed by the law of a state, other than the State of Washington, and there is a conflict between the law and the Washington Franchise Investment Protection Act, the Washington Franchise Investment Protection Act will control.
- e. Transfer fees are collectable to the extent that they reflect the Franchisor’s reasonable estimated or actual costs in effecting a transfer.

2. Based on our audited financial statements, as a condition to becoming registered to offer and sell franchises in the state of Washington, the Washington Securities Division has required financial assurances. We will defer your obligation to pay the initial franchise fees until you begin operations and initial training has been provided. Therefore, notwithstanding anything to the contrary in the Agreement, during the period that such fee deferral requirement is in effect (“Fee Deferral Period”), you will not be required to pay the initial franchise fees until the you begin operations and initial training has been provided. After the Fee Deferral Period, you must pay the initial franchise fees as provided in the Agreement.

3. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Washington law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20____.

FRANCHISOR:

Velofix Holdings USA, Inc.,
a Delaware corporation

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

EXHIBIT C
LIST OF FRANCHISEES

LIST OF FRANCHISEES AS OF DECEMBER 31, 2018

*** A Franchise Agreement has been signed, but the outlet was not open as of December 31, 2018**

ARIZONA

Copper Star Cycles LLC (1)
1917 S. Rock Court
Gilbert, AZ 85295
Phone: 702-249-8557

Copper Star Cycles LLC (2)
1917 S. Rock Court
Gilbert, AZ 85295
Phone: 702-249-8557

Copper Star Cycles LLC (3)
1917 S. Rock Court
Gilbert, AZ 85295
Phone: (702) 249-8557

Copper Star Cycles LLC (4)
1917 S. Rock Court
Gilbert, AZ 85295
Phone: 702-249-8557

Copper Star Cycles LLC (5)
1917 S. Rock Court
Gilbert, AZ 85295
Phone: 702-249-8557

Copper Star Cycles LLC (6)
1917 S. Rock Court
Gilbert, AZ 85295
Phone: 702-249-8557

Copper Star Cycles LLC (7)
1917 S. Rock Court
Gilbert, AZ 85295
Phone: 702-249-8557

ARKANSAS

Mobile Bikeshop NWA
1660 North College Ave, Unit A1
Fayetteville, AR 72703
Phone: 479-747-5263

CALIFORNIA

San Diego Cycling Club
2221 Las Palmas Dr # F.
Carlsbad, CA 92011
Phone: 760-978-9622

Mobile Cycling Solutions Inc. (OC#1)
9 Weather Ldg
Coto De Caza, CA 92679
Phone: 949-735-0237

Mobile Cycling Solutions Inc. (OC#2)
9 Weather Ldg
Coto De Caza, CA 92679
Phone: 949-735-0237

Sierra Service Course (Sac#1)
244 Mondrian Court
El Dorado Hills, CA 95762
Phone: 808-723-0002

Sierra Service Course (Sac #2)
244 Mondrian Court
El Dorado Hills, CA 95762
Phone: 808-723-0002

Sierra Service Course (Sac #3)
244 Mondrian Court
El Dorado Hills, CA 95762
Phone: 808-723-0002

Rubicon Velo LLC (SV#1)
2140 Camino De Los Robles
Menlo Park, CA 94025
Phone: 650-787-3775

Rubicon Velo LLC (SV#2)
2140 Camino De Los Robles
Menlo Park, CA 94025
Phone: 650-787-3775

San Francisco Bike Services, LLC
1525 Bryant Street, Unit 0721
San Francisco, CA 94103
Phone: 415-713-0551

Mark Bierotte
DBA Velofix Pasadena
12407 E Slauson Ave. Ste P
Whittier, CA 90606
Phone: 626-482-0772

Bike Concierge LLC (#1)
318 Ave 1 Unit A
Redondo Beach, CA 90277
Phone: 805-728-1434

Bike Concierge LLC (#2)
318 Ave 1 Unit A
Redondo Beach, CA 90277
Phone: 805-728-1434

Bike Concierge LLC (#3)
318 Ave 1 Unit A
Redondo Beach, CA 90277
Phone: 805-728-1434

Bike Concierge LLC (#4)
318 Ave 1 Unit A
Redondo Beach, CA 90277
Phone: 805-728-1434

Bike Concierge LLC (#5)
318 Ave 1 Unit A
Redondo Beach, CA 90277
Phone: 805-728-1434

Bike Concierge LLC (#6)
318 Ave 1 Unit A
Redondo Beach, CA 90277
Phone: 805-728-1434

Bike Concierge LLC (#7)
318 Ave 1 Unit A
Redondo Beach, CA 90277
Phone: 805-728-1434

Suffer Mechanism Cycling LLC
4403 Newport Ave
San Diego, CA 92107
Phone: 303-704-8536

Central Coast Cycling LLC
146 Naomi Ave
Pismo Beach CA 93449
Phone: 805-709- 2414

Central Coast Cycling LLC
146 Naomi Ave
Pismo Beach CA 93449
Phone: 805-709- 2414

Hudson Brothers Bikewerx (#1)
260 West Drive
Golden, CO
Phone: 720-272-9469

Hudson Brothers Bikewerx (#2)
260 West Drive
Golden, CO
Phone: 720-272-9469

Hudson Brothers Bikewerx (#3)
260 West Drive
Golden, CO
Phone: 720-272-9469

Hudson Brothers Bikewerx (#4)
260 West Drive
Golden, CO
USA
Phone: 720-272-9469

Hudson Brothers Bikewerx (#4)
260 West Drive
Golden, CO
Phone: 720-272-9469

TTN Holdings LLC
6 Atwater
Irvine CA 92602
Phone: 714-262-4792

Velo Bid Corp
1665 W Mammoth Drive
Upland, CA 91484
Phone: 626-241-7242

Cali Lorient LLC
82 Allen Ave
Cloverdale, CA 95425
Phone: 415-720-6472

COLORADO

Colorado Cycleworks LLC
1136 Spectrum Loop
Colorado Springs, CO 80921
Phone: 719-250-7122

Bike Repair Colorado LLC (#1)
1555 S, 76th St. Unit 22919
Superior, CO 80027
Phone: 970-420-6070

Bike Repair Colorado LLC (#2)
1555 S, 76th St. Unit 22919
Superior, CO 80027
Phone: 970-420-6070

Bike Repair Colorado LLC (#3)
1555 S, 76th St. Unit 22919
Superior, CO 80027
Phone: 970-420-6070

Bike Repair Colorado LLC (#4)
1555 S, 76th St. Unit 22919
Superior, CO 80027
Phone: 970-420-6070

CONNECTICUT

Connecticut Cycling Solutions LLC (#1)
37 Cornfield Rd.
Trumbull, CT 06611
Phone: 203-240-4987

Connecticut Cycling Solutions LLC (#2)
37 Cornfield Rd.
Trumbull, CT 06611
Phone: 203-240-4987

Connecticut Cycling Solutions LLC (#3)
37 Cornfield Rd.
Trumbull, CT 06611
Phone: 203-240-4987

DISTRICT OF COLUMBIA

AME Cycling LLC (#1)
13800 McLearen Rd
Herndon, VA 20171
Phone: 202-643-3230

FLORIDA

T2 Cycles LLC (SF#1)
3600 NW Boca Raton Blvd
Boca Raton, FL 33431
Phone: 561-703-7342

T2 Cycles LLC (SF#2)
3600 NW Boca Raton Blvd
Boca Raton, FL 33431
Phone: 561-703-7342

T2 Cycles LLC (SF#3)
3600 NW Boca Raton Blvd
Boca Raton, FL 33431
Phone: 561-703-7342

T2 Cycles LLC (SF#4)
3600 NW Boca Raton Blvd
Boca Raton, FL 33431
Phone: 561-703-7342

T2 Cycles LLC (SF#5)
3600 NW Boca Raton Blvd
Boca Raton, FL 33431
Phone: (561) 703 7342

T2 Cycles LLC (SF#6)
3600 NW Boca Raton Blvd
Boca Raton, FL 33431
Phone: 561-703-7342

Veloguy LLC
819 Emden Ave NW
Palm Bay, FL 32907
Phone: 321-258-0082

Isotropic Media Group LLC.
4840 Laddie Court
Orlando, FL 32821
Phone: 407-470-4052

GEORGIA

Blake Bikes LLC (#1)
204 Capstone Dr., Unit 304
Lynchburg, VA 24502
Phone:

Blake Bikes LLC (#2)
204 Capstone Dr., Unit 304
Lynchburg, VA 24502
Phone: 770-653-6204

Blake Bikes LLC (#3)
204 Capstone Dr., Unit 304
Lynchburg, VA 24502
Phone: 770-653-6204

HAWAII

Legend Bicycles LLC
73-5591 Maiau Street Unit 2024
Kailua-Kona, HI 96740
Phone: 808-785-5159

ILLINOIS

EH Cycles LLC
2110 Hawk Lane
Rolling Meadows, IL 60008
Phone: 630-27_-7949

INDIANA

Green Jersey LLC
135 Raintree Drive
Zionsville, IN
Phone: 317-522-6100

Green Jersey LLC
135 Raintree Drive
Zionsville, IN
Phone: (317) 522-6100

Green Jersey LLC
135 Raintree Drive
Zionsville, IN
Phone: 317-522-6100

KENTUCKY

Bourbon City Bicycles
164 Wilshire Ave
Louisville, KY 40207
Phone: 301-385-3966

MARYLAND

AME Cycling LLC (#2)
13800 McLearen Rd
Herndon, VA 20171
Phone: 202-643-3230

MASSACHUSETTS

Gunrun Velo Corp
200 Topsfield Rd.
Wenham, MA 01984
Phone: 978-880-2363]

MICHIGAN

Pursuit Detroit LLC (#1)
1782 Pontiac Dr. Unit 638
Sylvan Lake, MI 48320
Phone: 248-705-6746

Pursuit Detroit LLC (#2)
1782 Pontiac Dr. Unit 638
Sylvan Lake, MI 48320
Phone: 248-705-6746

MINNESOTA

Allvelo Holdings (MN#1)
3641 44 Ave NW
Rochester, MN 5901
Phone: 507-421-0970

Allvelo Holdings (MN#2)
3641 44 Ave NW
Rochester, MN 5901
Phone: 507-421-0970

Allvelo Holdings (MN#3)
3641 44 Ave NW
Rochester, MN 5901
Phone: 507-421-0970

Allvelo Holdings (MN#4)
3641 44 Ave NW
Rochester, MN 5901
Phone: 507-421-0970

Allvelo Holdings (MN#5)
3641 44 Ave NW
Rochester, MN 5901
Phone: 507-421-0970

Allvelo Holdings (MN#6)
3641 44 Ave NW
Rochester, MN 5901
Phone: 507-421-0970

Allvelo Holdings (MN#7)
3641 44 Ave NW
Rochester, MN 5901
Phone: 507-421-0970

MISSOURI

FMAD Investments LLC
4175 Chippewa, Unit #1490D
St Louis, MO 63116
Phone: 931-446-7501

NEVADA

LV Veloworks LLC (#1)
7694 Canyon Diablo Dr.
Las Vegas, NV 89179
Phone: 818-813-2493

LV Veloworks LLC (#2)
7694 Canyon Diablo Dr.
Las Vegas, NV 89179
Phone: 818-813-2493

Bike Fix Holdings LLC
4575 Mountaingate Drive
Reno, NV 89519
Phone: 775-848-2583

NEW YORK

Contre La Montre LLC (#1)
111 Cedar Street Unit A7018
New Rochelle, NY 10801
Phone: 347-484-9191

Contre La Montre LLC (#2)
111 Cedar Street Unit A7018
New Rochelle, NY 10801
Phone: 347-484-9191

Contre La Montre LLC (#3)
111 Cedar Street Unit A7018
New Rochelle, NY 10801
Phone: 347-484-9191

Contre La Montre LLC (#4)
111 Cedar Street Unit A7018
New Rochelle, NY 10801
Phone: 347-484-9191

Blueline Spokes & Gears
52 Main St.
Queensbury, NY 12804
Phone: 518-859-9568

OHIO

Midwest Velo Corporation
9121 Brakeman Road
Chardon, OH 44024
Phone: 440-376-9132

Ohio Valley Bikes LLC
6435 Centre Park Dr.
West Chester, OH 45069
Phone: 513-315-0445

OREGON

JRA Mobile Repair LLC
1327 SE Tacoma St. #337
Portland, OR 97202
Phone: 503-577-3922

The Alley Group LLC (#1)
18840 SW Boones Ferry Road
Tualatin, OR 97034
Phone: 503-329-7291

The Alley Group LLC (#2)
18840 SW Boones Ferry Road
Tualatin, OR 97034
Phone: 503-329-7291

The Alley Group LLC (#3)
18840 SW Boones Ferry Road
Tualatin, OR 97034
Phone: 503-329-7291

PENNSYLVANIA

PA Cycling Solutions LLC (#1)
1450 Eaves Spring Rd.
Malvern, PA 19355
Phone: 610-496-0381

PA Cycling Solutions LLC (#2)
1450 Eaves Spring Rd.
Malvern, PA 19355
Phone: 610-496-0381

RHODE ISLAND

Sakonnet Bike & Board
105 Randolph Ave
Tiverton, RI 02878
Phone: 401-855-1377

TEXAS

Drag Ventures Inc. (DFW#1)
2354 Boxwood Dr.
Allen, TX 75013
Phone: 210-393-7585

Drag Ventures Inc. (DFW#2)
2354 Boxwood Dr.
Allen, TX 75013
Phone: 210-393-7585

Drag Ventures Inc. (DFW#3)
2354 Boxwood Dr.
Allen, TX 75013
Phone: 210-393-7585

Drag Ventures Inc. (DFW#4)
2354 Boxwood Dr.
Allen, TX 75013
Phone: 210-393-7585

Cycl Service ATX (#1)
6609 Back Bay, LN
Austin, TX
Phone: 512-744- 8203

Cycl Service ATX (#2)
6609 Back Bay, LN
Austin, TX
Phone: 512-744-8203

Bici Bello LLC (#1)
110 E. Houston
San Antonio, TX
78205
Phone: 210-326-7555

Bici Bello LLC (#2)
110 E. Houston
San Antonio, TX
78205
Phone: 210-326-7555

Clear Creek Cycles LLC
2110 Shadow Bay Circles
League City, TX
Phone: 281-772-6333

TENNESSEE

Hudson Brothers Bikewerx (#1 Nashville)
260 West Drive
Golden, CO
Phone: 720-272-9469

Hudson Brothers Bikewerx (#2 Nashville)
260 West Drive
Golden, CO
Phone: 720-272-9469

UTAH

920 Ventures LLC (#1)
6743 S 1300 East Unit 160
Cottonwood Heights, UT 84121
Phone: 801-895-4122

920 Ventures LLC (#2)
6743 S 1300 East Unit 160
Cottonwood Heights, UT 84121
Phone: 801-895-4122

Salty Bicycles LLC
8706 Leafwood Lane
Sandy, UT 84401
Phone: 801-915-2901

VIRGINIA

AME Cycling LLC (#1)
13800 McLearen Rd
Herndon, VA 20171
Phone: 202-643-3230

AME Cycling LLC (#2)
13800 McLearen Rd
Herndon, VA 20171
Phone: 202-643-3230

AME Cycling LLC (#3)
13800 McLearen Rd
Herndon, VA 20171
Phone: 202-643-3230

WASHINGTON

Seattle Mobile Bike Proshop LLC (#1)
15592 NE 36th St, #200
Redmond, WA 98052
Phone: 425-435-7775

Seattle Mobile Bike Proshop LLC (#2)
15592 NE 36th St, #200
Redmond, WA 98052
Phone: 425-435-7775

Slow Leak LLC (East Seattle)
18930 Bothell Everett Hwy U104
Bothell, WA
Phone: 254-423- 2299

Veloworks LLC
1303 N Washington St., Suite A
Spokane, WA 99201
Phone: 509-995-4292

Apocalypse Cycles LLC
2209 NW 138th St.
Vancouver, WA 98685
Phone: 360-907-1673

EXHIBIT D

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM
AS OF DECEMBER 31, 2018**

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

ARIZONA

BS Industries LLC
206 E Portland St.
Suite 101
Phoenix, AZ 85004
Phone: 602-505 9116

Hamilton Jackson LLC
8706 Oslo Lane NE
Lacey, WA
Phone: 602-578-1175

COLORADO

Dana Carwin
805 Coral St
Broomfield, CO 80020
Phone: 720-839-8896

DISTRICT OF COLUMBIA

Sean McKnight
85 14th St NE
Washington, DC
Phone: 646-535-7571

FLORIDA

Souther Crankworks LLC
3855 Painted Bunting Way
Jacksonville, Florida
Phone: 803-493-0902

GEORGIA

VF Southeast LLC
756 Albemarle Court
Lawrenceville, Georgia
Phone: 678-641-9256

VF Southeast LLC
756 Albemarle Court
Lawrenceville, Georgia
Phone: 678-641-9256

MARYLAND

Sean McKnight
85 14th St NE
Washington, DC
Phone: 646-535 7571

NEVADA

Fast Eddy Bicycles Inc.
6305 Palmona St.
Las Vegas, Nevada
Phone: 702-332-8334

NEW YORK

Contre la Montre LLC
10 Ben Court
Greenwich, CT
Phone: 646-32-2920

VIRGINIA

Sean McKnight
85 14th St NE
Washington, DC
Phone: 646-535-7571

EXHIBIT E
MANUAL TABLE OF CONTENTS

Velofix Standard Operating Procedures Manual Table of Contents

Section 1-Operator

Daily Operating Procedure (23 PAGES)

Commencing of Day

Vehicle Opening

Vehicle Boosting

During Service Hours

Preliminary Call

The Intake

Call Back/Service Close

Pick up drop off

Handling additional bikes

Service Upsell: Categories & Topics

Close payments

Payment Collections

Handling Job w/o Supplies

Parking Commercial and Residential

End of Day

Batching

Receive Product & Stock into vehicle

Recycling and Disposal

Charging Truck/Checking Levels

Vehicle Closing

Customer and Business Care (4 PAGES)

Handling Warranty Repairs (Work Performed By Velofix)

Handling Product Warranties (Product Sold to Cust. By Velofix)

Handling Product Warranties (Product not Sold by Velofix)

Bike Build Custom Consult

Operator Training Manual (5 PAGES)

A day in Overview

Top 5 Service q's

Phone Answering Procedure

Email Answering Procedure

Apparel and Personal Presentation

Services Training Manual (13 PAGES)

Bicycle Service Packages

“The Domestique” Basic Tune Up

“The Yellow Jersey” Major Tune Up

“The Paris-Roubaix” Full Overhaul and Tune Up

Service Requirements and Expectations

General Expectations

“The Domestique” Basic Tune Up

“The Yellow Jersey” Major Tune Up

“The Paris-Roubaix” Full Overhaul and Tune Up

Bike Fitting-Outsourcing

Section 2-Administrator

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Accounts

Create New Account

Create a Quote

Convert Quote to Work Order

Scheduling

Booking Flow in VeloNet™

Modify Existing Booking

The Big 4 Overview: Job > Work Order > Invoice > Payment

Create Job

View Details

Create Work Order

Update Work order

Convert work order to invoice

Grey off time

NBA/Sprint Calendar

Inventory

Purchase orders

Shopping cart

Inventory Management

Add New Items

Reports

Franchise Profile

Customer and Business Care (1 PAGE)

Inquiries

Event Management (5 PAGES)

Special Event Bookings

Staff management

Special Event Inventory

TOTAL PAGES IN MANUAL: 69 pages

TOTAL PAGES (INCL. TOC, Dividers etc.): 80 pages

EXHIBIT F
FORM OF GENERAL RELEASE

EXHIBIT F

FORM OF GENERAL RELEASE

[Current Form for Transfers and Renewals]

1. **Release of Claims.** Franchisee and its Owners and their respective assigns, heirs, representatives, agents, family members, and all other persons acting on their behalf or claiming under them (collectively referred to as the “Franchisee Related Parties”) irrevocably and unconditionally release and forever discharge Franchisor, its predecessors, subsidiaries, affiliates and their respective owners, officers, directors, agents, independent contractors, servants, employees, representatives, attorneys, successors and assigns and all persons acting by, through, under or in concert with any of them (collectively “Releasees”), from all actions, causes of action, suits, debts, liens, contracts, agreements, obligations, promises, liabilities, claims, rights, demands, damages, controversies, losses, costs, and expenses (including attorneys’ fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, except for claims under the Maryland Franchise Registration and Disclosure Law (“Claim” or “Claims”), which they now have or claim to have or at any time heretofore have had or claimed to have against each or any of the Releasees, including, without limitation, any and all such Claims arising from, based upon or related to the Franchise Agreement, but excluding claims based on any representation that Franchisor made in the most recent Franchise Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative in connection with the offer of the Franchise Agreement, subject to agreed-upon changes to the contract terms described in that Franchise Disclosure Document and reflected in the Franchise Agreement (including any riders or addenda signed at the same time as the Franchise Agreement).

[For California franchisees, add: Each of the Franchisee Related Parties expressly waives and relinquishes all rights and benefits which either may now have or in the future have under and by virtue of California Civil Code Section 1542. The parties do so understanding the significance and consequence of such specific waiver. Section 1542 provides that “[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.” For the purpose of implementing a general release and discharge as described in Section 1. above, the parties expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all claims described in Section 1. above which the parties do not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.]

2. **Unknown Claims.**
 - (a) Franchisee acknowledges for itself and the Franchisee Related Parties that there is a risk that subsequent to the execution of this Agreement, it will discover, incur or suffer Claims which are unknown or unanticipated at the time this Agreement is executed, including, without limitation, unknown or unanticipated Claims which arose from, are based upon or are related to the Franchise Agreement or some part or aspect thereof, which if known by Franchisee on the date this Agreement is being executed may have materially affected its decision to execute this Agreement.

- (b) Franchisee acknowledges and agrees for itself and the Franchisee Related Parties that by reason of the release contained in Section 1 above, it is assuming the risk of such unknown and unanticipated Claims and agrees that its release of the Releasees contained in this Agreement applies thereto.
3. **Covenant Not to Sue.** Franchisee covenants and agrees for itself and for the Franchisee Related Parties not to bring or allow to be brought on behalf of itself or any Franchisee Related Party, any action, cause of action, suit or other proceeding of any kind, which has accrued or which may ever accrue, whether based in the Constitution, common law or statute, contract, tort, or in equity, for actual or punitive damages or other relief, against Franchisor and the Releasees arising out of, resulting from, or in any manner related to the matters referenced in Section 1.
4. **No Assignment of Claims.** Franchisee represents and warrants for itself and the Franchisee Related Parties that it has not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claims released under Section 1 of this Agreement and agrees to indemnify, defend and hold the Releasees harmless from and against any and all Claims, based on or arising out of any such assignment or transfer, or purported assignment or transfer, of any Claims, or any portion thereof or interest therein. Franchisee represents and warrants that since the date of the Franchise Agreement, there has been no assignment or transfer, and no purported assignment or transfer, to any person or entity of the Franchise, the Franchise Agreement, or any rights or interests therein or in the Franchisee.
5. **Full and Independent Knowledge.** Franchisee represents that it has been represented by an attorney in connection with the preparation and review of this Agreement, that it has specifically discussed with its attorney the meaning and effect of this Agreement and that it has carefully read and understands the scope and effect of each provision contained herein. Franchisee further represents that it does not rely and has not relied upon any representation or statement made by the Franchisor or, any of the Releasees or any of their representatives with regard to the subject matter, basis or effect of this Agreement.
6. **Compromise.** Franchisee agrees for itself and the Franchisee Related Parties that the releases contained herein are the result of a compromise and shall never at any time for any purpose be considered as an admission of liability or responsibility on the part of Franchisor or the Releasees regarding any matter.
7. **General Provisions.**
- (a) **Entire Agreement.** This Agreement, when fully executed, supersedes all previous negotiations, representations, and discussions by the parties hereto concerning the subject matter hereof and integrates the whole of all of their agreements and understandings concerning the subject matter hereof. No oral representations or undertakings concerning the subject matter hereof shall operate to amend, supersede, or replace any of the terms or conditions set forth herein.
- (b) **Authority.** By their signatures below, the parties hereto represent and warrant to each other that they have all necessary authority to enter into this Agreement. Each party hereto represents and warrants that the party is entering into this Agreement solely for the purposes and consideration set forth herein.

- (c) Counterpart Execution. This Agreement may be executed in multiple counterparts, each of which shall be fully effective as an original.
- (d) Survival. All covenants, representations, warranties, and agreements of the parties shall survive execution and delivery of this Agreement and shall continue until such time as all the obligations of the parties hereto shall have lapsed in accordance with their respective terms or shall have been discharged in full.
- (e) Further Assurance. The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the intent of this Agreement.
- (f) Complete Defense. Franchisee acknowledges that this Agreement shall be a complete defense to any claim released under the terms of Section 1 of this Agreement and hereby consents to the entry of a temporary or permanent injunction to end the assertion of any such claim.
- (g) Attorneys' Fees. In the event that Franchisor institutes legal proceedings of any kind to enforce this Agreement, Franchisee agrees to pay all costs and expenses associated therewith, including, but not limited to, all attorneys' fees.

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IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date indicated below.

FRANCHISOR:

Velofix Holdings USA, Inc.
a Delaware corporation

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____
Date: _____

OWNERS:

Date: _____

Date: _____

Date: _____

[See Additional Note:

1. Add signature blocks for any additional parties identified pursuant to Section 1]

EXHIBIT G

SERVICE AGREEMENT FOR FLEET MANAGEMENT SYSTEM (OPTIONAL)

ACCOUNT INFORMATION

Account Number: ☒ New ☐ Replacement
☐ Existing Verizon Lead? ☐ Yes ☒ No Sales Rep: Mike Wilson VZ Code: Sales Rep. Phone: (813)-393-4034

CUSTOMER INFORMATION

Customer Name: Phone: Fax:

Shipping Address: Secondary #:

City, State & Zip: Attention: E-mail:

Billing Address: ☒ Check if Same as Shipping Address Phone:

City, State & Zip: Attention: E-mail:

Term: 36 Months Network: AT&T Effective Date (Office Use Only):

Country USA

This NexTraq Subscription Agreement (the "Agreement") is made and entered into by and between the above named customer ("Customer") and NexTraq ("NexTraq") as of the date of NexTraq's signature below (the "Effective Date"). This Agreement consists of this one-page order form (the "Order Form"), the Terms and Conditions attached hereto, and any additional terms or addenda agreed upon in writing by Customer and NexTraq.

Note to Customer:

* Commercial Trucks, Class 7 or higher may require commercial Garmin equipment and functionality. Please be aware a Commercial Garmin has not been selected below. Should a Commercial be requested, this upgrade may result in additional and separate invoicing

Special Instructions:

Vonigo Integration Account

SERVICE PACKAGE

NexTraq Advantage Packages	Description	Term	MSRP	Unit Price:	QTY:	Extended Price:
Advantage Tracking Package	Choose Package	36 Months				
Advantage Dispatch Package	NexTraq Dispatch Canada/WS	36 Months	\$ 71.95	\$ 45.95	1	\$ 45.95
Advantage Satellite Package	Choose Package	36 Months				
Advantage Asset Package	Choose Package Choose	36 Months				

RELATED EQUIPMENT AND SERVICES

Related Equipment and Services	Term	Unit Price:	Unit Price:	QTY:	Extended Price:
Tracking Modules	36 Months	Listed Above	Listed Above	1	Listed Above
Installation Kit with Install	36 Months	Included	Included	1	Included
NexTraq Network Access	36 Months	Included	Included	1	Included
NexTraq Admin	36 Months	Included	Included	1	Included
NexTraq Alerts	36 Months	Included	Included	1	Included
NexTraq Standard Reports	36 Months	Included	Included	1	Included
NexTraq Mobile Web App	36 Months	Included	Included	1	Included
NexTraq Fleet Director RSS	36 Months	Included	Included	1	Included
NexTraq V8 Messages	36 Months	Included	Included	1	Included

NexTraq Advantage Drive Tie-in

GARMIN Nuvi and Accessory Kit	36 Months	Included	Included	1	Included
NexTraq Dispatch Routing and Reports	36 Months	Included	Included	1	Included

ADDITIONAL FEATURES AND SERVICES

Additional Features and Services	Term	MSRP:	Unit Price:	QTY:	Extended Price:
NexTraq Dispatch (Not bundled)					
NexTraq Connect Choose Option					
NexTraq Connect Activation					
NexTraq Driver ID					
Sensor Fees					
Starter Interrupt					
DriveGuard					
NexTraq Speedlimit					
Additional Users					

Additional Accessories	Installation	MSRP	Unit Price:	QTY:	Extended Price:

Total Monthly Bundle Service: \$ 45.95

Total Monthly Additional Service: \$ -

Total Additional Accessories (One time equipment charge): \$ -

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SUMMARY

(If PO# is necessary to process payment, please enter PO #)

PO: Boris

Installation Address

Contact:

Payment Option

Monthly

Subscription Sub-Total

\$ 45.95

City, State & Zip:

Tax:

To be calculated later

Applicable Tax to be calculated at invoicing

* First month payment includes shipping and applicable

Monthly Total \$ 45.95

Activation Fees: \$ 60 Waived

Estimated Shipping: \$ 18.00

First Month Payment : \$ 63.95

SHIPMENT INFORMATION

Shipment Method: FedEx Ground

FedEx #

CREDIT CARD INFORMATION

<https://billpay.discretewireless.com>

Full Name on Card:

Holder's Billing Address:

Account #

Security Code

Exp. Date:

*Credit Card will be charged for down payment, to authorize NexTraq to charge balance monthly, initial here

I hereby authorize NexTraq Inc. to charge the credit card shown above as indicated.

X

*We accept Visa, MasterCard and American Express. We do not accept Discover Card

NexTraq ADMINISTRATOR LOGIN INFORMATION

(4 users at no charge. Fees may apply for additional users)

Password and Login ID must be at least six (6) characters

Number of Users:

First Name:

Last Name:

Login ID:

Password:

Starter Interrupt Authorization Code:

NexTraq (For Office Use Only)

Customer (Please Sign Here)

Signature

Signature

Print Name

Date

Print Name

Date

Title

Title

NexTraq

1200 Lake Hearn Drive • Suite 500 • Atlanta, GA 30319
Fax: 404-255-2329 • Sales: 678-762-6810

NEXTRAQ SUBSCRIPTION AGREEMENT

TERMS AND CONDITIONS

1. CERTAIN DEFINED TERMS. IN ADDITION TO TERMS DEFINED ELSEWHERE IN THIS AGREEMENT, THE FOLLOWING TERMS SHALL HAVE THE MEANINGS SET FORTH HEREIN: (A) "EQUIPMENT" MEANS ALL OF THE HARDWARE EQUIPMENT LISTED ON THE ORDER FORM TO WHICH THESE TERMS AND CONDITIONS ARE ATTACHED, WHETHER MANUFACTURED BY NEXTRAQ OR BY OR FOR A THIRD PARTY; (B) "TRACKING DEVICE(S)" MEANS EQUIPMENT CONSISTING OF A VEHICLE OR ASSET MOUNTED WIRELESS TRACKING DEVICE MANUFACTURED BY OR FOR NEXTRAQ, EXPRESSLY EXCLUDING ALL PERIPHERAL, ANCILLARY OR RELATED ACCESSORIES; (C) "SERVICES" MEANS NEXTRAQ'S DATA COLLECTION AND INTERNET-BASED VEHICLE LOCATION SERVICE THAT USES THE GLOBAL POSITIONING SYSTEM AND TRACKING DEVICES FOR POSITION LOCATION REPORTING AND A WIRELESS OR SATELLITE NETWORK OPERATED BY ONE OR MORE THIRD PARTIES FOR DATA COMMUNICATIONS, TOGETHER WITH ANY OTHER SERVICE (INCLUDING THIRD PARTY SERVICES) OFFERED BY NEXTRAQ FOR USE IN CONNECTION WITH THE TRACKING DEVICES AND (D) "APPLICATION" MEANS A NEXTRAQ-HOSTED INTERNET WEB SITE WHICH ALLOWS YOU TO RECEIVE AND ACCESS DATA GENERATED BY THE SERVICES.

2. EQUIPMENT.

2.1 Delivery/Acceptance. You agree to purchase the Equipment shown on the Order Form. The Equipment will be delivered as shown on the Order Form, or you may pick up the Equipment by contacting NexTraQ or its authorized agent and making specific arrangements. You are responsible for inspection upon receipt or pick up and, unless you notify us or our agent, as applicable in writing within 10 days of delivery or pick up, you will be deemed to have irrevocably accepted the Equipment in proper working order. All deliveries of Equipment (whether shipped to or retrieved by you) are F.O.B. point of origin.

2.2 Installation and Maintenance. If you elect, NexTraQ or its authorized third party will install the Equipment for the price set forth on the Order Form. NexTraQ will use reasonable efforts to have installations performed on your requested dates. NexTraQ warrants for ninety (90) days from the date of its or its agent's installation of the Tracking Device that such installation will be free from material defects in materials and workmanship and that the Tracking Device will be capable of working with the Services. If an installation is defective or a Tracking Device fails during this period due, in NexTraQ's reasonable determination, to a faulty installation, NexTraQ will provide the necessary parts and labor to correct the installation free of charge. If you choose to install Equipment yourself, (a) failure to follow provided guidelines will void any applicable warranties under this Agreement, and (b) installation must take place within fourteen (14) days of the date of delivery, after which time NexTraQ may begin invoicing you for the Service charges based on the total number of Tracking Devices and related Equipment delivered.

3. SERVICES.

3.1 Scope. These terms and conditions govern your use of the Services indicated on the Order Form to which they are attached. From time to time, you may choose to subscribe for additional Services offered by NexTraQ or its partners. Unless otherwise specified in writing, such Services shall be governed by these terms and conditions, together with any supplemental terms provided at the time of subscription.

3.2 Trial-Based Services. Certain Services ("Trial-Based Services") may be offered with a risk-free trial evaluation period. Such Services will either be labeled as Trial-Based Services on an Order Form or may be offered by telephone after your initial subscription. The trial period for each Trial-Based Service begins upon activation and ends after the period indicated on the Order Form or agreed to by phone. No charges will be due for Trial-Based Services provided during the trial period. Unless you call NexTraQ customer service or contact us in writing to cancel your Trial-Based Service subscription before the end of the trial period, your subscription to the Trial-Based Services will automatically continue and Charges will become payable and due as described in Section 5.1 below.

3.3 Access. NexTraQ will assign you, and you will be responsible for controlling, user name(s) and password(s) which permit your employees and independent contractors to access and use the Application. You must promptly notify NexTraQ of any unauthorized use of the user name(s) or password(s), and you will be responsible for all use thereof prior to such notification. NexTraQ shall not be liable for any loss or damage arising from any unauthorized use of a user name or password prior to your notifying us of unauthorized use. You shall not assign, transfer or otherwise permit access to the Application except as expressly set forth herein.

3.4 Network Issues. You will be solely responsible for the choice of an Internet service provider necessary to access the Application and for all related fees and expenses. Certain features and/or functionality of some cellular-based Services may be limited in roaming areas. Over time, wireless network or satellite provider requirements may change and Equipment may need to be upgraded to accommodate such changes. You may be responsible for costs related to such upgrades, and NexTraQ provides no guarantee that Services will continue to be available if required upgrades are not made. NexTraQ will notify you in writing as soon as reasonably practicable after receiving notice from the wireless network or satellite provider that upgrades will be required.

3.5 Data Retention and Retrieval. You are solely responsible for establishing any long-term data retention and retrieval requirements. NexTraQ makes no guarantee that access to such data will be available after the expiration or termination of this

Agreement.

4. OUR LIMITED WARRANTIES.

4.1 Tracking Devices. During the Initial Term, NexTraQ warrants (the "Tracking Device Warranty") that the Tracking Devices made available pursuant to this Agreement will be free from material defects in materials and workmanship and capable of working with the Services in accordance with NexTraQ's published specifications ("Good Working Order"). During the applicable warranty period, NexTraQ or its authorized partner will repair or replace, at its sole option, any Tracking Device not in Good Working Order. You consent to the use of refurbished Tracking Devices for replacement purposes. When applicable, NexTraQ will issue a return authorization number upon your request, and the defective Tracking Device must be sent, insured, to NexTraQ with such number within 30 days thereof or you may be invoiced for any replacement Tracking Device provided to you based on the then-current list prices. The Tracking Device Warranty terminates at the end of the Initial Term, even if this Agreement is extended or renewed. NexTraQ makes no warranties or commitments with respect to Equipment other than the Tracking Devices, including without limitation, third party GPS navigation systems sold together with a Tracking Device, and all such warranties are hereby expressly disclaimed.

4.2 Services. NexTraQ warrants (the "Service Warranty") that, throughout the Term, the Services (other than third-party provided Services) and Application will be available and operate in accordance with their published specifications. If Services do not perform in accordance with such specifications, you may receive a credit of Charges for each day during which your ability to access and use the Services or Application was materially impaired, based on the total number of impaired Tracking Devices.

4.3 Exclusions. The Tracking Device Warranty does not cover: (i) use of the Tracking Device with antennas, cable connections or mounting hardware other than those furnished by NexTraQ or an authorized third-party, or approved in writing by NexTraQ; (ii) damage to the Tracking Device resulting from physical impact, ordinary wear and tear, or product abuse following delivery or pick up; (iii) improper handling or installation (other than by NexTraQ or its agent), or (iv) alteration, modification or repair other than by NexTraQ or its authorized third party. Any attempt to open a Tracking Device (other than to change replaceable batteries, where applicable) voids the Tracking Device Warranty with respect to such device. Equipment other than Tracking Devices, including but not limited to antennas, batteries, cables and mounting hardware, and GPS navigation systems are excluded from the Tracking Device Warranty provided by NexTraQ. The Service Warranty does not include interruption of Services or the Application as a result of Internet Unavailability, Network Interruption Factors, blocked access due to unauthorized use as described in Section 8.1, or force majeure events as described in Section 8.9. As used herein, (a) "Internet Unavailability" means (i) failure or unavailability of Internet access; (ii) unauthorized use, theft or operator errors relating to your telephone, cable or Internet service provider; (iii) bugs, errors, configuration problems or incompatibility of equipment or services relating to your computer or network; or (iv) failure of communications networks or data transmission facilities, and (b) "Network Interruption Factors" means any wireless or satellite network outages or constraints that may occur due to the availability of such network being temporarily refused, interrupted, curtailed or otherwise limited by factors including but not limited to atmospheric, environmental or topographical conditions, physical features such as buildings, tunnels or landmass features, satellite or transponder failure, coverage loss or gaps, capacity constraints, or network provider facilities changes, modifications, updates, relocations, repairs, maintenance or other similar activities necessary for the proper or improved operation of the applicable network.

5. INVOICING AND PAYMENT; TAXES.

5.1 Invoicing and Payment. Unless otherwise agreed to in writing, you must pay the first month's Services charge, shipping, installation and taxes by credit card before Equipment will be sent or released for pick up. Thereafter, monthly charges ("Charges") for all Services, in the amount shown on the Order Form or, where applicable agreed to by phone, will be due once per month during the Term based on the number of Active Tracking Devices and other Service related equipment associated with your account at such time. Other than during periods of malfunction reported to and acknowledged by NexTraQ, such equipment is deemed "Active" at all times during the Term, regardless of the status of the vehicle in which it is installed. Any additional services provided by NexTraQ or an authorized third party and not covered by an express warranty hereunder will be invoiced following the provision of such services. You shall have sole responsibility for paying the costs, if any, associated with equipment other than the Tracking Device used in connection with the Service, even if such equipment was provided by NexTraQ or an authorized third-party. Such fees may include map updates, software or firmware upgrades, or traffic subscriptions. All invoices are stated in U.S. dollars and due within 30 days from the invoice date. If any amounts due hereunder are not paid by the applicable due date, a late fee may be charged on any delinquent balance for undisputed amounts in an amount not to exceed the lesser of 1.0% of the unpaid balance per month or the maximum amount permitted by law. All reasonable costs and expenses, including but not limited to attorneys' fees, court costs and service charges, incurred by NexTraQ in collecting payment shall be payable by you. Credit terms are at NexTraQ's discretion and are subject to change.

5.2 Credit Card Authorization. Following your initial payment, Charges will be billed to your credit card unless you request separate billing. Unless separate billing is requested, you hereby authorize us to initiate debit entries to such card account for the Charges on a monthly basis and for any other amounts due hereunder at any time. You understand that if a debit is rejected for any reason, you may be charged additional fees, and you agree to hold us harmless from any consequences of acting in accordance with this authorization. You agree that you will remain responsible for all payments due hereunder if funds cannot be charged to the account, and you agree to pay us for any expenses incurred for unsuccessful debit attempts.

5.3 Taxes. All prices, fees and rates under this Agreement exclude sales, use, excise or any other taxes assessed at any time. Except for taxes imposed upon NexTraq's income and FCC license fees, you must pay all applicable taxes and/or assessments, whether invoiced separately or with the Services.

6. TERM AND TERMINATION; REMEDIES.

6.1 Term. The initial term (the "Initial Term") of this Agreement shall commence upon the date set forth on the Order Form to which these terms and conditions are attached, and, unless terminated earlier pursuant to Section 6.2, shall continue in effect for a period of 36 months or, if otherwise set forth on the Order Form, through such date. Unless you notify us at least 30 days prior to the end of the Initial Term stating that you want to discontinue the Agreement at the end of the Initial Term, this Agreement will automatically renew on the same terms and conditions for successive twelve (12) month periods. Automatic renewals will continue until either party provides the other with notice of its intention to cease such automatic renewals, which notice must be received at least 30 days prior to the then-applicable termination date. The Initial Term and all renewals or extensions thereof, if any, are collectively referred to herein as the "Term."

6.2 Termination. The occurrence of any of the following is a material breach of this Agreement and shall allow the non-breaching party to terminate the Term for cause upon notice after the expiration of the applicable period of cure, if any: (i) your failure to pay all amounts owed hereunder within 10 calendar days of written notice that the sums are past due; (ii) your use of the Equipment, the Services or the Application in violation of the restrictions in Section 8.1 below; (iii) you become insolvent, you dissolve or are dissolved, you assign your assets for the benefit of your creditors or enter voluntarily or involuntarily any bankruptcy or other reorganization proceeding; or (iv) any material breach under this Agreement by either party other than those listed above, which is not cured within 30 calendar days after the breaching party receives written notice of the breach.

6.3 Remedies. In the event of early termination of this Agreement, whether during the Initial Term or a renewal thereof, for any reason other than an uncured breach by NexTraq, (a) you shall promptly pay us, as compensation for loss of our bargain and not as a penalty, an amount equal to the aggregate Service charges otherwise payable over the remaining Term for all active Tracking Devices and other Service related Equipment associated with your account at the effective time of termination (in addition to any other amounts then owed); and (b) we may exercise any other right at law or in equity. You agree to pay all of our costs of enforcing our rights against you, including reasonable attorneys' fees. All remedies set forth herein are cumulative and not exclusive.

7. RELATIONSHIP WITH WIRELESS CARRIER. CUSTOMER EXPRESSLY UNDERSTANDS AND AGREES THAT IT HAS NO CONTRACTUAL RELATIONSHIP WHATSOEVER WITH THE UNDERLYING WIRELESS SERVICE PROVIDER OR ITS AFFILIATES OR CONTRACTORS AND THAT CUSTOMER IS NOT A THIRD PARTY BENEFICIARY OF ANY AGREEMENT BETWEEN NEXTRAQ AND THE UNDERLYING CARRIER. IN ADDITION, CUSTOMER ACKNOWLEDGES AND AGREES THAT THE UNDERLYING CARRIER AND ITS AFFILIATES AND CONTRACTORS SHALL HAVE NO LEGAL, EQUITABLE, OR OTHER LIABILITY OF ANY KIND TO CUSTOMER AND CUSTOMER HEREBY WAIVES ANY AND ALL CLAIMS OR DEMANDS THEREFOR. CUSTOMER FURTHER ACKNOWLEDGES THAT REPRESENTATIVES OF THE UNDERLYING WIRELESS SERVICE PROVIDER MAY HAVE MET WITH CUSTOMER INDIVIDUALLY OR TOGETHER WITH NEXTRAQ TO DISCUSS AND REVIEW PRINTED MATERIALS THAT EXPLAINED THE UNDERLYING WIRELESS SERVICE PROVIDER'S UNDERSTANDING OF NEXTRAQ'S SERVICES. CUSTOMER ACKNOWLEDGES THAT IT HAS HAD THE OPPORTUNITY TO FULLY INVESTIGATE THE CAPABILITIES, QUALITY AND RELIABILITY OF THE NEXTRAQ SERVICES AND HAS SATISFIED ITSELF THAT THE SERVICES SATISFACTORILY MEETS ITS BUSINESS NEEDS. CUSTOMER AGREES THAT THE UNDERLYING WIRELESS SERVICE PROVIDER AND ITS AFFILIATES AND CONTRACTORS SHALL HAVE NO LEGAL, EQUITABLE, OR OTHER LIABILITY OF ANY KIND TO CUSTOMER ARISING FROM OR RELATED TO ANY MEETINGS, DISCUSSIONS OR EXPLANATIONS REGARDING THE NEXTRAQ SERVICES AND CUSTOMER HEREBY WAIVES ANY AND ALL CLAIMS OR DEMANDS IT MAY HAVE AGAINST THE UNDERLYING WIRELESS SERVICE PROVIDER AND ITS AFFILIATES AND CONTRACTORS THEREFOR. CUSTOMER FURTHER ACKNOWLEDGES AND AGREES THAT, IF A TRACKING DEVICE IS NO LONGER ACTIVE, OR IF THE SERVICE HAS BEEN MODIFIED TO USE A DIFFERENT WIRELESS CARRIER, THEN, DURING THE TERM OF THIS AGREEMENT OR ANY TIME THEREAFTER, THE INITIAL UNDERLYING WIRELESS SERVICE PROVIDER MAY ACCESS SUCH TRACKING DEVICE USING OVER THE AIR PARAMETER ADMINISTRATION OR OTHER MEANS IN ORDER TO DOWNLOAD SOFTWARE OR OTHER INFORMATION INTENDED TO PREVENT SUCH TRACKING DEVICE

FROM ATTEMPTING TO CONTACT SUCH CARRIER'S WIRELESS NETWORK

8. OTHER TERMS.

8.1 License; Restrictions. NexTraq hereby grants you, for use during the Term only, a non-exclusive, non-transferable (except as set forth herein) license to use any software, firmware or proprietary information integrated into or stored on the Equipment, Application or Services, solely in conjunction with the authorized use of Equipment installed on your or your independent contractors' vehicles. You shall not attempt to reverse engineer or clone the Equipment or the Application or to replicate the Services, and NexTraq shall have the right to block your access to the Application and Services in the event your use interferes with the operation and utilization of the Services by any other party, provided NexTraq uses reasonable efforts under the circumstances to provide advance notice and opportunity to cure. NexTraq and/or its licensors expressly reserve and retain all right, title and interest in and to their respective proprietary information and materials, including but not limited to, all intellectual property rights not expressly granted hereunder.

8.2 Exclusive Remedies; Limitation of Liability. NexTraq's entire liability, and your sole and exclusive remedies, for any breach of the Tracking Device Warranty or Service Warranty are as set forth in Section 4 above. For all other claims, NexTraq's total liability for any damages arising out of this Agreement shall be limited to direct damages proven in an amount not to exceed the amount you paid under this Agreement during the twelve (12) month period immediately preceding the earliest date on which the claim arose. IN NO EVENT SHALL NEXTRAQ OR ITS AFFILIATES BE LIABLE TO YOU OR ANY THIRD PARTY FOR ANY INDIRECT, NON-COMPENSATORY, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES, INCLUDING BUT NOT LIMITED TO ANY LOST PROFITS, LOST SAVINGS, LOSS OF DATA OR BUSINESS OPPORTUNITY OR OTHER INCIDENTAL DAMAGES ARISING OUT OF THE USE OR INABILITY TO USE THE EQUIPMENT OR SERVICE PROVIDED UNDER THIS AGREEMENT, EVEN IF NEXTRAQ OR SUCH AFFILIATE HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND EVEN IF A LIMITED REMEDY SET FORTH IN THIS AGREEMENT FAILS OF ITS ESSENTIAL PURPOSE.

8.3 Disclaimer of Warranties. EXCEPT FOR THE WARRANTIES SPECIFICALLY SET FORTH IN SECTION 4 ABOVE, THE EQUIPMENT AND THE SERVICES PROVIDED UNDER THIS AGREEMENT ARE PROVIDED "AS IS" AND THERE ARE NO OTHER WARRANTIES MADE BY NEXTRAQ, EXPRESS, IMPLIED, OR ARISING OUT OF A COURSE OF DEALING, USAGE OR TRADE PRACTICE, INCLUDING, BUT NOT LIMITED TO, NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

8.4 Indemnification. You shall indemnify NexTraq, its successors and assigns and each of their respective directors, officers, employees and agents against any and all losses, claims, damages or expenses (including attorneys' fees) arising out of or related to any personal injury to or death of any person or persons and any loss or damage of any property or any interruption of services which are caused or claimed to have been caused directly or indirectly from your (including your employees' or independent contractors') negligent or intentional misuse or installation of the Equipment, the Service or the Application.

8.5 Choice of Law, Venue and Attorney's Fees. This Agreement shall be governed by and construed under the laws of the State of Georgia without reference to its conflict of laws provisions. All disputes arising under this Agreement will be heard only by a court of competent jurisdiction in Fulton County, Georgia and the parties hereby submit to the exclusive jurisdiction of such courts for the purpose of litigating such disputes. If either party commences an action arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover from the losing party reasonable attorneys' fees and costs of suit.

8.6 Assignability. Neither this Agreement, nor any rights, duties nor interest herein shall be assigned, transferred, subcontracted or sublicensed by you without NexTraq's prior written consent, not to be unreasonably withheld. Any such action without consent shall be void and shall constitute a material breach entitling NexTraq to terminate this Agreement. Notwithstanding the foregoing, NexTraq may condition its provision of Services to any transferee upon NexTraq's approval of transferee's creditworthiness, the payment by transferee of a re-licensing fee and/or required upgrades of the Tracking Devices at transferee's expense. Subject to this Section 8.6, this agreement shall be binding on and inure to the benefit of any successor or assign.

8.7 Severability; Waiver. If any provision of this Agreement is determined to be unenforceable, the enforceability of the remaining provisions shall not in any way be affected or impaired, and the parties shall substitute an enforceable provision for the affected provision which approximates the intent and economic effect of the affected provision as closely as possible. The waiver by any party of a breach of any of the provisions of this Agreement must be in writing to be effective and shall not operate as a waiver of any subsequent breach.

8.8 Survivability. The following provisions, as well as your obligation to pay any outstanding amounts due hereunder, shall survive any expiration or termination of this Agreement for any cause: Section 1; Section 3.4; Section 4; Section 5.2; Section 6.3; and Section 7.

8.9 Force Majeure. Except for the payment of money, neither party shall be liable to the other for failure or delay in the performance of a required obligation if such failure or delay is caused by acts of nature, strikes, acts of terrorism, war, riot or other civil disturbances, compliance with governmental laws or orders (including the FCC), delay or performance failure of third parties (including suppliers), or other events which are beyond the reasonable control of such party, provided that such party gives prompt written notice of such condition and resumes its performance as soon as reasonably possible.

8.10 Export Compliance Assurance. You understand that NexTraq is subject to regulation by agencies of the United States government, which prohibits export or diversion of certain products to certain countries. You warrant that you will comply with NexTraq's guidelines relating to export compliance and will not export any Equipment outside of the United States without prior approval of NexTraq.

8.11 Entire Agreement. This Agreement (including all exhibits, addendums, and schedules hereto, which are hereby incorporated by reference) comprises the entire understanding, agreement and representations of the parties concerning the subject matter hereof, and supersedes all prior writings, discussions, representations and understandings with respect thereto. Any additional or different terms or conditions proposed by you, contained in any purchase order or any payment instrument are rejected and shall be of no force and effect unless expressly agreed to in writing by NexTraq. In order to be binding, any amendment or modification of any of the provisions of this Agreement must be in writing and signed by a duly authorized representative of each party. In the event of a conflict between the above terms and conditions and any written modification, the document later in time shall prevail.

8.12 Third Party Beneficiaries. There are no third-party beneficiaries to this Agreement.

8.13 Construction. The parties agree that "including" and other words or phrases of inclusion used herein shall not be construed as terms of limitation, so that references to "included" matters shall be regarded as nonexclusive, non-characterizing illustrations and equivalent to the terms "including, but not limited to," and "including, without limitation; the words "you," "your" or "Customer" refer to the Customer shown on the Order Form to which these terms and conditions are attached; the words "we," "us," "our" or "NexTraq" refer to Discrete Wireless, Inc. (d/b/a NexTraq). The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms. The captions and other headings contained in this Agreement are inserted for convenience of reference only and shall not affect the interpretation or meaning of this Agreement.

8.14 Acknowledgments. By signing this Agreement: (a) you acknowledge that you have received, read, understand and agree to all of the terms and conditions hereof; (b) you agree that you cannot terminate or cancel, and upon acceptance of the Equipment you have an unconditional obligation to make all payments under, this Agreement for the duration of the Initial Term and cannot withhold, setoff or reduce such payments for any reason; (c) you agree that the Equipment will be used for business purposes only and not for personal, family or household purposes; (d) you confirm that the person signing this Agreement has the authority to do so on your behalf; and (e) you represent that the information in any credit application, statement, trade reference or financial report submitted to us is true and correct and you understand that any material misrepresentation constitutes a default under this Agreement.

THESE TERMS AND CONDITIONS, TOGETHER WITH THE ORDER FORM AND ANY EXHIBITS, ADDENDA OR AMENDMENTS THAT ARE AGREED TO IN WRITING BY BOTH PARTIES, CONSTITUTE A SINGLE AGREEMENT, AND THE PARTIES AGREE THAT THEIR ELECTRONIC OR WRITTEN SIGNATURES ON THESE TERMS AND CONDITIONS OR ON THE ORDER FORM OR BOTH SHALL

NexTraq (For Office Use Only)

Signature

Print Name

Date

Title

Customer (Please Sign Here)

Signature

Print Name

Date

Title

NexTraq
1200 Lake Hearn Drive • Suite 500 • Atlanta, GA 30319
Fax: 404-255-2329 • Sales: 678-762-6810

Terms and Conditions Revised Apr 2013 (Advantage - carrier)

ATTACHMENT A
LIST OF STATE ADMINISTRATORS

Attachment A

ATTACHMENT A

LIST OF ADMINISTRATORS

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA

Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
866-275-2677

CONNECTICUT

Cynthia Antanaitis
Assistant Director
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103-1800
(860) 240-8230

FLORIDA

Department of Agriculture and Consumer
Services
2005 Apalachee Parkway
Tallahassee, Florida 32399

HAWAII

Business Registration Division
Department of Commerce
and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Chief, Franchise Bureau
Attorney General's Office
500 South Second Street
Springfield, Illinois 62706

INDIANA

Securities Commissioner
Indiana Securities Division
302 West Washington Street
Room E-111
Indianapolis, Indiana 46204

MARYLAND

Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Attorney General's Office
Consumer Protection Division
Franchising Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa
Lansing, Michigan 48933

MINNESOTA

Franchise Examiner
Minnesota Department of Commerce
85 7th Place East
Suite 280
Saint Paul, Minnesota 55101

NEBRASKA

Nebraska Department of Banking and Finance
1526 K Street, Suite 300
Lincoln, Nebraska 68509-5006

NEW YORK

New York Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005

NORTH DAKOTA

Franchise Examiner
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol – 5th Floor
Bismarck, North Dakota 58505-0510

OREGON

Department of Consumer and
Business Services
Division of Finance and
Corporate Securities
Labor and Industries Building
Salem, Oregon 97301

RHODE ISLAND

Securities Division
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex - Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA

Franchise Administrator
Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

TEXAS

Statutory Document Section
Secretary of State
P.O. Box 12887
Austin, Texas 78711

UTAH

Director
Department of Commerce
Division of Consumer Protection
160 East Three Hundred South
P.O. Box 45804
Salt Lake City, Utah 84111

VIRGINIA

State Corporation Commission
Division of Securities
and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

WASHINGTON

Administrator
Department of Financial Institutions
Securities Division
150 Israel Rd. S.W.
Tumwater, Washington 98501

WISCONSIN

Franchise Administrator
Division of Securities
Department of Financial Institutions
345 West Washington Avenue
Madison, Wisconsin 53703

ATTACHMENT B
AGENTS FOR SERVICE OF PROCESS

ATTACHMENT B

AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA

Commissioner of Business Oversight
Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

MARYLAND

Maryland Securities Commissioner
Maryland Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

CONNECTICUT

Banking Commissioner of State of
Connecticut
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103-1800
(860) 240-8230

MICHIGAN

Michigan Department of Commerce
Corporations and Securities Bureau
G. Mennen Williams Building, 6th Floor
525 West Ottawa
Lansing, Michigan 48933

HAWAII

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

MINNESOTA

Commissioner of Commerce
85 7th Place East
Suite 280
St. Paul, Minnesota 55101

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

NEW YORK

Secretary of State of
the State of New York
99 Washington Avenue
Albany, New York 12231

INDIANA

Secretary of State
201 State House
200 West Washington
Indianapolis, Indiana 46204

NORTH CAROLINA

Secretary of State of North Carolina
2 South Salisbury Street
Raleigh, North Carolina 27601

NORTH DAKOTA

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol - 5th Floor
Bismarck, North Dakota 58505-0510

OREGON

Director
Department of Consumer and
Business Services
Division of Finance and
Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

Director
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex - Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA

Director
Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

VIRGINIA

Clerk of the State
Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

WASHINGTON

Director of Financial Institutions
Securities Division
150 Israel Rd. S.W.
Tumwater, Washington 98501

WISCONSIN

Commissioner of Securities
Wisconsin Securities Commission
201 West Washington Avenue, Suite 300
Madison, Wisconsin 53703

ATTACHMENT C

STATE SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

**ADDENDUM TO VELOFIX HOLDINGS USA, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA**

1. The California Department of Business Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Disclosure Document/and or Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

A. Item 3 of the Disclosure Document is supplemented by the following language:

Neither we nor any person or franchise broker in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A.78a et seq., suspending or expelling such persons from membership in such association or exchange.

B. Item 17 of the Franchise Disclosure Document is supplemented by the following language:

- a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
- b. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
- c. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- d. The franchise agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.

2. The State Cover Page is supplemented by the addition of the following risk factor:

“FRANCHISEE WILL PAY A ROYALTY FEE OF EIGHT PERCENT (8%) OF GROSS SALES EACH MONTH.”

3. Item 5 is supplemented by the following:

“Based on our audited financial statements, as a condition to becoming registered to offer and sell franchises in the state of California, the California Department of Business Oversight has required financial assurances. We will defer your obligation to pay the initial franchise fee until you begin operations and initial training has been provided. Therefore, during the period that such fee deferral requirement is in effect (“Fee Deferral Period”), you will not be required to pay the initial franchise fee until you begin operations and initial training has been provided. Immediately upon notice from us that the Fee Deferral Period has ended, you must pay the full initial fee as contemplated by Item 5 of the disclosure document.”

4. **OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.**

5. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH A COPY OF THE DISCLOSURE DOCUMENT.

6. You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

7. Corporations Code 31512 provides that: “Any conditions, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of this law or any rule or order hereunder is void.” The franchise agreement requires a shortened status of limitations period. Pursuant to Corporations Code Section 31512, this provision is void, to the extent that it is inconsistent with the provisions of Corporations Code Sections 31303 and 31304.

8. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

**ADDENDUM TO VELOFIX HOLDINGS USA, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF HAWAII**

Item 5 is supplemented by the following:

“The Hawaii Department of Commerce and Consumer Affairs has required financial assurances. Therefore, during the period that such fee deferral requirement is in effect (“Fee Deferral Period”), you will not be required to pay the initial franchise fee and other initial fees until you begin operations and we have met all of our pre-opening obligations. After the Fee Deferral Period, you must pay the initial franchise fee as contemplated by Item 5 of the disclosure document and all other initial fees subject to this deferral.”

**ADDENDUM TO VELOFIX HOLDINGS USA, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS**

1. If the franchise agreement requires that it be governed by a state's law, other than the state of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act (including judicial decisions interpreting the Act), Illinois law will govern.

2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

3. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law or Illinois is void. If this Agreement contains a provision that is inconsistent with the Act, the Act will control.

4. Your rights upon termination and non-renewal of a Franchise Agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure act.

5. In the state of Illinois, the Franchisor will defer the initial franchise fee and all other initial fees until the Franchisor has satisfied all of its pre-opening obligations to franchisee and franchisee has commenced doing business under the franchise agreement. The Illinois Attorney General's Office imposed this deferral requirement due to the Franchisor's financial condition.

**ADDENDUM TO VELOFIX HOLDINGS USA, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND**

1. Item 5 is supplemented by the following:

“Based upon our financial condition, the Maryland Securities Commission has imposed a fee deferral requirement. Therefore, you will not be required to pay the initial fees and other payments due to us and/or our affiliates for services provided and goods delivered prior to the opening the Velofix Business, including the initial franchise fee and the cost of the equipment, inventory, uniforms, etc., until we have completed all our pre-opening obligations to you and you begin operating your franchise business.”

2. The Summary column for Items 17.v., “Choice of Forum” (Franchise chart) are amended as follows:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Except for any rights a franchisee has under the Maryland Franchise Registration and Disclosure Law to bring suit in Maryland for claims arising under the Law, arbitration of disputes which are subject to arbitration will be held at an office of the AAA located nearest to our principal place of business. Except as otherwise required by the Maryland Franchise Registration and Disclosure Law, venue for all proceedings arising under the Franchise Agreement is the state, county, or judicial district where our principal place of business is located, unless otherwise brought by us.

2. Item 17.c., “Requirements for you to renew or extend” (Franchise Agreement chart) and Item 17.m. “Conditions for our approval of transfer” (Franchise Agreement chart) are amended by the addition of the following:

The Code of Maryland Regulations, COMAR 02.02.08.16L., states that a general release required as a condition of renewal, sale, and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law. This may affect the enforceability of certain provisions in the Franchise Agreement relating to renewal, sale, assignment, or transfer of the Franchise Agreement.

3. Item 17 is amended by adding the following to the end of Item 17:

Any claims that you may have under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4. The following is added as the last paragraph of Item 17:

A provision in the Franchise Agreement which terminates the agreement upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101.

**ADDENDUM TO VELOFIX HOLDINGS USA, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK**

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN ATTACHMENT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

Item 3, "Litigation" is hereby deleted in its entirety and is replaced by the following:

- (a) Neither we, any predecessor, any person identified in Item 2 above, nor any affiliate offering franchises under our principal trademark has pending any administrative, criminal or material civil action alleging a felony, a violation of any franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable allegations, or misdemeanor allegations.
- (b) No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- (c) Neither we, any predecessor, any person identified in Item 2 above, nor any affiliate offering franchises under our principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the date of this Disclosure Document, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action, alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, misappropriation of property, or comparable allegations.
- (d) Neither we, any predecessor any person identified in Item 2 above, nor any affiliate offering franchises under our principal trademark is subject to any currently effective injunctive or restrictive order or decree relating to franchises or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business

activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.”

Item 4, “Bankruptcy” is hereby deleted in its entirety and is replaced by the following:

“Neither we, nor any affiliate or predecessor or current officer or general partner have during the 10 year period immediately before the date of this Disclosure Document (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after such officer or general partner of Velofix Holdings USA, Inc. held this position with the company or partnership.”

Item 5, “Initial Fees” is hereby supplemented by the addition of the following:

“The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.”

Item 17, “Renewal, Termination, Transfer and Dispute Resolution” is amended in the franchise and agreement table as follows:

(a) By adding the following in the “Summary” column opposite category c., “Requirements for franchisee to renew or extend” and category m., entitled “Conditions for franchisor approval of transfer”:

“However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied”

(b) By adding the following in the “Summary” column opposite category d., “Termination by you”:

“To the extent allowed by the New York General Business Law, you may terminate the Agreement on any grounds available by law.”

(c) By adding the following in the “Summary” column opposite category v., “Choice of forum” and w., “Choice of law”:

“The foregoing choice of law should not be considered a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33.”

**ADDENDUM TO VELOFIX HOLDINGS USA, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA**

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17.h. of the Franchise Disclosure Document for Velofix Holdings USA, Inc. is supplemented by the following:

“Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

2. Item 5 is supplemented by the following:

“The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.”

**ADDENDUM TO VELOFIX HOLDINGS USA, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF WASHINGTON**

1. The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

2. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

3. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

4. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

5. Item 5 is supplemented by the following:

“Based on our audited financial statements, as a condition to becoming registered to offer and sell franchises in the state of Washington, the Washington Division of Securities has required financial assurances. We will defer your obligation to pay the initial franchise fees until you begin operations and initial training has been provided. Therefore, during the period that such fee deferral requirement is in effect (“Fee Deferral Period”), you will not be required to pay the initial franchise fees until you begin operations and initial training has been provided. Immediately upon notice from us that the Fee Deferral Period has ended, you must pay the full initial fees as contemplated by Item 5 of the disclosure document.”

New York Insert

(To be inserted immediately before the Acknowledgment of Receipt)

This Franchise Disclosure Document is amended by the addition of the following sentence:

Franchisor represents that this prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

ITEM 23
RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Velofix Holdings USA, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state laws in (a) Connecticut and Michigan require us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, (b) New York requires us to provide you the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, and (c) Iowa and Maine require us to provide you the disclosure document at the earlier of the first personal meeting or 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Velofix Holdings USA, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in Attachment A to this disclosure document).

The name, principal business address, and telephone number of each franchise seller offering the franchise follow:

Name	Principal Business Address	Telephone Number
Davide Xausa	303 West 5 th Avenue, Vancouver, B.C., Canada V5Y 1J6	(604) 558-0248
Steven Burkard	303 West 5 th Avenue, Vancouver, B.C., Canada V5Y 1J6	(604) 558-0248

Issuance Date: March 27, 2019

I received a disclosure document dated March 27, 2019. The disclosure document included the following Exhibits and Attachments:

Exhibit A Financial Statements
Exhibit B Franchise Agreement, including attachments and state-specific addenda
Exhibit C List of Franchised Stores
Exhibit D Franchisees Who Have Left the System
Exhibit E Manual Table of Contents
Exhibit F Form of General Release
Exhibit G Service Agreement for Fleet Management System (optional)

Attachment A List of State Administrators
Attachment B Agents for Service of Process
Attachment C State Specific Addenda to Franchise Disclosure Document

Dated: _____

Individually and as an Officer of the company designated below or a company to be formed and designated below on formation

Printed Name

of _____
(a) _____ Corporation)
(a) _____ Partnership)
(a) _____ Limited Liability Company)

[Keep this page for your records]

ITEM 23
RECEIPT

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If Velofix Holdings USA, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in Attachment A to this disclosure document).

The name, principal business address, and telephone number of each franchise seller offering the franchise follow:

Name	Principal Business Address	Telephone Number
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Steven Burkard	303 West 5 th Avenue, Vancouver, B.C., Canada V5Y 1J6	(604) 558-0248

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Exhibit A	Financial Statements
Exhibit B	Franchise Agreement, including attachments and state-specific addenda
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Exhibit D	Franchisees Who Have Left the System
Exhibit E	Manual Table of Contents
Exhibit F	Form of General Release
Exhibit G	Service Agreement for Fleet Management System (optional)

Attachment A	List of State Administrators
Attachment B	Agents for Service of Process
Attachment C	State Specific Addenda to Franchise Disclosure Document

Dated: _____

_____ Individually and as an Officer of the company designated below or a company to be formed and designated below on formation

Printed Name

of _____
(a) _____ Corporation)
(a) _____ Partnership)
(a) _____ Limited Liability Company)

[Sign and Return this page]