**FRANCHISE DISCLOSURE DOCUMENT**

Velofix Holdings USA, Inc.
a Delaware corporation
~~303 West 5th Avenue~~
1632 West 6th Ave
Vancouver, British Columbia, Canada ~~V5Y 1J6~~V6J 1R3
604-558-0248 (office)
~~velofix.com~~velofix.com

The franchise is for a mobile workshop business under the "VELOFIX" and other trademarks that provides on-site repair and servicing of all types of bicycles as well as other ancillary services and product sales.

The total investment necessary to begin operation of a Velofix Business ranges from $~~170,200~~199,200 to $~~202,950~~247,950, including $~~90,500~~106,500 to $~~96,000~~119,500 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~~1632 West ~~5th Avenue~~6th Ave, Vancouver BC, ~~British Columbia, Canada V5Y 1J6 or~~V6J 1R3or 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: April ~~6~~3, ~~2023~~2024

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

| QUESTION | WHERE TO FIND INFORMATION |
|---|---|
| **How much can I earn?** | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits C and D. |
| **How much will I need to invest?** | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use. |
| **Does the franchisor have the financial ability to provide support to my business?** | Item 21 or Exhibit A includes financial statements. Review these statements carefully. |
| **Is the franchise system stable, growing, or shrinking?** | Item 20 summarizes the recent history of the number of company-owned and franchised outlets. |
| **Will my business be the only Velofix business in my area?** | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you. |
| **Does the franchisor have a troubled legal history?** | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings. |
| **What's it like to be a Velofix franchisee?** | Item 20 or Exhibits C and D list current and former franchisees. You can contact them to ask about their experiences. |
| **What else should I know?** | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this |

| | |
|---|---|
| | franchise opportunity. See the table of contents. |

## What You Need To Know About Franchising *Generally*

**Continuing responsibility to pay fees**. You may have to pay royalties and other fees even if you are losing money.

**Business model can change**. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions**. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions**. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor**. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal**. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Attachment A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

**Special Risks to Consider About *This* Franchise**

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation only in Vancouver, British Columbia, Canada, and by litigation only in Delaware. Out-of- state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate with the franchisor in Vancouver, British Columbia, Canada or litigate with the franchisor in Delaware than in your own state.

2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

~~3. **Turnover rate.** During the last 3 years, a large number of franchised outlets (37) were terminated, not renewed, reacquired, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.~~

3. ~~4.~~ **Financial Condition**. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

**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**

## TABLE OF CONTENTS


| Item | Page |
|---|---|
| ITEM ~~1~~THE~~1~~1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES | 1 |
| ITEM 2 BUSINESS EXPERIENCE | 3 |
| ITEM 3 LITIGATION | 3 |
| ITEM 4 BANKRUPTCY | 3 |
| ITEM 5 INITIAL FEES | 4 |
| ITEM 6 OTHER FEES | ~~5~~4 |
| ITEM 7 ESTIMATED INITIAL INVESTMENT | 8 |
| ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES | ~~11~~10 |
| ITEM 9 FRANCHISEE'S OBLIGATIONS | 14 |
| ITEM 10 FINANCING | ~~16~~15 |
| ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING | 16 |
| ITEM 12 TERRITORY | 21 |
| ITEM 13 TRADEMARKS | ~~23~~22 |
| ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION | 24 |
| ITEM 15 OBLIGATION TO PARTICIPATE IN THE ~~ACTUAL OPERATION OF THE FRANCHISE BUSINESS~~ | 25 |
| ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL | ~~26~~25 |
| ITEM 17 RENEWAL, TERMINATION, TRANSFER ~~AND DISPUTE RESOLUTION~~ | 26 |
| ITEM 18 PUBLIC FIGURES | ~~32~~31 |
| ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS | 31 |
| ITEM 20 OUTLETS AND FRANCHISEE INFORMATION | ~~32~~31 |
| ITEM 21 FINANCIAL STATEMENTS | ~~42~~41 |
| ITEM 22 CONTRACTS | ~~43~~41 |
| ITEM 23 RECEIPTS | ~~43~~41 |

EXHIBITS


| | | |
|---|---|---|
| EXHIBIT A | - | FINANCIAL STATEMENTS |
| EXHIBIT B | - | FRANCHISE AGREEMENT |
| EXHIBIT C | - | LIST OF FRANCHISED STORES |
| EXHIBIT D | - | LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM |
| EXHIBIT E | - | MANUAL TABLE OF CONTENTS |
| EXHIBIT F | - | FORM OF GENERAL RELEASE |


ATTACHMENTS


| | | |
|---|---|---|
| ATTACHMENT A | - | LIST OF STATE ADMINISTRATORS |
| ATTACHMENT B | - | AGENTS FOR SERVICE OF PROCESS |
| ATTACHMENT C | - | STATE SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT |
| ATTACHMENT D | | STATE EFFECTIVE DATES |

## 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~~1632 West ~~5th Avenue~~6th Ave, Vancouver, British Columbia, Canada ~~V5Y 1J6~~VRJ 1R3, 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 (each, a "Mobile Bike Shop" or "MBS"). 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 for information about affiliate-owned Velofix Businesses during the past 3 calendar years) 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.~~Velofix Group of Companies ("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 Mobile Bike Shop build-out services to our franchisees and operates our fleet of company-owned Mobile Bike Shops. 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 Mobile Bike Shop in the Territory. We will require you to purchase and use a second Mobile Bike Shop 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.

~~We are currently exploring the feasibility of offering, and are testing, smaller Mobile Bike Shops with a lower cost structure (the "**Velofix Lite Business**"). We are not currently generally offering Velofix Lite Businesses but may do so in the future.~~

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 and CEO**

Mr. Xausa has served as our President since our formation in October 2014; and President and CEO since April 2020. 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.

~~**Chris Guillemet: Senior Vice President, Revenue**~~
**Anne-Marie Hall- Chief Financial Officer**

~~Mr~~Ms. ~~Guillemet~~Hall has served as ~~the Senior Vice President, Revenue for Velofix Holdings USA Inc. since February 2020, Mr. Guillemet is one of the original founders of our company and is currently responsible for all commercial partnerships, long term capacity planning and franchise development. Mr. Guillemet previously served as our Chief Executive Officer from our formation in October 2014 to February 2020. He was also Chief Executive Officer of Yellow Jersey and Broken Spoke and held those positions until May 2020. Mr. Guillemet also founded and serves as the Managing Director of TAG Solutions and has held that position since January 2007.~~ Chief Financial Officer for Velofix Group of Companies, Ltd. since May 2023. Ms. Hall was previously Vice President of Finance for Northland Properties from February 2021 to May 2023. Prior to this, Ms. Hall was Vice President of Finance & Administration for Grouse Mountain from Jully 2015 to February 2021.

~~**Boris Martin: Vice President, Corporate Stores and Build Outs**~~

~~Mr. Martin has served as our Vice President, Corporate Stores and Build Outs since November 2020. He previously served as Vice President, Business Transformation from May 2019 to November 2020, and has been Director, Procurement and Operations of Yellow Jersey and Broken Spoke since October 2014. Mr. Martin has also served as Vice President, Business Transformation of Holdings and our Parent since May 2019, and previously has been Director, Procurement and Operations for those~~

~~entities since 2012.~~

Unless otherwise noted, all of the positions 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~~35,000 when you sign your Franchise Agreement.

**Velonet Set-Up Fee**

You must pay us a set-up fee of $~~2,500~~3,500 for each Mobile Bike Shop you put into service, for the installation of, and connection to, our online management system software ("Velonet").

**Designated Equipment Package/Customization of Mobile Bike Shop**

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 Mobile Bike Shop you put into service. Broken Spoken will also customize each Mobile Bike Shop that you put into service, including installing the Designated Equipment Package in each Mobile Bike Shop, building-out the interior of the Mobile Bike Shop, and wrapping the Mobile Bike Shop in accordance with our standards and specifications. As noted in Item 7 below, we estimate that the cost for customizing your first Mobile Bike Shop with the Designated Equipment Package will range between $~~47,000~~54,500 to $~~52,000~~67,000.

**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~~10,000.

**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

| Column 1<br><br>Type of Fee[(1)] | Column 2<br><br>Amount | Column 3<br><br>Due Date | Column 4<br><br>Remarks |
|---|---|---|---|
| Royalty Fee | 8% of Gross Sales | 3rd Business Day of each month for the preceding month | See Note 2 for the definition of Gross Sales. We require you to pay the royalty fee by electronic funds transfer.<br><br>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. |
| 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. |

| Column 1<br><br>Type of Fee[1] | Column 2<br><br>Amount | Column 3<br><br>Due Date | Column 4<br><br>Remarks |
|---|---|---|---|
| Local Advertising | 2% of Gross Sales | As incurred | 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)<br><br>See Note 2 for the definition of Gross Sales. |
| Technology Fee | Reasonable fee, currently $140/month, per Mobile Bike Shop. | Same as royalty fee | You must pay us or our affiliate a monthly technology fee for each user designated by you to access Velonet. We require you to pay the technology fee by electronic funds transfer. |
| Client Services Center Fee | Currently we charge 2.5% of Gross Sales, with a maximum 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. |
| 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. |
| 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. |

| Column 1<br><br>Type of Fee[1] | Column 2<br><br>Amount | Column 3<br><br>Due Date | Column 4<br><br>Remarks |
|---|---|---|---|
| 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. |
| 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. |

| Column 1<br><br>Type of Fee[(1)] | Column 2<br><br>Amount | Column 3<br><br>Due Date | Column 4<br><br>Remarks |
|---|---|---|---|
| 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

| Column 1<br>Type of Expenditure | Column 2<br>Amount<br>Low - High | Column 3<br>Method of Payment | Column 4<br>When Due | Column 5<br>To Whom Payment is to be Made |
|---|---|---|---|---|
| Initial Franchise Fee | $~~25,000~~35,000 | 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 | Us, Employees and Suppliers |
| Mobile Bike Shop (3) | $~~49,000~~60,500 to $~~55,500~~75,500 | As Arranged | As Arranged | Supplier |
| Designated Equipment Package and Customization of Mobile Bike Shop (4) | $~~47,000~~54,500 to $~~52,000~~67,000 | Lump Sum | As Arranged | Us or Our Affiliate |
| Computer Hardware (5) | $2,500 to $2,750 | As Arranged | As Arranged | 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 (12) | $15,000 to $20,000 | As Arranged | As Arranged | Employees and Suppliers |
| **TOTAL** | $~~**170,200**~~199,200 to $~~**202,950**~~247,950 | | | |

**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 Mobile Bike Shop (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 Mobile Bike Shop (excluding customization work). You may lease or finance the Mobile Bike Shop through a third party, in which event, the initial out-of-pocket cost will be lower.

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

(5) The cost of computer hardware, peripherals and software for Franchisee's Location and the Mobile Bike Shop will vary depending on if you already have a system that meets our requirements.

(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 that must be

purchased from us or our affiliate.

(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, Technology 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. 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.

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 Mobile Bike Shop you put into service. Our current designated supplier for the Designated Equipment Package is Broken Spoke.

**Mobile Bike Shop Customization Services**

You must use our designated supplier to customize each Mobile Bike Shop that you put into service, including installing the Designated Equipment Package in each Mobile Bike Shop, building-out the interior of the Mobile Bike Shop, and wrapping the Mobile Bike Shop 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 Senior Vice President, Revenue; and Boris Martin, our Vice President, Corporate Operations and Build Outs, 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~~non-owned, and hired vehicles, including the Mobile Bike Shop(s) and equipment permanently attached to the Mobile Bike Shop(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 Mobile Bike Shop, 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, 2023, 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 $~~824,729~~373,467 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 |

| Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|
| 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 |
| 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, Mobile Bike Shop 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 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 Mobile Bike Shop into operation within 15 Business Days from taking delivery of the Mobile Bike Shop, 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 ~~2022~~2023 fiscal year:

| Type of Expenditure | Percentage |
|---|---|
| Production | ~~0~~5% |
| Media Placement | 5% |
| Administrative Expenses | ~~15~~25% |
| Other (development costs) | 15% |
| Sponsorships and Public Relations | ~~20~~15% |
| Digital and Social Marketing | 25% |
| Ambassador Programs | ~~20~~10% |
| **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 Mobile Bike Shops 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 Mobile Bike Shop you put into service, for the installation and connection to Velonet and Lightspeed (our inventory Management System). You must also pay us reasonable monthly technology fees for each Mobile Bike Shop for Velonet and Lightspeed. Currently, the technology fee is $140 per month for Lightspeed and $80 per month for Velonet, for each per Mobile Bike Shop.

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 charge monthly a 2.5% percentage of your Gross Sales not to exceed 3% of your monthly Gross Sales, at our discretion.

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. The total number of pages in the Operations manual is 128 pages. 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 remotely using video conferencing. In the future, we reserve the right to require attendance in person for training at location to be determined by us in our sole discretion. We provide instructors and training materials at no charge for the Initial Training Program, but you may be required to 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~~800) 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, ~~Keith Bootle or~~ Melissa Brousset, or Nick Chappel. Mr. Martin has ~~9~~11 years of years of experience in the bicycle industry and over ~~5~~10 years with us. ~~Keith Bootle~~Ms. Brousset joined us in ~~June 2019. He~~2018 and she has extensive industry experience developed over the last 15 years in previous roles with ~~Specialized~~Canadian Tire Corporation.

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, or virtually. 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 | - | Virtual |
| Review of Standard Operating Procedures Manual-Section 1-Operator | 4 | - | Virtual |
| Review of Standard Operating Procedures Manual-Section 2-Administrator | 2 | - | Virtual |
| Introduction and Walk Thru of Velonet Back End Operating System | 1.5 | - | Virtual |
| Velonet Role-Play-Practice Cases and Scenarios to Gain System Familiarity & Onsite Training | 4 | 2 | Virtual |
| Marketing Strategy and Sales Playbook Review | 3 | - | Virtual |
| Administrative Review & General | 2.5 | 4 | Virtual |

| Subject | Hours of Classroom Training | Hours of On-the-Job Training | Location |
|---|---|---|---|
| Business-Reporting, Billing | | | |
| Bicycle Repair and Testing | 6 | 8 | Virtual |
| In Vehicle Driver Skills Training | - | 3 | Virtual |
| **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 Mobile Bike Shop 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 Mobile Bike Shop 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 has renewed or intends to renew the registrations and has filed all appropriate affidavits:

| MARK | REGISTER | REGISTRATION NUMBER | REGISTRATION DATE |
|---|---|---|---|
| VELOFIX<br>(standard characters) | Principal | 4,827,448 | October 6, 2015 |
| velofix Save Time. Ride More<br>(design) | Principal | 4,788,231 | August 11, 2015 |
| SAVE TIME. RIDE MORE<br>(standard characters) | Principal | 4,788,232 | August 11, 2015 |
| Velofix DIRECT<br>(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. |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| 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 | 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 as well as a general release.<br>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). |
| d. Termination by franchisee | Not Applicable | There is no contractual termination right. You may be permitted to terminate the franchise agreement under applicable law. |
| e. Termination by franchisor without cause | Not Applicable | Not Applicable |
| 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). |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| 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 Mobile Bike Shop 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 Mobile Bike Shop 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 |
|---|---|---|
| | | 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. |
| 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 Mobile Bike Shop and Designated Equipment, enter into then-current franchise agreement and upgrade the Business. |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| 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 Mobile Bike Shop, 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. |
| p. Death or disability of franchisee | Article 14 | On death or permanent disability of you or an 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 (subject to state law). |
| 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 (subject to state law). |
| 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. |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| 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 (subject to state law). |
| v. Choice of forum | Section 16.1 | 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).<br><br>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. |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| w. Choice of law | Section 16.3 | 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). |

## 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~~1632 West ~~5th~~6th Avenue, Vancouver, British Columbia, Canada ~~V5Y 1J6~~V6J 1R3, 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 ~~2020~~2021 to ~~2022~~2023[(1)(2)]

| Column 1<br>Outlet Type | Column 2<br>Year | Column 3<br>Outlets at the Start of the Year | Column 4<br>Outlets at the End of the Year | Column 5<br>Net Change |
|---|---|---|---|---|
| ~~Franchised (2)~~ | ~~2020~~ | ~~97~~ | ~~91~~ | ~~-6~~ |
| Franchised (2) | 2021 | 91 | 71 | -20 |
| | 2022 | 71 | 51 | -20 |
| ~~Company-Owned~~ | ~~2020~~2023 | ~~4~~51 | ~~14~~36 | ~~+10~~-15 |
| Company-Owned | 2021 | 14 | 28 | +14 |
| | 2022 | 28 | 43 | +15 |
| ~~Total Outlets~~ | ~~2020~~2023 | ~~101~~43 | ~~105~~40 | ~~+4~~-3 |
| Total Outlets | 2021 | 105 | 99 | -6 |
| | 2022 | 99 | 94 | -5 |
| | 2023 | 94 | 76 | -18 |

**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, ~~2022~~2023, there are ~~19~~17 Velofix Business franchisees operating in Canada, and 10 Velofix Businesses owned and operated by us or our affiliate~~. 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 ~~2020~~2021 to ~~2022~~2023(1)**

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|---|---|---|
| Colorado | ~~2020~~2021 | 0 |
| | 2022 | 1 |
| | 2023 | 0 |
| Florida | 2021 | 0 |
| | 2022 | 1 |
| ~~Florida~~ | ~~2020~~2023 | 0 |

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|---|---|---|
| Minnesota | 2021 | 06 |
| | 2022 | 10 |
| ~~Minnesota~~ | ~~2020~~2023 | 0 |
| | ~~2021~~ | ~~6~~ |
| | ~~2022~~ | ~~0~~ |
| ~~Washington~~ | ~~2020~~ | ~~1~~ |
| Washington | 2021 | 0 |
| | 2022 | 1 |
| ~~Total~~ | ~~2020~~2023 | ~~1~~0 |
| Total | 2021 | 6 |
| | 2022 | 2 |
| | 2023 | 0 |

**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 ~~2020~~2021 to ~~2022~~2023[(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~~ | ~~2020~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |

| 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** |
| | ~~2021~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| | ~~2022~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| ~~Arkansas~~ | ~~2020~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| | ~~2021~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| | ~~2022~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| ~~California~~ | ~~2020~~ | ~~24~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~2~~ | ~~2~~ | ~~20~~ |
| California | 2021 | 24 | 0 | 0 | 0 | 4 | 3 | 17 |
| | 2022 | 17 | 0 | 0 | 0 | 2 | 0 | 15 |
| ~~Colorado~~ | ~~2020~~2023 | ~~5~~15 | 0 | 0 | ~~0~~3 | 0 | ~~1~~0 | 412 |
| Colorado | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 0 | 0 | 0 | 4 | 0 | 0 |
| ~~Connecticut~~ | ~~2020~~2023 | ~~3~~0 | 0 | 0 | 0 | 0 | 0 | ~~3~~0 |
| Connecticut | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| ~~District of Columbia~~ | ~~2020~~2023 | ~~1~~3 | 0 | 0 | ~~0~~3 | 0 | 0 | ~~1~~0 |
| District of Columbia | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ~~Florida~~ | ~~2020~~2023 | ~~8~~0 | ~~1~~0 | 0 | 0 | 0 | 0 | ~~9~~0 |
| Florida | 2021 | 9 | 1 | 0 | 1 | 0 | 0 | 9 |

| 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** |
| | 2022 | 9 | 0 | 2 | 0 | 0 | 0 | 7 |
| ~~Georgia~~ | ~~2020~~2023 | ~~3~~7 | 0 | 0 | 0 | ~~0~~1 | 0 | ~~3~~6 |
| Georgia | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 2 | 0 | 0 | 0 | 1 |
| ~~Hawaii~~ | ~~2020~~2023 | 1 | 0 | 0 | 0 | ~~0~~1 | 0 | ~~1~~0 |
| Hawaii | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| ~~Idaho~~ | ~~2020~~2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Idaho | 2021 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ~~Illinois~~ | ~~2020~~2023 | ~~1~~0 | 0 | 0 | 0 | 0 | 0 | ~~1~~0 |
| Illinois | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| ~~Indiana~~ | ~~2020~~2023 | ~~0~~1 | 0 | 0 | 0 | 0 | 0 | ~~0~~1 |
| Kentucky | 2021 | ~~0~~1 | 0 | 0 | 0 | 0 | 0 | ~~0~~1 |
| | ~~2022~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| ~~Kentucky~~ | ~~2020~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| | ~~2021~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |

| 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** |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| ~~**Maryland**~~ | ~~2020~~2023 | ~~1~~0 | ~~1~~0 | 0 | 0 | 0 | 0 | ~~2~~0 |
| **Maryland** | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 1 | 0 | 1 |
| ~~**Massachusetts**~~ | ~~2020~~2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| **Massachusetts** | 2021 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ~~**Michigan**~~ | ~~2020~~2023 | ~~2~~0 | 0 | 0 | 0 | 0 | 0 | ~~2~~0 |
| **Michigan** | 2021 | 2 | 0 | 0 | 0 | 2 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ~~**Minnesota**~~ | ~~2020~~2023 | ~~7~~0 | 0 | 0 | 0 | 0 | 0 | ~~7~~0 |
| **Minnesota** | 2021 | 7 | 0 | 1 | 0 | 0 | 0 | 6 |
| | 2022 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| ~~**Missouri**~~ | ~~2020~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| | ~~2021~~2023 | ~~0~~6 | 0 | 0 | 0 | 0 | 0 | ~~0~~6 |
| | ~~2022~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| **Nevada** | ~~2020~~2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | ~~2021~~2022 | 2 | 0 | 0 | 0 | 0 | 0 | 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** |
| | ~~2022~~2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| ~~**New York**~~ | ~~2020~~ | ~~5~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~5~~ |
| **New York** | 2021 | 5 | 0 | 0 | 0 | 4 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| ~~**North Carolina**~~ | ~~2020~~2023 | ~~4~~1 | 0 | 0 | 0 | ~~0~~1 | 0 | ~~4~~0 |
| **North Carolina** | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| ~~**Ohio**~~ | ~~2020~~ | ~~2~~ | ~~0~~ | ~~0~~ | ~~1~~ | ~~0~~ | ~~1~~ | ~~0~~ |
| | ~~2021~~2023 | ~~0~~4 | 0 | ~~0~~4 | 0 | 0 | 0 | 0 |
| | ~~2022~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| ~~**Oregon**~~ | ~~2020~~ | ~~4~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~4~~ |
| **Oregon** | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 0 | 3 | 0 | 1 | 0 | 0 |
| ~~**Pennsylvania**~~ | ~~2020~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ | ~~0~~ |
| | ~~2021~~2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | ~~2022~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| ~~**Rhode Island**~~ | ~~2020~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| **Rhode Island** | 2021 | 1 | 0 | 0 | 1 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| 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** |
| ~~Tennessee~~ | ~~2020~~2023 | ~~2~~0 | 0 | 0 | 0 | 0 | 0 | ~~2~~0 |
| Tennessee | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| ~~Texas~~ | ~~2020~~2023 | ~~5~~2 | 0 | 0 | ~~0~~2 | 0 | ~~1~~0 | ~~4~~0 |
| Texas | 2021 | 4 | 0 | 0 | 1 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 1 | 0 | 0 | 2 |
| ~~Utah~~ | ~~2020~~2023 | ~~3~~2 | 0 | 0 | 0 | 0 | 0 | ~~3~~2 |
| Utah | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| ~~Virginia~~ | ~~2020~~2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Virginia | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 3 | 0 | 0 |
| ~~Washington~~ | ~~2020~~2023 | ~~5~~0 | 0 | 0 | 0 | 0 | ~~1~~0 | ~~4~~0 |
| Washington | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 0 | 0 | 0 | 2 | 0 | 2 |
| ~~Wisconsin~~ | ~~2020~~2023 | ~~0~~2 | 0 | 0 | 0 | 0 | 0 | ~~0~~2 |
| Wisconsin | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| 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** |
| ~~**Totals**~~ | ~~2020~~2023 | ~~97~~0 | ~~2~~0 | 0 | ~~2~~0 | ~~2~~0 | ~~7~~0 | ~~88~~0 |
| **Totals** | 2021 | 91 | 1 | 2 | 2 | 11 | 4 | 73 |
| | 2022 | 73 | 0 | 5 | 1 | 13 | 1 | 51 |
| | 2023 | 51 | 0 | 4 | 8 | 3 | 0 | 36 |

**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, ~~2022~~2023, there are ~~19~~17 Velofix Business franchisees operating in Canada, and 10 Velofix Businesses owned and operated by us or our affiliate~~. Our affiliate, Holdings, is the franchisor of Velofix Business franchises~~ in Canada.

**TABLE NO. 4**
**Status of Company-Owned Outlets**
**For Years ~~2020~~2021 to ~~2022~~2023[(1)]**

| Col. 1<br>State | Col. 2<br>Year | Col. 3<br>Outlets at Start of Year | Col. 4<br>Outlets Opened | Col. 5<br>Outlets Reacquired From Franchisee | Col. 6<br>Outlets Closed | Col. 7<br>Outlets Sold to Franchisee | Col. 8<br>Outlets at End of Year |
|---|---|---|---|---|---|---|---|
| **Arizona** | ~~2020~~2021 | 2 | 0 | 0 | 0 | 0 | 2 |
| | ~~2021~~2022 | 2 | 0 | 0 | 0 | 0 | 2 |
| | ~~2022~~2023 | 2 | 0 | 0 | 0 | 0 | 2 |

| Col. 1<br>State | Col. 2<br>Year | Col. 3<br>Outlets at Start of Year | Col. 4<br>Outlets Opened | Col. 5<br>Outlets Reacquired From Franchisee | Col. 6<br>Outlets Closed | Col. 7<br>Outlets Sold to Franchisee | Col. 8<br>Outlets at End of Year |
|---|---|---|---|---|---|---|---|
| ~~California~~ | ~~2020~~ | ~~0~~ | ~~4~~ | ~~2~~ | ~~0~~ | ~~0~~ | ~~6~~ |
| California | 2021 | 6 | 3 | 2 | 0 | 0 | 11 |
| | 2022 | 11 | 6 | 2 | 0 | 0 | 19 |
| ~~Colorado~~ | ~~2020~~2023 | ~~0~~19 | 0 | 0 | ~~0~~7 | 0 | ~~0~~12 |
| Colorado | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 3 | 0 | 0 | 3 |
| ~~Florida~~ | ~~2020~~2023 | ~~0~~3 | ~~1~~0 | 0 | 0 | 0 | ~~1~~3 |
| Florida | 2021 | 1 | 1 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 2 |
| ~~Georgia~~ | ~~2020~~2023 | ~~0~~2 | ~~0~~1 | 0 | 0 | 0 | ~~0~~3 |
| Georgia | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 2 | 0 | 0 | 2 |
| ~~Illinois~~ | ~~2020~~2023 | ~~0~~2 | ~~1~~0 | 0 | ~~0~~1 | 0 | 1 |
| Illinois | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| ~~Massachusetts~~ | ~~2020~~2023 | ~~0~~1 | 0 | 0 | 0 | 0 | ~~0~~1 |
| Massachusetts | 2021 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 1 | 0 | 0 | 0 | 2 |
| ~~Michigan~~ | ~~2020~~2023 | ~~0~~2 | 0 | 0 | 0 | 0 | ~~0~~2 |

| Col. 1<br>State | Col. 2<br>Year | Col. 3<br>Outlets at Start of Year | Col. 4<br>Outlets Opened | Col. 5<br>Outlets Reacquired From Franchisee | Col. 6<br>Outlets Closed | Col. 7<br>Outlets Sold to Franchisee | Col. 8<br>Outlets at End of Year |
|---|---|---|---|---|---|---|---|
| Michigan | 2021 | 0 | 0 | 2 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 2 |
| ~~New York~~ | ~~2020~~2023 | ~~0~~2 | 0 | 0 | 0 | 0 | ~~0~~2 |
| New York | 2021 | 0 | 1 | 2 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 3 |
| ~~Oregon~~ | ~~2020~~2023 | ~~0~~3 | 0 | 0 | 0 | 0 | ~~0~~3 |
| Oregon | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 1 | 0 | 0 | 1 |
| ~~Pennsylvania~~ | ~~2020~~2023 | ~~0~~1 | ~~0~~1 | 0 | 0 | 0 | ~~0~~2 |
| Pennsylvania | 2021 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| ~~Texas~~ | ~~2020~~2023 | ~~2~~1 | ~~2~~0 | 0 | 0 | 0 | 4~~2~~1 |
| Texas | 2021 | 4 | 1 | 0 | 0 | 0 | 5 |
| | 2022 | 5 | 0 | 0 | 2 | 0 | 3 |
| ~~Washington~~ | ~~2020~~2023 | ~~0~~3 | 0 | 0 | 0 | 0 | ~~0~~3 |
| Washington | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 2 | 0 | 0 | 2 |
| | 2023 | 2 | 1 | 0 | 0 | 0 | 3 |
| Virginia | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |

| Col. 1<br>State | Col. 2<br>Year | Col. 3<br>Outlets at Start of Year | Col. 4<br>Outlets Opened | Col. 5<br>Outlets Reacquired From Franchisee | Col. 6<br>Outlets Closed | Col. 7<br>Outlets Sold to Franchisee | Col. 8<br>Outlets at End of Year |
|---|---|---|---|---|---|---|---|
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| ~~TOTALS~~ | ~~2020~~2023 | ~~4~~0 | ~~8~~2 | ~~2~~0 | 0 | 0 | ~~14~~2 |
| TOTALS | 2021 | 14 | 8 | 6 | 0 | 0 | 28 |
| | 2022 | 28 | 7 | 8 | 2 | 0 | 43 |
| | 2023 | 43 | 5 | 0 | 8 | 0 | 40 |

**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, ~~2022~~2023**

| Column 1<br>State | Column 2<br>Franchise Agreements Signed But Outlet Not Opened | Column 3<br>Projected New Franchised Outlet In The Next Fiscal Year | Column 4<br>Projected New Company-Owned Outlet In the Next Fiscal Year |
|---|---|---|---|
| ~~Arizona~~Texas | 0 | 0 | 2 |
| California | 0 | 0 | 4 |
| ~~Detroit~~New Jersey | 0 | 0 | 2 |
| TOTAL | 0 | 0 | 8 |

The name, business address, and business telephone number of each current franchisee as of December 31, ~~2022~~2023 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.

During the last three (3) fiscal years, no current or former franchisees who have signed confidentiality clauses that restrict them from discussing with you their experience as a franchisee in our franchise system.

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, ~~2022~~2023, December 31, ~~2021~~2022 and December 31, ~~2020~~2021.

## 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).

## 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, 2023

# Independent auditor's report

To the Board of Directors of Velofix Holdings USA, Inc.

## Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Velofix Holdings USA, Inc. (the Company) as at December 31, 2023 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP).

**What we have audited**
The Company's financial statements comprise:

- the balance sheet as at December 31, 2023;
- the statement of operations for the year then ended;
- the statement of stockholders' deficit for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

**Independence**
We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## Comparative information

The financial statements of the Company for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 31, 2023.

PricewaterhouseCoopers LLP
PwC Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T.: +1 604 806 7000, F.: +1 604 806 7806, Fax to mail: ca_vancouver_main_fax@pwc.com

PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If

we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 28, 2024

**VELOFIX HOLDINGS USA, INC.**
BALANCE SHEETS
(Expressed in United States Dollars)
AS AT DECEMBER 31

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| *Current assets* | | |
| Cash | $ 20,445 | $ 17,148 |
| Accounts receivable (Note 3) | 109,730 | 102,161 |
| Due from related parties (Note 4) | 5,175,700 | 4,595,413 |
| Total current assets | 5,305,875 | 4,714,722 |
| *Non-current assets* | | |
| Deposit | 12,500 | 12,500 |
| Deferred tax asset (Note 6) | 147,000 | 191,000 |
| **Total assets** | $ 5,465,375 | $ 4,918,222 |
| **LIABILITIES** | | |
| *Current liabilities* | | |
| Accounts payable and accrued liabilities | $ 61,249 | $ 80,532 |
| Due to related parties (Note 4) | 5,963,776 | 5,337,863 |
| Unearned revenue (Note 7) | 65,000 | 99,529 |
| Total current liabilities | 6,090,025 | 5,517,924 |
| *Non-current liabilities* | | |
| Unearned revenue (Note 7) | 114,003 | 145,699 |
| **Total liabilities** | 6,204,028 | 5,663,623 |
| **STOCKHOLDERS' DEFICIT** | | |
| *Stockholders' deficit* | | |
| Common stock (Note 5) | | |
| Authorized 1,000 common shares with par value of $0.01 per share | | |
| Issued and outstanding: 100 shares (2022 – 100) | 1 | 1 |
| Additional paid-in capital | 50,099 | 50,099 |
| Deficit | (788,753) | (795,501) |
| Total stockholders' deficit | (738,653) | (745,401) |
| **Total liabilities and stockholders' deficit** | $ 5,465,375 | $ 4,918,222 |

Financial Instruments (Note 10)

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

| | 2023 | 2022 |
|---|---|---|
| **REVENUE (Note 8)** | | |
| Franchise fees | $ 534,195 | $ 761,326 |
| Other revenue | 25,646 | 48,196 |
| Total revenue | 559,841 | 809,522 |
| **DIRECT COSTS** | | |
| Direct labour and wages | 12,155 | 37,969 |
| Other | 62,800 | 101,056 |
| Total direct costs | 74,955 | 139,025 |
| **GROSS PROFIT** | 484,886 | 670,497 |
| **EXPENSES** | | |
| Selling, general and administrative | 430,140 | 609,786 |
| Amortization | - | 426 |
| Capital lease amortization | - | 12,134 |
| Capital lease interest | - | 674 |
| Management fees – related party (Note 4) | 3,706 | 3,842 |
| Total expenses | 433,846 | 626,862 |
| **OTHER ITEMS** | | |
| Gain on extinguishment of capital lease | - | (1,481) |
| Loss on franchise repurchase (Note 9) | - | 25,000 |
| **Net income before taxes** | $ 51,040 | $ 20,116 |
| Income taxes (Note 6) | (44,292) | (61,675) |
| **Net income (loss) for the year** | $ 6,748 | $ (41,559) |
| **Basic and diluted net income (loss) per share** | $ 6.75 | $ (415.59) |
| **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' DEFICIT
(Expressed in United States Dollars)

| | Common stock | | | | |
|---|---|---|---|---|---|
| | Number | Amount | Additional paid - in capital | Deficit | Total |
| **Balance, December 31, 2021** | **100** | **1** | **50,099** | **(753,942)** | **(703,842)** |
| Net loss | - | - | - | (41,559) | (41,559) |
| **Balance, December 31, 2022** | **100** | **1** | **50,099** | **(795,501)** | **(745,401)** |
| Net income | - | - | - | 6,748 | 6,748 |
| **Balance, December 31, 2023** | **100** | **1** | **50,099** | **(788,753)** | **(738,653)** |

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

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income (loss) for the year | $ 6,748 | $ (41,559) |
| Item not involving cash: | | |
| Amortization | - | 12,560 |
| Lease interest expense | - | 674 |
| Deferred tax asset | 44,000 | 60,000 |
| Gain on extinguishment of capital lease | - | (1,481) |
| Changes in non-cash working capital: | | |
| Accounts receivable | (7,569) | 86,389 |
| Accounts payable and accrued liabilities | (19,283) | (12,529) |
| Unearned revenue | (66,225) | (150,080) |
| Net cash generated (used in) operating activities | (42,329) | (46,026) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Payment of lease liability | - | (13,146) |
| Loans from related parties | 625,913 | 1,907,004 |
| Loans to related parties | (580,287) | (1,842,771) |
| Net cash generated from financing activities | 45,626 | 51,087 |
| **Change in cash during the year** | 3,297 | 5,061 |
| **Cash, beginning of year** | 17,148 | 12,087 |
| **Cash, end of year** | $ 20,445 | $ 17,148 |

There were no significant non-cash transactions for the years ended December 31, 2023 and 2022.

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 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).

**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, 2023 and 2022, 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 (Note 3). Accounts receivable primarily includes initial and continuing fees relating to the franchises, and velofix DIRECT vendor fees (velofix DIRECT vendors have service agreements that are maintained and coordinated by the Company). In certain instances, deferred payment plans of initial fees will be agreed 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.

**Revenue recognition**

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

Franchise fees:

The Company generates franchise-related revenues from two sources and accounts for its franchise-related revenues as follows:

i) Initial franchise fees: these are revenues generated from the sale of individual franchises, which include: (i) the initial franchise fee; (ii) the promotional package; (iii) the system software set-up fee in each mobile vehicle; and (iv) renewal fees after 5 years. Initial fees are recorded when the Company has performed substantially all initial services required by the franchise agreement and are non-refundable. Initial fees are either recognized or deferred, in full, per franchise. Cash collected by the Company as a deposit for a franchise territory and cash received in advance of revenues being earned is recorded as unearned revenue.

ii) Continuing fees: recognized in the period earned. Continuing fees are made up of royalties and monthly client care, location and software user fees.

Other revenue:

Other revenue includes customer service charges, other services, and miscellaneous sales of parts and supplies.

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

**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**

In October of 2021 FASB issued ASU 2021-08 Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The update is intended to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. The required date of adoption is January 1, 2023, and the Company is evaluating potential future impacts on the Company's financial statements.

In November of 2021 FASB issued ASU 2021 -10 - Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance. The update is intended to increase the transparency of government assistance including the disclosure of the types of assistance, an entity's accounting for the assistance, and the effect of the assistance on an entity's financial statements. The required date of adoption is January 1, 2022, and the Company has assessed there are no impacts on the Company's financial statements.

## 3. ACCOUNTS RECEIVABLE

| | 2023 | 2022 |
|---|---|---|
| Accounts receivable from franchises | $ 25,608 | $ 6,304 |
| Accounts receivable from vendors | 84,122 | 95,857 |
| | $ 109,730 | $ 102,161 |

Accounts receivable comprises of continuing fees owing from existing franchises and velofix DIRECT fees owing from vendors. Management estimates that these amounts are collectible in full, therefore, no allowance for doubtful accounts has been recorded as at December 31, 2023 ($3,714 was recorded as at December 31, 2022 representing 4% of velofix DIRECT vendor accounts receivable).

## 4. RELATED PARTY TRANSACTIONS

Related party transactions include transactions between the Company and its parent company and related entities with common directors.

| | 2023 | 2022 |
|---|---|---|
| Due from related parties – current (a) | $ 5,175,700 | $ 4,595,413 |
| Due to related parties – current (b) | $ (5,963,776) | $ (5,337,863) |

a) Due from related parties is comprised of amounts advanced by the Company to two companies under common control for operating purposes. The amounts are non-interest bearing with no specific terms of repayment.

b) Due to related parties is comprised of expenses paid by the Parent Company on behalf of the Company. The amounts are current as they are due to the related companies upon receipt by the Company. The amounts are non-interest bearing with no specific terms of repayment.

**Related party transactions:**

c) Management fees are comprised of $3,706 (CAD $5,000) (2022 - $3,842 (CAD $5,000)) for the provision of management services by the Company's parent company.

d) The Company was allocated its proportionate share of expenses and overhead incurred by a company with common directors. The total expenses allocated for the year ended December 31, 2023 were $171,496 (2022 – $429,469).

## 5. COMMON 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.

## 6. 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:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Net income before taxes | $ | 51,040 | $ | 20,116 |
| Computed tax expense at the federal statutory rate | | 14,190 | | 6,000 |
| Permanent differences | | 1,681 | | 27,000 |
| Change in unrecognized deductible temporary differences | | - | | 2,675 |
| Change in statutory, foreign tax, foreign exchange rates and other | | (15,579) | | 26,000 |
| Total current income taxes | $ | 292 | $ | 61,675 |

Effective January 1, 2019, the Company adopted ASC 606, "Revenue Recognition - Revenue from Contracts with Customers". Upon adoption of this standard, there was a cumulative catch-up adjustment of $1,443,014. The Company has a recognized deferred tax asset of $147,000 (2022 – $191,000) to reflect the impact of the cumulative catch-up adjustment. Total deferred tax expense in the period was $44,000.

The significant components of the Company's deferred tax assets and liabilities are as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Deferred Tax Assets | | | | |
| Deferred Revenue | $ | 27,000 | $ | 47,000 |
| Property and equipment | | - | | - |
| Non-capital losses | | 120,000 | | 144,000 |
| Net deferred tax asset | $ | 147,000 | $ | 191,000 |

## 7. UNEARNED REVENUE

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Unearned revenue | $ | 179,003 | $ | 245,228 |
| Less current portion | | (65,000) | | (99,529) |
| | $ | 114,003 | $ | 145,699 |

## 8. 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, 2023, the Company mutually terminated 18 franchises (2022 – mutually terminated 19). Refer to Note 11 for franchise renewals and terminations subsequent to December 31, 2023. As at December 31, 2023, a cumulative 36 (2022 – 54) franchises are open in the USA.

## 9. LOSS ON ASSET ACQUISITION

On March 1, 2022, the Company executed an Asset Purchase Agreement with Mobile Cycling Solutions Inc. in Orange County for a purchase price of $25,000.

## 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.

**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, 2023, the Company had a cash balance of $20,445 to settle cash obligations related to current accounts payables of $61,249. The Company's other current liabilities are due to related party balance of $5,963,776 (non-interest bearing with no specific terms of repayment) and unearned revenue of $65,000. Unearned revenue does not represent a cash obligation to the Company. The working capital deficit will be managed by loans from related parties.

**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.

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

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.

# VELOFIX HOLDINGS USA, INC.

## FINANCIAL STATEMENTS
## (Expressed in United States Dollars)

## DECEMBER 31, 2022

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Velofix Holdings USA, Inc.

***Opinion on the Financial Statements***

We have audited the accompanying balance sheets of Velofix Holdings USA, Inc. as of December 31, 2022 and 2021, and the related statements of operations, changes in stockholders' deficit, and cash flows for the years ended December 31, 2022 and 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of Velofix Holdings USA, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years ended December 31, 2022 and 2021, in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These financial statements are the responsibility of the Company's management. 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 of material misstatement, whether due to error or fraud. Velofix Holdings USA, Inc. is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

***Critical Audit Matters***

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

We have served as the Company's auditor since 2014.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

March 31, 2023

**VELOFIX HOLDINGS USA, INC.**
BALANCE SHEETS
(Expressed in United States Dollars)
AS AT DECEMBER 31

| | 2022 | 2021 |
|---|---|---|
| **ASSETS** | | |
| *Current assets* | | |
| Cash | $ 17,148 | $ 12,087 |
| Accounts receivable (Note 3) | 102,161 | 188,550 |
| Total current assets | 119,309 | 200,637 |
| *Non-current assets* | | |
| Deposit | 12,500 | 12,500 |
| Deferred tax asset (Note 8) | 191,000 | 251,000 |
| Due from related parties (Note 4 (a)) | 4,595,413 | 2,752,642 |
| Equipment (Note 5) | - | 426 |
| Right of use asset (Note 6) | - | 12,134 |
| **Total assets** | $ 4,918,222 | $ 3,229,339 |
| **LIABILITIES** | | |
| *Current liabilities* | | |
| Accounts payable and accrued liabilities | $ 80,532 | $ 93,061 |
| Due to related parties (Note 4 (b)) | 5,337,863 | 3,430,859 |
| Unearned revenue (Note 9) | 99,529 | 187,072 |
| Current portion of lease liability (Note 10) | - | 13,953 |
| Total current liabilities | 5,517,924 | 3,724,945 |
| *Non-current liabilities* | | |
| Unearned revenue (Note 9) | 145,699 | 208,236 |
| **Total liabilities** | 5,663,623 | 3,933,181 |
| **STOCKHOLDERS' DEFICIT** | | |
| *Stockholders' deficit* | | |
| Common stock (Note 7) | | |
| Authorized 1,000 common shares with par value of $0.01 per share | | |
| Issued and outstanding: 100 shares (2021 – 100) | 1 | 1 |
| Additional paid-in capital | 50,099 | 50,099 |
| Deficit | (795,501) | (753,942) |
| Total stockholders' deficit | (745,401) | (703,842) |
| **Total liabilities and stockholders' deficit** | $ 4,918,222 | $ 3,229,339 |

Financial Instruments (Note 13)
Subsequent event (Note 14)

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

| | 2022 | 2021 |
|---|---|---|
| **REVENUE (Note 11)** | | |
| Franchise fees | $ 738,002 | $ 987,174 |
| Other revenue | 71,520 | 64,523 |
| Total revenue | 809,522 | 1,051,697 |
| **DIRECT COSTS** | | |
| Direct labour and wages | 37,969 | 70,607 |
| Conference expenses | 2,575 | - |
| Parts and supplies | 277 | 2,792 |
| Total direct costs | 40,821 | 73,399 |
| **GROSS PROFIT** | 768,701 | 978,298 |
| **EXPENSES** | | |
| Advertising and promotion | 91,855 | 101,522 |
| Amortization | 426 | 2,449 |
| Bad debt expense | 3,714 | - |
| Bank charges and interest | 10,432 | 10,267 |
| Capital lease amortization | 12,134 | 13,239 |
| Capital lease interest | 674 | 2,156 |
| Consulting fees | 15,198 | 13,144 |
| Insurance | 64,136 | 50,716 |
| Management fees – related party (Note 4 (c)) | 3,842 | 3,989 |
| Office expenses | 133,096 | 152,155 |
| Professional fees | 97,276 | 93,540 |
| Travel | 8,833 | 4,517 |
| Wages and benefits | 283,450 | 409,118 |
| Total expenses | 725,066 | 856,812 |
| **OTHER ITEMS** | | |
| Gain on extinguishment of capital lease | (1,481) | - |
| Loss on franchise repurchase (Note 12) | 25,000 | - |
| **Net income before taxes** | $ 20,116 | $ 121,486 |
| Income taxes (Note 8) | (61,675) | (78,182) |
| **Net income (loss) for the year** | $ (41,559) | $ 43,304 |
| **Basic and diluted net income (loss) per share** | $ (415.59) | $ 433.04 |
| **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' DEFICIT
(Expressed in United States Dollars)

| | Common stock | | | | |
|---|---|---|---|---|---|
| | Number | Amount | Additional paid - in capital | Deficit | Total |
| **Balance, December 31, 2020** | **100** | **1** | **50,099** | **(797,246)** | **(747,146)** |
| Net income | - | - | - | 43,304 | 43,304 |
| **Balance, December 31, 2021** | **100** | **1** | **50,099** | **(753,942)** | **(703,842)** |
| Net income | - | - | - | (41,559) | (41,559) |
| **Balance, December 31, 2022** | **100** | **1** | **50,099** | **(795,501)** | **(745,401)** |

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

| | 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income (loss) for the year | $ (41,559) | $ 43,304 |
| Item not involving cash: | | |
| Amortization | 12,560 | 15,688 |
| Lease interest expense | 674 | 2,156 |
| Deferred tax asset | 60,000 | 78,000 |
| Gain on extinguishment of capital lease | (1,481) | - |
| Changes in non-cash working capital: | | |
| Accounts receivable | 86,389 | 194,726 |
| Prepaid expenses | - | - |
| Accounts payable and accrued liabilities | (12,529) | (50,519) |
| Unearned revenue | (150,080) | (253,182) |
| Net cash generated from (used in) operating activities | (46,026) | 30,173 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Payment of lease liability | (13,146) | (15,993) |
| Loans from related parties | 1,907,004 | 1,086,847 |
| Loans to related parties | (1,842,771) | (1,151,181) |
| Net cash generated from (used in) financing activities | 51,087 | (80,327) |
| **Change in cash during the year** | 5,061 | (50,154) |
| **Cash, beginning of year** | 12,087 | 62,241 |
| **Cash, end of year** | $ 17,148 | $ 12,087 |

There were no significant non-cash transactions for the years ended December 31, 2022 and 2021.

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.

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

**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 13 for additional disclosures on financial instruments.

**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, 2022 and 2021, 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 3). 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 |
| Vehicles under capital lease | 5 years |

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

**Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration, less the net recognized amount of the identifiable assets and liabilities assumed, all measured at fair value as of the acquisition date. Any excess of the fair value of the net assets acquired over the consideration, is a gain on business acquisition and would be recognized as a gain in the consolidated statement of operations and comprehensive loss.

**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:

Franchise fees:

Revenues generated from the sale of individual franchises which includes: (i) the initial franchise fee; and (ii) the promotional package. Initial franchise fees are recognized over the franchise term, which is generally 5 years. Promotional package revenue is recognized when the goods have been provided and delivered to the franchise.

Revenues generated from system software set-up within each franchise's mobile vehicle are recognized in full when received. 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 9). 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.

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.

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

**Right of use asset**

The Company accounts for its leases by recording right-of-use assets and lease liabilities on the Balance Sheet. Right-of-use assets represent the Company's right to use an underlying asset over the lease term and include any lease payments made prior to the lease commencement date and exclude lease incentives. Lease liabilities represent the present value of the total lease payments over the lease term, calculated using the Company's incremental borrowing rate. In determining the Company's incremental borrowing rate, consideration is given to the term of the lease and the Company's credit risk.

**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**

In October of 2021 FASB issued ASU 2021-08 Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The update is intended to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. The required date of adoption is January 1, 2023, and the Company is evaluating potential future impacts on the Company's financial statements.

In November of 2021 FASB issued ASU 2021 -10 - Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance. The update is intended to increase the transparency of government assistance including the disclosure of the types of assistance, an entity's accounting for the assistance, and the effect of the assistance on an entity's financial statements. The required date of adoption is January 1, 2022, and the Company has assessed there are no impacts on the Company's financial statements.

## 3. ACCOUNTS RECEIVABLE

| | 2022 | 2021 |
|---|---|---|
| Accounts receivable from franchises | $ 6,304 | $ 6,912 |
| Accounts receivable from vendors | 95,857 | 168,698 |
| Income tax receivable | - | 12,940 |
| | $ 102,161 | $ 188,550 |

Accounts receivable comprises of continuing fees owing from existing franchises and velofix DIRECT fees owing from vendors. Management estimates that 4% of amounts from velofix DIRECT vendors are not collectible in full, therefore, an allowance for doubtful accounts for $3,714 has been recorded as at December 31, 2022 ($nil as at December 31, 2021).

## 4. RELATED PARTY TRANSACTIONS

Related party transactions include transactions between the Company and its parent company and related entities with common directors.

| | 2022 | 2021 |
|---|---|---|
| Due from related parties – non-current (a) | $ 4,595,413 | $ 2,752,642 |
| Due to related parties – current (b) | $ (5,337,863) | $ (3,430,859) |

a) Due from related parties is comprised of amounts advanced by the Company to two companies under common control for operating purposes. The amounts are non-interest bearing with no specific terms of repayment.

b) Due to related parties is comprised of expenses paid by the Parent 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 $3,842 (CAD $5,000) (2021 - $3,989 (CAD $5,000)) for the provision of management services by the Company's parent company.

d) The Company was allocated its proportionate share of expenses and overhead incurred by a company with common directors. The total expenses allocated for the year ended December 31, 2022 were $429,469 (2021 – $616,016).

## 5. EQUIPMENT

A summary of equipment as of December 31, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Computer equipment | $ 5,725 | $ 5,725 |
| Accumulated depreciation of equipment | (5,725) | (5,299) |
| Net book value | $ - | $ 426 |

## 6. RIGHT OF USE ASSET

A summary of right of use assets that represent vehicles under capital leases as of December 31, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Vehicle under capital lease | $ 50,749 | $ 50,749 |
| Accumulated depreciation of vehicle under capital lease | (50,749) | (38,615) |
| Net book value | $ - | $ 12,134 |

## 7. COMMON 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.

## 8. 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:

| | 2022 | 2021 |
|---|---|---|
| Net income before taxes | $ 20,116 | $ 121,486 |
| Computed tax expense at the federal statutory rate | 6,000 | 33,996 |
| Permanent differences | 27,000 | 2,647 |
| Change in unrecognized deductible temporary differences | 2,675 | 2,539 |
| Change in statutory, foreign tax, foreign exchange rates and other | 26,000 | 39,000 |
| Total current income taxes | $ 61,675 | $ 78,182 |

Effective January 1, 2019, the Company adopted ASC 606, "Revenue Recognition - Revenue from Contracts with Customers". Upon adoption of this standard, there was a cumulative catch-up adjustment of $1,443,014. The Company has a recognized deferred tax asset of $191,000 (2021 – 251,000) to reflect the impact of the cumulative catch-up adjustment.

The significant components of the Company's deferred tax assets and liabilities are as follows:

| | 2022 | 2021 |
|---|---|---|
| Deferred Tax Assets | | |
| Deferred Revenue | $ 47,000 | $ 87,000 |
| Property and equipment | - | (4,000) |
| Non-capital losses | 144,000 | 168,000 |
| Net deferred tax asset | $ 191,000 | $ 251,000 |

## 9. UNEARNED REVENUE

| | 2022 | 2021 |
|---|---|---|
| Unearned revenue | $ 245,228 | $ 395,308 |
| Less current portion | (99,529) | (187,072) |
| | $ 145,699 | $ 208,236 |

## 10. LEASE OBLIGATION

Capital lease repayments are due as follows:

| | 2022 | 2021 |
|---|---|---|
| December 31, 2022 | $ - | $ 14,660 |
| Net minimum lease payments | - | 14,660 |
| Less amount representing interest at 10% | - | (707) |
| Present value of capital lease payments | - | 13,953 |
| Less current portion | - | (13,953) |
| | $ - | $ - |

Interest of $674 (2021 - $2,156) has been recorded in relation to the capital lease.

## 11. 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, 2022, the Company mutually terminated 19 franchises (2021 – mutually terminated 18). Refer to Note 14 for franchise renewals and terminations subsequent to December 31, 2022. As at December 31, 2022, a cumulative 54 (2021 – 73) franchises are open in the USA.

## 12. LOSS ON ASSET ACQUISITION

On March 1, 2022, the Company executed an Asset Purchase Agreement with Mobile Cycling Solutions Inc. in Orange County for a purchase price of $25,000. Included in Franchise Fees is the gain of $46,441 on the termination of six franchise agreements.

## 13. 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.

**13. 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, 2022, the Company had a cash balance of $17,148 to settle cash obligations related to current accounts payables of $80,532. The Company has other current liabilities being due to related party of $5,337,863 and unearned revenue of $99,529. 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.

## 14. SUBSEQUENT EVENT

Subsequent to December 31, 2022, the Company has renewed two franchise agreements and terminated one in the United States.

**EXHIBIT B**

**FRANCHISE AGREEMENT**

**(INCLUDING STATE-SPECIFIC AMENDMENTS)**

# Franchise Agreement

(for use in the United States)

Form dated April ~~6~~3, ~~2023~~2024
FDD dated April ~~6~~3, ~~2023~~2024

~~407486263-v2\NA_DMS~~418011746-v1\NA_DMS

# TABLE OF CONTENTS


1. DEFINITIONS 2
2. GRANT 4
   2.1 Grant 4
   2.2 Territorial Protection and Reserved Rights 4
   2.3 Key Accounts 5
   2.4 Additional Mobile Bike Shops 5
   2.5 Office 5
   2.6 Opening of Franchised Business 6
3. FEES & ROYALTY 6
   3.1 Initial Fee 6
   3.2 Royalty 6
   3.3 Online Management System Software Set-up Fee 6
   3.4 Online Management System Software Technology Fee 6
   3.5 Client Services Center 6
   3.6 Royalties during an Event of Force Majeure 7
   3.7 Other Fees and Charges 7
   3.8 Applicable Taxes 7
   3.9 Payment Procedures 7
   3.10 Interest on Late Payments 7
   3.11 Acceptance and Application of Payments 7
4. TERM 8
   4.1 Initial Term 8
   4.2 Renewal 8
5. OBLIGATIONS OF FRANCHISOR 9
   5.1 Training by Franchisor 9
   5.2 Opening Assistance 9
   5.3 Operating Assistance 9
   5.4 Delegation of Services by Franchisor 9
   5.5 Other Programs and Business Models 9
   5.6 Distribution of Leads by Franchisor 10
   5.7 Additional Training Programs 10
6. OPERATION OF FRANCHISED BUSINESS 10
   6.1 Duties and Obligations 10
   6.2 System Modifications 12
   6.3 Internet 12
   6.4 Sourcing; Purchase and Sale of Products 13
   6.5 Discounts, Rebates and Bonuses 14
   6.6 Conventions 14
   6.7 Social Media & Communication 14
   6.8 Customer Satisfaction and Survey Programs 14
   6.9 Central Telephone Number 14
   6.10 Compliance with Laws 15
7. MANUAL AND CONFIDENTIALITY 15
   7.1 Manual 15
   7.2 Nondisclosure of Confidential Information 15
8. ADVERTISING 16
   8.1 Local Advertising 16
   8.2 Branding Fund 16
   8.3 Opening Promotion 17
9. MARKS 17
   9.1 Right to Use the Marks 17
   9.2 Agreements Regarding the Marks 17

9.3 Use of the Marks 18
9.4 Infringement 19
10. ACCOUNTING, RECORDS, REPORTS, AUDITS AND INSPECTIONS 19
10.1 Bookkeeping, Accounting and Records 19
10.2 Reports and Financial Information 19
10.3 Use of Financial Information 20
10.4 Inspection and Audit of Books and Records 20
10.5 Auditor's Report to be Final 20
10.6 Electronic Access to Data 20
11. INSURANCE 21
11.1 Insurance Coverage Requirements 21
11.2 Deductibles; Waiver of Subrogation 22
11.3 No Limitation of Other Obligations 22
11.4 Additional Insured Designation 22
11.5 Certificates of Insurance 22
11.6 Remedies 22
12. RESTRICTIVE COVENANTS AND TRADE SECRETS 22
12.1 Competition during Term of Agreement 22
12.2 Competition after Termination 23
12.3 Acknowledgments Regarding Restrictive Covenants 23
12.4 Improvements 24
12.5 Injunctive Relief 24
12.6 Execution of Covenants by Franchisee's Owners and Management 24
13. SALE, ASSIGNMENT, TRANSFER 24
13.1 Assignment by Franchisee 24
13.2 Conditions for Approval of Transfer by Franchisee 25
13.3 Right of First Refusal 26
13.4 Transfer for Convenience of Ownership 27
13.5 Shareholders and Share Certificates 27
13.6 Assignment by Franchisor 27
13.7 Securities Offerings 28
14. DEATH OR PERMANENT DISABILITY 28
14.1 Death 28
14.2 Permanent Disability 28
15. TERMINATION 29
15.1 Events of Termination 29
15.2 Effect of Termination 31
15.3 Franchisor's Right to Purchase the Mobile Bike Shop & Designated Equipment 31
15.4 Exercise of Franchisor's Rights 32
15.5 Additional Remedies 32
15.6 Survival of Covenants 32
15.7 Failure to Act Not to Affect Rights 32
15.8 Right to Discontinue 32
16. DISPUTE RESOLUTION 33
16.1 Mediation 33
16.2 Litigation 33
16.3 Governing Law 34
16.4 Parties' Acknowledgements 34
16.5 Waiver of Punitive Damages 34
16.6 Limitations of Claims 34
16.7 Jury Waiver 34
17. ACKNOWLEDGMENTS 35
17.1 Independent Investigation 35
18. GENERAL PROVISIONS 36
18.1 Indemnification of Franchisor 36
18.2 Legal Fees 36

18.3 No Liability 37
18.4 Relationship of the Parties 37
18.5 Joint and Severable 37
18.6 Severability 37
18.7 Notices 37
18.8 Headings, Article Numbers 38
18.9 Time of the Essence 39
18.10 Waiver of Obligations 39
18.11 Approval or Consent 39
18.12 Gender 39
18.13 Cross Default 39
18.14 Further Assurances 39
18.15 Binding Agreement 39
18.16 When Agreement Binding on Franchisee 39
18.17 Rights of Franchisor are Cumulative 39
18.18 Force Majeure 40
18.19 No Guarantee of Obligations 40
18.20 Guaranty and Assumption Agreement 40
18.21 No Third Party Beneficiary 40
18.22 Counterpart Execution 40
18.23 Entire Agreement 40

SCHEDULE A – TERRITORY AND FRANCHISEE'S LOCATION
SCHEDULE B – CONDITIONAL ASSIGNMENT AGREEMENT
SCHEDULE C – OWNERSHIP INTERESTS FRANCHISEE
SCHEDULE D – GUARANTY AND ASSUMPTION AGREEMENT
SCHEDULE E – CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE
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~~1632 West ~~5th Avenue~~6th Ave
Vancouver, British Columbia, Canada ~~V5Y 1J6~~V6J 1R3

(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) **"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;
(i) **"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.

(j) **"Franchised Business"** means the business to be operated by Franchisee under the trade name "Velofix" pursuant to the provisions of this Agreement;

(k) **"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.

(l) **"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;

(m) **"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.

(n) **"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.

(o) **"Initial Term"** means the five (5) year term provided for in Section 4.1 hereof;

(p) **"Interest Rate"** the lesser of eighteen (18%) percent per annum, or the maximum rate allowed by applicable law;

(q) **"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;

(r) **"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;

(s) **"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;

(t) **"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;

(u) **"Mobile Bike Shop"** 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;

(v) **"Products"** means all authorized wares, merchandise, supplies, accessories and items rented, sold, dispensed, handled or otherwise dealt in the Franchised Business;

(w) **"Services"** means all services authorized by Franchisor and performed by the Franchised Business;

(x) **"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;

(y) **"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

(z) **"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 Mobile Bike Shops

The parties acknowledge and agree that Franchisee will begin the Velofix Franchised Business with one (1) Mobile Bike Shop. 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 Mobile Bike Shop 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 Mobile Bike Shop 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 Mobile Bike Shop into operation within fifteen (15) Business Days after taking delivery of the Mobile Bike Shop.

## 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 Mobile Bike Shop put into service by Franchisee in the amount of two thousand five hundred ($2,500) 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 Technology Fee

Franchisee shall pay to Franchisor a reasonable monthly technology fee (the "Technology Fee") for each Mobile Bike Shop designated by Franchisee with access to Velonet, and payable 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 will be based on a percentage of Franchisee's Gross Sales, as determined in Franchisor's sole discretion. However, such fees will not be more than 3% of Franchisee's monthly Gross Sales.

### 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 Mobile Bike Shop, 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 on-site or virtual (or combination thereof) 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 Mobile Bike Shop, 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 Mobile Bike Shop. 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 Mobile Bike Shop and the Designated Equipment used in the Franchised Business and to effect such maintenance of, and repairs to, the Mobile Bike Shop 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 Franchisor that the advertising and/or promotions have been approved or denied with 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, Technology 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<br>$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 Mobile Bike Shop(s) and equipment permanently attached to the Mobile Bike Shop(s),

| | |
|---|---|
| Minimum Limit Bodily Injury and Property Damage Combined: | $500,000 per accident or loss |

(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 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. 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 Mobile Bike Shop(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 Mobile Bike Shop(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 Mobile Bike Shop 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 Mobile Bike Shop into operation within fifteen (15) Business Days from taking delivery of the Mobile Bike Shop 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 Mobile Bike Shop 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, of 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, Technology 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 Mobile Bike Shop & 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 Mobile Bike Shop 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.<br>~~3031~~1632 West ~~5th Avenue~~6th Ave<br>Vancouver, British Columbia, Canada ~~V5Y 1J6~~V6J 1R3<br>Attention: Chief Executive Officer<br>Telephone: 604-787-8609<br>Facsimile: _____ |
| Notices to Franchisee and the Owners: | _____<br>_____<br>_____<br>Attention: _____<br>Telephone: _____<br>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 |
|---|---|---|
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## 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 Compete**[1]

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.
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.

[1]If 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. 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 or 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 Financial Protection and Innovation 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. The California Department of Financial Protection has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

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. 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.

3. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

4. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

5. 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.

6. No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf. This provision supersedes any other term of any document executed in connection with the franchise.

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:_____

| Summary report:<br>Litera® Change-Pro for Word 10.14.0.46 Document comparison done on 4/5/2024 11:56:05 AM | |
|---|---|
| **Style name:** FDDs | |
| **Intelligent Table Comparison:** Active | |
| **Original DMS:** iw://americas-bm.imanage.work/NA_DMS/407486263/2 | |
| **Modified DMS:** iw://americas-bm.imanage.work/NA_DMS/418011746/1 | |
| **Changes:** | |
| Add | 50 |
| ~~Delete~~ | 12 |
| ~~Move From~~ | 0 |
| Move To | 0 |
| Table Insert | 0 |
| ~~Table Delete~~ | 0 |
| Table moves to | 0 |
| ~~Table moves from~~ | 0 |
| Embedded Graphics (Visio, ChemDraw, Images etc.) | 0 |
| Embedded Excel | 0 |
| Format changes | 0 |
| **Total Changes:** | 62 |

**EXHIBIT C**

**LIST OF FRANCHISEES**

**LIST OF FRANCHISEES AS OF DECEMBER 31, ~~2022~~2023**

*** Franchise Agreement has been signed, but the outlet was not open as of December 31, ~~2022~~2023**

**CALIFORNIA**

Biggies Bikes, LLC (San Diego East)
2539 Helix St.
Spring Valley, CA 91977
Phone: 619-376-3302

~~Mobile Cycling Solutions Inc. (Orange County #1)~~
~~9 Weather Ldg~~
~~Coto De Caza, CA 92679~~
~~Phone: 949-735-0237~~
~~Mobile Cycling Solutions Inc. (Orange County #1)~~
~~9 Weather Ldg~~
~~Coto De Caza, CA 92679~~
~~Phone: 949-735-0237~~
San Francisco Bike Services, LLC (Bay Area)
1525 Bryant Street, Unit 0721
San Francisco, CA 94103
Phone: 415-713-0551

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

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

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

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

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

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

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

Bike Concierge LLC (Greater LA 8)
~~Hudson Brothers Bikewerx (East Bay~~318 Ave 1~~)~~ Unit A
Redondo Beach, CA 90277
~~260 West Drive~~
~~Golden, CO~~
Phone: ~~720-272-9469~~805-728-1434

~~Hudson Brothers Bikewerx (East Bay 2)~~
~~260 West Drive~~
~~Golden, CO~~
~~Phone: 720-272-9469~~
~~TTN Holdings~~Suffer Mechanis, Cycling LLC (~~Temecula/Corona 1~~San Diego)
~~6 Atwater~~4403 Newport Ave
~~Irvine~~San Diego, CA ~~92602~~922107
Phone: ~~714-262-4792~~303-704-8536

~~TTN Holdings LLC (Temecula/Corona 2)~~
~~6 Atwater~~
~~Irvine CA 92602~~
~~Phone: 714-262-4792~~
~~Velo Bid Corp (Uplands/Claremont)~~
~~1665 W Mammoth Drive~~
~~Upland, CA 91484~~
~~Phone: 626-241-7242~~
Cali Lorien LLC (Wine Country)
82 Allen Ave
Cloverdale, CA 95425
Phone: 415-720-6472

~~**COLORADO**~~
~~Bike Repair Colorado LLC (Denver 1)~~
~~1555 S, 76th St. Unit 22919~~
~~Superior, CO 80027~~
~~Phone: 970-420-6070~~
~~Bike Repair Colorado LLC (Denver 2)~~
~~1555 S, 76th St. Unit 22919~~
~~Superior, CO 80027~~
~~Phone: 970-420-6070~~
~~Bike Repair Colorado LLC (Denver 3)~~
~~1555 S, 76th St. Unit 22919~~
~~Superior, CO 80027~~
~~Phone: 970-420-6070~~
~~Bike Repair Colorado LLC (Denver 4)~~
~~1555 S, 76th St. Unit 22919~~
~~Superior, CO 80027~~
~~Phone: 970-420-6070~~
~~**CONNECTICUT**~~
~~Connecticut Cycling Solutions LLC (CT South 1)~~
~~37 Cornfield Rd.~~
~~Trumbull, CT 06611~~
~~Phone: 203-240-4987~~
~~Connecticut Cycling Solutions LLC (CT South 2)~~
~~37 Cornfield Rd.~~
~~Trumbull, CT 06611~~
~~Phone: 203-240-4987~~
~~Connecticut Cycling Solutions LLC (CT South 3)~~
~~37 Cornfield Rd.~~
~~Trumbull, CT 06611~~
~~Phone: 203-240-4987~~

**FLORIDA**

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

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

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

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

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

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

~~The Sports Collective, LLC (Orlando)~~
~~11210 Satellite Blvd.,~~
~~Orlando, FL 32837~~
~~Phone: 202-341-1329~~
~~Velojax LLC~~
~~11575 Mandarin Forest Dr~~
~~Jacksonville, FL 32223~~
~~Phone: 904-608-0933~~
~~Veloguy LLC~~
~~819 Emden Ave NW, Palm Bay, FL 32907~~
~~(321) 258-0082~~
~~**GEORGIA**~~
~~Blake Bikes LLC~~
~~204 Capstone Dr., Unit 304~~
~~Lynchburg, VA 24502~~
~~Phone:~~

**HAWAII**

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

**ILLINOIS**

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

~~**KENTUCKY**~~
~~Bourbon City Bicycles (Louisville)~~
~~164 Wilshire Ave~~
~~Louisville, KY 40207~~
~~Phone: 301-385-3966~~

**MARYLAND**

~~AME Cycling LLC (DMV 2)~~
~~13800 McLearen Rd~~
~~Herndon, VA 20171~~
~~Phone: 202-643-3230~~
Velofix Arundel (Arundel)
1750 Charles Rd.
Millersville, MD 21108
Phone: 410-859-3538

**MINNESOTA**

Land of 10000 Lakes, LLC (Minnesota 1)
3657 Strawberry Lane
Excelsior, MN 55331
Phone: 952-388-8890

Land of 10000 Lakes, LLC (Minnesota 2)
3657 Strawberry Lane
Excelsior, MN 55331
Phone: 952-388-8890

Land of 10000 Lakes, LLC (Minnesota 3)
3657 Strawberry Lane
Excelsior, MN 55331
Phone: 952-388-8890

Land of 10000 Lakes, LLC (Minnesota 4)
3657 Strawberry Lane
Excelsior, MN 55331
Phone: 952-388-8890

Land of 10000 Lakes, LLC (Minnesota 5)
3657 Strawberry Lane
Excelsior, MN 55331
Phone: 952-388-8890

Land of 10000 Lakes, LLC (Minnesota 6)
3657 Strawberry Lane
Excelsior, MN 55331
Phone: 952-388-8890

**NEVADA**

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

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

~~**NEW YORK**~~

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

~~**NORTH CAROLINA**~~
~~VeloOwl LLC (Charlotte 1)~~
~~1035 14th Ave Dr. NW~~
~~Hickory, NC 28601~~
~~Phone: (828)261-6000~~
~~VeloOwl LLC (Charlotte 2)~~
~~1035 14th Ave Dr. NW~~
~~Hickory, NC 28601~~
~~Phone: (828)261-6000~~
~~VeloOwl LLC (Charlotte 3)~~
~~1035 14th Ave Dr. NW~~
~~Hickory, NC 28601~~
~~Phone: (828)261-6000~~
~~VeloOwl LLC (Charlotte 4)~~
~~1035 14th Ave Dr. NW~~
~~Hickory, NC 28601~~
~~Phone: (828)261-6000~~

~~**OREGON**~~
~~JRA Mobile Repair LLC (Portland)~~
~~1327 SE Tacoma St. #337~~
~~Portland, OR 97202~~
~~Phone: 503-577-3922~~
~~The Alley Group LLC (Cascades 1)~~
~~18840 SW Boones Ferry Road~~
~~Tualatin, OR 97034~~
~~Phone: 503-329-7291~~
~~The Alley Group LLC (Cascades 2)~~
~~18840 SW Boones Ferry Road~~
~~Tualatin, OR 97034~~
~~Phone: 503) 329-7291~~

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

~~**TENNESSEE**~~

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

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

**TEXAS**

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

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

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

**UTAH**

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

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

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

~~**VIRGINIA**~~**WASHINGTON**

~~AME Cycling~~Slow Leak LLC (~~DMV 3~~Sammamish)
18930 Bothell Everett Hwy U104
Bothell, WA 98012
~~13800 McLearen Rd~~
~~Herndon, VA 20171~~
Phone: ~~202-643-3230~~509-867-8049

~~AME Cycling LLC (DMV 4)~~
~~13800 McLearen Rd~~
~~Herndon, VA 20171~~
~~Phone: 202-643-3230~~

~~AME Cycling LLC (DMV 5)~~
~~13800 McLearen Rd~~
~~Herndon, VA 20171~~
~~Phone: 202-643-3230~~

~~**WASHINGTON**~~

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

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

~~Puget Sound Cycling LLC~~
~~3556 NE 95th St.~~
~~Seattle, WA 98115~~
~~Phone: 425-362-5994~~

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

**EXHIBIT D**

**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM**

**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM**
**AS OF DECEMBER 31, ~~2022~~2023**

None.

~~**CALIFORNIA**~~

~~Ed Kurzenski Sierra Service Course (4 Units)~~
~~(Sacramento 1) 244 Mondrian Court~~
~~El Dorado Hills, CA 95762~~
~~Phone: 808-723-0002~~

~~Ed Kurzenski Sierra Service Course~~
~~(Sacramento 1) 244 Mondrian Court~~
~~El Dorado Hills, CA 95762~~
~~Phone: 808-723-0002~~
~~Eric Hudson~~
~~Hudson Brothers Bikewerx (East Bay 3)~~
~~260 West Drive~~
~~Golden, CO~~
~~Phone: 720-272-9469~~
~~Eric Hudson~~
~~Hudson Brothers Bikewerx (East Bay 4)~~
~~260 West Drive~~
~~Golden, CO~~
~~Phone: 720-272-9469~~
~~Mobile Cycling Solutions Inc. (Orange County #1)~~
~~9 Weather Ldg~~
~~Coto De Caza, CA 92679~~
~~Phone: 949-735-0237~~
~~Mobile Cycling Solutions Inc. (Orange County #1)~~
~~9 Weather Ldg~~
~~Coto De Caza, CA 92679~~
~~Phone: 949-735-0237~~

~~**COLORADO**~~

~~Bike Repair Colorado LLC (Denver 1)~~
~~1555 S, 76th St. Unit 22919~~
~~Superior, CO 80027~~
~~Phone: 970-420-6070~~
~~Bike Repair Colorado LLC (Denver 2)~~
~~1555 S, 76th St. Unit 22919~~
~~Superior, CO 80027~~
~~Phone: 970-420-6070~~
~~Bike Repair Colorado LLC (Denver 3)~~
~~1555 S, 76th St. Unit 22919~~
~~Superior, CO 80027~~
~~Phone: 970-420-6070~~
~~Bike Repair Colorado LLC (Denver 4)~~
~~1555 S, 76th St. Unit 22919~~
~~Superior, CO 80027~~
~~Phone: 970-420-6070~~

~~**DISTRICT OF COLUMBIA**~~

~~Chris Myers~~
~~AME Cycling LLC~~
~~5537 Hillsman Farm Lane~~
~~Haymarket, VA 20169~~

~~**FLORIDA**~~

~~Velojax LLC~~
~~11575 Mandarin Forest Dr~~
~~Jacksonville, FL 32223~~
~~Phone: 904-608-0933~~
~~Veloguy LLC~~
~~819 Emden Ave NW~~
~~Palm Bay, FL 32907~~
~~(321) 258-0082~~

~~**KENTUCKY**~~

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

~~**MARYLAND**~~

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

~~**MASSACHUSETTS**~~

~~Guenther Anger~~
~~Gunrun Velo Corp (Boston) 200 Topsfield Rd.~~
~~Wenham, MA 01984~~
~~Phone: 978-880-2363~~

~~**MICHIGAN**~~

~~Mike Dega (2 Units)~~
~~Pursuit Detroit LLC~~
~~29726 Highmeadow Road~~
~~Farmington Hills, Michigan 48334~~

~~**MINNESOTA**~~

Al Watts (7 UNITS)
Allvelo LLC
3641 44th Ave NW
Rochester, MV 55901
Phone: 507-421-0970

**NEW YORK**

Sebastian Victor (4 Units)
Contre la Montre LLC
10 Ben Court
New York, NY
Phone: 646-732-2920

**OREGON**

JRA Mobile Repair LLC (Portland)
1327 SE Tacoma St. #337
Portland, OR 97202
Phone: 503-577-3922
The Alley Group LLC (Cascades 1)
18840 SW Boones Ferry Road
Tualatin, OR 97034
Phone: 503-329-7291
The Alley Group LLC (Cascades 2)
18840 SW Boones Ferry Road
Tualatin, OR 97034
Phone: 503) 329-7291
The Alley Group LLC (Cascades 3)
18840 SW Boones Ferry Road
Tualatin, OR 97034
Phone: 503-329- 7291

**RHODE ISLAND**

Mike Lee
Sakonnet Bike & Board
105 Randolph Ave, Tiverton RI 0287
Phone: 401-855-1377

**TEXAS**

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

**VIRGINIA**

AME Cycling LLC (DMV 3)
13800 McLearen Rd
Herndon, VA 20171
Phone: 202-643-3230
AME Cycling LLC (DMV 4)
13800 McLearen Rd
Herndon, VA 20171
Phone: 202-643-3230
AME Cycling LLC (DMV 5)
13800 McLearen Rd
Herndon, VA 20171
Phone: 202-643-3230

**WASHINGTON**

Seattle Mobile Bike Proshop LLC (Seattle 1)
15592 NE 36th St, #200
Redmond, WA 98052
Phone: 425-435-7775
Seattle Mobile Bike Proshop LLC (Seattle 2)
15592 NE 36th St, #200
Redmond, WA 98052
Phone: 425-435-7775

**EXHIBIT E**

**MANUAL TABLE OF CONTENTS**

# Velofix Standard Operating Procedures Manual Table of Contents

## Module 1 – Operator

veloNet Operator Orientation (7 PAGES)

Introduction
Instructions
PART 1: Operator Level Responsibilities
Account Management
Job Management
Work order and Invoice Management
Inventory and Ordering
Notes Section
PART 2: Summary Statement – Verification of Competency

## Module 2 – Services

Overview of Service Packages (28 Pages)

Introduction
Road/Triathlon/Cyclocross Services Overview
“The Domestique” Basic Tune Up
“The Yellow Jersey” Major Tune Up
“The Paris-Roubaix” Full Overhaul and Tune Up
Mountain/Commuter Services Overview
“The Broken Spoke” Basic Tune Up
“The Mudslinger” Major Tune Up
“The Digger” Full Overhaul and Tune Up
Road/Triathlon/Cyclocross Services Detailed Checklist
“The Domestique” Basic Tune Up
“The Yellow Jersey” Major Tune Up
“The Paris-Roubaix” Full Overhaul and Tune Up
Mountain/Commuter Services Detailed Checklist
The Broken Spoke” Basic Tune Up
“The Mudslinger” Major Tune Up
“The Digger” Full Overhaul and Tune Up
Technical Resources and References
Distributors
External Technical Recourses
Verification of Competency

## Module 3 – Operators Manual

Operations Manual (40 PAGES)

Vehicle Care

~~Exhibit E~~
Exhibit E

Vehicle opening
Vehicle Boosting
Parking Guidelines
Closing the Truck
Charging Truck and Checking Levels
Administrative
Recycling and Disposal
Apparel and Personal Presentation
Phone Answering Procedures
Email Answering Procedure
Bike Build Custom Consults
Special Event Inquiries and Bookings
Inventory Processes
Electronic Ordering Process
Physical Receival Process
Service Hours
The Preliminary Call
The Intake – KEY to High Ring Success!!
Service Upsell: Categories and Topics
Pick Up/Drop Off
Scheduling and Performing a Drop Off
Handling Additional Bikes
Handling Job without Needed Supplies
Call Back/Service Close
Payment
Payment Processing (On-Site Collection)
Payment Processing (Off-Site Collection)
Cash and Cheque Collections (On-Site)
Recommended Payment Handheld Batching Procedure
Gift Cards
Warranties & Returns
Warranties – For Work Performed by Velofix
Warranties – For Product Sold by Velofix
Warranties – For Product NOT Sold by Velofix
Returns – For Product Sold by Velofix

## Module 4 – Administration

Admin Checklist (8 PAGES)

VeloNet Admin
Franchise Setup
Reporting
Administrative Pre Opening Responsibilities
Receive Inventory & Stock
Shop and P&A Preparation

Odds & Ends
Soft Launch Services

## Module 5- Marketing

Marketing Playbook (45 PAGES)

**TOTAL PAGES IN MANUAL: 128 pages**

**TOTAL PAGES (INCL. TOC, DIVIDERS, ETC.): 132 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.

**[Remainder of page intentionally left blank]**

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]**

**ATTACHMENT A**

**LIST OF STATE ADMINISTRATORS**

## 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 Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California ~~90013-2344~~900132344
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~~E111
Indianapolis, Indiana 46204

**MARYLAND**
Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, Maryland ~~21202-2020~~212022020

**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~~685095006

**NEW YORK**
NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
212-416-8222

**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 Financial Protection and Innovation
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344

**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

**HAWAII**
Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

**ILLINOIS**
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

**INDIANA**
Secretary of State
201 State House
200 West Washington
Indianapolis, Indiana 46204

**MARYLAND**
Maryland Securities Commissioner
Maryland Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

**MICHIGAN**
Michigan Department of Commerce
Corporations and Securities Bureau
G. Mennen Williams Building, 6th Floor
525 West Ottawa
Lansing, Michigan 48933

**MINNESOTA**
Commissioner of Commerce
85 7th Place East
Suite 280
Saint Paul, Minnesota 55101

**NEW YORK**
Secretary of State of
the State of New York
99 Washington Avenue
Albany, New York 12231

**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 Financial Protection and Innovation 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. Item 5 is supplemented by the following:

"The California Department of Financial Protection has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open."

3. **OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.**

4. 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.

5. 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).

6. 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.

7. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

8. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.**

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

1. Illinois law governs the Franchise Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement (or development agreement) that designates jurisdiction or venue outside the State of Illinois is void. However, arbitration may take place outside of Illinois.

3. Your rights upon termination and non-renewal of a franchise agreement (or development agreement) are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, 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.

5. Each provision of this addendum 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 addendum. This addendum shall have no force or effect if such jurisdictional requirements are not met.

6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**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 any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

4. 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.

5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

6. 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."

7. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

8. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee

from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

9. No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf. This provision supersedes any other term of any document executed in connection with the franchise.

No Poach Investigation

On December 20, 2019, Velofix Holdings USA, Inc. entered into an Assurance of Discontinuance (AOD) with the Attorney General for the State of Washington. In September 2019, the Washington State Attorney General had initiated an investigation by issuing Civil Investigative Demands to numerous franchisors regarding so-called "no poach" provisions in franchise contracts. The Attorney General alleged that the so-called "no-poach" provisions violated Washington state anti-trust laws. By entering into the AOD, Velofix Holdings USA, Inc. admitted no wrongdoing. It also agreed to amend its franchise and license agreements in the State of Washington, and not to enforce the provision in legacy agreements while it removed the language from agreements in the ordinary course of ongoing activities and/or transactions with franchisees and licensees. No damages, costs, fines, or penalties were levied as part of the AOD.

**ATTACHMENT D**

**STATE EFFECTIVE DATES**

## State Effective Dates

The following states have franchise laws that 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 document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

| State | Effective Date |
|---|---|
| California | ~~September 13, 2023~~[Pending] |
| Illinois | [Pending] |
| Washington | ~~October 23, 2023~~[Pending] |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## 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 | 1632 West 6th Ave ~~303 West 5th Avenue,~~ Vancouver~~,~~ B.C., Canada ~~V5Y 1J6~~V6J 1R3 | (604) 558-0248 |
| Chris Guillemet | 1632 West 6th Ave ~~303 West 5th Avenue,~~ Vancouver~~,~~ B.C., Canada ~~V5Y 1J6~~V6J 1R3 | (604) 558-0248 |
| | | |

Issuance Date: April ~~6~~3, ~~2023~~2024

I received a disclosure document dated April ~~6~~3, ~~2023~~2024. 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 |

| | |
|---|---|
| Attachment A | List of State Administrators |
| Attachment B | Agents for Service of Process |
| Attachment C | State Specific Addenda to Franchise Disclosure Document |
| Attachment D | State Effective Dates |

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**
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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]**

| Summary report:<br>Litera® Change-Pro for Word 10.14.0.46 Document comparison done on 4/5/2024 12:00:58 PM | |
|---|---|
| **Style name:** FDDs | |
| **Intelligent Table Comparison:** Active | |
| **Original DMS:** iw://americas-bm.imanage.work/NA_DMS/406860793/4 | |
| **Modified DMS:** iw://americas-bm.imanage.work/NA_DMS/417997504/2 | |
| **Changes:** | |
| Add | 410 |
| ~~Delete~~ | 676 |
| ~~Move From~~ | 0 |
| Move To | 0 |
| Table Insert | 11 |
| ~~Table Delete~~ | 24 |
| Table moves to | 0 |
| ~~Table moves from~~ | 0 |
| Embedded Graphics (Visio, ChemDraw, Images etc.) | 0 |
| Embedded Excel | 0 |
| Format changes | 0 |
| **Total Changes:** | 1121 |