

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F**

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Fiscal year ended December 31, 2022

For the transition period from _____ to _____

Commission file number 000-56191

ParcelPal Logistics Inc.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

British Columbia, Canada

(Jurisdiction of incorporation or organization)

422 Richards Street, Suite 170, Vancouver, BC V6B 2Z4, Canada

(Address of principal executive offices)

Rich Wheelless

Rich@parcelpal.com

(Tel. (587) 883 9811

422 Richards Street, Suite 170, Vancouver, BC V6B 2Z4, Canada

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

None

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Common Shares

*Not for trading, but only in connection with the registration of American Depositary Shares. Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not Applicable

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

The number of outstanding Common Shares of the issuer as at December 31, 2022, was 196,374,591.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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

Yes No

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

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing.

U.S. GAAP

International Financial Reporting Standards as issued by the
International Accounting Standards Board

Other

If 'Other' has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17

Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

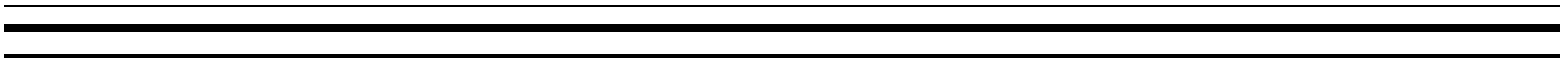


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FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F includes forward-looking statements, which involve a number of risks and uncertainties. These forward-looking statements can generally be identified as such because the context of the statement will include words such as “may,” “will,” “intend,” “plan,” “believe,” “anticipate,” “expect,” “estimate,” “predict,” “potential,” “continue,” “likely,” or “opportunity,” the negative of these words or other similar words. Similarly, statements that describe our future plans, strategies, intentions, expectations, objectives, goals or prospects and other statements that are not historical facts are also forward-looking statements. Discussions containing these forward-looking statements may be found, among other places, in “Business Overview” and “Operating and Financial Review and Prospects” in this annual report on Form 20-F. These forward-looking statements are based largely on our expectations and projections about future events and future trends affecting our business and are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. These risks and uncertainties include, without limitation, those discussed in “Risk Factors” and in “Operating and Financial Review and Prospects” of this annual report. In addition, past financial or operating performance is not necessarily a reliable indicator of future performance, and you should not use our historical performance to anticipate results or future period trends. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. Except as required by law, we undertake no obligation to update publicly or revise our forward-looking statements to reflect events or circumstances that arise after the filing of this annual report on Form 20-F.

In this annual report on Form 20-F, “ParcelPal,” “Company,” “we,” “us” and “our” refer to ParcelPal Logistics Inc., unless the context otherwise provides.

IMPLICATIONS OF BEING A FOREIGN PRIVATE ISSUER

We report under the Exchange Act as a non-U.S. company with foreign private issuer (“FPI”) status. So long as we qualify as an FPI under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Securities Exchange Act of 1934 (the “Exchange Act”) regulating the solicitation of proxies in respect of a security registered under the Exchange Act;

- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the rules under the Exchange Act requiring the filing with the Securities and Exchange Commission (the “SEC”) of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events.

We may take advantage of these exemptions until such time as we are no longer an FPI. We would cease to be an FPI at such time as more than 50% of our outstanding voting securities are held by U.S. residents and any of the following three circumstances applies: (i) the majority of our executive officers or directors are U.S. citizens or residents, (ii) more than 50% of our assets are located in the United States or (iii) our business is administered principally in the United States.

EMERGING GROWTH COMPANY

According to the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), we qualified as an emerging growth company at the time we first submitted our registration statement on Form 20-F to the SEC and, accordingly, we would be eligible to comply with reduced disclosure requirements applicable to emerging growth companies for up to five years or such earlier time that we would no longer be an emerging growth company. We would cease to be an emerging growth company if we had \$1.07 billion in annual gross revenues or more, more than \$700 million in market value of the common shares held by non-affiliates, or issue more than \$1.0 billion of non-convertible debt over a three-year period. These reduced disclosure requirements and exemptions would include:

- the ability to include only two years of audited financial statements and only two years of related Management’s Discussion and Analysis of Financial Condition and Results of Operations disclosure;
- to the extent that we no longer qualify as a foreign private issuer (“FPI”), reduced disclosure obligations regarding executive compensation in this annual report and other periodic reports or registration statements; and
- an exemption from compliance with the requirement that the Public Company Accounting Oversight Board has adopted regarding a supplement to the auditor’s report providing additional information about the audit and the financial statements for this annual report and other periodic reports or registration statements.

However, even though we qualify as an emerging growth company, we have determined not to avail ourselves of these scaled disclosure requirements at this time and to instead comply with the foreign private issuer rules which are set forth in above.

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. [Reserved]

B. **Capitalization and Indebtedness.**

Not applicable.

C. **Reasons for the Offer and Use of Proceeds.**

Not applicable.

D. **Risk factors**

Investment in our common shares involves a high degree of risk. You should consider carefully the risks described below, and our other public filings, before making any investment decisions regarding our securities. You should not construe the information provided herein as constituting investment, legal, tax or other professional advice. If any of the following events actually occur, our business, operating results, prospects or financial condition could be materially and adversely affected. This could cause the trading price of our common stock to decline and you may lose all or part of your investment. Moreover, the risks described below are not the only ones that we face. Additional risks not presently known to us or that we currently deem immaterial may also affect our business, operating results, prospects or financial condition. The Company makes no representations or warranties of any kind with respect to the likelihood our business will succeed, any financial returns that may be generated or any tax benefits or consequences that may result from an investment in the Company.

Risks Related to Our Financial Condition and Capital Requirement

The terms of the convertible notes and other financing vehicles outstanding may adversely impact our business operations.

We have completed a number of non-brokered private placements, mainly in the form of convertible debt, most recently in September 2021, carrying a face value of up to US\$2,300,000 (assuming the holder funds and we take all of tranches available under this Note) (reference to any prior and current convertible notes, are collectively referred to as, the “Notes”). In addition, in July 2022 we entered into a capital loan agreement for a ten month two-tranche non-dilutive revenue financing transaction (as further described in this annual report) for principal amount of \$400,000, which carries an interest rate of 42%. In October 2022, we consummated the second tranche for a principal amount of \$100,000 pursuant to the capital loan agreement under the same terms. While we have been repaying these loan amounts, each currently remains outstanding. In the case of an Event of Default under the terms of the convertible notes or the capital loan agreement, each of which includes cross-default provisions with respect to any breach of any term of other notes or similar debt instrument, that we fail to cure within the appropriate grace period, we would be considered in default under these agreements. As a result of any default, the Principal Amount of the Notes and capital loan agreement then outstanding and owing through the date of acceleration, shall become, at the holder’s election, immediately due and payable, in the case of the Note in cash.

Should the Company for some reason default on our outstanding Notes or capital loan agreements, or on one of its other debt instruments, or such other material contracts, exercisable securities or convertible notes, if any, such default may materially impair our ability to execute our business plan, obtain future financing (or on reasonable terms) or be able to fund operations, as it may cause the loss of our assets and significantly increase the principal amounts, amount of stock issuable and calculated interest rates thereunder, which, in turn, could cause our stock price to decrease significantly, result in substantial dilution or cause us the inability to raise additional equity capital. In addition, as previously disclosed, we have not taken and Tangiers has not funded the third or fourth tranche of the September 2021 Note, which may place the Company in position to seek alternative funding, if available, on terms that are detrimental to the Company, its cashflows and which could result in significant dilution to shareholders. Any deficiency in capital can place us at risk of default under existing contractual obligations, and can also result in litigation or other legal proceedings, which can be very costly, both financially and in terms of taking time and attention away from management and the operations of the Company's business. While we have met all conversion obligations to date, and we continue to repay our capital loans, the volatility in the capital markets, limited capital raising options over the last year and our existing repayment obligations have placed a significant strain on our cashflows, operations, expansion plans and contractual arrangements. Any contractual default, if affirmatively declared, can also materially negatively impact our Company, stock price, cashflow, operations, customer agreements and result in a material adverse event for the Company.

Risks Related to Our Business Operations

Our business and financial performance may be adversely affected by downturns in the target markets that we serve.

Demand for our services can be affected by general economic conditions as well as product sale trends of our customers in our target markets. These changes may result in decreased demand for our services. The occurrence of these conditions is beyond our ability to control and, when they occur, they may have a significant impact on our sales, revenues and results of operations.

Effect of international conflicts on supply chain and energy costs, including fuel costs for delivery fleet.

The demand for, and price of, oil and gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer demand, weather conditions, the price and availability of alternative fuels, actions taken by governments in setting energy policy, and global economic and political developments. Domestic and international oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Recent fuel and energy costs have risen further for a number of reasons, including the push for green energy alternatives (which are not currently widely commercially available), the closure of domestic oil and gas pipelines and the limitations of fossil fuel exploration on federally owned or controlled lands. This situation had been exacerbated in 2022 by international conflicts, including the military invasion of Ukraine by Russia. While the cost of fueling our Amazon delivery vehicles has largely become a nullity (in terms of the cost of revenue) as a result of the fuel cost coverage provided under our latest contract with Amazon in February 2021 (whereby Amazon provides fuel cards for the vehicles), we have expanded our operations and business customer base to include regions in the United States beginning in late 2021. Our non-Amazon customer agreements currently provide only a partial reimbursement (or stipend) per gallon for vehicle fuel, which does not reflect the foregoing increases in these costs. These combined issues have caused our vehicle fuel costs to rise in relation to our non-Amazon customers and, therefore, increased the cost of doing business. We cannot predict where the price of vehicle fuel will go in the long term; however, such rising costs may negatively impact our operating profits and costs of doing business, and may cause a negative impact on our operating margins..

We may be adversely affected by supply chain issues.

Supply chain issues have struck virtually every industry, including, but not limited to, the manufacturing space, semiconductor and chips, production of home and commercial electronics and appliances, mechanized equipment, automobiles and marine vehicles and other items that require manufacturing, repair or maintenance of products. All businesses have been negatively affected by both the Covid-19 Pandemic, government imposed restrictions and policies among other tangential effects or each, both domestically and internationally. These issues have also triggered labor and workforce shortages, requiring us to continually search for new drivers at a higher cost of labor (average truck driver wages increased by 18% over the past two years¹), as well as shortages in sourcing new and used delivery vehicles on a timely or cost effective basis. For example, in 2022, according to Kelley Blue Book new-vehicle transaction prices ended 2022 at record highs². These shortages could continue to affect the availability of our fleet of delivery vehicles from running at maximum or sufficient capacity required to service the needs of current and/or new customers. As a result, any inability to make scheduled deliveries, service growing or new customers or have the ability establish new geographic locales could cause us to experience a reduction or loss in customers, revenues or reduce the growth rate of our company, each or any one of which could adversely affect relationships with existing and prospective customers. These supply chain and workforce shortages have also been and may continue to be impacted by the COVID-19 pandemic, or future variants, and/or may be impacted by other events outside our control, including macro-economic events, trade restrictions, political crises, other public health emergencies, or natural or environmental occurrences. Our existing customer agreements contain fixed payment terms, and we cannot seek an increase in customer payment rates, if at all, until the renewal term of such contracts. We believe the trend in higher labor costs and supply chain issues may continue into fiscal year 2023. As a result, such shortages and increased cost of labor have adversely affected and, could in the future adversely affect, our operating results.

Because we continue to develop and commercialize new customers and products, we expect to incur significant additional operating losses.

Although we have commercialized our business in certain markets, we continue to develop new customers, including in new markets, as well as new products, and continue to look to further expand our base of customers, and products, and therefore the size of our workforce. As a result, we expect to incur substantial additional operating expenses over the next several years as our development, expansion and new business venture activities increase and the concomitant costs and expenses of such new business endeavors increase. The amount of our future losses and when we will achieve profitability are uncertain. We remain relatively early in our expansion and marketing efforts of our services, which has resulted in several million in annual commercial revenue, but there is no guarantee that we can generate sufficient revenue to sustain operations or achieve profitability. Our ability to generate increased revenue and achieve profitability will depend on, among other things, the following:

- realizing revenue from our existing and additional new customers, in new markets and at margins that are sufficiently improved;
- realizing revenue from new product offerings, such as our mobile delivery app;
- establishing more substantial sales and marketing arrangements, either alone or with additional third parties;
- improving our profit and operating margins with existing and new customers;
- sourcing and leasing dedicated warehousing facility space; and
- raising sufficient funds to finance our activities, or on terms that are acceptable.

We might not succeed at all, or at any, of these undertakings. If we are unsuccessful at some or all of these undertakings, our business, prospects, and results of operations may be materially adversely affected.

¹ <https://www.fleetowner.com/operations/article/21248550/truckload-driver-wages-up-18-over-past-two-years>.

² <https://b2b.kbb.com/news/view/new-vehicle-transaction-prices-end-2022-at-record-highs>.

We have a few customer agreements on which we are highly dependent.

Since inception, the Company has entered into a number of customer agreements which generate the vast majority of our gross revenue. And while we have more recently undertaken an expansion and diversification business plan to lessen this concentration of customer revenue, in the near term, these agreements are a critical component in the Company's success in generating sufficient sales related cash flow to fund ongoing operations. In particular, the revenue generated from the agreement we entered into with Amazon amounted to 97% of our total revenue for 2021 and amounted to 89% of our total revenue for 2022. Because of our continued customer diversification, we currently expect the gross revenue generated from the Amazon agreement to amount to 75% of our total revenue for 2023.

These contracts are relationship based and involve a high degree of trust that the customer(s) continue for a long period of time. However, under these agreements, the Company would have no recourse against certain customers if they determined to terminate the agreement or they utilized other service providers that may compete with us. These customers could additionally underperform, not perform at all under these agreements and even walk away entirely.

The loss of key senior management personnel and other key personnel could negatively affect our business

We are highly dependent on our management team and certain personnel to successfully operate our business. Like many operating companies, the future success of the Company will be based in large part on the quality of the Company's management and key personnel. The Company's management and key personal possess valuable knowledge about the transportation and logistics industry and their knowledge of and relationships with the Company's key customers and vendors, including the addition of new customers and expansion of the Company's existing business, would be difficult to replace. While we currently maintain key-man insurance coverage, the loss of key personnel could have a negative effect on the Company. There can be no assurance that the Company will be able to retain its current key personnel, or be able to retain additional key personnel to address its expansion plans or, in the event of their departure, to develop or attract new personnel of equal quality.

If we are unable to attract, train and retain highly qualified personnel, the quality of our services may decline and we may not successfully execute our internal growth strategies.

Our success will depend in large part upon our ability to attract, train, motivate and retain highly skilled and experienced employees in the areas of business into which we expand, including technical personnel. Qualified technical employees periodically are in great demand and may be unavailable in the time frame required to satisfy our operating requirements. Expansion of our business could further require us to employ additional highly skilled technical personnel.

There can be no assurance that we will be able to attract and retain sufficient numbers of highly skilled technical employees in the future. The loss of personnel or our inability to hire or retain sufficient personnel at competitive rates of compensation could impair our ability to develop our products or services or secure and complete customer engagements and could harm our business.

If we do not effectively manage growth and changes in our business, these changes could place a significant strain on our management and operations.

Our ability to grow successfully requires an effective planning and management process. The expansion and growth of our business, including in the United States, could place a significant strain on our management systems, infrastructure and other resources. To manage our growth successfully, we must continue to improve and expand our systems and infrastructure in a timely and efficient manner. Our controls, systems, procedures and resources are currently not adequate to support a rapidly changing and growing company. If our management fails to respond effectively to changes and rapid growth in our business, including acquisitions or growth of our business, there could be a material adverse effect on our business, financial condition, results of operations and future prospects.

We may be unable to identify additional operating businesses or assets, and even if we do, we may be unable to finance such an acquisition.

Our business growth and expansion strategies ultimately include making significant investments in sales and marketing programs, either directly or indirectly, to achieve revenue growth and margin improvement targets. If we do not achieve the expected benefits from these time and capital investments or otherwise fail to execute on our strategic initiatives, we may not achieve the growth improvement we are targeting, and our results of operations may be adversely affected. We may also fail to secure the capital necessary to make these investments, which would hinder our growth.

In addition, as part of our strategy for growth, we have made and may continue to make acquisitions, enter into strategic alliances, joint ventures, licensing transactions, joint development agreements and/or other strategic transactions. However, we may not be able to identify suitable acquisition or other strategic partner candidates, complete acquisitions or integrate acquisitions or joint ventures successfully, and such strategic alliances may not prove to be successful. In this regard, acquisitions and other strategic transactions may involve delving into consumer product sales, and may also involve numerous risks, including difficulties in the integration of the operations, technologies, services and products of the acquired companies and the diversion of management's attention from other business concerns. Although we will endeavor to evaluate the risks inherent in any particular transaction, there can be no assurance that we will properly ascertain all such risks. In addition, acquisitions and other strategic transactions, if consummated, may fail to be successful, may require consents of such targets customers or be subject to termination, some of which may be out of our control, may result in litigation, could result in the incurrence of substantial additional indebtedness and other expenses or in potentially dilutive issuances of equity securities. Even if we identify assets, transactions or additional lines of business, we may have insufficient liquidity to be able to complete such a transaction, or investment commitments made to us as part of such acquisitions may not materialize, which would place the Company in a difficult position, including potentially being in default under existing acquisition contracts with such seller. This could lead to cross defaults being triggered under other contracts, if any, and possibly lead to litigation costs inherent in such matters, as well as to the termination of customer contracts and the loss of business and related revenues. Legal proceedings, whether brought or defended, are costly, and could materially impact our operations, revenues, prospects, shareholder value and available cashflow, as well as divert valuable time and attention of management and directors from the business operations. There can be no assurance that difficulties encountered with such transaction(s) will not have a material adverse effect on our business, financial condition and results of operations.

We may not be able to effectively manage our growth or improve our operational, financial, and management information systems, which would impair our results of operations.

Our ability to grow successfully requires an effective planning and management process. In late 2021 and in mid-2022, we significantly expanded our operations into the United States, and we intend to continue to expand the scope of our operations activities significantly. If we are successful in executing our business plan, we will experience growth in our business that could place a significant strain on our business operations, finances, management, and other resources. In the event of a significant acquisition, we may also need to retain or hire management and staff, which will require capital and time and other resources, all or any of which may place additional strain on the Company's management and resources. The factors that may place strain on our resources include, but are not limited to, the following:

- the need for continued development of our financial and information management systems;
- the need to manage strategic relationships and agreements with distributors, customers, and strategic partners;
- difficulties in hiring and retaining skilled management, technical, and other personnel necessary to support and manage our business.
- we may face difficulties in maintaining existing or acquired vehicles, or acquiring new vehicles at costs that are reasonable and that will not negatively impact our operating margins.
- difficulties in running operations in more than one country simultaneously, and manage workforces in each such country under varying applicable laws.

Additionally, our strategy envisions a period of growth that may impose a significant burden on our administrative, infrastructure and operational resources. Our ability to effectively manage growth, either organic growth or through an acquisition or merger, will require us to substantially and timely expand and/or integrate the capabilities of our (or such target's) administrative and operational resources and to attract, train, manage, and retain qualified management and/or other personnel.

There can be no assurance that we will be successful in recruiting and retaining new employees or retaining existing employees.

We cannot provide assurances that our management will be able to manage this growth effectively, efficiently or in a timely manner. Our failure to successfully manage growth could result in our sales not increasing commensurately with capital investments or otherwise materially adversely affecting our business, financial condition, results of operations or future prospects. Our controls, systems, procedures and resources are currently not adequate to support a changing and growing company.

We are and will be dependent on the popularity of our services, recurring business opportunities and a healthy economy.

Our ability to generate revenue and be successful in the implementation of our business plan is dependent on acceptance and demand of our product services, a consistent recurring revenue stream and on the positive health of the economy that requires and encourages last mile delivery services. Acceptance of our services will depend on several factors, including availability, cost, customer familiarity of our services, brand recognition, convenience, effectiveness, safety, and reliability. If customers do not repeatedly seek our services, or if we fail to meet customers' needs and expectations adequately, our ability to continue generating revenues could be reduced or otherwise materially impacted.

We are a publicly registered and reporting company in the United States and Canada that is subject to the reporting requirements of U.S. federal and Canadian securities laws, which can be expensive and may divert resources from other projects, thus impairing our ability to grow.

We are a public reporting company and, accordingly, subject to the information and reporting requirements of the Exchange Act, the Canadian Business Corporations Act, the British Columbia Corporation Act and other federal securities and regulatory laws, rules and regulations. The costs of preparing and filing annual, quarterly and current reports, proxy or shareholder circulars, as applicable, audited financial statements and other information with the SEC and on SEDAR, furnishing reports to stockholders and other requirements causes our expenses to be higher than they would have been if we were a privately held company.

These rules and regulations increase our compliance costs and make certain activities more time consuming and costly. In addition, as a public company, it is also more difficult and expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers.

The Sarbanes-Oxley Act also requires corporate governance practices of public companies, which can be disproportionately burdensome to smaller reporting companies. As a smaller reporting company (as defined in Rule 12b-2 under the Exchange Act), we are required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"). Section 404 requires us to include an internal control report with the annual report. This report must include management's assessment of the effectiveness of our internal control over financial reporting as of the end of the year. This report must also include disclosure of any material weaknesses in internal control over financial reporting that we have identified. Failure to comply, or any adverse results from such evaluation, could result in a loss of investor confidence in our financial reports and have an adverse effect on the trading price of our equity securities. Management believes that our internal controls and procedures are currently not effective to detect the inappropriate application of applicable financial reporting rules. Management realizes there are deficiencies in the design or operation of our internal control that adversely affect our internal controls which management considers to be material weaknesses including those described below:

- we have insufficient quantity of dedicated resources and experienced personnel involved in reviewing and designing internal controls. As a result, a material misstatement of the interim and annual financial statements could occur and not be prevented or detected on a timely basis.
- we did not perform an entity level risk assessment to evaluate the implication of relevant risks on financial reporting, including the impact of potential fraud-related risks and the risks related to non-routine transactions, if any, on our internal control over financial reporting. Lack of an entity-level risk assessment constituted an internal control design deficiency which resulted in more than a remote likelihood that a material error would not have been prevented or detected, and constituted a material weakness.
- we have not achieved the optimal level of segregation of duties relative to key financial reporting functions.

Achieving continued compliance with Section 404 may require us to incur significant costs and expend significant time and management resources. We cannot assure you that we will be able to fully comply with Section 404 or that we and our independent registered public accounting firm would be able to conclude that our internal control over financial reporting is effective at year-end.

As a result, investors could lose confidence in our reported financial information, which could have an adverse effect on the trading price of our securities, as well as subject us to civil or criminal investigations and penalties. In addition, our independent registered public accounting firm may not agree with our management's assessment or conclude that our internal control over financial reporting is operating effectively.

Foreign currency risk.

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and other foreign currencies will affect the Company's operations and financial results. To the extent that the Company settles or may settle in the future its revenue and incurs expenses in U.S. dollars and, therefore, the fluctuation in foreign currencies in relation to the Canadian dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of equity.

Risks related to customer credit and accounts receivables.

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consists primarily of cash and cash equivalents, trade and other receivables. Cash and cash equivalents are maintained with highly rated financial institutions and may be redeemed upon demand. The company is exposed to a significant concentration of credit risk with respect to certain of its trade accounts receivable balance because of its historical dependence on a limited number of customers. All accounts receivable balances are expected to be settled in full when due. The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount if these financial assets as recorded in the statement of financial position.

We may be unable to meet our financial obligations when they become due.

Our success may be affected by a variety of external factors that may affect the price or marketability of our services, including disruptions in the capital markets, changes in interest rates that may increase our funding costs, and reduced demand for our services. As a result, our ability to generate cash to meet our obligations could be adversely impacted.

Our cash was C\$76,661 in 2022, C\$551,961 in 2021, C\$255,668 in 2020. Our current liabilities were C\$6,317,195 in 2022, C\$4,876,800 in 2021, C\$3,035,403 in 2020. Even though our policy is to ensure that we will always have sufficient cash to our obligations when they become due, under both normal and stressed conditions, we may not be able to do so. If we are unable to meet our obligations, our business operations may be materially negatively affected.

Our independent auditors have expressed their concern as to our ability to continue as a going concern.

We reported an accumulated deficit of C\$24,557,267 and had stockholders' deficit of C\$1,766,684 at December 31, 2022. As a result of our financial condition, we have received a report from our independent registered public accounting firm for our financial statements for the years ended December 31, 2022, 2021, and 2020, that includes an explanatory paragraph describing the uncertainty as to our ability to continue as a going concern without the infusion of significant additional capital. There can be no assurance that management will be successful in implementing its plans. If we are unable to raise additional financing, we may cease operations.

We face intense competition.

Our businesses are rapidly evolving and intensely competitive, and we have many competitors across geographies, including cross-border competition, and in different industries, including physical, e-commerce, and omnichannel retail, e-commerce services, web and infrastructure computing services, electronic devices, digital content, advertising, grocery, and transportation and logistics services. Some of our current and potential competitors have greater resources, longer histories, more customers, and/or greater brand recognition, particularly with our newly launched products and services and in our newer geographic regions. They may secure better terms from vendors, adopt more aggressive pricing, and devote more resources to technology, personnel including drivers, infrastructure, fulfillment, and marketing.

Competition continues to intensify, including with the development of new business models and the entry of new and well-funded competitors, and as our competitors enter into business combinations or alliances and established companies in other market segments expand to become competitive with our business. In addition, new and enhanced technologies, including search, web and infrastructure computing services, digital content, and electronic devices continue to increase our competition. The Internet facilitates competitive entry and comparison shopping, which enhances the ability of new, smaller, or lesser known businesses to compete against us. As a result of competition, our product and service offerings may not be successful, we may fail to gain or may lose business, and we may be required to increase our spending or lower prices, any of which could materially reduce our sales and profits.

Risks related to the 2020 Global Pandemic.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impact on domestic and global commerce have been and are anticipated to continue to be far reaching. To date there have been significant stock market declines and the movement of people and goods worldwide has become severely restricted. While the pandemic has largely subsided, Management continues to actively monitor the situation and will take appropriate steps as needed to ensure minimal disruption to the Company's operations. There is a risk the COVID-19 pandemic could resurface via new untreated strains, which could potentially disrupt the Company's operations and the movement of goods and services, as well as its investments in personnel, expansion, marketing and sales generally. While vaccines and other therapeutics to treat COVID-19 have become widely available, and many markets have reopened, the global pandemic and variants of the Covid-19 virus have severely hampered many industries that will take years to recover, and the residual effects continue to have adverse negative effects on many workforces, societal norms and industries.

Our expansion places a significant strain on our management, operational, financial, and other resources.

We are continuing to significantly expand our operations, including recently significantly expanding operations into the United States, increasing our product and service offerings, exploring the addition of a dedicated warehousing facility and scaling our infrastructure to support our services. The scale of our expanding business might place significant strain on our management, personnel, operations, systems, technical performance, financial resources, and internal financial control and reporting functions, and our expansion increases these factors. Failure to manage growth effectively could damage our reputation, limit our growth, and negatively affect our operating results. Any such foreign or domestic jurisdiction expansion, merger or acquisition by us may also result in the failure of our business, result in operating losses, legal proceedings or claims, incurrence of tax obligations, or cause reputational harm or termination of existing business contracts, any one of which could adversely affect our operations, reduction in stock value, among other serious adverse events.

Our expansion into new products, services, technologies, and geographic regions subjects us to additional risks.

We may have limited or no experience in our newer market segments, and our customers may not adopt our product or service offerings. For example, in March 2023, we announced the relaunching of our mobile delivery application, which is intended to enable near time delivery in localized areas. These offerings, which can present potential upside for new additional revenues and customer diversification, but they also present new and difficult technology challenges, and may subject us to claims if customers of these offerings experience service disruptions or failures or other quality issues. In addition, profitability, if any, in our newer activities may not meet our expectations, and we may not be successful enough in these newer activities to recoup our investments in them. Failure to realize the benefits of amounts we invest in new technologies, products, or services could result in the value of those investments being written down or written off.

We experience significant fluctuations in our operating results and growth rate.

We are not always able to accurately forecast our growth rate. We base our expense levels and investment plans on sales estimates. A significant portion of our expenses and investments is fixed, and we are not always able to adjust our spending quickly enough if our sales are less than expected. Our revenue growth may not be sustainable, and our percentage growth rates may decrease. Our revenue and operating profit growth depends on the continued growth of demand for the products and services offered by us or our sellers, and our business is affected by general economic and business conditions worldwide. A softening of demand, whether caused by changes in customer preferences or a weakening of the U.S. or global economies, may result in decreased revenue or growth.

Our sales and operating results will also fluctuate for many other reasons, including due to factors described elsewhere in this section including the following:

- our ability to retain and increase sales to existing customers, attract new customers, and satisfy our customers' demands;
- our ability to retain and expand our network of sellers, and to maintain and cost effectively manage costs of our workforce;
- our ability to offer products on favorable terms, manage inventory, securing warehouse facility space, ability to buy or lease new fleet vehicles, and on favorable terms, including costs related to branded vehicles and fulfill orders;
- the introduction of competitive stores, websites, products, services, price decreases, or improvements;
- changes in usage or adoption rates of the Internet, e-commerce, electronic devices, and web services;
- timing, effectiveness, and costs of expansion and upgrades of our systems and infrastructure;
- the success of our geographic, service, and product line expansions;
- the extent to which we finance, and the terms of any such financing for, our current operations and future growth;
- the outcomes of legal proceedings and claims, which may include significant monetary damages or injunctive relief and could have a material adverse impact on our operating results;
- variations in the mix of products and services we sell;
- factors affecting our reputation or brand image;

- the extent to which we invest in technology and content, fulfillment, and other expense categories;
- increases in the prices of fuel and gasoline, as well as increases in the prices of other energy products and commodities like paper and hardware products;
- our ability to collect amounts owed to us when they become due;
- the extent to which use of our services is affected by spyware, viruses, phishing and other spam emails, denial of service attacks, data theft, computer intrusions, outages, and similar events; and
- disruptions from natural or man-made disasters, extreme weather, domestic or global pandemics, geopolitical events and security issues (including terrorist attacks and armed hostilities), labor or trade disputes, and similar events.

We face risks related to successfully optimizing and operating our fulfillment network and data centers.

Failures to adequately optimize and operate our fulfillment network and data centers successfully from time to time result in excess or insufficient fulfillment or data center capacity, increased costs, and impairment charges, any of which could materially harm our business. As we continue to add fulfillment and data center capability or add new businesses with different requirements, our fulfillment and data center networks become increasingly complex and operating them becomes more challenging. There can be no assurance that we will be able to operate our networks effectively.

The seasonality of our retail business places increased strain on our operations.

We experience a higher demand for our services during holiday periods, in particular in the last quarter of our financial year. Our failure to meet customers' delivery orders during that period of our financial year could significantly affect our revenue and our future growth, which could materially reduce profitability.

In addition, if too many customers access our websites within a short period of time due to increased demand, we may experience system interruptions that make our websites unavailable or prevent us from efficiently fulfilling orders, which may reduce the volume of goods we offer or sell and the attractiveness of our products and services. During times of high demand, we may also be unable to adequately staff our fulfillment network and customer service centers during these peak periods and delivery and other fulfillment companies and customer service co-sourcers may be unable to meet the seasonal demand.

We could be harmed by data loss or other security breaches.

Because we collect, process, store, and transmit large amounts of data, including confidential, sensitive, proprietary, and business and personal information, failure to prevent or mitigate data loss, theft, misuse, or other security breaches or vulnerabilities affecting our or customers' technology, products, and systems, could expose us or our customers to a risk of loss, disclosure, or misuse of such information, adversely affect our operating results, result in litigation, regulatory action (including under privacy or data protection laws), and potential liability for us, deter customers or sellers from using our stores and services, and otherwise harm our business and reputation. We use third-party technology and systems for a variety of reasons, including, without limitation, encryption and authentication technology, employee email, content delivery to customers, back-office support, and other functions. Although we have developed systems and processes that are designed to protect customer information and prevent such incidents, including systems and processes designed to reduce the impact of a security breach at a third-party vendor or customer, such measures cannot provide absolute security and may fail to operate as intended or be circumvented.

Government regulation is evolving and unfavorable changes could harm our business.

We are subject to general business regulations and laws, as well as regulations and laws specifically governing the Internet, physical, e-commerce, and omnichannel retail, digital content, web services, electronic devices, artificial intelligence technologies and services, and other products and services that we offer or sell.

Unfavorable regulations, laws, decisions, or interpretations by government or regulatory authorities applying those laws and regulations, or inquiries, investigations, or enforcement actions threatened or initiated by them, could cause us to incur substantial costs, expose us to unanticipated civil and criminal liability or penalties (including substantial monetary fines), diminish the demand for, or availability of, our products and services, increase our cost of doing business, require us to change our business practices in a manner materially adverse to our business, damage our reputation, impede our growth, or otherwise have a material effect on our operations.

We are subject to payments-related risks.

We accept payments using a variety of methods, including credit card, debit card, and payment upon or after delivery. For existing and future payment options we offer to our customers, we currently are subject to, and may become subject to additional, regulations and compliance requirements (including obligations to implement enhanced authentication processes that could result in significant costs and reduce the ease of use of our payments products), as well as fraud. We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards, electronic checks, and promotional financing. In each case, it could disrupt our business if these companies become unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, including data security rules, certification requirements, and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. Failure to comply with these rules or requirements, as well as any breach, compromise, or failure to otherwise detect or prevent fraudulent activity involving our data security systems, could result in our being liable for card issuing banks' costs, subject to fines and higher transaction fees, and loss of our ability to accept credit and debit card payments from our customers, process electronic funds transfers, or facilitate other types of online payments, and our business and operating results could be adversely affected.

Risks related to insurance coverage and business-related liability.

The Company's operations are subject to risks inherent in the transportation sector, including personal injury, property damage, workers' compensation and employment and other issues. The Company's future insurance and claims expenses may exceed historical levels, which could reduce the Company's earnings. The Company subscribes for insurance in amounts it considers appropriate in the circumstances and having regard to industry norms. Due to the Company's significant number of drivers, it has exposure to fluctuations in the number or severity of claims and the risk of being required to accrue or pay additional amounts that may not be covered by insurance, or if claims ultimately prove to be in excess of the amounts originally assessed.

Although the Company believes its individual and aggregate insurance limits should be sufficient to cover reasonably expected claims, it is possible that the amount of one or more claims could exceed the Company's aggregate coverage limits or that the Company will choose not to obtain insurance in respect of such claims. If any claim were to exceed the Company's coverage, the Company would bear the excess. The Company's results of operations and financial condition could be materially and adversely affected if (i) cost per claim or the number of claims significantly exceeds the Company's coverage limits; (ii) the Company experiences a claim in excess of its coverage limits; (iii) the Company's insurance carriers fail to pay on the Company's insurance claims; (iv) the Company experiences a significant increase in premiums; or (v) the Company experiences a claim for which coverage is not provided, either because the Company chose not to obtain insurance as a result of high premiums or because the claim is not covered by insurance which the Company has in place.

We require a high number of drivers to maintain our business and generate revenues, and our industry has a high turnover rate.

Increases in driver compensation or difficulties attracting and retaining qualified drivers could have a material adverse effect on the Company's profitability and the ability to maintain or grow the Company's business. Like many in the transportation sector, the Company experiences substantial difficulty in attracting and retaining sufficient numbers of qualified drivers. Our industry periodically experiences a shortage of qualified drivers, including in new geographic regions into which we expand. The Company believes the shortage of qualified drivers and/or intense competition for drivers from competitors will create difficulties in maintaining or increasing the number of drivers as needed at a particular time, and may negatively impact the Company's ability to engage a sufficient number of drivers. The Company's inability to do so may negatively impact its operations. Further, the compensation the Company offers its drivers and independent contractor expenses are subject to market conditions, and the Company may find it necessary to increase driver and independent contractor compensation in future periods.

In addition, the Company and many other delivery service companies suffer from a high turnover rate of drivers. This high turnover rate requires the Company to continually recruit a substantial number of new drivers in order to operate existing revenue operations. Driver shortages are exacerbated during periods of economic expansion, in which alternative employment opportunities, including in the construction and manufacturing industries, which may offer better compensation and/or more time at home, are more plentiful. The Company also employs driver hiring standards, including background checks, which could further reduce the pool of available drivers from which the Company would hire. If the Company is unable to continue to attract and retain a sufficient number of drivers, the Company could be forced to, among other things, adjust in the negative the Company's customer agreements, cancel or lose revenue generating contracts, hire drivers at higher costs (reducing net margins), any of which could adversely affect the Company's growth and profitability.

The Company is heavily dependent on its information systems, and any disruptions could adversely affect our operations and financial condition.

The Company depends heavily on the proper functioning, availability and security of the Company's information and communication systems, including financial reporting and operating systems, in operating the Company's business. The Company's operating system is critical to understanding customer demands, accepting and planning deliveries, dispatching drivers and billing and collecting for the Company's services. The Company's financial reporting system is critical to producing accurate and timely financial statements and analyzing business information to help the Company manage its business effectively. The Company receives and transmits confidential data with and among its customers, drivers, vendors, employees and service providers in the normal course of business.

The Company's operations and those of its technology and communications service providers are vulnerable to interruption by natural and man-made disasters and other events beyond the Company's control, including cybersecurity breaches and threats, such as hackers, malware and viruses, fire, earthquake, power loss, telecommunications failure, terrorist attacks and Internet failures. The Company's systems are also vulnerable to unauthorized access and viewing, misappropriation, altering or deleting of information, including customer, driver, vendor, employee and service provider information and its proprietary business information. If any of the Company's critical information systems fail, are breached or become otherwise unavailable, the Company's ability to manage its driver fleet efficiently, to respond to customers' requests effectively and timely, to maintain billing and other records reliably, to maintain the confidentiality of the Company's data and to bill for services and prepare financial statements accurately or in a timely manner would be challenged. Any significant system failure, upgrade complication, cybersecurity breach or other system disruption could interrupt or delay the Company's operations, damage its reputation, cause the Company to lose customers, cause the Company to incur costs to repair its systems, pay fines or in respect of litigation or impact the Company's ability to manage its operations and report its financial performance, any of which could have a material adverse effect on the Company's business.

We are a "foreign private issuer", and you may not have access to the information you could obtain about us if we were not a "foreign private issuer".

We are considered a "foreign private issuer" under the Securities Act of 1933, as amended. As a foreign private issuer we will not have to file quarterly reports with the SEC nor will our directors, officers and 10% stockholders be subject to Section 16(b) of the Exchange Act. Such exemption may result in shareholders having less data and there being fewer restrictions on insiders' activities in our securities. As a foreign private issuer we will not be subject to the proxy rules of Section 14 of the Exchange Act. Furthermore, regulation FD does not apply to non-U.S. companies and will not apply to us. Accordingly, you may not be able to obtain information about us as you could obtain if we were not a "foreign private issuer".

We may lose our foreign private issuer status in the future, which would then require us to comply with the Exchange Act's domestic reporting regime and cause us to incur significant additional legal, accounting and other expenses.

We are a foreign private issuer as of the date of this annual report on Form 20-F and, therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to U.S. domestic issuers. In order to maintain our status as a foreign private issuer, either (a) a majority of our shares must be directly or indirectly owned of record by non-residents of the United States or (b)(i) a majority of our executive officers or directors may not be United States citizens or residents, (ii) more than 50 percent of our assets cannot be located in the United States and (iii) our business must be administered principally outside the United States.

If we were to lose our foreign private issuer status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. For instance, we would be required to change our basis of accounting from IFRS as issued by the IASB to U.S. GAAP, which we expect would be costly for us to comply with and could also result in changes, which could be material, to historical financials previously prepared on the basis of IFRS. The regulatory and compliance costs to us under U.S. securities laws when we would be required to comply with the reporting requirements applicable to a U.S. domestic issuer could be significantly higher than the costs we will incur as a foreign private issuer. As a result, a loss of foreign private issuer status would increase our legal and financial compliance costs and would make some activities highly time-consuming and costly. If we were required to comply with the rules and regulations applicable to U.S. domestic issuers, it would make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage.

Risks Related to our Securities

Our authorized capital consists of an unlimited number of shares of one class designated as common shares. We may, in the future, issue additional common shares, which would reduce investors' percent of ownership and may dilute our share value.

Our Articles of Incorporation authorizes the issuance of an unlimited number of our common shares, no par value, of which 196,374,591 shares are issued and outstanding as of December 31, 2022. The future issuance of common shares or securities exercisable for or convertible into common shares may result in substantial dilution in the percentage of our common shares held by our then existing shareholders. We may value any common shares issued in the future on an arbitrary basis. The issuance of common shares for future services, compensation or acquisitions or other corporate actions may have the effect of diluting the value of the shares held by our investors and may have an adverse effect on any trading market of our common shares.

We may need to finance our future cash needs through public or private equity offerings, debt financings or corporate collaboration and licensing arrangements. Any additional funds that we obtain may not be on terms favorable to us or our stockholders and may require us to relinquish valuable rights.

As of our most recent year ended December 31, 2022, we had C76,661 of available cash. We will need to raise additional funds to pay outstanding vendor invoices, meet operating expenses and execute our business plan, including any expansion plans. Our future cash flows depend on our ability to market and sell our common shares, and our ability to continue to cut expenses to reach net even or positive cashflows from operations. There can be no assurance that we will have sufficient funds to execute our business plan or complete a strategic transaction, or that additional funds will be available when needed from any source or, if available, will be available on terms that are acceptable to us.

We cannot guarantee that we will generate sufficient revenues from our services in the near future to meet these goals. Therefore, for the foreseeable future, we may have to fund a portion of our operations and capital expenditures from cash on hand, public or private equity offerings, debt financings, bank credit facilities, other borrowings (including borrowings from our officers and directors) or corporate collaboration and/or licensing arrangements. We will also need to raise additional funds if we choose to continue to expand our operational development efforts more rapidly than we presently anticipate.

If we seek to sell additional equity or debt securities or enter into a corporate collaboration, joint venture or licensing arrangement, we may not obtain favorable terms for us and/or our stockholders or be able to raise any capital at all, all of which could result in a material adverse effect on our business and results of operations. The sale of additional equity or debt securities, if convertible, could result in significant dilution to our stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also result in covenants that would restrict our operations. Raising additional funds through collaboration, joint ventures or licensing arrangements with third parties may require us to relinquish valuable rights to our technologies, future revenue streams, or to grant licenses on terms that may not be favorable to us or our stockholders. In addition, we could be forced to discontinue certain services or technologies, reduce or forego sales and marketing efforts and forego attractive business opportunities, all of which could have an adverse impact on our business and results of operations.

The sale of our securities could encourage short sales by third parties, which could contribute to the future decline of our stock price.

In many circumstances, the provision of financing based on the distribution of equity for companies that are traded on the CSE and OTC has the potential to cause a significant downward pressure on the price of common shares. This is especially the case if the shares being placed into the market exceed the market's ability to take up the increased share issuance or if we have not performed in such a manner to show that the equity funds raised will be used to grow our business. Such an event could place further downward pressure on the price of our common shares. Regardless of our activities, the opportunity exists for short sellers and others to contribute to the future decline of our share price. If there are significant short sales of our common shares, the price decline that would result from this activity will cause the share price to decline more, which may cause other shareholders of the stock to sell their shares, thereby contributing to sales of common shares in the market. If there are many more of our common shares on the market for sale than the market will absorb, the price of our common shares will likely decline.

The market price and trading volume of our common shares may be volatile.

The market price of our common shares could fluctuate significantly for many reasons, including reasons unrelated to our performance, such as limited liquidity for our stock, reports by industry analysts, investor perceptions or general economic and industry conditions. Fluctuations in operating results or the failure of operating results to meet the expectations of public market analysts and investors may negatively impact the price of our securities. Quarterly operating results may fluctuate in the future due to a variety of factors that could negatively affect revenues or expenses in any particular quarter, including vulnerability of our business to a general economic downturn, changes in the laws that affect our products or operations, competition, compensation related expenses, application of accounting standards and our ability to obtain and maintain all necessary government certifications and/or licenses to conduct our business. In addition, if the market price of a company's shares drops significantly, shareholders could institute securities class action lawsuits against the Company. A lawsuit against us would cause us to incur substantial costs and could divert the time and attention of our management and other resources.

We may not pay dividends in the future. Any return on investment may be limited to the value of our common shares.

We have never paid dividends and do not anticipate paying cash dividends in the foreseeable future. The payment of dividends on our common shares will depend on earnings, financial condition and other business and economic factors affecting us at such time as our board of directors may consider relevant. If we do not pay dividends, our common shares may be less valuable because a return on your investment will only occur if our stock price appreciates.

Offers or availability for sale of a substantial number of our common shares may cause the price of our common shares to decline.

If our shareholders sell substantial amounts of our common shares in the public market, or upon the expiration of any statutory holding period under applicable Canadian rules, Rule 904 or Rule 144, or issued upon the exercise of outstanding options, convertible notes or warrants, it could create a circumstance commonly referred to as an “overhang” and in anticipation of which the market price of our common shares could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make more difficult our ability to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

Our common shares are currently considered a “penny stock,” which may make it more difficult for our investors to sell their shares.

Our stock is categorized as a penny stock. The SEC has adopted Rule 15g-9 which generally defines “penny stock” to be any equity security that has a market price less than US\$5.00 per share or an exercise price of less than US\$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer’s account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer’s confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common shares.

FINRA sales practice requirements may also limit a stockholder’s ability to buy and sell our stock.

In addition to the “penny stock” rules described in this annual report, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for many customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common shares, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

Investors may purchase our stock at a price less than the then-prevailing market price for our common shares.

Our common shares issued or to be issued to Tangiers pursuant to the convertible notes we sold to them in September 2021 will be purchased (i) at a fixed price as of the date of such investment, if exercised prior to the maturity date of each such note, or (ii) if converted after such maturity date, e.g., if under the September 2021 notes, at 83% of the average of the two lowest volume weighted average prices in the 10 day period prior to conversion; however, all such conversions carry a regulatory floor of not less than \$.05 CN per share. If Tangiers purchases such shares at a price which is lower than market price, our shareholders will be diluted and the price of our common shares may be negatively affected. Additionally, in March 2023, we completed a private placement of common stock and warrants, the latter of which carry a strike price of \$.05 per share (CAN), which at the time of the transaction was well above the trading price of our common stock, but at the time of any conversions thereunder, may be below the then market price of our traded common shares. In addition, in March 2023, the Company issued and sold 20,944,640 units (each unit consisting of one common share and one common share purchase warrant (each a “Warrant”) exercisable for a period of two years following the closing of the Offering at \$.05 per share. The common shares were issued at the prevailing market price of the shares at the time of the offering (pursuant to a one-time exemption provided by the CSE); however, if the market price per share of our common shares is above \$.05 per share at the time of the exercise of the Warrant, then the exercise price would be at a discount to the then market price.

Tangiers will pay less than the then-prevailing market price for our common stock under our existing equity line of credit facility.

Our common stock to be issued to Tangiers pursuant to the terms of an Investment Agreement, dated December 16, 2020, will be purchased at 85% of the lowest VWAP of the common stock during the 5-day pricing period applicable to the Company’s Put Notice (described in under the heading “Investment Agreement” in this annual report), provided, however, an additional 10% will be added to the discount of each company put if (i) the Company is not DWAC eligible and (ii) an additional 15% will be added to the discount of each Company put if the Company is under DTC “chill” status on the applicable put notice date. “VWAP” means, for any date, the price determined by the daily volume weighted average price of the common stock for such date (or the nearest preceding date) on the Company’s trading market on which the common stock is then listed or quoted for trading. Tangiers has a financial incentive to sell our common stock immediately upon receiving the shares to realize the profit equal to the difference between the discounted price and the market price. All such conversions are subject to a regulatory floor price of not less than \$.05 CN per share. If Tangiers sells the shares, the price of our common stock could decrease. If our stock price decreases, Tangiers may have a further incentive to sell the shares of our common stock that it holds. Such sales could have a further negative impact on our stock price and may result in dilution to you and our existing stockholders. To date, we have not placed any put notices to Tangiers under this facility.

Item 4. Information on the Company

A. History and development of the Company

We were incorporated under the laws of Alberta in March 1997 and, in June 2006, changed our jurisdiction of incorporation to British Columbia, Canada. The registered office is located at Suite 620, 1111 Melville St, Vancouver, BC V6E 3V6, and our telephone number is 1-587-883-9811. Our address on the Internet is www.parcelpal.com. The information on, or accessible through, our website is not part of this annual report on Form 20-F. We have included our website address in this annual report on Form 20-F solely as an inactive textual reference. The Company has appointed Vcorp Services, LLC, located at 25 Robert Pitt Drive, Suite 204, Monsey, New York 10952, as agent for service of process to receive legal correspondence on our behalf.

See also “Subsequent Events” in Note 14 of this annual report for additional information on other capital financing, customer agreement and expansion transactions entered into subsequent to the reporting period of this annual report, including, each of which we have previously announced.

On March 30, 2023, the Company announced the relaunch of its mobile delivery application (on a rolling basis over the coming months), which will enable near-time delivery in localized areas and further diversified revenue streams.

In March 2023, the company consummated a private placement of common shares and warrants for aggregate gross proceeds of CAD \$406,000. See Subsequent Events, Note 14 for a more complete description of this offering.

In October 2022, the Company entered into a Capital Loan Agreement with ACH Capital West, LLC in connection with a second non-dilutive financing in the principal amount of \$100,000. The agreement provides for a 10 month interest bearing non-convertible note with the total cash repayment due in the amount of \$142,000 USD.

In July 2022, the Company entered into a Capital Loan Agreement with ACH Capital West, LLC in connection with a non-dilutive financing in the principal amount of \$400,000. The agreement provides for a 10 month interest bearing non-convertible note with the total repayment due in the amount of \$568K USD

In June 2022, the Company further expanded its operations in the United States via a regional asset acquisition involving FedEx Ground in the Salt Lake City, UT metropolitan area. The purchase price was \$1.35 million USD, consisting of 50% in shares of restricted common stock (the price per share to be set at the closing price of our common stock on the 2nd business day post-closing) and 50% in cash to be paid in tranches. The purchase price was set at one time annual prior year's revenue of the acquiree. Since closing, the parties to the transaction have further discussed possibly broadening the asset acquisition to other regions and/or a restructuring the latter portion of the acquisition price, which discussions continue. In the interim, the parties to the transaction continue to work cooperatively without discord or disruption to operations.

On October 18, 2021, the Company changed its auditor from Dale Matheson Carr-Hilton LaBonte LLP ("DMCL") to BF Borgers CPA PC ("BF Borgers"), Lakewood, CO, PCAOB ID 5041, as its independent registered public accounting firm.

In September 2021, the Company announced that it has expanded its operation into the United States.

On September 15, 2021, the Company completed a non-brokered private placement pursuant in which we issued an unsecured convertible note to Tangiers Global, LLC with a face value of up to US\$2,300,000. See Item 10C "Material Contracts" for more information.

On June 18, 2021, the Company officially changed its name from "ParcelPal Technology Inc." to "ParcelPal Logistics Inc." and the Company's common shares began trading under the new name.

On December 16, 2020, the Company entered into a US\$5,000,000 equity line of credit facility under the terms of an Investment Agreement with Tangiers Global, LLC, which is available over a maximum term of 36 months. See Item 10C "Material Contracts" for more information.

October 6, 2020, we announced the start of primary trading of our common shares on the OTCQB market exchange in the United States.

On April 6, 2020, Rich Wheelless was also appointed Chief Executive Officer.

Effective March 1, 2020, Rich Wheelless joined the Company as Chief Financial Officer and director.

On September 24, 2017, we entered into a transportation contract with Amazon Canada Fulfillment Services, Inc ("Amazon"), for the delivery of packages on behalf of Amazon in Vancouver British Columbia, Canada. See Item 10C "Material Contracts".

On January 4, 2017, we listed our common shares on the OTC Venture Marketplace with the trading symbol "PTNYF".

See Item 10C "Material Contracts" for more information concerning a number of the above-referenced contracts.

All information we file with the SEC is available through the SEC's Electronic Data Gathering, Analysis and Retrieval system, which may be accessed through the SEC's website at www.sec.gov.

B. Business overview

ParcelPal Logistics Inc. is a Vancouver, British Columbia based company that specializes in last-mile delivery service and logistics solutions. From our hubs in Vancouver, Calgary, and Toronto we offer delivery and logistics solutions for business to business, business to customer, and any other tailored creative solution our partners may require. With our 200+ team members' expertise in logistics operations and our in-house technical excellence, we are uniquely positioned to create a solution-driven by you and your customer's needs. Since 2016, our company has serviced over 20 million deliveries for our partners. We give businesses a smart, reliable, and affordable delivery service powered by our licensed technology platform.

Since September 2021, as a result of our first expansion into the United States, we started operating in the Salt Lake City, Utah metropolitan area. In June 2022, we further expanded and diversified our operations in the United States through a second U.S. acquisition pursuant to an asset purchase agreement with Delta Express, Inc. involving FedEx Ground (covering the Salt Lake City, Utah metropolitan area), which was previously not a customer of the Company. The initial U.S. expansion added to our top line revenues in the fourth quarter of 2021, and the further (second) U.S. expansion added top line revenues in the latter half of 2022, both of which further increased gross revenues, while also diversifying our customer and geographic base.

In March 2023, the Company also announced its plan to relaunch its mobile delivery application on a rolling basis over the coming months, which will enable near-time delivery in localized areas. This relaunch was driven by the post-Covid-19 pandemic during and following which many businesses were forced to transform their operations and turn to a mobile and contactless approach. As a result, the market has witnessed an influx in successful mobile offerings, and we believe our mobile app, as currently being upgraded and retooled, will come at an opportune time to attain new customers and revenues.

Using "Lean Six-Sigma" methodologies we continuously define, measure, analyze, implement, and control process improvements to provide our partners with cutting edge services and offerings. Our competitive advantage stems from our dedicated team valuing strong partnerships with our customers. Our management, operational, and office teams work directly with our partners to ensure each package entrusted to us is delivered promptly and efficiently.

ParcelPal initially operated in major urban centers in Vancouver, BC area and, subsequently, we have expanded throughout Canada, and (as noted above) most recently into the western United States. As a result of our marketing efforts, we have expanded across the entire lower mainland of Vancouver, BC, offering same-day delivery for select clients.

ParcelPal operates from its principal office in Vancouver, British Columbia, from which our Canadian operations are currently managed. The Company operates its U.S. operations out of its West Valley City, UT offices. ParcelPal offers employment and consultant opportunities that support all functions of technology and physical deliveries. ParcelPal collectively currently has hundreds of employees, consultants and staff, including the delivery team.

We typically experience an increase in customers' demand as the calendar year progresses, especially in retail and corporate activity during holiday periods, particularly during our fourth financial quarter in connection with the holiday season (e.g., Christmas, Channukah gift buying). We have, however, in mid-2020 enhanced our B2B business focus to further diversify our customer base and revenue streams going forward, including by engaging with meal kit, health, retail, grocery and pharmacy companies.

Our services

We offer our delivery services throughout major cities in Canada and the western United States. We remain on the lookout for new opportunities in additional cities and territories. The majority of our current business is doing same day deliveries and next day deliveries for businesses in the cities in which we operate.

ParcelPal is a customer-driven, courier and logistics company connecting people and businesses through our network of couriers. Some of our verticals include pharmacy & health, meal kit deliveries, retail, groceries and more.

Our strategy

ParcelPal plans to implement additional services for consideration of growing the merchant's business and retaining existing customers. In addition to raising additional capital, we are also planning on signing more small and medium enterprise clients for traditional courier services that are multi-city operational, and which are higher margin services that are also highly scalable. To execute this part of our strategy, we will need to open a dedicated warehouse facility in which we can sort, ship and create more efficient delivery routes. This will also allow us to also be able to benefit from economies of scale as our operating costs will decrease significantly, leading to better operating margins. With the recent capital raise that we have done, along with having an equity line of credit at our disposal, we have the resources and capital to execute on this plan. This to both fund our operating expenses and the concomitant warehousing and fleet costs associated with it.

ParcelPal intends to pursue a number of technologies, product and marketing initiatives to continue to drive growth in 2023. The Company's strategic priorities include:

- Targeting to be cash flow positive by the end of calendar year 2023;
- Targeting 50 percent or higher revenue growth for calendar year 2023 and significantly improving operating margins by up to 15 percent;
- Increasing the number of merchants in various verticals for next-day and same-day delivery services for the B2B markets, enabling easier customer acquisitions and business integration;
- Hiring sales leaders and execution teams in current and potential markets;
- Expanding revenue diversification through large e-commerce contracts, and potential acquisitions;
- Continue expanding into the Amazon and FedEx Ground ecosystem throughout Canada and the United States;
- Integrate artificial intelligence and prediction algorithms into our platform to maximize revenue potential, streamline services and increase overall margins;
- Integrate a new last-mile delivery platform to maximize revenue potential, streamline services and increase overall margins; and
- Deliver more than twenty million total packages by the end of 2023.

The Company currently has its principal revenue stream through billable contracts such as Amazon.com Inc, FedEx Ground, and other merchants. Amazon accounted for 97% of our revenue in 2021 and 89% of our revenue in 2022, respectively. Amazon is projected to account for 85% of our revenue in 2023; however, this incremental projected decrease to 85% in 2023 assumes we are able to continue to diversify our customer base or, conversely, that we do not add or acquire a significant new customer or customers which may further reduce this percentage (although there is no guarantee that such an acquisition or further diversifying expansion will be consummated).

We are among the top-rated and fastest-growing providers for Amazon in British Columbia, and we have achieved "gold status" as an Amazon fulfilment provider. In connection with our June 2022 acquisition of the Delta Express Inc. , we began servicing deliveries for FedEx Ground in the Salt Lake City metropolitan area, which business has increased since commencement.

Our strategic vision

Since our CEO, Rich Wheelless, joined the Company in March 2020, we commenced a shift in focus of our operations away from a substantial reliance on food deliveries and other areas that are less likely to be profitable, to pharmacy & health and meal kit deliveries, which we believe will continue to carry better operating margins in the near and longer term. We have also decided to distance our operations from a traditional focus of signing non-partner marketplace customers as a result of the lower profitability of such approach. The Company's focus for 2023 is going to be a technology and digital focused transformation, trying to become less paper reliant in our process, with a move to as much automation as possible in the delivery process. Software will play a large role, utilizing certain existing technology the Company has developed. We see this as a major opportunity to further improve margins while working towards our goal of full year profitability and becoming cash flow positive on an annual basis.

One of our priorities is to increase our footprint with Amazon and with other small and medium enterprise customers that have operations in major cities, in particular with respect to last mile delivery services, which is our specialty. We have also focused on further expansion in the United States and adding new major customers (outside of Amazon) and an increase in warehousing services. Other more profitable areas such as home-meal kit and large retail chain store deliveries are those which we will increasingly target. We have also moved into same and next day prescription drug deliveries for nursing homes and expanding into the general population. We believe that these are the types of business services that are highly scalable and will strongly contribute to our profitability.

In addition, our future plans include focusing on a “get-anything” model if feasible, because customers appreciate that a great variety of products can be ordered and delivered potentially within an hour for a nominal fee. We are continuing to roll this model out.

Alcohol delivery regulations

From time to time, through various contractual arrangements with certain of our customers in the Canadian provinces of British Columbia and Alberta, we may be asked to deliver alcohol products. In this regard, each province sets forth rules relating to the delivery of alcohol, including during the COVID-19 pandemic, which can be summarized as follows:

Alberta

As a result of the COVID-19 pandemic, the Alberta Gaming, Liquor and Cannabis Agency, which is responsible for the approval and implementation of alcohol regulations in Alberta, has deemed selected liquor-related businesses to be “essential services”, thus allowing them to remain open to the public provided they have the proper risk mitigation measures in place. These businesses include restaurants and other food preparation facilities, including liquor retail outlets, manufacturers and producers, as well as warehouse, and distributors. A number of restrictions apply to the regulations, as amended as a result of the COVID-19 pandemic, including that (i) liquor cannot be delivered by drive-thru, (ii) mixed drinks cannot be provided (liquor must be delivered in a sealed, commercial container as supplied by the liquor supplier or agency), and (iii) for draught beer, the cap design for the container must demonstrate the container has not been opened during transportation. We fully comply with the applicable rules and regulations relating to the delivery of alcoholic beverages in Alberta.

British Columbia

The British Columbia (BC) Government, through its Liquor Control and Licensing Branch, via a series of policy directives (including Policy Direction No. 19 – 03), which govern the delivery of liquor, either by retail stores or by manufacturers, both by traditional brick and mortar store locations and from retail customers online, allow for delivery of liquor to customers. Following the COVID-19 pandemic, the BC Government has also deemed certain liquor-related businesses in BC to be “essential services”, thus allowing them to remain open. In particular, as to liquor deliveries, food primary and liquor primary licensees are allowed to sell and deliver packaged liquor for off-site consumption to patrons with the purchase of a meal. The following related policies also apply to, among others, (i) restaurants are allowed to use unemployed servers to deliver liquor products, and (ii) delivery services are allowed to purchase liquor on behalf of a customer from a liquor store or from any licensee authorized to sell in unopened containers, and deliver and sell that liquor to a customer, provided the delivery does not take place between 11:30 p.m. and 7:00 a.m., and are not sold or delivered to a minor. Under directive 19-03, the licensee (liquor business) is accountable for any contravention that takes place while liquor is delivered from their store. We fully comply with the applicable rules and regulations relating to the delivery of alcoholic beverages in BC.

C. Organizational structure

We are not part of a group. We currently own 95% of a United States delivery service company, as part of our US expansion in late 2021. Additionally, we own 100% of the shares of our wholly owned subsidiary ParcelPal Logistics USA, Inc., a subsidiary that we formed in 2021, in part to utilize to expand US operations through additional acquisitions and/or the establishment of new significant delivery service operations.

In September 2021, ParcelPal Logistics Inc. completed the acquisition of its first United States delivery service company (“Acquiree”). The total purchase price (the “Purchase Price”) was \$3.1 million USD, consisting of 60% cash and 40% in restricted shares of ParcelPal’s common stock. ParcelPal and Acquiree also entered into an exclusive services agreement with its principal business source (which also contain non-interference and non-competition clauses to further enhance the likelihood of the short and long term success of the acquired business). The cash portion of the purchase price was secured via a private placement financing.

Additionally, in June 2022 we entered into an asset purchase agreement with Delta Express Delivery, Inc. whereby the Company, acquired the customer contract and related assets between Delta Express Delivery and FedEx Ground. This gave us a further increase in operations in the Salt Lake City, Utah metropolitan area.

D. Property, plant and equipment

Our registered address is 1111 Melville Street, Suite 620, Vancouver BC V6E 3V6. We lease a 5,083 square foot warehouse at 819 Tupper Avenue, Coquitlam, BC, V3K 1A3 which is the main hub for our Canadian operations. The lease agreement commenced in June 2021 and runs through August 2026. In March 2023, we terminated the above described Tupper Avenue lease on the warehouse to focus on our US operations and our shift back into the technology side of the business. We also lease a 500 square foot premise at 3441 Decker Lake Drive, Suite 210, West Valley City, UT 84119, which serves as our U.S. headquarters. With respect to our vehicles fleet, as of the date of this annual report, we lease approximately 94 vehicles that we use to complete most of our deliveries. The Company has also recently purchased additional vehicles to help with the demand.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion and analysis should be read in conjunction with Item 18. “Financial Statements” included below. Operating results are not necessarily indicative of results that may occur in future periods. This discussion and analysis contains forward- looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in the forward-looking statements as a result of many factors including, but not limited to, those set forth under “Forward-Looking Statements” and “Risk Factors” in Item 3 “Key Information” included above in this annual report on Form 20-F. All forward-looking statements included in this document are based on the information available to the Company on the date of this document and the Company assumes no obligation to update any forward-looking statements contained in this annual report.

Critical accounting policies

We prepare our financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). As such, we are required to make certain estimates, judgments, and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. The critical accounting policies are summarized in Item 18. “Financial Statements—Note 2 —Critical Accounting Policies”.

A. Operating Results

The following discussion relates to our results of operations, financial condition and capital resources. You should read this discussion in conjunction with our financial statements and the notes thereto contained elsewhere in this report.

Audited Financial Years

| | For the year ended December 31, | | |
|--------------------------------|---------------------------------|-----------|-----------|
| | 2022 | 2021 | 2020 |
| | C\$ | C\$ | C\$ |
| Revenue | 11,242,660 | 7,521,952 | 6,317,329 |
| Total revenue and other income | 11,247,316 | 7,521,952 | 6,317,329 |

Year 2022 compared to year 2021*Revenue*

Our revenue increased from C\$7,521,952 in 2021 to C\$11,242,660 in 2022, primarily due to an increase in routes coupled with additional revenue from our latest US acquisition which closed in June 2022.

Cost of Revenue

Our cost of revenue increased from C\$6,253,436 in 2021 to C\$9,238,485 in 2022. This was due to an increase in staff and acquisition/leasing of additional fleet vehicles for more Amazon routes.

Personnel costs increased from C\$5,674,740 in 2021 to C\$7,624,566 in 2022. This was due to an increase in staff for Amazon routes as well as expansion into new areas.

Vehicle fuel costs increased from C\$112,091 in 2021 to C\$157,542 in 2022. This increase in fuel costs was due to the additional vehicles on the road in our fleet for the increase in business.

Short term vehicle rental costs increased from C\$110,266 in 2021 to C\$1,272,307 in 2022. This increase in short term vehicle rental costs was due to the additional vehicles on the road in our fleet for the increase in business driven by our latest acquisition in June 2022.

Amortization expense decreased from C\$346,532 in 2021 to C\$184,070 in 2022 due to the Company entering into fewer lease agreements for its delivery fleet.

Gross Profit

Gross profit as a percentage of revenue increased from C\$1,268,516 (16.9%) in 2021 to C\$2,004,175 (17.8%) in 2022. This was due to economies of scale in staffing costs from our acquisition coupled with the signing of higher margin B2B customers.

Expenses

Marketing and promotion increased from C\$78,804 in 2021, to C\$181,905 in 2022, due to increased marketing activities in 2022 as the Company continued to expand into new areas.

Management and director fees decreased from C\$1,808,250 in 2021, to C\$714,346 in 2022, due to decreased fees to officers and the issuance of common stock to directors of the Company in 2021. The issuance of \$1,300,000 in common stock to officers and directors is a non-cash expense.

Share-based compensation decreased from C\$263,672 in 2021, to C\$44,246 in 2022, due to fewer stock options being granted.

Consulting fees increased from C\$117,054 in 2021, to C\$391,763 in 2022, due to an increase in consultants in the business.

Foreign exchange costs increased from C\$31,454 in 2021, to a C\$211,512 in 2022, due to an increase in the exchange rate of the U.S. dollar against the Canadian dollar.

Interest expense decreased from C\$754,827 in 2021, to C\$491,806 in 2022, due to a decrease in interest due to fewer note issuances throughout the year.

Professional fees increased from C\$389,817 in 2021, to C\$407,984 in 2022, due to an increase in accounting and legal fees.

Regulatory and filing fees increased from C\$106,758 in 2021, to C\$145,437 in 2022, due to an increase in charges associated with the issuance of shares and options.

Travel and accommodation expenses increased from C\$119,692 in 2021, to C\$187,373 in 2022, due to an increase in business activity.

Salaries increased from C\$546,852 in 2021, to C\$868,783 in 2022, primarily related to expansion into additional areas.

Office and miscellaneous expenses increased from C\$964,282 in 2021, to C\$1,509,729 in 2022, due to expansion into additional areas and the most recent US acquisition that was completed in June 2022.

In 2022 the Company recorded a gain on debt settlement of C\$273,247 compared to no gain or loss on debt settlement in 2021.

In 2021 the Company recorded a derivative liability of C\$144,952 compared to a C\$206,726 gain on the derivative liability in 2022 due to fewer note issuances throughout the year.

Net loss

The Company had a net loss of C\$4,102,608 in 2021 compared to C\$3,525,997 in 2022, primarily due to the factors described above, including numerous one-time expenses.

The Company had its largest gross revenue quarter since inception with over \$3.4M in the fourth quarter of 2022 (compared to Q4 2021 of over \$3.2M).

Year 2021 compared to year 2020

Revenue

Our revenue increased from C\$6,312,329 in 2020, to C\$7,521,952 in 2021, primarily due to revenue from our US acquisition which closed in September 2021.

We note that we have also included disclosure in our annual report on Form 20-F, filed on May 4, 2022 regarding the entry into customer contracts in the latter half of 2021 with WeDoLaundry, UpMeals and Farmer's Meals. While these agreements collectively generated less than \$50,000 in annual revenue through December 2021 (or .0066 of our 2021 annual revenue), they had been included and disclosed by the Company for the sake of completeness, and because they were previously announced by the Company.

Cost of Revenue

Our cost of revenue increased from C\$5,947,895 in 2020 to C\$6,253,436 in 2021. This was due to an increase in staff and acquisition/leasing of additional fleet vehicles for more Amazon routes.

Personnel costs increased from C\$4,983,299 in 2020 to C\$5,674,740 in 2021. This was due to an increase in staff for Amazon routes as well as expansion into new areas.

Vehicle fuel costs decreased from C\$396,343 in 2020 to C\$112,091 in 2021. This decrease in fuel cost for vehicles was driven by the change in the Amazon payment model pursuant to the terms of the new Transportation

Agreement we entered into with Amazon in February 2021, whereby Amazon began providing fuel cards to cover the cost of fuel directly, rather than our Company laying out these costs and seeking reimbursement at preset rates.

Amortization expense decreased from C\$388,859 in 2020, to C\$346,532 in 2021 due to the Company entering into fewer lease agreements for its delivery fleet.

Gross Profit

Gross profit as a percentage of revenue increased from C\$369,434 (5.8%) in 2020 to C\$1,268,516 (16.9%) in 2021. This was due to economies of scale in staffing costs from our acquisition coupled with the signing of higher margin B2B customers.

Expenses

Marketing and promotion increased from C\$29,146 in 2020, to C\$78,804 in 2021, due to increased marketing activities in 2021 as the Company continued to expand into new areas.

Management and director fees increased from C\$305,158 in 2020, to C\$1,808,250 in 2021, due to increased fees to officers and the issuance of common stock to directors of the Company in 2021. The issuance of \$1,300,000 in common stock to officers and directors is a non-cash expense.

Share-based compensation decreased from C\$473,103 in 2020, to C\$263,672 in 2021, due to fewer stock options being granted.

Consulting fees decreased from C\$656,405 in 2020, to C\$117,054 in 2021, due to fewer consultants to the business.

Foreign exchange costs worsened from a gain of C\$61,236 in 2020, to a loss of C\$31,454 in 2021, due to an increase in the exchange rate of the U.S. dollar against the Canadian dollar.

Interest expense increased from C\$323,931 in 2020, to C\$754,827 in 2021, due to an increase in interest due to the convertible note issuances throughout the year.

Professional fees decreased from C\$655,378 in 2020, to C\$389,817 in 2021, due to a decrease in accounting and legal fees.

Regulatory and filing fees increased from C\$78,945 in 2020, to C\$106,758 in 2021, due to an increase in charges associated with the issuance of shares.

Travel and accommodation expenses increased from C\$31,692 in 2020, to C\$119,692 in 2021, due to an increase in business activity.

Salaries increased from C\$533,193 in 2020, to C\$546,852 in 2021, primarily related to expansion into additional areas.

Office and miscellaneous expenses decreased from C\$1,155,805 in 2020, to C\$964,282 in 2021, due to some cost cutting measures.

In 2020 the Company recorded a loss on debt settlement of C\$191,733 compared to no loss on debt settlement in 2021.

In 2020 the Company recorded a derivative liability of C\$866,238 compared to a C\$144,952 derivative liability in 2021 due to the convertible note issuances throughout the year.

Net loss

The Company had a net loss of C\$4,874,082 in 2020 compared to C\$4,102,608 in 2021, primarily due to the factors described above, including numerous one-time expenses.

The Company had its largest gross revenue quarter since inception with over \$3.2M in the fourth quarter of 2021 (compared to Q4 2020 of \$2.3M). Consulting fees in the fourth quarter of 2021 decreased to \$25,987 (compared to Q4 2020 of \$210,033) as the Company reduced the number of external consultants to conserve cash. Administrative, office and miscellaneous expenses increased in the fourth quarter 2021 to \$400,802 (from 2020 Q4 of \$213,536) primarily related to the consolidation of Web-to-Door Trucking in Q4 2021. During the three months ended December 31, 2021, the Company generated income before other items of \$217,893. During the three-months ended December 31, 2020, the Company had an operating profit of \$74,939 after factoring in non-recurring professional fees related to the Company's SEC listing, compared to an operating loss of \$651,640 during the three months ended December 31, 2019.

It is important to note, that in FY 2020, approximately \$2.3M of primarily non-cash expenses, including amortization, share issuances (including those related to debt settlements), derivative liabilities and approximately \$500K in non-recurring (in some cases cash) expenses related to the Company's primary exchange listing in the United States on the OTCQB, our becoming a United States SEC compliant filer under the Exchange Act of 1934, as amended, the establishment of a \$5M equity line of credit facility and the preparation and filing of a Registration Statement on Form F-1 in connection therewith, debt facility financings and the termination and costs (cash and stock) related to numerous previously existing contractual arrangements.

We believe these undertakings have better positioned the Company for lower operating expenses moving forward (as demonstrated, in part, by our cash operating performance in the final three months of 2021), and which provide the Company with significant additional capital to better position the Company moving forward in terms of both cashflow, and for additional acquisitions, mergers, securitization of additional warehousing facilities and/or other strategic transactions as they may arise, and which the Company may actively seek.

B. Liquidity and capital resources

Since our inception, our operations have, in significant measure, been financed through the issuance of equity securities. Additional funding has come through convertible debt issuances and non-dilutive capital loan agreements. We believe that our current working capital (together with access to our available equity line of credit) is sufficient for our present business requirements; however, if we undertake a significant expansion, acquisition or joint venture in Canada, the United States or elsewhere, we will likely need to raise additional capital through one or more sources to fund such transaction(s). While we generate cash flow, it is currently not sufficient to maintain operations. As a result, we believe we will need to raise additional capital, and also have the ability to draw upon the equity line of credit with Tangiers Global, LLC under the terms of the Investment Agreement we entered with them, for our aforementioned expansion plans through the end of 2023, or through such other available capital financing alternatives. Such financings may come in the form of equity, debt or through a combination of debt and/or equity financing structures. See description of our convertible notes below and in the notes to our financials for information relating to their balances, conversion features and other relevant information. In addition, in July 2022 and October 2022, the Company entered into identical (other than as to the funding amount and effective period) Capital Loan Agreements with ACH Capital West, LLC ("ACH") in connection with a non-dilutive financing in the aggregate principal amount of \$500,000. The loan agreement provides for a 10 month interest bearing non-convertible note with the total cash repayment due in the amount of \$568,000 and \$142,000. The capital loan agreements prohibit stacking, or the implementation of additional similar loans, and also contain customary default, cross-default and acceleration provisions. We have maintained the repayments with ACH pursuant to the terms of the agreement, and these loans are scheduled to be fully repaid during the third quarter of the current fiscal year. See also Note 14, Subsequent Events for a description of our private placement equity offering transaction involving common shares and warrants sold and issued in March 2023.

We have incurred significant losses since our inception. We incurred losses of C\$3,525,997, C\$4,102,608 and C\$4,874,082 in 2022, 2021 and 2020, respectively. As at December 31, 2022, the Company had a working capital deficit of C\$5,971,170 compared to a working capital deficit of C\$3,972,955 as at December 31, 2021.

The Company manages its capital. In doing so, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of a social collaborative charting, news and communication platform for traders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes to the Company's approach to capital management during the year ended December 31, 2022.

Equity issues

See Note 14, Subsequent events for equity issuances subsequent to December 31, 2022.

Convertible notes

On March 12, 2021, the Company executed a non-brokered private placement pursuant to which it issued an unsecured convertible three tranche note to Tangiers with a face value of US\$1,050,000 (the "March Note"). Under the terms of the March Note, US\$350,000 was advanced to the Company at closing, and the Company issued 300,000 unregistered common shares to Tangiers as investment incentive shares. On April 13, an additional US\$325,000 was funded by Tangiers to the Company. On May 27, an additional US\$325,000 was funded by Tangiers to the Company. The March Note carries a one-time guaranteed interest rate of 5% on the principal sum of the funded tranches, and has a maturity date of six months from the effective date of the initial tranche of (or April 12, 2021), and six months from the funding date of each subsequent tranche. The principal amount shall be convertible into unregistered common shares of the Company prior to the Maturity Date, at the option of the Noteholder, at a fixed conversion price of US\$0.13 per share; however, if the Note is not fully repaid or fully converted on or before the Maturity Date, then the Noteholder has the option to convert the remaining outstanding amount under the Note into common shares at the variable conversion price equal to the lower of (a) US\$0.13 per share or (b) 83% of the average of the two lowest volume weighted average price of the Company's common shares during the 10 consecutive trading days prior to the date on which the Noteholder elects to convert all or part of the Note, provided that any such discount to the conversion price is in compliance with applicable Canadian securities laws and the policies and rules of the CSE. This Note, at December 31, 2021, carried a principal balance of \$623,473 (USD); however, subsequent to December 31, 2021, and by the filing date of our annual report on May 4, 2022 carried a remaining principal balance of \$6,000, which had shortly thereafter also been converted and, therefore, satisfied in-full the obligations related to this note, which no longer remains outstanding.

On September 15, 2021, the Company executed a non-brokered private placement pursuant to which it issued an unsecured convertible multi tranche note to Tangiers with a face value of up to US\$2,300,000 (the "September Note"). Under the terms of the September Note, US\$700,000 was advanced to the Company at closing, and the Company issued 500,000 unregistered common shares to Tangiers as investment incentive shares. On November 23, an additional US\$640,000 was funded by Tangiers to the Company, and the Company issued 500,000 unregistered common shares to Tangiers as investment incentive shares. We have not taken and the holder has not funded the third tranche of this Note as of the date of this annual report. There is an option for a fourth tranche in the amount of \$325,000 to be funded by the noteholder upon mutual agreement of the Company and investor. The September Note carries a one-time guaranteed interest rate of 5% on the principal sum of the funded tranches, and has a maturity date of six months from the effective date of the initial tranche, and six months from the funding date of each subsequent tranche. The principal amount shall be convertible into unregistered common shares of the Company prior to the Maturity Date, at the option of the Noteholder, at a fixed conversion price of US\$0.09 per share; however, if the Note is not fully repaid or fully converted on or before the Maturity Date, then the Noteholder has the option to convert the remaining outstanding amount under the Note into common shares at the variable conversion price equal to the lower of (a) US\$0.09 per share or (b) 83% of the average of the two lowest volume weighted average price of the Company's common shares during the 10 consecutive trading days prior to the date on which the Noteholder elects to convert all or part of the Note, provided that any such discount to the conversion price is in compliance with applicable Canadian securities laws and the policies and rules of the CSE. The principal balance due, as of December 31, 2021 remained in the amount of \$1.340M USD; however, subsequent to December 31, 2021, Tangiers converted \$394,000 USD of this note for 9,850,000 common shares at \$0.04 USD per share, leaving a principal balance of \$946,000 USD under this note.

Cash flows**Audited Financial Years**

The following table set forth the sources and uses of cash for the past three years:

| | (in C\$) | | |
|--|-------------|-------------|-----------|
| | 2022 | 2021 | 2020 |
| Net cash used in operating activities | (1,043,347) | (1,076,788) | (927,129) |
| Net cash from/(used in) investing activities | 373,350 | (1,567,465) | (112,034) |
| Net cash from/(used in) financing activities | 216,847 | 2,908,071 | 999,238 |

Comparison of cash flows for the Year ended December 31, 2022, with the Year ended December 31, 2021*Operating activities.*

Net cash flow in operating activities decreased from a negative C\$1,076,788 in 2021 to a negative C\$1,043,347 in 2022 due to a decrease in shares issued in lieu of consulting fees.

Investing activities.

Net cash flow in investing activities improved from a negative C\$1,567,465 in 2021 to a positive C\$373,350 in 2022, primarily as a result of the Company's US acquisition in 2021 and the sales of vehicles in 2022.

Financing activities.

Net cash flow in financing activities decreased from C\$2,908,071 in 2021 to C\$216,847 in 2022, primarily as a result of the issuance of convertible notes in 2021.

Comparison of cash flows for the Year ended December 31, 2021, with the Year ended December 31, 2020*Operating activities.*

Net cash flow in operating activities increased from a negative C\$927,129 in 2020 to a negative C\$1,076,788 in 2021 due to an increase in shares issued in lieu of consulting fees.

Investing activities.

Net cash flow in investing activities increased from a negative C\$112,034 in 2020 to a negative C\$1,567,465 in 2021, primarily as a result of the Company's US acquisition.

Financing activities.

Net cash flow in financing activities increased from C\$999,238 in 2020 to C\$2,908,071 in 2021, primarily as a result of the issuance of convertible notes in 2021.

C. Research and development

The Company had been focusing on the development of back-end tooling, operational tooling, and sales tooling. However, with the shift in Company strategy from a B2C to a B2B focus, we determined to end the back end tooling development in the fourth quarter of 2020, and instead in-licensed a technology platform for last-mile delivery and cross docking going forward.

D. Trend Information

On January 30, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. Despite the rollout of vaccines and therapeutics in late 2020, and the broad distribution of those products through 2022, the COVID-19 pandemic has caused residual and remaining negative impacts on labor force habits, consumer spending and lifestyle trends, and economic conditions generally. Compounding this in 2022 were rising inflation and interest rate increases, which has triggered further volatility in the stock market, including trading prices of equities generally, as well as on the Company's shares and its ability to raise new capital.

The Company has been focused on increasing its sales and operations with Amazon and FedEx Ground, but as disclosed elsewhere, we have also been focused on customer diversification, expansion into profitable industries and exploring options related to continue our expansion and growth geographically and operationally. Our CEO has been focusing on small and medium enterprise clients, and enhanced our B2B business focus to further expand and diversify our customer base and revenue streams going forward, including by engaging with meal kit, health, grocery and pharmacy companies, which are also less seasonal. The Company's focus for 2023 is going to be a technology and digital focus transformation in order to become less paper reliant in our operational process, with a move to as much automation in the delivery process as possible. Software will also play a large role in this shift by utilizing previous technology the Company had developed. We see this as a major opportunity to further improve margins while working towards our goal of full year profitability and becoming cash flow positive on an annual basis.

Overall company costs have increased. Increases in labor costs, vehicle costs and fuel prices will continue to have a negative impact on our gross margins. We have been implementing initiatives to right-size the business by focusing on becoming more cost-efficient, and believe we have achieved that objective based on our current position at this time. This does not preclude the possibility that we may need to expand staff or management if and as needs arise from expansion or other changes in our business, or in other ways as the broader market may require going forward.

In March 2023, the Company announced the relaunch of its mobile delivery application on a rolling basis over the coming months, which will enable near-time delivery in localized areas and further diversified revenue streams. During the Covid-19 pandemic, many businesses were forced to transform their business operations and turn to a mobile and contactless approach. Similarly, logistics and delivery companies such as ParcelPal were also forced to adopt to new mobile-first strategies, and as a result, the market has witnessed an influx in successful mobile offerings. The ParcelPal Delivery App will now provide the Company with both a B2B and B2C business revenue model, which will deliver new-line revenue to the Company. ParcelPal will also look to leverage its mobile platform by way of white labeling, license and potential joint ventures in the North American, European and Asia-Pacific regions.

E. Critical Accounting Estimates

Please refer to Note 2 of our audited financial statements included in Item 18 of this Annual Report on Form 20-F.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The names and details of the Company's Directors and senior management at the date of this report are as follows:

| Name | Age | Position |
|----------------|------------|--|
| Rich Wheelless | 43 | Chief Executive Officer, Chief Financial Officer, Chairman of the Board of Directors |
| Brock Vandrick | 35 | Director |
| Robert Faissal | 54 | Director |

Rich Wheelless. Mr. Wheelless has been our Chief Financial Officer since March 2020 and our Chief Executive Officer since April 2020. He has been an active investor, adviser and/or board member for numerous privately held companies. Most recently, he was the CFO of the publicly traded company, Taal Distributed Information Technologies Inc. (OTCQX: TAALF). Prior to that, he was the Chief Financial Officer for the security software company Rivetz Inc. Previous to that, he was the CFO of LaunchKey Inc. and Pilus Energy, respectively, which were both acquired by publicly traded companies. Mr. Wheelless has over 15 years of financial leadership and corporate management experience working across various industry sectors, and in both public and private enterprise. Mr. Wheelless has also held managerial posts at Johnson and Johnson, as well as Cardinal Health. He originally started his career in the private equity division at Citigroup. Mr. Wheelless holds a Master of Business Administration with honors from Otterbein University and a Bachelor of Science in Finance from Miami University.

Brock Vandrick. Mr. Vandrick has served in several senior roles at each level of the Canadian government over the last 13 years. Most recently, he was the Chief of Staff to Ontario's Minister of Natural Resources. Prior to that he served as the Director of Stakeholder Relations to the Premier of Ontario. Federally, he was an advisor to Canada's Minister of International Trade. Mr. Vandrick holds a degree in Business Administration from Laurentian University as well as a diploma in General Arts from Georgian College.

Robert Faissal. Mr. Faissal is the Managing Partner of Lebita Consulting Services Ltd, a Toronto based business development and investment group with emphasis on commercial relationships in North America, the Middle East and Africa. Lebita Consulting focuses on finance, healthcare, real estate and environmental projects. Mr. Faissal was the Managing Partner of Richmond Development, an Abu Dhabi based multi-disciplinary global investment group. From 1997 until 2000, Mr. Faissal served as the Managing Director/Middle East & Africa for the Philadelphia based Wharton Econometrics Forecasting Associates (WEFA Group) advising various governments and private sector clients on economics, financial and investment matters in the Middle East and Africa. Mr. Faissal serves on the Advisory Board of Dario Health (a NASDAQ company), Vice Chairman of Frankfurt based Pearl Gold and a Director & CFO at Cherry Street Capital (TSXV: CHSC.P). Mr. Faissal holds a Master of Arts degree in Economics & International Finance from McMaster University in Canada and an undergraduate Honors Degree in Economics from the University of Western Ontario.

B. Compensation

The Company has adopted an incentive stock option plan, which enables the Board of Directors of the Company from time to time, at its discretion, and in accordance with the CSE requirements to, grant to directors, officers, employees and consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Each stock option permits the holder to purchase one share at the stated exercise price. The options vest at the discretion of the Board of Directors.

The following table sets forth information concerning the compensation of our executive officers and members of our Board of Directors for 2022.

| | Salary (\$) | Stock awards (\$) | Option awards (\$) | Incentive plan compensation (\$) | All other compensation (\$) | Total (\$) |
|----------------|----------------|-------------------------|--------------------------|--|-----------------------------------|---------------|
| Rich Wheelless | \$ 267,535 | - | - | - | - | \$ 267,535 |
| Brock Vandrick | - | - | - | - | - | - |
| Robert Faissal | - | - | - | - | - | - |
| Total | \$ 267,535 | - | - | - | - | 267,535 |

Consulting Agreement with Rich Wheelless

On March 27, 2020, Rich Wheelless, entered into a consulting agreement (the “Consulting Agreement”) with the Company and was appointed Chief Financial Officer, with retroactive effectiveness as of March 1, 2020. On April 6, 2020, Rich Wheelless was appointed Chief Executive Officer.

Under the terms of the Consulting Agreement, effective for a period of 36 months, Rich Wheelless will perform the role and duties required by his position within the Company. Regarding the compensation package, Rich Wheelless will be paid in cash (i) US\$6,000 per month through December 31, 2020; (ii) US\$10,000 per month from January 1, 2021, to December 31, 2021, increased to US\$12,000 per month if the annual gross revenues of the Company reach the target for that year; (iii) US\$12,000 per month January 1, 2022, to December 31, 2022, increased to US\$15,000 if the annual gross revenues of the Company reach the target for that year; and (iv) US\$15,000 per month from January 1, 2023, to March 1, 2023, increased to US\$17,000, if the annual gross revenues of the Company reach the target for that year. Cash bonuses will be payable each year, contingent on the satisfaction of revenue milestone requirements. At the beginning of 2021 the monthly consulting fee for the year was increased and Rich Wheelless will be paid in cash US\$16,666.67 per month through December 31, 2021. At the beginning of 2022 the monthly consulting fee for the year was increased and Rich Wheelless will be paid in cash US\$33,333.34 per month through December 31, 2022.

In addition, Rich Wheelless was granted 2,000,000 unvested restricted common shares on March 27, 2020. On May 15, 2020, 1,000,000 common shares vested. On July 15, 2020, 500,000 common shares vested. The remaining 500,000 restricted common shares vested on October 15, 2020.

The Company’s board may terminate this Consulting Agreement without cause at any time upon providing the CEO thirty days’ notice, or payment in lieu of such notice. Our CEO may terminate this Consulting Agreement at any time upon giving forty-five days’ notice in writing to the Company.

Options

On May 6, 2020 the Company granted an aggregate of 2,875,000 stock options to directors and officers of the Company. The May 2020 options have an exercise price of \$0.09 per option and expire on May 6, 2025. On November 12, 2020 the Company granted an aggregate of 2,100,000 stock options to directors and officers of the Company. The November 2020 options have an exercise price of \$0.075 per option and expire on November 12, 2025. On January 22, 2021 the Company granted an aggregate of 2,000,000 stock options to directors and officers of the Company. The January 2021 options have an exercise price of \$0.145 per option and expire on January 22, 2026. Each option, if exercised, is convertible to one common share upon exercise. For more information see Section 6E “Share Ownership”.

C. Board Practices

The role of the Board is as follows:

- representing and serving the interests of shareholders by overseeing and appraising the strategies, policies and performance of the Company. This includes overseeing the financial and human resources the Company has in place to meet its objectives and the review of management performance;
- protecting and optimizing company performance and building sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Articles and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- responsible for the overall corporate governance of the Company and its subsidiaries, including monitoring the strategic direction of the Company and those entities, formulating goals for management and monitoring the achievement of those goals;
- setting, reviewing and ensuring compliance with the Company's values (including the establishment and observance of high ethical standards); and
- ensuring shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

Responsibilities/functions of the Board include:

- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning for the successor of, the CEO;
- reviewing procedures in place for appointment of senior management and monitoring of its performance, and for succession planning;
- overseeing the Company, including its control and accountability systems;
- input into and final approval of management development of corporate strategy, including setting performance objectives and approving operating budgets;
- reviewing and guiding systems of risk management and internal control and ethical and legal compliance. This includes reviewing procedures in place to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- overseeing and monitoring compliance with the corporate governance policies;
- monitoring corporate performance and implementation of strategy and policy;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- monitoring and reviewing management processes in place aimed at ensuring the integrity of financial and other reporting;
- monitoring and reviewing policies and processes in place relating to occupational health and safety, compliance with laws, and the maintenance of high ethical standards; and

- performing such other functions as are prescribed by law or are assigned to the Board.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a director, employee or other person subject to ultimate responsibility of the directors.

Matters which are specifically reserved for the Board or its committees include the following:

- appointment of a Chair;
- appointment and removal of the CEO;
- appointment of directors to fill a vacancy or as additional directors;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- development and review of corporate governance principles and policies;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

Structure of the Board

The Company’s Articles govern the regulation of meetings and proceedings of the Board. The Board determines its size and composition, subject to the terms of the Articles.

The appointment and expiration dates of each director in office at the date of this report is as follows:

| Name | Position | Year First Appointed | Current term expires |
|----------------|--------------------------|-----------------------------|-----------------------------|
| Robert Faissal | Director | 2019 | 2023 |
| Brock Vandrick | Director | 2022 | 2023 |
| Rich Wheelless | CEO, CFO, Board Chairman | 2020 | 2023 |

Further details on each director can be found in “Names, titles, experience and expertise” above.

Term of Directors

At every annual general meeting all directors cease to hold office immediately before the election or appointment of new directors, but are eligible for re-election or re-appointment. The current members of our board of directors were elected at the annual general shareholder meeting held on October 7, 2022, and will hold their director position until the earlier of the next annual general shareholder meeting or appointment of new directors.

Board of Directors

The Board of the Company is elected by and accountable to shareholders. The Board monitors and directs the business and is responsible for the corporate governance of the Company. As at December 31, 2022, the Board comprised of three directors, two of whom were non-executive directors.

As we are not listed on a national stock exchange, we are not required to constitute an audit committee and as such we do not currently have an audit committee.

D. Employees

As of the end of each of the last three years, the Company had under hire (either as employees or independent contractors) the following number of people on a full-time basis:

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|-----------------------------|-------------|-------------|-------------|
| <i>Category of Activity</i> | | | |
| Research and Development | 1 | 1 | 1 |
| Finance and Administration | 10 | 10 | 10 |
| Couriers | 182 | 163 | 105 |
| Total | 193 | 174 | 116 |
| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
| <i>Geographic Location</i> | | | |
| Canada | 103 | 120 | 116 |
| United States | 90 | 54 | - |
| Total | 193 | 174 | 116 |

E. Share Ownership*Directors' interests in the shares of the Company as of December 31, 2022**Share ownership*

The number of common shares in the Company held as of December 31, 2022, by each Director, including their personally related parties, is set out below:

| | <u>Number</u> | <u>Percentage</u> |
|----------------------|---------------|-------------------|
| <i>Common shares</i> | | |
| Rich Wheelless | 9,000,000 | 4.58% |
| Brock Vandrick | - | - |
| Robert Faissal | 1,000,000 | 0.51% |
| Total | 10,000,000 | 5.09% |

Rich Wheelless was granted 2,000,000 restricted common shares on March 27, 2020. On May 15, 2020, 1,000,000 common shares vested. On July 15, 2020, 500,000 common shares vested. The remaining 500,000 restricted common shares vested on October 15, 2020. On September 7, 2021, an additional 4,000,000 restricted common shares were granted as additional compensation to the executive.

On June 9, 2020, the Company agreed to issue 1,200,000 common shares to 1824400 Alberta Limited, a private company controlled by Brian Storseth, our Chairman of the Board of Directors, to settle all the amounts due under the Business Advisor Service Agreement which had been entered into on June 20, 2019. See Section 7B “Related party transaction” for more information.

On September 7, 2021, the Company agreed to issue an additional 4,000,000 common shares to Brian Storseth, 1,000,000 to Robert Faissal, and 1,000,000 to Alex Nuttall as compensation for acting as directors.

Options

On May 6, 2020 the Company granted an aggregate of 2,875,000 stock options to directors and officers of the Company. The options have an exercise price of C\$0.09 per option and expire on May 6, 2025. Each option is convertible to one common share upon exercise.

On November 12, 2020 the Company granted an aggregate of 2,100,000 stock options to directors and officers of the Company. The options have an exercise price of \$0.075 per option and expire on November 12, 2025. Each option is convertible to one common share upon exercise.

On January 22, 2021 the Company granted an aggregate of 2,000,000 stock options to directors and officers of the Company. The options have an exercise price of \$0.145 per option and expire on January 22, 2026. Each option is convertible to one common share upon exercise.

| | No of options | Grant date | Expiry date | Exercise price |
|-----------------------|----------------------|--------------------|--------------------|-----------------------|
| Rich Wheelless | 1,000,000 | May 6, 2020 | May 6, 2025 | \$ 0.09 |
| Brian Storseth | 500,000 | May 6, 2020 | May 6, 2025 | \$ 0.09 |
| Robert Faissal | 400,000 | May 6, 2020 | May 6, 2025 | \$ 0.09 |
| Alex Nuttall | 300,000 | May 6, 2020 | May 6, 2025 | \$ 0.09 |

| | No of options | Grant date | Expiry date | Exercise price |
|----------------|----------------------|-------------------|--------------------|-----------------------|
| Rich Wheelless | 1,000,000 | November 12, 2020 | November 12, 2025 | \$ 0.075 |
| Brian Storseth | 500,000 | November 12, 2020 | November 12, 2025 | \$ 0.075 |
| Robert Faissal | 300,000 | November 12, 2020 | November 12, 2025 | \$ 0.075 |
| Alex Nuttall | 300,000 | November 12, 2020 | November 12, 2025 | \$ 0.075 |

| | No of options | Grant date | Expiry date | Exercise price |
|----------------|----------------------|-------------------|--------------------|-----------------------|
| Rich Wheelless | 1,000,000 | January 22, 2021 | January 22, 2026 | \$ 0.145 |
| Brian Storseth | 500,000 | January 22, 2021 | January 22, 2026 | \$ 0.145 |
| Robert Faissal | 250,000 | January 22, 2021 | January 22, 2026 | \$ 0.145 |
| Alex Nuttall | 250,000 | January 22, 2021 | January 22, 2026 | \$ 0.145 |

Item 7. Major Shareholders and Related Party Transactions

A. Major shareholders

As of April 28, 2023, Rupinder Sangha owns 5.83% of our voting securities. CEO Rich Wheelless holds 5.68% of our voting securities as well as of April 28, 2023. No other shareholder of ParcelPal holds at least 5% of our voting securities as of April 28, 2023. Tangiers Global LLC held approximately 1.549% of our outstanding shares as of the close of this reporting period; however, pursuant to the terms of our outstanding convertible note, dated September 15, 2021 (as more fully described in Item 5, description of Convertible Notes), in May 2022, the principal sum of \$394,000 was converted in exchange for 9,850,000 common shares, leaving a current principal balance of \$946,000. If this remaining principal balance were converted at the fixed price, we would issue 10,511,111 common shares, or if at the variable conversion price, we would issue up to an additional 13,138,889 common shares (excluding interest).

The investment Agreement between us and Tangiers Global LLC, and each of the convertible note agreements entered into by us to date, contain a 9.99% conversion and ownership blocker provision, and we have not initiated any puts to the investor under the Investment Agreement since entry. Other than as set forth above and in our beneficial ownership table in our annual report, we do not believe that any other person or entity beneficially owns or has the right to own 5% or more of our outstanding common stock as of April 28, 2023.

B. Related Party Transactions

On June 20, 2019, we entered into a Business Advisor Service Agreement with 1824400 Alberta Limited, a private company controlled by our former director Brian Storseth, our then Chairman of the Board of Directors, to provide business advisory services with respect to the expansion of our business activities. On June 5, 2020, the parties mutually agreed to terminate the Business Advisor Service Agreement. The Company had agreed to issue 1,200,000 common shares to 1824400 Alberta Limited to settle all the amounts due under such agreement. This contract was terminated on June 5, 2020, and the shares were issued in full at C\$0.15 per share. Under the terms of the Business Advisor Service Agreement, 1824400 Alberta Limited had agreed to provide consulting services to the Company, in particular regarding the expansion of the Company's operations in Canada, introducing the Company to potential business partners, and assisting the Company in business negotiations. Effective as of September 21, 2022, Mr. Storseth was no longer a member of our Board of Directors.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See Item 18. "Financial Statements" commencing on page F-1.

B. Significant Changes

No significant change has occurred since the date of the annual financial statements included in this annual report on Form 20-F.

Item 9. The Offer and Listing

A. **Offer and listing details**

On April 15, 2013, we listed our common shares on the Canadian Securities Exchange (“CSE”) with the trading symbol “PKG”. On December 5, 2016, we listed our common shares on the Frankfurt Stock Exchange (“FSE”) with the trading symbol “PT0A”. On January 4, 2017, we opened a secondary market quotation of our common shares on the OTC Venture Marketplace with the trading symbol “PTNYF”, but which we up-listed for primary trading capability to the OTCQB on October 6, 2020.

B. **Plan of Distribution**

Not applicable.

C. **Markets**

Our common shares are listed on the Canadian Securities Exchange (“CSE”) with the trading symbol “PKG”, on the Frankfurt Stock Exchange (“FSE”) with the trading symbol “PT0A”, and on the OTCQB market with the trading symbol “PTNYF”.

D. **Selling Shareholders**

Not applicable.

E. **Dilution**

Not applicable.

F. **Expenses of the issue**

Not applicable.

Item 10. Additional Information

A. **Share Capital**

Not Applicable.

B. **Memorandum and Articles of Association**

Incorporation

The Company was incorporated in Alberta on March 10, 1997, under the name 730898 Alberta Ltd. On December 10, 1997, we changed our name to First Industrial Capital Corporation. On January 8, 2001, we changed our name to Onbus Technologies Inc. We continued to British Columbia under the *Business Corporations Act* (British Columbia) (the “BCBCA”) on June 22, 2006 under the name Royal Monashee Gold Corp. On November 12, 2012, we changed our name to Plus8 Global Ventures Ltd. On March 17, 2016, we changed our name to ParcelPal Technology Inc.. On June 17, 2021 we changed our name to ParcelPal Logistics Inc.

Objects and Purpose

The Company's Memorandum and Articles of Incorporation ("Articles") do not contain a description of the Company's objects and purposes.

Directors

Management of the Company's Business

The directors of the Company manage and supervise the management of the affairs and business of the Company and have authority to exercise all such powers of the Company as are not, by the BCBCA or by the Articles, required to be exercised by the Company's shareholders.

Election and Qualification of Directors

Each director holds office until the Company's next annual general meeting or until he or she is removed, dies or his office is earlier vacated in accordance with the Company's Articles or with the provisions of the BCBCA. A director appointed or elected to fill a vacancy on the Company's board holds office until the Company's next annual general meeting.

Under the Company's Articles, a director is not required to hold a share in the authorized capital of the Company as qualification for his or her office but must be qualified as required by the BCBCA to become, act or continue to act as a director.

Remuneration of Directors

The directors are entitled to the remuneration, if any, for acting as directors as the directors may from time to time determine. If the directors so decide, the remuneration of the directors will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to a director in such director's capacity as an officer or employee of the Company.

Disclosable Interest

Our Articles do not restrict a director's power to vote on a proposal, arrangement or contract in which the director is materially interested (although the BCBCA generally requires a director who is materially interested in a material contract or material transaction, to disclose his or her interest to the Board, and to abstain from voting on any resolution to approve the contract or transaction, failing which the British Columbia Supreme Court may, on application of our Company or any of our shareholders, set aside the material contract or material transaction on any terms that it thinks fit, or require the director to account to the Company for any profit or gain realized on it, or both).

Borrowing Powers

The Company's Articles provide that the Company, if authorized by its directors, may:

- borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that the directors consider appropriate;
- issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as the directors consider appropriate;

- guarantee the repayment of money by any other person or the performance of any obligation of any other person; and
- mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

Retirement

Our Articles do not set out a mandatory retirement age for our directors.

Authorized Capital

The Company's authorized capital consists of an unlimited number of common shares without par value.

Special Rights or Restrictions Attached to Shares

The holders of common shares are entitled to receive notice of and to attend all annual and special meetings of the Company's shareholders and to one vote in respect of each common share held at the record date for each such meeting. The board of directors are entitled, in their discretion, to declare and issue dividends to the holders of common shares, payable in cash, shares, check, assets or debentures or such other form as the board of directors may determine. The holders of common shares will participate pro rata in any distribution of the assets of the Company upon liquidation, dissolution or winding-up or other distribution of the assets of the Company. Such participation will be subject to the rights, privileges, restrictions and conditions attached to any of the Company's securities issued and outstanding at such time ranking in priority to the common shares upon the liquidation, dissolution or winding-up of the Company. Common shares are issued only as fully paid and are non-assessable.

The Company does not currently have preferred stock authorized for issuance.

Subject to any special rights or restrictions attached to any class or series of shares, the Company may, if it is authorized to do so by the directors, purchase or otherwise acquire any of its shares.

Subject to the BCBCA, the directors may, by resolution create one or more classes or series of shares, or, if none of the shares of that particular series are issued, alter the Articles of the Company, as the case may be, to do among other things, one or more of the following:

- determine the maximum number of shares of that class that the Company is authorized to issue;
- determine the maximum number of shares of that series that the Company is authorized to issue, determine that there is no such maximum number, or alter any such determination;
- create an identifying name for the shares of that series, or alter any such identifying name; and
- attach special rights or restrictions to the shares of that series, or alter any such special rights or restrictions.

The provisions in our Articles attaching to our common shares may be altered, amended, repealed, suspended or changed by the affirmative vote of the holders of not less than two-thirds of the outstanding common shares.

With the exception of special resolutions (i.e. resolutions in respect of fundamental changes to our company, including: the sale of all or substantially all of our assets, a merger or other arrangement or an alteration to our authorized capital that is not allowed by resolution of the directors) that require the approval of holders of two-thirds of the outstanding common shares entitled to vote at a meeting, either in person or by proxy, resolutions to approve matters brought before a meeting of our shareholders require approval by a simple majority of the votes cast by shareholders entitled to vote at a meeting, either in person or by proxy.

Options and Warrants

We may issue at any time options or warrants. Each option and each warrant carries the right to acquire up to one fully-paid non-assessable common share in our capital.

Shareholders

Location of Meetings

The Articles do not restrict the location at which meetings of shareholders may be held, but the location for the meeting must be approved by an ordinary resolution of the shareholders or approved in writing by the British Columbia Registrar of Companies before the meeting is held.

Time to Hold Meetings

The Company's Articles and the BCBCA provide that the Company's annual meetings of shareholders must be held at least once in each calendar year and not more than 15 months after the last annual general meeting at such time and place as the Company's directors may determine.

Calling Meetings

The Company's directors may, at any time, call a meeting of shareholders. Under the BCBCA, the holders of not less than five percent of the Company's issued shares that carry the right to vote at a meeting may requisition the Company's directors to call a meeting of shareholders for the purposes of transacting any business that may be transacted at a general meeting.

Persons Entitled to Attend Meetings

Shareholders entitled to vote at meetings are entitled to attend any meeting of shareholders. In addition, the directors, the president, if any, the secretary, if any, and any lawyer or auditor for the Company are entitled to attend any meeting of shareholders, but if any of those persons do attend a meeting of shareholders, that person is not to be counted in the quorum, and is not entitled to vote at the meeting, unless that person is a shareholder or proxy holder entitled to vote at the meeting.

Participation at Meetings

Pursuant to Article 8.20, a shareholder or proxy holder who is entitled to participate in a meeting of shareholders may do so in person, or by telephone or other communications medium, if all shareholders and proxy holders participating in the meeting are able to communicate with each other; provided, however, that nothing in this section shall obligate the Company to take any action or provide any facility to permit or facilitate the use of any communications medium at a meeting of shareholders. If one or more shareholders or proxy holders participate in a meeting of shareholders in a manner contemplated by Article 8.20:

- each such shareholder or proxy holder shall be deemed to be present at the meeting; and
- the meeting shall be deemed to be held at the location specified in the notice of the meeting.

Quorum

Under the Company's Articles, the quorum for the transaction of business at a meeting of our shareholders is one person who is a shareholder, who is present in person or represented by proxy.

C. Material contracts

Tangiers Notes

On March 12, 2021, the Company executed a non-brokered private placement pursuant to which it issued an unsecured convertible three tranche note to Tangiers with a face value of US\$1,050,000 (the "March Note"). Under the terms of the March Note, US\$350,000 was advanced to the Company at closing, and the Company issued 300,000 unregistered common shares to Tangiers as investment incentive shares. On April 13, an additional US\$325,000 was funded by Tangiers to the Company. On May 27, an additional US\$325,000 was funded by Tangiers to the Company. The March Note carries a one-time guaranteed interest rate of 5% on the principal sum of the funded tranches, and has a maturity date of six months from the effective date of the initial tranche of (or April 12, 2021), and six months from the funding date of each subsequent tranche. The principal amount shall be convertible into unregistered common shares of the Company prior to the Maturity Date, at the option of the Noteholder, at a fixed conversion price of US\$0.13 per share; however, if the Note is not fully repaid or fully converted on or before the Maturity Date, then the Noteholder has the option to convert the remaining outstanding amount under the Note into common shares at the variable conversion price equal to the lower of (a) US\$0.13 per share or (b) 83% of the average of the two lowest volume weighted average price of the Company's common shares during the 10 consecutive trading days prior to the date on which the Noteholder elects to convert all or part of the Note, provided that any such discount to the conversion price is in compliance with applicable Canadian securities laws and the policies and rules of the CSE. The March Note has been fully converted and is retired from the books of the Company.

On September 15, 2021, the Company executed a non-brokered private placement pursuant to which it issued an unsecured convertible multi tranche note to Tangiers with a face value of US\$2,300,000 (the "September Note"). Under the terms of the September Note, US\$700,000 was advanced to the Company at closing, and the Company issued 500,000 unregistered common shares to Tangiers as investment incentive shares. On November 23, an additional US\$640,000 was funded by Tangiers to the Company, and the Company issued 500,000 unregistered common shares to Tangiers as investment incentive shares. The Company has not taken and the holder has not funded the third tranche of this Note as of the date of this annual report. There is also an option for a fourth tranche in the amount of \$325,000 to be funded by the noteholder upon mutual agreement by the Company and investor. The September Note carries a one-time guaranteed interest rate of 5% on the principal sum of the funded tranches, and has a maturity date of six months from the effective date of the initial tranche, and six months from the funding date of each subsequent tranche. The principal amount shall be convertible into unregistered common shares of the Company prior to the Maturity Date, at the option of the Noteholder, at a fixed conversion price of US\$0.09 per share; however, if the Note is not fully repaid or fully converted on or before the Maturity Date, then the Noteholder has the option to convert the remaining outstanding amount under the Note into common shares at the variable conversion price equal to the lower of (a) US\$0.09 per share or (b) 83% of the average of the two lowest volume weighted average price of the Company's common shares during the 10 consecutive trading days prior to the date on which the Noteholder elects to convert all or part of the Note, provided that any such discount to the conversion price is in compliance with applicable Canadian securities laws and the policies and rules of the CSE. Tangiers converted \$394,000 USD of this September 2021 note for 9,850,000 common shares at \$0.04 US per share in May 2022, leaving a principal balance of \$946,000 USD under this note.

F-1 Registration Statement, Investment Agreement and Registration Rights Agreement (Equity Line of Credit) with Tangiers Global, LLC

On December 16, 2020, the Company filed a Registration Statement on Form F-1 pursuant to the December 16, 2020 Investment Agreement and Registration Rights Agreement entered into with Tangiers Global, LLC in order to establish a source of equity funding for our operations. Under the Investment Agreement, Tangiers has agreed to provide us with up to US\$5,000,000 of funding during the period ending three years from the date of the effectiveness of our F-1 resale registration statement which, pursuant to the terms of the Registration Rights Agreement, we filed with the Securities and Exchange Commission on December 18, 2020, and which was declared effective by the SEC on December 31, 2020 (“F-1 Registration Statement”). From time to time during the three (3) year term of the Investment Agreement, we may, in our sole discretion, deliver a Put Notice to Tangiers. The Put Notice will specify the number of shares of common stock which we intend to sell to Tangiers on a closing date. The closing of a purchase by Tangiers of the shares specified by us in the Put Notice will occur on the date which is no earlier than five and no later than seven Trading Days following the date Tangiers receives the Put Notice. On the closing date we will sell to Tangiers the shares specified in the Put Notice, and Tangiers will pay us an amount equal to the Purchase Price multiplied by the number of shares specified in the Put Notice. The maximum amount of shares of Common Stock that the Company shall be entitled to Put to Tangiers per any applicable Put Notice shall be an amount of shares up to or equal to two hundred percent (200%) of the average of the daily trading volume of the Common Stock for the ten (10) consecutive Trading Days immediately prior to the applicable Put Notice Date (the “Put Amount”) so long as such amount is at least Five Thousand Dollars (US\$5,000) and does not exceed Two Hundred Fifty Thousand Dollars (US\$250,000), as calculated by multiplying the Put Amount by the average daily VWAP for the ten (10) consecutive Trading Days immediately prior to the applicable Put Notice Date. During the 36-month term of the Investment Agreement, the Company shall not be entitled to submit a Put Notice until after the previous Closing has been completed. Notwithstanding the foregoing, the Company may not deliver a Put Notice on or earlier of the tenth (10th) Trading Day immediately following the preceding Put Notice Date (the “Waiting Period”), unless a written waiver to deliver Put Notice during the Waiting Period is obtained by the Company from the Investor in advance. The number of shares to be sold by Tangiers in this offering will vary from time-to-time and will depend upon the number of shares purchased from us pursuant to the terms of the Investment Agreement. However, 45,000,000 shares of common stock is the maximum number of shares which we may sell to Tangiers under the F-1 Registration Statement.

Purchase Price means 85% of the lowest VWAP of the Common Stock during the five (5) consecutive Trading Days including and immediately following the applicable to the Put Notice, provided, however, an additional 10% will be added to the discount of each Put if (i) the Company is not DWAC or DRS eligible and (ii) an additional 15% will be added to the discount of each Put if the Company is under DTC “chill” status on the applicable Put Notice Date. Principal Market means the NYSE MKT, the Nasdaq Capital Market, the OTC Bulletin Board or the OTC Markets Group, whichever is the principal market on which our common stock is traded. VWAP means a price determined by the daily volume weighted average price of our common stock on the Principal Market as reported by (i) Bloomberg Financial L.P. or (ii) Stock Charts/Quote Media for the ten consecutive Trading Days immediately prior to the date of the delivery of a Put Notice.

We are under no obligation to sell any shares under the Investment Agreement, and we may terminate the Investment Agreement upon 15 days’ notice to Tangiers, among other termination provisions.

As of December 31, 2022, and as of the date of this annual report, the Company has not initiated any put notices to Tangiers and has received no proceeds under this facility.

Tangiers’ obligations under the equity line are not transferable.

Transportation Agreement with Amazon

On September 24, 2017, the Company entered into a Transportation Agreement with Amazon. Under the terms of the Transportation Agreement, the Company will provide transportation, delivery, and related services in Vancouver. The services will be provided under the instructions given by Amazon with respect to each delivery order. Amazon has the right to engage third parties that are not affiliated with ParcelPal to perform similar services. In addition, Amazon does not commit to any minimum volume work orders in favor of ParcelPal.

Under the terms of the agreement, Amazon shall pay ParcelPal fees based upon rates agreed upon for each order. Either party may terminate this agreement at any time, with or without cause, upon given written notice to the other party.

On February 11, 2021, the Company entered into a new Transportation Agreement with Amazon. Under the terms of the Transportation Agreement, the Company will provide transportation, delivery, and related services in Vancouver. This agreement replaces the original 2017 agreement.

Transportation Agreement with Farmer's Meal

In August 2021, the Company entered into an agreement to provide delivery services to Farmer's Meals, one of Vancouver's growing providers of meal kits. Farmer's Meal provides Mediterranean inspired and nutritionally balanced flavorful meals that are handmade with local, fresh and natural ingredients. The Company will be delivering meal kits to customer's homes, catered meals to offices and meal distribution to various other businesses.

Delivery Service Agreement with FedEx Ground

On June 1, 2022, the Company entered into an asset purchase agreement (the "Asset Acquisition") with Delta Express Delivery, Inc. ("Delta") whereby the Company, through ParcelPal USA, acquired a customer contract between Delta and FedEx Ground Package System, Inc. ("FedEx") (the "FedEx Contract") making ParcelPal USA an independent service provider for FedEx. Furthermore, we renegotiated our existing contract with more favorable rates with FedEx in October 2022, which runs until October 27, 2023. The more favorable contract includes a slight increase of about 5% in our per stop rates as well as a higher subsidy for fuel costs (now covering about 50% of our fuel costs, up from approximately 42% in the prior contract).

Capital Loan Agreements with ACH Capital West

In July 2022, the Company entered into a Capital Loan Agreement with ACH Capital West, LLC in connection with a non-dilutive financing in the principal amount of \$400,000. The agreement provides for a 10 month interest bearing non-convertible note with the total repayment due in the amount of \$568K USD.

In October 2022, the Company entered into a Capital Loan Agreement with ACH Capital West, LLC in connection with a second non-dilutive financing in the principal amount of \$100,000. The agreement provides for a 10 month interest bearing non-convertible note with the total cash repayment due in the amount of \$142,000 USD.

See also Subsequent Events set forth in Note 14 of this annual report for a description of additional agreements entered into subsequent to the reporting period of this annual report.

D. Exchange controls

There are no governmental laws, decrees or regulations in Canada relating to restrictions on the export or import of capital, or affecting the remittance of interest, dividends or other payments to non-resident holders of the Company's common shares. Any remittances of dividends to United States residents are, however, subject to a 25% withholding tax pursuant to the *Income Tax Act (Canada)*. Provided a United States resident is entitled to the benefit of the reciprocal tax treaty between Canada and the United States, such rate is generally reduced to 15% (5% if the shareholder is a corporation owning at least 10% of the outstanding common shares of the Company).

Except as provided in the Investment Canada Act (the “Act”), there are no limitations under the laws of Canada, the Province of British Columbia or in the charter or any other constituent documents of the Company on the right of foreigners to hold or vote the common shares of the Company.

The following discussion summarizes the principal features of the Investment Canada Act for a non-resident who proposes to acquire the common shares.

The Investment Canada Act generally prohibits implementation of an acquisition of control of a Canadian business that exceeds the applicable financial threshold for review by an individual, government or agency thereof, corporation, partnership, trust or joint venture (each an “entity”) that is not a “Canadian” as defined in the Investment Canada Act (a “non-Canadian”), unless after review, the Director of Investments appointed by the minister responsible for the Investment Canada Act is satisfied that the investment is likely to be of net benefit to Canada. The financial thresholds for review vary according to the nationality of the investor, whether the investor is a state-owned enterprise and whether the Canadian business carries on any of the prescribed list of cultural activities set out in the Investment Canada Act. A non-Canadian would acquire control of the Company for the purposes of the Investment Canada Act if the non-Canadian acquired a majority of the common shares. An acquisition resulting in the purchaser holding one third or more, but less than a majority, of the common shares would be presumed to be an acquisition of control of the Company unless it could be established that, on the acquisition, the Company was not controlled in fact by the acquirer through the ownership of the common shares. Certain transactions relating to the common shares would be exempt from the Investment Canada Act, including: (a) an acquisition of the common shares by a person in the ordinary course of that person’s business as a trader or dealer in securities; (b) an acquisition of control of the Company in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions of the Investment Canada Act; and (c) an acquisition of control of the Company by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of the Company, through the ownership of the common shares, remained unchanged.

E. **Taxation**

U.S. Taxation

This section describes the material U.S. federal income tax consequences to a U.S. holder (as defined below) of owning ordinary shares. It applies only to ordinary shares that are held as capital assets for tax purposes. This section does not apply to a holder of ordinary shares that is a member of a class of holders subject to special rules, including a financial institution, a dealer or trader in securities, a regulated investment company, a real estate investment trust, a grantor trust, a U.S. expatriate, a tax-exempt organization, an insurance company, a person liable for alternative minimum tax, a person who actually or constructively owns 10% or more of the stock of the Company, a person that holds ordinary shares as part of a straddle or a hedging or conversion transaction, a person that purchases or sells ordinary shares as part of a wash sale for tax purposes, or a person whose functional currency is not the U.S. dollar. Further, this description does not address state, local, non-U.S., or other tax laws, nor does it address the 3.8% U.S. federal Medicare tax on net investment income, the alternative minimum tax or the U.S. federal gift and estate tax consequences of owning and disposing of ordinary shares.

For purposes of this description, a “U.S. holder” is a beneficial owner of ordinary shares who holds such ordinary shares as capital assets within the meaning of the Code and is, for U.S. federal income tax purposes: (i) an individual citizen or resident of the United States; (ii) a corporation created or organized in or under the laws of the United States or any state thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust that either (a) is subject to the supervision of a court within the United States and has one or more U.S. persons with authority to control all substantial decisions or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If a partnership holds the ordinary shares, the U.S. federal income tax treatment of a partner generally will depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the ordinary shares should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the ordinary shares.

Distributions

Subject to the Passive Foreign Investment Company (“PFIC”) rules discussed below, U.S. holders generally will include as dividend income the U.S. dollar value of the gross amount of any distributions of cash or property (without deduction for any withholding tax), other than certain pro rata distributions of ordinary shares, with respect to ordinary shares to the extent the distributions are made from our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. A U.S. holder will include the dividend income on the day actually or constructively received by the holder. We do not intend to maintain calculations of earnings and profits, as determined for U.S. federal income tax purposes. Consequently, any distributions generally will be treated as dividend income.

Dividends paid to a non-corporate U.S. holder on shares will generally be taxable at the preferential rates applicable to long-term capital gains provided (a) that certain holding period requirements are satisfied, (b) (i) the U.S.-Canada income tax treaty (“the Treaty”) is a qualified treaty and we are eligible for benefits under the Treaty or (ii) our ordinary shares are readily tradable on a U.S. securities market, and (c) provided that we were not, in the taxable year prior to the year in which the dividend was paid, and are not, in the taxable year in which the dividend is paid, a PFIC. The Treaty has been approved for the purposes of the qualified dividend rules. If the Company is a PFIC, any dividends paid to a noncorporate U.S. holder will not qualify for the preferential tax rates ordinarily applicable to “qualified dividends.” In the case of a corporate U.S. holder, dividends on shares are taxed as ordinary income and will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

The amount of any cash distribution paid in any foreign currency will be equal to the U.S. dollar value of such currency, calculated by reference to the spot rate in effect on the date such distribution is received by the U.S. holder, regardless of whether and when the foreign currency is in fact converted into U.S. dollars. If the foreign currency is converted into U.S. dollars on the date received, the U.S. holder generally should not recognize foreign currency gain or loss on such conversion. If the foreign currency is not converted into U.S. dollars on the date received, the U.S. holder will have a basis in the foreign currency equal to its U.S. dollar value on the date received, and generally will recognize foreign currency gain or loss on a subsequent conversion or other disposal of such currency. Such foreign currency gain or loss generally will be treated as U.S. source ordinary income or loss for foreign tax credit limitation purposes.

Dividends will be income from sources outside the United States, and generally will be “passive category” income or, for certain taxpayers, “general category” income, which are treated separately from each other for the purpose of computing the foreign tax credit allowable to a U.S. holder. The availability of the foreign tax credit and the application of the limitations on its availability are fact specific and are subject to complex rules. In general, a taxpayer’s ability to use foreign tax credits may be limited and is dependent on the particular circumstances. U.S. holders should consult their own tax advisors with respect to these matters.

Sale, Exchange or other Disposition of Ordinary Shares

Subject to the PFIC rules discussed below, a U.S. holder who sells or otherwise disposes of ordinary shares will recognize a capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount realized and the holder’s tax basis, determined in U.S. dollars, in those ordinary shares. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. The capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the holder has a holding period greater than 12 months in the shares sold. There are limitations on the deductibility of capital losses.

The U.S. dollar value of any foreign currency received upon a sale or other disposition of ordinary shares will be calculated by reference to the spot rate in effect on the date of sale or other disposal (or, in the case of a cash basis or electing accrual basis taxpayer, at the spot rate of exchange on the settlement date). A U.S. holder will have a tax basis in the foreign currency received equal to that U.S. dollar amount, and generally will recognize foreign currency gain or loss on a subsequent conversion or other disposal of the foreign currency. This foreign currency gain or loss generally will be treated as U.S. source ordinary income or loss for foreign tax credit limitation purposes. If such foreign currency is converted into U.S. dollars on the date received by the U.S. holder, a cash basis or electing accrual basis U.S. holder should not recognize any gain or loss on such conversion.

Passive Foreign Investment Company

A non-U.S. corporation will be a PFIC for U.S. federal income tax purposes for any taxable year if either:

- 75% or more of its gross income for such year is “passive income” which for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions and gains from assets that produce passive income; or
- 50% or more of the value of its gross assets (based on an average of the quarterly values of the gross assets) during such year is attributable to assets that produce passive income or are held for the production of passive income.

Passive income does not include rents and royalties derived from the active conduct of a trade or business. If the stock of a non-U.S. corporation is publicly traded for the taxable year, the asset test is applied using the fair market value of the assets for purposes of measuring such corporation’s assets. If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation’s assets and receiving our proportionate share of the other corporation’s income for purposes of the PFIC income and asset tests. If the stock of a non-U.S. corporation is publicly-traded for the taxable year, the asset test is applied using the fair market value of the assets for purposes of measuring such corporation’s assets. If we were a PFIC in any year during a U.S. holder’s holding period for our ordinary shares, we would ordinarily continue to be treated as a PFIC for each subsequent year during which the U.S. holder owned the ordinary shares. Based on the composition of our assets and income, we believe that we should not be treated as a PFIC for U.S. federal income tax purposes with respect to our 2019 taxable year and we do not intend or anticipate becoming a PFIC for any future taxable year. However, the determination of PFIC status is a factual determination that must be made annually at the close of each taxable year and therefore, there can be no certainty as to our status in this regard until the close of the current or any future taxable year. Changes in the nature of our income or assets or a decrease in the trading price of our ordinary shares may cause us to be considered a PFIC in the current or any subsequent year. Therefore, there can be no assurance that we or any of our subsidiaries will not be classified as a PFIC until the close of the current taxable year or for any future taxable year.

U.S. Information Reporting and Back-up Withholding

Dividend payments with respect to our ordinary shares and proceeds from the sale or other disposition of our ordinary shares may be subject to information reporting to the IRS and possible U.S. backup withholding. Back-up withholding will not apply, however, to a U.S. holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from back-up withholding. U.S. holders who are required to establish their exempt status may be required to provide such certification on Internal Revenue Service (“IRS”) Form W-9. U.S. holders should consult their tax advisors regarding the application of the U.S. information reporting and back-up withholding rules.

Back-up withholding is not an additional tax. Amounts withheld as back-up withholding may be credited against a U.S. holder’s U.S. federal income tax liability, and such holder may obtain a refund of any excess amounts withheld under the back-up withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing any required information.

Information With Respect to Foreign Financial Assets

Certain U.S. holders that own “specified foreign financial assets” with an aggregate value in excess of \$50,000 are generally required to file an information statement along with their U.S. federal tax returns, currently on IRS Form 8938, with respect to such assets. “Specified foreign financial assets” include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer that are not held in accounts maintained by financial institutions. If a U.S. holder does not include in such holder’s gross income an amount relating to one or more specified foreign financial assets, and the amount such U.S. holder omits is more than \$5,000, any tax such U.S. holder owes for the tax year can be assessed at any time within 6 years after the filing of such U.S. holder’s federal tax return. U.S. holders who fail to report the required information could be subject to substantial penalties. U.S. holders are encouraged to consult with their own tax advisors regarding the possible application of the foregoing or other United States informational reporting requirements to our ordinary shares in light of their particular circumstances.

British Columbia Tax Considerations

Certain Canadian Federal Income Tax Information for United States Residents

The following summarizes the principal Canadian federal income tax considerations generally applicable to the holding and disposition of common shares of the Company by a holder (a) who, for the purposes of the Income Tax Act (Canada) the (“Tax Act”) and at all relevant times, is not resident in Canada or deemed to be resident in Canada, deals at arm’s length and is not affiliated with the Company, holds the common shares as capital property and does not use or hold the common shares in the course of carrying on, or otherwise in connection with, a business in Canada, and (b) who, for the purposes of the Canada-United States Income Tax Convention (the “Treaty”) and at all relevant times, is a resident of the United States, has never been a resident of Canada, has not held or used (and does not hold or use) common shares in connection with a permanent establishment or fixed base in Canada, and who qualifies for the full benefits of the Treaty. The Canada Revenue Agency has introduced special forms to be used in order to substantiate eligibility for Treaty benefits, and affected holders should consult with their own advisers with respect to these forms and all relevant compliance matters.

Holders who meet all such criteria in clauses (a) and (b) above are referred to herein as a “U.S. Holder” or “U.S. Holders”, and this summary only addresses such U.S. Holders. The summary does not deal with special situations, such as particular circumstances of traders or dealers, limited liability companies, tax-exempt entities, insurers, financial institutions (including those to which the mark-to-market provisions of the Tax Act apply), entities considered fiscally transparent under applicable law, or otherwise.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, all proposed amendments to the Tax Act and regulations publicly announced by the Minister of Finance (Canada) to the date hereof, the current provisions of the Treaty and our understanding of the current administrative practices of the Canada Revenue Agency. It has been assumed that all currently proposed amendments to the Tax Act and regulations will be enacted as proposed and that there will be no other relevant change in any governing law, the Treaty or administrative policy, although no assurance can be given in these respects. This summary does not take into account provincial, U.S. or other foreign income tax considerations, which may differ significantly from those discussed herein.

This summary is not exhaustive of all possible Canadian income tax consequences. It is not intended as legal or tax advice to any particular U.S. Holder and should not be so construed. The tax consequences to a U.S. Holder will depend on that U.S. Holder’s particular circumstances. Accordingly, all U.S. Holders or prospective U.S. Holders should consult their own tax advisers with respect to the tax consequences applicable to them having regard to their own particular circumstances. The discussion below is qualified accordingly.

Dividend

Dividends paid or deemed to be paid or credited by the Company to a U.S. Holder are subject to Canadian withholding tax under Part XIII of the Tax Act. The default rate of withholding tax is 25% of the gross dividend paid to a non-resident of Canada.

Under the Treaty, the rate of withholding tax on dividends paid to a U.S. Holder is generally limited to 15% of the gross dividend. In the case of a U.S. Holder that is a corporation owning at least 10% of the Company's voting shares, the applicable withholding rate is 5% of the gross dividend, provided the U.S. Holder can establish entitlement to the benefits of the Treaty.

The Company is required to withhold Part XIII tax from each dividend, and remit the withheld amount directly to the Receiver General of Canada for the account of the shareholder. U.S. Holders entitled to reduced withholding under the Treaty must provide the Company with certain information to ensure the correct amount of tax is withheld. The Company will provide U.S. Holders with a summary of withholdings annually. U.S. Holders are not required to file a separate income tax return to report dividends received from the Company in a given year.

Disposition

A U.S. Holder is generally not subject to tax under the Tax Act in respect of a capital gain realized on the disposition of a common share in the open market, unless the share is "taxable Canadian property" to the holder thereof and the U.S. Holder is not entitled to relief under the Treaty.

Provided that the Company's common shares are listed on a "designated stock exchange" for purposes of the Tax Act (which currently includes the TSX Venture) at the time of disposition, a common share will generally not constitute taxable Canadian property to a U.S. Holder unless, at any time during the 60 month period ending at the time of disposition, (i) the U.S. Holder, persons with whom the U.S. Holder did not deal at arm's length for purposes of the Tax Act, partnerships in which the U.S. Holder or such persons holds a membership interest directly or indirectly, (or the U.S. Holder together with any such foregoing persons) or partnerships, owned 25% or more of the issued shares of any class or series of the Company AND (ii) more than 50% of the fair market value of the share was derived directly or indirectly from certain types of assets, including real or immoveable property situated in Canada, Canadian resource properties or timber resource properties, and options, interests or rights in respect of any of the foregoing.

Even a common share is taxable Canadian Property to a U.S. Holder, a capital gain resulting of the disposition of that share will not be included in computing the U.S. Holder's taxable income for the purposes of the Tax Act, provided that the share constitutes "treaty-protected property" of such U.S. Holder. Common shares owned by a U.S. Holder will generally be treaty-protected property if the gain from the disposition of such share would, because of the Treaty, be exempt from tax under the Tax Act.

U.S. Holders holding Common shares as taxable Canadian property should consult with the U.S. Holder's own tax advisers in advance of any disposition or deemed disposition thereof under the Tax Act in order to determine whether any relief from tax under the Tax Act may be available by virtue of the Treaty, and any related compliance procedures.

If a U.S. Holder realizes a capital gain or capital loss from the disposition of a common shares that constitutes taxable Canadian property and is not treaty-protected property for the purposes of the Tax Act, the capital gain or capital loss is the amount, if any, by which the U.S. Holder's proceeds of disposition exceed (or are exceeded by, respectively) the aggregate of the U.S. Holder's adjusted cost base of the share and reasonable expenses of disposition as determined under the Tax Act. The capital gain or loss must be computed in Canadian currency using a weighted average cost base for identical properties. Generally, one-half of a capital gain ("taxable capital gain") is included in income for Canadian tax purposes in the year of disposition and one-half of a capital loss ("allowable capital loss") must be deducted from taxable capital gains realized by the U.S. Holder in that year. Allowable capital losses in excess of taxable capital gains for that year may generally be carried back up to three years, or forward indefinitely, and deducted against net taxable capital gains in those years, in the manner permitted under the Tax Act. Reporting and filing requirements will also arise. Such U.S. Holders should consult their own tax advisors.

F. **Dividends and paying agents**

Not applicable.

G. **Statement by experts**

Not applicable.

H. **Documents on Display**

The Company files information with the SEC via EDGAR. The SEC maintains an Internet site that contains annual reports, information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

Documents concerning the Company which are referred to in this Form 20-F may be inspected at the offices of Lions Corporate Secretarial Services Limited., Suite 620, 1111 Melville Street, Vancouver, BC V6E 3V6. In addition, the Company also files its annual reports and other information with the Canadian Securities Administrators via SEDAR (www.sedar.com).

As a foreign private issuer, we will be exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we intend to furnish or make available to our shareholders annual reports containing our combined financial statements prepared in accordance with IFRS and make available to our shareholders quarterly reports containing our unaudited interim financial information for the first three fiscal quarters of each fiscal year.

I. **Subsidiary Information**

On November 9, 2021, we incorporated ParcelPal Logistics USA, Inc. in the state of Florida. It is a 100% wholly owned subsidiary of ParcelPal Logistics Inc.

On September 15, 2021, the Company purchased 95% of the outstanding shares of Web to Door Trucking Corp., a United States delivery service company incorporated in Nevada on June 6, 2018, which became a subsidiary of ParcelPal Logistics, Inc.

I. **Annual Report to Security Holders**

Not Applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Credit risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's accounts receivable includes \$264,296 due from one major customer. The customer is of low credit risk and none of the balance is past due. The Company's cash is held in large Canadian financial institutions and is not exposed to significant credit risk.

Interest 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 limited interest rate risk. We do not have any interest rate sensitive instruments in our portfolio that create a material exposure to changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

Foreign exchange risk

The Company's functional currency is the Canadian Dollar and major transactions are transacted in Canadian Dollars and US Dollars. The Company maintains a US Dollar bank account in Canada to support the cash needs of its operations. Management believes that the foreign exchange risk related to currency conversion is minimal and therefore does not hedge its foreign exchange risk.

Item 12. Description of Securities Other than Equity Securities

A. ***Debt Securities***

Not applicable; however, the description in this annual report of those certain convertible securities is incorporated by reference herein.

B. ***Warrants and Rights***

Not applicable. See Note 14, subsequent events, related to March 2023 issuance of common share Warrants.

C. ***Other Securities***

Not applicable.

D. ***American Depositary Shares***

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and the Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2022, as required by Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our management has concluded that, as of December 31, 2022, our disclosure controls and procedures were not effective.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2022 based on the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013). Based on that evaluation, our management has concluded that, as of December 31, 2022, the Company had material weaknesses in its internal control over financial reporting and was deemed to be not effective. Specifically, management identified the following material weaknesses as at December 31, 2022:

- the Company has insufficient quantity of dedicated resources and experienced personnel involved in reviewing and designing internal controls. As a result, a material misstatement of the interim and annual financial statements could occur and not be prevented or detected on a timely basis.
- the Company did not perform an entity level risk assessment to evaluate the implication of relevant risks on financial reporting, including the impact of potential fraud-related risks and the risks related to non-routine transactions, if any, on our internal control over financial reporting. Lack of an entity-level risk assessment constituted an internal control design deficiency which resulted in more than a remote likelihood that a material error would not have been prevented or detected, and constituted a material weakness.
- the Company has not achieved the optimal level of segregation of duties relative to key financial reporting functions.

To remediate our internal control weaknesses, management would need to implement the following measures:

- the Company would need to add sufficient number of independent directors to the board and appoint an audit committee.
- the Company would need to add sufficient knowledgeable accounting personnel to properly segregate duties and to affect a timely, accurate preparation of the financial statements.

- upon the hiring of additional accounting personnel, the Company would need to develop and maintain adequate written accounting policies and procedures.

This Annual Report does not include an attestation report of the Company's registered public accounting firm as we are a smaller reporting company.

Inherent Limitations on Effectiveness of Controls

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Changes in Internal Control Over Financial Reporting

Except as set forth above, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) for the fiscal year ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

We have no audit committee financial expert. As we are not listed on a national stock exchange, we are not required to constitute an audit committee.

Item 16B. Code of Ethics

Currently, we have no code of ethics. As we have limited resources available, we have not yet focused on drafting a code of ethics. We will do so as soon as possible.

Item 16C. Principal Accounting Fees and Services

Dale Matheson Carr-Hilton Labonte LLP was retained as our independent registered public accounting firm until October 14, 2021. Set forth below is a summary of the fees paid to Dale Matheson Carr-Hilton Labonte LLP for services provided in fiscal years 2021 and 2020.

Dale Matheson Carr-Hilton Labonte LLP

| | Fiscal 2020 |
|--------------------|--------------------|
| | C\$ |
| Audit Fees | \$ 40,000 |
| Audit Related Fees | \$ 5,000 |
| Tax Fees | \$ 900 |
| Total remuneration | \$ 45,900 |

On October 14, 2021, we retained BF Borgers CPA PC as our independent registered public accounting firm going forward. Audit fees for fiscal 2022 are estimated at \$42,000 US\$ (approximately C\$57,7155).

BF Borgers CPA PC

| | Estimated Fiscal 2022 C\$ | Fiscal 2021 C\$ |
|--------------------|--|----------------------------|
| Audit Fees | \$ 57,155 | \$ 50,708 |
| Audit Related Fees | \$ - | \$ - |
| Tax Fees | \$ 1,000 | \$ 1,000 |
| Total remuneration | \$ 58,155 | \$ 51,708 |

Pre-Approval Policies and Procedures

We have not adopted yet a pre-approval of audit and non-audit services policy and procedure because we do not have yet an audit committee.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Changes in registrant's Certifying Accountant

As previously disclosed by the Company, effective October 2021, we announced a change of our auditor from Dale Matheson Carr-Hilton LaBonte LLP ("DMCL") to BF Borgers CPA, PC ("BF Borgers") as our independent registered public accounting firm. The Board of Directors of the Company approved the appointment of BF Borgers as the Company's independent registered public accounting firm for the fiscal year ended December 31, 2021.

In connection with the change of auditor, the Company provides that: (a) there were no disagreements between the Company and the former auditors on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of the former accountant, would have caused it to make reference to the subject matter of the disagreement in connection with its report; (b) no reportable events (as the term is defined in National Instruments 51-102 – Continuous Disclosure Obligations) between the Company and DMCL, and (c) there were no reservations in DMCL's audit reports for any financial period during which DMCL was the Company's auditor, except as it relates to its going concern opinion related matters.

Item 16G. Corporate Governance

Not applicable.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

Not applicable.

PART III

Item 17. Financial Statements

Refer to “Item 18 – Financial Statements” below.

Item 18. Financial Statements

The financial statements filed as part of this annual report commence on page F-1.

The financial statements comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements have been audited in accordance with the Public Company Accounting Oversight Board (“PCAOB”) auditing standards in the United States by the Company’s independent registered public accounting firm. The Company’s year ends on December 31.

The Company publishes its financial statements expressed in Canadian dollars. In this annual report, references to “U.S. dollars” or “US\$” are to the currency of the United States of America (“U.S.”) and references to “Canadian dollars” “\$” or “C\$” are to the currency of Canada.

Item 19. Exhibits

The following exhibits are filed as part of this Annual Report on Form 20-F:

Index to Financial Statements

| | <u>Page</u> |
|--|--------------------|
| Financial Statements for December 31, 2022, 2021, and 2020 and the years then ended: | |
| Report of Independent Registered Public Accounting Firm (PCAOB ID 5041) | F-2 |
| Statements of Financial Position | F-3 |
| Statements of Profit or Loss and Other Comprehensive Income | F-4 |
| Statements of Changes Shareholders' Equity | F-5 |
| Statements of Cash Flows | F-6 |
| Notes to Financial Statements | F-7 |

Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of ParcelPal Logistics Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of ParcelPal Logistics Inc. (the "Company"), as of December 31, 2022 and 2021, the related statements of comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and 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 the Company 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 the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, 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 audit 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 audit 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 audit provides a reasonable basis for our opinion.

/S/ BF Borgers CPA PC (PCAOB ID 5041)

We have served as Auditor since 2021

Lakewood, CO

May 15, 2023

PARCELPAL LOGISTICS INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Years Ended December 31, 2022 and 2021

ParcelPal Logistics Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

| | Notes | December 31, 2022 \$ | December 31, 2021 \$ |
|---|-------|----------------------------|----------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | 76,661 | 551,961 |
| Accounts receivable | 5 | 237,506 | 202,050 |
| Prepaid expenses | | 31,858 | 149,834 |
| | | 346,025 | 903,845 |
| Customer contract | 3,4,7 | 3,707,137 | 3,933,128 |
| Vehicles and Right-of-use assets | 6 | 507,669 | 652,353 |
| Total assets | | 4,560,831 | 5,489,326 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 9 | 2,027,939 | 833,262 |
| Purchase obligation | 3,4 | 1,616,704 | 660,972 |
| Convertible Note | 14 | 1,536,139 | 2,429,227 |
| Derivative liability | 14 | - | 206,726 |
| Sales tax payable | | 682,200 | 521,616 |
| Short-term loan payable | 8 | 396,201 | 66,588 |
| Lease obligations - current | 13 | 58,012 | 158,409 |
| | | 6,317,195 | 4,876,800 |
| Lease obligations | 13 | 10,320 | 404,921 |
| Total liabilities | | 6,327,515 | 5,281,721 |
| SHAREHOLDERS' (DEFICIT) EQUITY | | | |
| Share capital | 9 | 18,928,057 | 17,622,777 |
| Contributed surplus | | 3,664,546 | 3,620,300 |
| Accumulated other comprehensive income | | 197,980 | (4,202) |
| Deficit | | (24,557,267) | (21,031,270) |
| Total shareholders' (deficit) equity | | (1,766,684) | 207,605 |
| Total liabilities and shareholders' (deficit) equity | | 4,560,831 | 5,489,326 |

Nature of operations and going concern (Note 1)

Commitments (Note 11)

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

ParcelPal Logistics Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

| | Notes | 2022 \$ | 2021 \$ | 2020 \$ |
|---|--------|--------------------|--------------------|--------------------|
| SALES | | 11,242,660 | 7,521,952 | 6,317,329 |
| COST OF SALES | 15 | (9,238,485) | (6,253,436) | (5,947,895) |
| GROSS PROFIT | | 2,004,175 | 1,268,516 | 369,434 |
| EXPENSES | | | | |
| Amortization of intangible assets | 7 | 1,126,818 | - | - |
| Bad debt expense | 4 | - | 59,307 | - |
| Consulting fees | | 391,763 | 117,054 | 656,405 |
| Foreign exchange | | 211,512 | 31,454 | (61,236) |
| Marketing and promotion | | 181,905 | 78,804 | 29,146 |
| Management and director fees | 10 | 714,346 | 1,808,250 | 305,158 |
| Office and miscellaneous | | 1,509,729 | 964,282 | 1,155,805 |
| Professional fees | | 407,984 | 389,817 | 655,378 |
| Regulatory and filing fees | | 145,437 | 106,758 | 78,945 |
| Salaries | 10 | 868,783 | 546,852 | 533,193 |
| Share-based compensation | 9 | 44,246 | 263,672 | 473,103 |
| Travel and accommodation | | 187,373 | 119,692 | 31,692 |
| | | (5,789,896) | (4,485,942) | (3,857,589) |
| Loss before other items | | (3,785,721) | (3,217,426) | (3,488,155) |
| Other expenses: | | | | |
| Other income | | 4,656 | - | - |
| Debt Settlement | 14 | 273,247 | - | (191,773) |
| Derivative liability | 14 | 206,726 | (144,952) | (866,238) |
| Interest expense | 13, 14 | (491,806) | (754,827) | (323,931) |
| Gain (loss) on disposal of asset | 6 | 266,901 | - | - |
| Write-off of asset | | - | 14,597 | (3,985) |
| | | 259,724 | (885,182) | (1,385,927) |
| Net loss for the year | | (3,525,997) | (4,102,608) | (4,874,082) |
| Foreign currency translation adjustment | | 202,182 | (4,202) | - |
| Comprehensive loss for the year | | (3,323,815) | (4,106,810) | (4,874,082) |
| Basic and diluted loss per share | | (0.02) | (0.03) | (0.05) |
| Weighted average number of shares outstanding – basic and diluted | | 184,408,449 | 152,119,211 | 91,147,886 |

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

ParcelPal Logistics Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the Years Ended December 31, 2022, 2021 and 2020

(Expressed in Canadian Dollars)

| | Number of shares | Amount \$ | Contributed Surplus \$ | Subscriptions received in advance \$ | Deficit \$ | AOCI \$ | Total \$ |
|--|---------------------|-------------------|------------------------------|--|---------------------|----------------|--------------------|
| Balance, December 31, 2019 | 86,944,353 | 9,367,691 | 3,020,617 | 100,240 | (12,054,580) | - | 433,968 |
| Option exercises | 2,000,000 | 310,127 | (130,127) | (90,000) | - | - | 90,000 |
| Warrant exercises | 200,000 | 30,000 | - | - | - | - | 30,000 |
| Convertible note | 6,154,897 | 756,919 | - | - | - | - | 756,919 |
| Debt settlement | 2,786,667 | 434,000 | - | - | - | - | 434,000 |
| In lieu of consulting fees | 4,868,056 | 510,000 | - | - | - | - | 510,000 |
| Write-off subscription receivable | - | - | - | (10,240) | - | - | (10,240) |
| Share-based compensation | - | - | 473,103 | - | - | - | 473,103 |
| Net and comprehensive loss for the year | - | - | - | - | (4,874,082) | - | (4,874,082) |
| Balance, December 31, 2020 | 102,953,973 | 11,408,737 | 3,363,593 | - | (16,928,662) | - | (2,156,332) |
| Shares issued pursuant to: | | | | | | | |
| Convertible note | 24,516,649 | 2,966,838 | - | - | - | - | 2,966,838 |
| In lieu of consulting fees | 13,833,333 | 1,521,667 | - | - | - | - | 1,521,667 |
| Acquisition of Web-to- door | 13,777,778 | 1,611,020 | - | - | - | - | 1,611,020 |
| Warrant exercises | 657,000 | 98,550 | - | - | - | - | 98,550 |
| Option exercises | 100,000 | 15,965 | (6,965) | - | - | - | 9,000 |
| Share-based compensation | - | - | 263,672 | - | - | - | 263,672 |
| Net and comprehensive loss for the year | - | - | - | - | (4,102,608) | (4,202) | (4,106,810) |
| Balance, December 31, 2021 | 155,838,733 | 17,622,777 | 3,620,300 | - | (21,031,270) | (4,202) | 207,605 |
| Shares issued pursuant to: | | | | | | | |
| Convertible note | 25,312,500 | 1,000,813 | - | - | - | - | 1,000,813 |
| In lieu of consulting fees | 1,250,000 | 35,000 | - | - | - | - | 35,000 |
| Acquisition of customer contract | 13,473,358 | 269,467 | - | - | - | - | 269,467 |
| Share-based compensation | - | - | 44,246 | - | - | - | 44,246 |
| Net and comprehensive loss for the year | - | - | - | - | (3,525,997) | 202,182 | (3,323,815) |
| Balance, December 31, 2022 | 196,374,591 | 18,928,057 | 3,664,546 | - | (24,557,267) | 197,980 | (1,766,684) |

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

ParcelPal Logistics Inc.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022, 2021 and 2020

(Expressed in Canadian Dollars)

| | 2022 | 2021 | 2020 |
|---|--------------------|--------------------|------------------|
| | \$ | \$ | \$ |
| Operating activities | | | |
| Loss for the year | (3,525,997) | (4,102,608) | (4,874,082) |
| Add non-cash items: | | | |
| Amortization | 1,310,888 | 346,532 | 388,859 |
| Share-based compensation | 44,246 | 263,672 | 473,103 |
| Accrued interest | 322,935 | 753,555 | 323,931 |
| Shares issued in lieu of consulting fees | 35,000 | 1,521,667 | 510,000 |
| (Gain) / Loss on debt settlement | (273,247) | - | 191,773 |
| Unrealized foreign exchange loss (gain) | 91,697 | 27,761 | (63,704) |
| Impairment of asset | - | 1,874 | 3,985 |
| Fair value of derivative | (206,726) | 144,952 | 866,238 |
| Gain on disposal of asset | (266,901) | - | - |
| Changes in non-cash working capital items | | | |
| Sales tax payable | 160,584 | 222,524 | 198,306 |
| Prepaid expenses | 117,976 | (141,432) | (31,325) |
| Accounts receivable | (35,456) | 161,603 | 381,349 |
| Accounts payable and accrued liabilities | 1,181,654 | (276,888) | 704,438 |
| Net cash flows used in operating activities | (1,043,347) | (1,076,788) | (927,129) |
| Investing activity | | | |
| Cash acquired on business combination | - | 149,386 | - |
| Sale of vehicles | 410,500 | 42,798 | - |
| Acquisition of Trucking | - | (1,697,813) | - |
| Purchase of vehicles | (37,150) | (61,836) | (112,034) |
| Net cash flows provided (used) by investing activity | 373,350 | (1,567,465) | (112,034) |
| Financing activities | | | |
| Loan repayments | (274,631) | (27,769) | (26,416) |
| Loan proceeds | 677,200 | - | - |
| Convertible note | - | 3,115,822 | 1,192,699 |
| Exercise of options | - | 9,000 | 90,000 |
| Exercise of warrants | - | 98,550 | 30,000 |
| Lease payments | (185,722) | (287,532) | (345,695) |
| Subscriptions received | - | - | 58,650 |
| Net cash flows provided (used) by financing activities | 216,847 | 2,908,071 | 999,238 |
| Foreign exchange on cash | (22,150) | 32,475 | - |
| Change in cash during the year | (475,300) | 296,293 | (39,925) |
| Cash – beginning of the year | 551,961 | 255,668 | 295,593 |
| Cash – end of the year | 76,661 | 551,961 | 255,668 |
| Supplemental cash flow information: | | | |
| Income taxes paid | - | - | - |
| Interest paid | 491,806 | 25,598 | 28,671 |
| Non-Cash Items: | | | |
| Shares issued pursuant to asset acquisition | 269,467 | 1,611,020 | - |
| Shares issued for convertible note settlement | 1,000,813 | 2,966,838 | - |

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

ParcelPal Logistics Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

ParcelPal Logistics Inc. (*formerly ParcelPal Technology Inc.*) (“the Company” or “ParcelPal”) is a Vancouver, British Columbia based company that specializes in last-mile delivery service and logistics solutions, providing businesses with a smart, reliable and affordable delivery service powered by the Company’s licensed technology platform. The Company operates in major Canadian cities including Vancouver, Calgary, and Toronto, and now in the western region of the United States. The Company was incorporated in Alberta on March 10, 1997. On June 22, 2006, the Company moved its incorporation jurisdiction to British Columbia. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol “PKG”, on the OTCQB (over-the-counter) Market in the United States under the symbol PTNYF and on the Frankfurt Stock Exchange under the symbol “PT0A”.

On September 15, 2021, the Company purchased 95% of the outstanding shares of Web to Door Trucking Corp. (“Trucking”), a United States delivery service company incorporated in Nevada. The acquisition of Trucking is being accounted for as a business combination under IFRS 3 as operations of Trucking meet the definition of a business (the “Trucking Acquisition”) (Note 3).

These consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern. The going concern basis of presentation assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Realization values may be substantially different from the carrying values as shown, and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

The Company has incurred losses and negative operating cash flows since its inception. The Company will require further financing to meet its financial obligations and sustain its operations in the normal course of the business. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to meet its long-term business strategy depends on its ability to obtain additional equity financing and to generate operational cash flow from delivery services revenue.

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (“COVID-19”) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods, including the possible impact on future financing opportunities.

2. BASIS OF PRESENTATION

Statement of Compliance

These financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Issues Committee (“IFRIC”). These financial statements were approved by the Board of Directors and authorized for issue on April xx, 2023.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for items measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The financial statements are presented in Canadian dollars, unless otherwise noted.

ParcelPal Logistics Inc.

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Financial Instruments**Recognition and Classification**

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of its financial assets and liabilities under IFRS 9:

| | Classification IFRS 9 |
|--|--------------------------|
| Cash | Amortized cost |
| Accounts receivable | Amortized cost |
| Accounts payable and accrued liabilities | Amortized Cost |
| Convertible note | Amortized Cost |
| Derivative liability | FVTPL |
| Short term loan | Amortized Cost |

Measurement**Financial assets at FVTOCI**

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive loss.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company’s own credit risk will be recognized in other comprehensive loss.

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Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets.

Convertible Debentures

Convertible debentures are compound financial instruments whose components may be allocated between a financial liability component and an equity instrument component. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option is fixed, the financial liability, represents the discounted obligation to repay the cash component and is initially measured at fair value and subsequently measured at amortized cost. The residual amount is recognized in equity. Where the conversion option is variable, the derivative liability is measured first and carried at fair value and the residual balance represents the financial liability measured at amortized cost. Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds.

Leases

At the inception of a contract, the Company assesses whether a contract is or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right- of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle or remove the underlying asset.

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an option renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to not recognize right-of-use assets and lease liabilities for short-term lease of assets that have a lease term of 12 months or less and leases of low-value assets, such as IT equipment. The Company recognizes the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

Revenue from Contracts with Customers

The Company's revenue is generated from a work contract established with one major customer and from other individual customers on demand. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs to sell can be reliably measured. Revenues are recognized when services are rendered or delivery of goods is completed.

Performance Obligations

Based on the criteria outlined in IFRS 15, the Company's primary performance obligation relating to its sales contracts with customers is the delivery of the product or products by an agreed upon time.

Transaction Price

Based on the criteria outlined in IFRS 15, the Company determined that the transaction price is based upon scheduled and on demand or same day rates. As the Company has one primary performance obligation, that is making the required deliveries on time, the entire transaction price is allocated to the completion of deliveries.

Once the Company's performance obligation of completing the required deliveries on time, the Company's obligation is met and the Company recognizes revenue.

ParcelPal Logistics Inc.

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Foreign currency translation

The functional currency of the Company is determined using the currency of the primary economic environment in which the Company operates. The functional and presentation currency, as determined by management, of the Company is the Canadian dollar and the functional currency of Trucking is USD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statements of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in comprehensive loss, the exchange component is also recognized in comprehensive loss.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's USD operations are translated into CAD at the exchange rate at the reporting date. The income and expenses are translated using average rate. Foreign currency differences that arise on translation for consolidation purposes are recognized in other comprehensive loss.

Loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the net loss for the year and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees and warrants outstanding. The weighted average number of diluted shares is calculated in accordance with the treasury stock method. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price during the year. Because the Company incurred net losses, the effect of dilutive instruments would be anti-dilutive and therefore diluted loss per share equals basic loss per share.

Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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Deferred tax

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period. Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Equipment

Leased vehicles are recorded at cost and amortized over the estimated term of the lease or the expected life of the asset if the Company has included payments to acquire the asset at the end of the lease. Equipment that is withdrawn from use or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

Purchased vehicles are recorded at cost and amortized over the estimated useful life of 2 years for previously used vehicles.

Intangibles

The Company records internally-generated intangible assets at cost less accumulated amortization and accumulated impairment losses.

Intangible assets in use are amortized on a straight-line basis over their estimated useful life of 3 years. Intangible assets under development and not ready for use are not amortized.

Research and development

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Company's development group, are capitalized as intangible assets when the Company can demonstrate that the technological feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The Company did not have any development costs that met the capitalization criteria for the year ended December 31, 2022.

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Share-based payments

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black–Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Any consideration paid by plan participants on the exercise of stock options is credited to share capital.

Valuation of equity units issues in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of common shares issued in private placements was determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to attached warrants. Any fair value attributed to warrants issued in private placements is recorded to reserves.

Impairment of assets

The Company performs impairment tests on its long-lived assets, including intangible assets, when new events or circumstances occur, or when new information becomes available relating to their recoverability. When the recoverable amount of each separately identifiable asset or cash generating unit (“CGU”) is less than its carrying value, the asset or CGU’s assets are written down to their recoverable amount with the impairment loss charged against profit or loss. A reversal of the impairment loss in a subsequent period will be charged against profit or loss if there is a significant reversal of the circumstances that caused the original impairment. The impairment will be reversed up to the amount of the depreciated carrying value that would have otherwise occurred if the impairment loss had not occurred.

The CGU’s recoverable amount is evaluated using the higher of the fair value less costs to sell or value in use. In calculating the recoverable amount, the Company utilizes discounted cash flow techniques to determine fair value when it is not possible to determine fair value from active markets or a written offer to purchase. Management calculates the discounted cash flows based upon its best estimate of a number of economic, operating, engineering, environmental, political and social assumptions. Any changes in the assumptions due to changing circumstances may affect the calculation of the recoverable amount.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company, its 95% owned subsidiary Web-to-door Trucking (2021 – 95%) and its wholly-owned subsidiary ParcelPal Logistics USA, Inc. (“ParcelPal USA”).

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

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When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, Financial Instruments: Recognition and Measurement or IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to use judgment in applying its accounting policies and make estimates and assumptions about reported amounts at the date of the financial statements and in the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, estimating allowances for doubtful accounts receivable, the recoverability of loans receivable, estimating useful lives of equipment, the recoverability and measurement of deferred tax assets, and estimating the fair value for share-based payment transactions.

The acquisition of Web-to-Door Trucking was accounted for as a business combination at fair value in accordance with IFRS 3, *Business Combinations*. The acquired assets and assumed liabilities were adjusted to their fair values assigned through completion of a preliminary purchase price allocation. The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed. The Company uses valuation techniques which are generally based on forecasted future net cash flows discounted to present value, and also relies on work performed by third-party valuation specialists. These valuations are closely linked to the assumptions used by management on the future performance of the related assets.

ParcelPal Logistics Inc.

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3. TRUCKING ACQUISITION

On September 15, 2021, the Company acquired 95% of the issued and outstanding shares of Trucking for a purchase price of USD \$3,100,000, consisting of 60% cash and 40% payable in restricted shares of ParcelPal’s common stock. The cash portion of the purchase price will be paid in three tranches, beginning on the closing date of the transaction. The 5% minority shareholding is not eligible for any share of the Company’s profits or net loss, there is no allocation of value to non-controlling interest.

Concurrently with the acquisition, the Company completed a non-brokered private placement (the “Offering”), pursuant to which it issued an unsecured multi-tranche convertible note with a face value of up to US\$2,300,000 (the “Consideration”) to an arm’s length investor (the “Note”). Each of the first three funded tranches will carry a 5% Original Issue Discount (or “OID”) (Note 11).

Each tranche to be funded as follows:

- USD \$700,000 on closing (paid)
- USD \$640,000 will be advanced 45 days from the closing date (paid)
- USD \$520,000 will be advanced 90 days from the closing date (Payable)
- USD \$325,000 will be advanced upon mutual agreement by the Company and noteholder at 120 days from the closing date, together with the prorated 5% OID (Payable)

The transaction was accounted for as a business combination, as the operations of Trucking meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs were expensed.

The fair value of the consideration transferred has been determined on a preliminary basis. The consideration has been allocated to the assets acquired and liabilities assumed on a preliminary basis based on their estimated fair values at the date of acquisition. The Company has allocated goodwill to customer contracts on a preliminary basis but will require additional information to allocate the fair values to the net assets acquired. The determination of the fair value of the net assets acquired will be revised by the Company as additional information is received.

The allocation of the purchase price as follows:

| Purchase price consideration | US \$ |
|--|------------------|
| Consideration – cash | 1,860,000 |
| Consideration – shares | 1,240,000 |
| Fair value of consideration | 3,100,000 |
| Cash | 117,321 |
| Prepaid expenses | 20,440 |
| Loans payable | (52,042) |
| Accounts payable and accrued liabilities | (59,657) |
| Customer contract | 3,073,938 |
| Total net assets acquired and liabilities assumed | 3,100,000 |

Upon completing the acquisition of Trucking on September 15, 2021, the operating results for Trucking have been recognized in the consolidated statements of loss and comprehensive loss.

As at December 31, 2022, the Company’s purchase obligation outstanding is \$704,288 (2021 - \$660,972).

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4. ASSET ACQUISITION

On June 1, 2022, the Company entered into an asset purchase agreement (the “Asset Acquisition”) with Delta Express Delivery, Inc. (“Delta”) whereby the Company, through ParcelPal USA, acquired a customer contract between Delta and FedEx Ground Package System, Inc. (“FedEx”) (the “FedEx Contract”) making ParcelPal USA an independent service provider for FedEx. In addition to the FedEx Contract, the Company also acquired 12 delivery vehicles from Delta. The acquisition of the FedEx Contract and the vehicles was treated as an asset acquisition. The Company issued 13,473,358 common shares, fair valued at \$269,467 (US \$209,107) and will make two payments of US \$336,834 by November 1, 2022, as at December 31, 2022 the amount was still outstanding. The allocation of the purchase price is as follows:

| Purchase price consideration | \$ |
|-------------------------------------|------------------|
| Consideration – cash | 868,129 |
| Consideration – shares | 269,467 |
| Fair value of consideration | 1,137,596 |
| | |
| Vehicles | 452,343 |
| Customer contract | 685,253 |
| Total net assets acquired | 1,137,596 |

On completion of the Asset Acquisition the Company, through ParcelPal USA, began generating revenue from the FedEx Contract and as at December 31, 2022 the Company had generated \$1,141,965 in revenue from the FedEx Contract.

As at December 31, 2022, the Company’s purchase obligation outstanding is \$912,416 (2021 - \$nil).

5. ACCOUNTS RECEIVABLE

| | December 31, 2022 | December 31, 2021 |
|---------------------|--------------------------|--------------------------|
| | \$ | \$ |
| Accounts receivable | 237,506 | 202,050 |

As at December 31, 2022, 32% (December 31, 2021 – 60%) of the Company’s accounts receivable are current, and the Company recorded \$nil (December 31, 2021 - \$59,307) of bad debt expense related to certain customer accounts.

One customer accounted for 32% of accounts receivable at December 31, 2022 (2021 – 55% of accounts receivable) and 89% (2021 – 97%) of total revenues during the year ended December 31, 2022.

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6. VEHICLES AND RIGHT-OF-USE ASSETS

Right-of-use assets consists of leased vehicles and a leased warehouse carried at cost less accumulated depreciation. The Company's vehicles as at December 31, 2022 and December 31, 2021 are as follows:

| | Vehicles \$ | ROU Assets \$ | Total \$ |
|-----------------------------------|----------------|------------------|------------------|
| Cost | | | |
| Balance, December 31, 2020 | 166,501 | 370,793 | 537,294 |
| Additions | 58,352 | 619,678 | 678,030 |
| Disposal | (26,108) | (150,772) | (176,880) |
| Balance, December 31, 2021 | 198,745 | 839,699 | 1,038,444 |
| Additions | 452,323 | - | 452,323 |
| Disposal | (198,745) | (633,671) | (832,416) |
| Foreign exchange | 23,097 | - | 23,097 |
| Balance, December 31, 2022 | 475,420 | 206,028 | 681,448 |
| Accumulated amortization | | | |
| Balance, December 31, 2020 | 16,559 | 177,036 | 193,595 |
| Amortization | 79,922 | 266,610 | 346,532 |
| Disposal | (3,264) | (150,772) | (154,036) |
| Balance, December 31, 2021 | 93,217 | 292,874 | 386,091 |
| Amortization | 25,817 | 158,253 | 184,070 |
| Disposal | (93,217) | (303,759) | (396,976) |
| Foreign exchange | 594 | - | 594 |
| Balance, December 31, 2022 | 26,411 | 147,368 | 173,779 |
| Balance, December 31, 2021 | 105,528 | 546,825 | 652,353 |
| Balance, December 31, 2022 | 449,009 | 58,660 | 507,669 |

During the year ended December 31, 2022, the Company included \$184,070 (2021 - \$346,532) of amortization in cost of sales.

During year ended December 31, 2022, the Company purchased 14 previously leased vehicles for \$37,150. The Company also sold 33 vehicles for gross proceeds of \$410,000. The vehicles had a net book value of \$128,313 and the Company recorded a gain on sale of \$266,901. The Company also wrote off 4 vehicles which were valued at \$14,786.

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7. CUSTOMER CONTRACTS

Upon completion of the acquisition of Trucking and the Asset Acquisition, the Company acquired customer contracts. The customer contracts are amortized using the straight-line method over the useful life of 5 years.

The change in customer contract during the year ended December 31, 2022, is as follows:

| | \$ |
|-----------------------------------|------------------|
| Balance, December 31, 2020 | - |
| Additions | 3,901,442 |
| Foreign exchange | 31,686 |
| Balance, December 31, 2021 | 3,933,128 |
| Additions | 685,253 |
| Amortization | (1,126,818) |
| Foreign exchange | 215,573 |
| Balance, December 31, 2022 | 3,707,137 |

8. LOAN PAYABLE

On July 25, 2022, the Company received a short-term loan for US\$400,000 due on May 25, 2023. Per the terms of the loan the Company is required to make 40 payments of US\$14,200 to settle the debt. As part of the loan agreement the Company paid a US\$8,000 processing fee and US\$24,000 finders' fee, as the loan is short term in nature the fair value of the loan was determined to match the book value of the loan. The processing fee and finders' fee were recorded as interest expense. During the year December 31, 2022, the Company made principal repayments of US\$155,000 (CAD - \$201,671) and interest payments of US\$65,100 (CAD - \$84,702). As at December 31, 2022 the balance owing was US\$245,000 (CAD - \$331,828).

On October 4, 2022, the Company received an additional short-term loan for US\$100,000 due on August 4, 2023. Per the terms of the loan the Company is required to make 40 payments of US\$3,550 to settle the debt. As part of the loan agreement the Company paid a US\$4,298 processing fee which was recorded as interest expense. AS the loan is short term in nature the fair value of the loan was determined to match the book value of the loan. During the year ended December 31, 2022, the Company made principal repayments of US\$33,388 (CAD - \$43,440) and interest payments of US\$14,044 (CAD - \$18,272). As at December 31, 2022 the balance owing was US\$66,613 (CAD - \$90,220).

9. SHARE CAPITAL**Common Shares****Authorized:**

The authorized capital of the Company consists of an unlimited number of common shares without par value.

ParcelPal Logistics Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

Issued:

During the year ended December 31, 2022:

- a) On January 1, 2022, the Company issued 2,500,000 common shares pursuant to the settlement of US\$100,000 convertible debt, the shares were fair valued at \$125,000.
- b) On January 20, 2022, the Company issued 5,000,000 common shares pursuant to the settlement of US\$200,000 convertible debt, the shares were fair valued at \$250,000.
- c) On February 15, 2022, the Company issued 7,625,000 common shares pursuant to the settlement of US\$305,000 convertible debt, the shares were fair valued at \$343,125.
- d) On May 4, 2022, the Company issued 337,500 common shares pursuant to the settlement of US\$13,500 convertible debt, the shares were fair valued at \$11,813.
- e) On May 9, 2022, the Company issued 9,850,000 common shares pursuant to the settlement of US\$394,000 convertible debt, the shares were fair valued at \$270,875.
- f) On May 13, 2022, the Company issued 1,000,000 common shares in lieu of consulting fees, the shares were fair valued at \$30,000.
- g) On June 30, 2022, the Company issued 250,000 common shares in lieu of consulting fees, the shares were fair valued at \$5,000.
- h) On June 30, 2022, the Company issued 13,473,358 common shares pursuant to the Asset Acquisition, the shares were fair valued at \$269,467.

During the year ended December 31, 2021:

- a) On January 7, 2021, the Company issued 1,975,822 common shares pursuant to the settlement of US\$118,549 convertible debt, the shares were fair valued at \$316,133.
- b) On January 13, 2021, the Company issued 2,756,250 common shares pursuant to the settlement of US\$220,500 convertible debt, the shares were fair valued at \$468,563.
- c) On January 15, 2021, Company issued 175,000 incentive shares pursuant to the issuance of a convertible note of US\$175,000.
- d) On February 2, 2021, the Company issued 2,756,250 common shares pursuant to the settlement of US\$165,375 convertible debt, the shares were fair valued at \$385,875.
- e) On February 17, 2021, the Company issued 1,378,125 common shares pursuant to the settlement of US\$82,688 convertible debt, the shares were fair valued at \$323,859.
- f) On March 15, 2021, the Company issued 300,000 incentive shares pursuant to the issuance of a convertible note of US\$367,500.
- g) On May 20, 2021, the Company issued 5,053,125 common shares pursuant to the settlement of US\$303,188 convertible debt, the shares were fair valued at \$682,172.
- h) On June 2, 2021, the Company issued 833,333 common shares in lieu of fees to a consultant of the Company. The shares were fair valued at \$91,667.
- i) On September 15, 2021, the Company issued 13,777,778 common shares as part of the Trucking Acquisition, the shares were fair valued at \$1,611,020. The Company also issued 500,000 incentive shares pursuant to the issuance of a convertible note.
- j) On September 22, 2021, the Company issued 2,670,925 common shares pursuant to the settlement of US \$184,000 convertible debt, the shares were fair valued at \$280,447
- k) On September 30, 2021, the Company issued 13,000,000 common shares in lieu of fees to directors and officers of the Company, the shares were fair valued at \$1,430,000.
- l) On November 15, 2021, the Company issued 1,922,707 common shares pursuant to the settlement of US\$100,000 convertible debt, the shares were fair valued at \$182,657.
- m) On December 7, 2021, the Company issued 2,528,448 common shares pursuant to the settlement of US\$100,000 convertible debt, the shares were fair valued at \$189,634.
- n) On December 29, 2021, the Company issued 2,500,000 common shares pursuant to the settlement of US\$100,000 convertible debt, the shares were fair valued at \$137,500.
- o) The Company issued 657,000 shares pursuant to the exercise of 657,000 warrants for gross proceeds of \$98,550.
- p) The Company issued 100,000 shares pursuant to the exercise of 100,000 stock options for gross proceeds of \$9,000.

ParcelPal Logistics Inc.

Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

Stock Options

The Company has adopted an incentive stock option plan, which enables the Board of Directors of the Company from time to time, at its discretion, and in accordance with the CSE requirements to, grant to directors, officers, employees and consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Each stock option permits the holder to purchase one share at the stated exercise price. The options vest at the discretion of the Board of Directors.

The following is a summary of the Company's stock option activity:

| | Number of Options # | Weighted Average Exercise Price \$ |
|-----------------------------------|---------------------------|--|
| Balance, December 31, 2020 | 9,800,000 | 0.15 |
| Granted | 2,500,000 | 0.14 |
| Exercised | (100,000) | 0.09 |
| Cancelled | (1,025,000) | 0.16 |
| Balance, December 31, 2021 | 11,175,000 | 0.15 |
| Granted | 1,500,000 | 0.05 |
| Expired | (700,000) | 0.18 |
| Balance, December 31, 2022 | 11,975,000 | 0.13 |

Pursuant to the exercise of stock options the Company reallocated \$nil (2021 - \$6,965) of contributed surplus to share capital.

ParcelPal Logistics Inc.

Notes to the Consolidated Financial Statements
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 (Expressed in Canadian Dollars)

As at December 31, 2022 the following options were outstanding and exercisable:

| Expiry Date | Exercise price \$ | Remaining life (years) | Options outstanding |
|--------------------|--------------------------|-------------------------------|----------------------------|
| January 21, 2023 | 0.32 | 0.31 | 450,000 |
| May 1, 2023 | 0.24 | 0.58 | 500,000 |
| August 15, 2023 | 0.21 | 0.87 | 300,000 |
| August 31, 2023 | 0.27 | 0.92 | 200,000 |
| November 22, 2023 | 0.26 | 1.15 | 100,000 |
| December 13, 2023 | 0.25 | 1.20 | 750,000 |
| May 2, 2024 | 0.27 | 1.59 | 150,000 |
| May 17, 2024 | 0.245 | 1.66 | 200,000 |
| June 17, 2024 | 0.245 | 1.72 | 300,000 |
| May 6, 2025 | 0.09 | 2.67 | 2,475,000 |
| June 1, 2025 | 0.14 | 2.60 | 250,000 |
| July 22, 2025 | 0.09 | 2.81 | 200,000 |
| November 12, 2025 | 0.075 | 3.12 | 2,100,000 |
| January 22, 2026 | 0.145 | 3.32 | 2,000,000 |
| June 2, 2026 | 0.12 | 3.67 | 500,000 |
| May 6, 2027 | 0.05 | 4.60 | 1,500,000 |
| | | | 11,975,000 |

Warrants

The following is a summary of the Company's warrant activity:

| | Number of Options # | Weighted Average Exercise Price \$ |
|---|----------------------------|---|
| Balance, December 31, 2020 | 1,884,477 | 0.15 |
| Exercised | (657,000) | 0.15 |
| Expired | (1,227,477) | 0.15 |
| Balance, December 31, 2021 and December 31, 2022 | - | 0.15 |

ParcelPal Logistics Inc.

Notes to the Consolidated Financial Statements
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10. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel is as follows:

| | 2022 | 2021 | 2020 |
|--------------------------|---------|-----------|---------|
| | \$ | \$ | \$ |
| Consulting fees | - | - | 372,066 |
| Management fees | 714,346 | 1,808,250 | 305,158 |
| Salaries and wages | 75,000 | 78,751 | - |
| Share-based compensation | - | 231,016 | 295,786 |
| | 789,346 | 2,118,017 | 973,010 |

ParcelPal Logistics Inc.

Notes to the Consolidated Financial Statements
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Included in accounts payable as at December 31, 2022 is \$576,942 (December 31, 2021 - \$112,128) owing to related parties. These amounts are non-interest bearing, unsecured and due on demand.

11. SEGMENTED INFORMATION

As at December 31, 2022, the Company had one reportable segment, being last-mile delivery service and logistics solutions, and had operations in two geographical areas: Canada and the USA.

Geographic Segments

| | 2022 | 2021 |
|------------------------|--------------------|--------------------|
| | \$ | \$ |
| Net gain (loss) | | |
| Canada | (3,175,742) | (4,192,087) |
| USA | (350,255) | 89,479 |
| | (3,525,997) | (4,102,608) |
| | | |
| | December 31, | December 31, |
| | 2022 | 2021 |
| | \$ | \$ |
| Assets | | |
| Canada | 291,183 | 1,342,697 |
| USA | 4,269,648 | 4,146,629 |
| | 4,560,831 | 5,489,326 |

12. FINANCIAL INSTRUMENTS**Classification of financial instruments**

The Company's financial instruments consist of cash, accounts receivable, loans receivable, accounts payable and accrued liabilities and lease obligations. The Company classifies cash, accounts receivable and loans receivable as financial assets at amortized cost. Accounts payable and lease obligations are classified as financial liabilities at amortized cost.

The Company examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign currency risk, interest rate risk, credit risk and liquidity risk. When material, these risks are reviewed and monitored by the Board of Directors.

There have been no changes in any risk management policies during the year ended December 31, 2022.

Fair value

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The carrying value of the Company's financial assets and liabilities measured at amortized cost approximate their fair value due to their short term to maturity.

ParcelPal Logistics Inc.

Notes to the Consolidated Financial Statements
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The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures.

The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and is not exposed to significant credit risk.

Interest 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 limited interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the directors are actively involved in the review, planning, and approval of significant expenditures and commitments. In December 2020, the Company entered into an agreement pursuant to which it received access to a US \$5,000,000 equity line of credit for a period of three years. As at December 31, 2022 the Company has not accessed the equity line of credit.

Foreign exchange risk

The Company's functional currency is the Canadian Dollar and major transactions are transacted in Canadian Dollars and US Dollars. The Company maintains a US Dollar bank account in Canada to support the cash needs of its operations. Management believes that the foreign exchange risk related to currency conversion is minimal and therefore does not hedge its foreign exchange risk.

Capital Management

The Company defines capital that it manages as its shareholders' equity. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of a social collaborative charting, news and communication platform for traders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes to the Company's approach to capital management during the year ended December 31, 2022.

ParcelPal Logistics Inc.

Notes to the Consolidated Financial Statements
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13. LEASE OBLIGATIONS

The Company's lease obligations at December 31, 2022 and December 31, 2021 and the changes for the years then ended are as follows:

| | \$ |
|-----------------------------------|----------------|
| Balance, December 31, 2020 | 212,903 |
| Lease additions | 619,678 |
| Lease credit | (4,385) |
| Interest expense | 22,666 |
| Payments | (287,532) |
| Balance, December 31, 2021 | 563,330 |
| Interest expense | 40,792 |
| Lease termination | (342,936) |
| Payments | (192,854) |
| Balance, December 31, 2022 | 68,332 |

The Company's future minimum lease payments under the lease obligations as at December 31, 2022 and December 31, 2021 are as follows:

| | December 31, 2022 | December 31, 2021 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Less than 1 year | 62,208 | 166,878 |
| 1-5 years | 10,368 | 467,025 |
| 5 + years | - | - |
| Total minimum lease payments | 72,576 | 633,903 |
| Less: Imputed Interest | (4,244) | (70,573) |
| Total lease obligations | 68,332 | 563,330 |
| Current portion of lease obligations | (58,012) | (158,409) |
| Non-current portion of lease obligations | 10,320 | 404,921 |

14. CONVERTIBLE PROMISSORY NOTE

During the year ended December 31, 2021, and 2020, the Company entered into multiple US dollar denominated convertible note agreements, with each convertible note containing a guaranteed interest rate between 5% and 10%, a 5% original issue discount on the principal of the convertible note, incentive common shares of the Company and the right to convert at a fixed price of US \$0.06 to US \$0.08 per share. As the convertible note and embedded conversion feature are denominated in US dollars and the Company has a Canadian dollar functional currency, they are within the scope of IAS 32 – *Financial Instruments: Presentation*, the value of the conversion feature is subject to changes in value based on the prevailing market price, resulting in a derivative liability. On initial recognition, the Company used the residual value method to allocate the principal amount of the convertible note between the derivative liability and host debt components. The derivative liability was valued first using the Black Scholes option pricing model and the residual was allocated to the host debt component. As the fair value of the debt, when discounted using the Company's discount rate of 11.31% was greater than the total consideration received, the incentive shares were allocated a value of \$nil.

ParcelPal Logistics Inc.

Notes to the Consolidated Financial Statements
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The derivative liability is remeasured at fair value through profit or loss at each reporting period using the Black-Scholes pricing model using the following assumptions:

| | December 31, 2021 |
|-------------------------|------------------------------|
| Risk-free interest rate | 0.12% |
| Estimated life | 0.5 - 0.75 years |
| Expected volatility | 97%-140% |
| Expected dividend yield | 0.00% |

The convertible notes issued are as follows:

On April 13, 2021, the Company issued a convertible note for US\$341,250 (CAD - \$427,873) with a guaranteed interest rate of 5% and an original issue discount of US\$16,250. The note matures on October 10, 2021 and can be converted into common shares of the Company at a conversion price of US\$0.13 per common share. The conversion option was fair valued at \$10,817 and the loan was valued at \$396,681. The loan is amortized to maturity using an effective interest rate of 4.88%. On December 7, 2021 and December 29, 2021, the Company issued 417,196 and 2,500,000 common shares to settle US \$116,500 of the loan, the shares were fair valued at \$31,290 and \$137,500 respectively. During the year ended December 31, 2022, the derivative was revalued at \$nil and a gain on fair value of derivative liability of \$66,928 was recorded. The remainder of the convertible note was settled pursuant to the issuance of 6,045,325 common shares fair valued at \$302,500. The Company recorded a gain on settlement of \$19,005.

On May 27, 2021, the Company issued a convertible note for US\$341,250 (CAD - \$412,479) with a guaranteed interest rate of 5% and an original issue discount of US\$16,250. The note matured on November 23, 2021 and can be converted into common shares of the Company at a conversion price of US\$0.13 per common share. The conversion option was fair valued at \$18,356 and the loan was valued at \$374,481. The loan is amortized to maturity using an effective interest rate of 5.98%. During the year ended December 31, 2022, the derivative was fair valued at \$nil and the Company recorded a gain on derivative liability of \$94,980. The remainder of the convertible note was settled pursuant to the issuance of 8,957,800 common shares fair valued at \$408,763, the Company recorded a gain on debt settlement of \$47,503.

On closing of the Trucking Acquisition, the Company issued a convertible note with face value of up to US\$2,300,000 receivable in four tranches. Each of the first three funded tranches will carry a 5% Original Issue Discount (or "OID"). As consideration of the convertible note, the Company shall issue 500,000 common shares to the noteholder for each of the first three funded tranches. As at December 31, 2021, the first tranche of US \$735,000 and the second tranche of US \$672,000 had been funded and 1,000,000 common shares were issued to the noteholder, valued at \$nil.

The first tranche had a guaranteed interest rate of 8% and an original issue discount for US \$35,000. The note matured on March 14, 2022, and can be converted into common shares of the Company at a conversion price of US \$0.09 per common share. The conversion option was fair valued at \$110,301 and the loan was fair valued at \$776,844. The loan is amortized to maturity using an effective interest rate of 20.087%. During the year ended December 31, 2022, the Company fair valued the derivative liability at \$nil and recorded a gain on fair value of derivative liability of \$11,534. The Company settled \$456,265 of the loan pursuant to the issuance of 10,309,375 common shares fair valued at \$289,550 and recorded a gain on debt settlement of \$206,740. As at December 31, 2022, the outstanding balance of the convertible note is \$553,169.

ParcelPal Logistics Inc.

Notes to the Consolidated Financial Statements
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The second tranche had a guaranteed interest rate of 8% and an original issue discount for US \$32,000. The note matures on May 23, 2022 and can be converted into common shares of the Company at a conversion price of US \$0.09 per common share. The conversion option was fair valued at \$140,643 and the loan was fair valued at \$670,204. The loan is amortized to maturity using an effective interest rate of 25.55%. As at December 31, 2022, the derivative was fair valued at \$nil and the Company recorded a gain on fair value of derivative liability of \$33,285. As at December 31, 2022, the outstanding balance of the convertible note was \$982,970. The changes in the fair value of the derivative and loan balances were as follows:

| | Convertible Debt \$ | Derivative Liability \$ |
|--|------------------------|----------------------------|
| Balance, December 31, 2020 | 766,070 | 794,631 |
| Additions | 2,653,829 | 503,848 |
| Interest expense | 198,092 | - |
| Accretion | 552,151 | - |
| Change in fair value of derivative liability | - | 112,387 |
| Conversion of convertible debt | (1,766,066) | (1,204,140) |
| Foreign exchange on loan | 25,151 | - |
| Balance, December 31, 2021 | 2,429,227 | 206,726 |
| Interest expense | 88,778 | - |
| Accretion | 200,497 | - |
| Change in fair value of derivative liability | - | (206,726) |
| Conversion of convertible debt | (1,274,060) | - |
| Foreign exchange on loan | 91,697 | - |
| Balance, December 31, 2022 | 1,536,139 | - |

15. COST OF SALES

For the year ended December 31, 2022, 2021 and 2020 cost of sales consists of the following:

| | 2022 \$ | 2021 \$ | 2020 \$ |
|----------------------------|------------------|------------------|------------------|
| Amortization of vehicles | 184,070 | 346,532 | 388,859 |
| Driver expenses | - | 9,808 | 121,352 |
| Fuel | 157,542 | 112,091 | 396,343 |
| Short term vehicle rentals | 1,272,307 | 110,265 | 58,042 |
| Salaries and wages | 7,624,566 | 5,674,740 | 4,983,299 |
| | 9,238,485 | 6,253,436 | 5,947,895 |

EXHIBIT INDEX

| Exhibit Number | Description of Exhibit |
|-------------------------|---|
| 3.1* | Articles of ParcelPal Technology Inc. |
| 4.1* | Form of Warrant. |
| 4.2* | Convertible Promissory Note Agreement between ParcelPal Technology Inc. and Tangiers Global, LLC, dated June 29, 2020. |
| 4.2* | Convertible Promissory Note Agreement between ParcelPal Technology Inc. and Tangiers Global, LLC, dated April 14, 2020. |
| 4.3* | Convertible Promissory Note Agreement between ParcelPal Technology Inc. and Tangiers Global, LLC, dated September 29, 2020 |
| 4.4* | Registration Rights Agreement between ParcelPal Technology Inc. and Tangiers Global, LLC, dated December 16, 2020. |
| 4.5* | Investment Agreement between ParcelPal Technology Inc. and Tangiers Global, LLC, dated December 16, 2020 |
| 4.6* | Convertible Promissory Note Agreement between ParcelPal Technology Inc. and Tangiers Global, LLC, dated March 12, 2021 |
| 4.7* | ParcelPal Technology Inc. Stock Option Plan |
| 4.8** | Stock Purchase Agreement, dated August 31, 2021 |
| 4.9** | Convertible Promissory Note between the Company and Tangiers Global LLC, dated September 15, 2021 |
| 4.10#Q^ | Capital Loan Agreement between the Company and ACH Capital West, LLC, dated July 21, 2022. |
| 4.11#Q^ | Capital Loan Agreement between the Company and ACH Capital West, LLC, dated October 3, 2022. |
| 4.12*** | Stock Purchase Agreement dated March 14, 2023. |
| 10.1* | Platform Agreement between ParcelPal Technology Inc. and Lineten Technologies Inc, dated February 14, 2020. |
| 10.2* | Transportation Agreement between ParcelPal Technology Inc. and Amazon Canada Fulfillment Services, Inc., dated February 11, 2021. |
| 10.3* | Consulting Agreement for Chief Executive Officer of ParcelPal Technology Inc., dated March 27, 2020. |
| 10.4* | Transportation Services Agreement between ParcelPal Technology Inc. and Goodfood Market Inc., dated May 26, 2020. |
| 10.5* | Delivery Service Agreement between ParcelPal Technology Inc. and Bayshore Specialty Rx, dated March 31, 2021 |
| 10.6* | Delivery Service Agreement between ParcelPal Technology Inc. and Oco Meals, dated March 29, 2021 |

| | |
|------------------------|--|
| 10.7* | General Delivery Service Agreement between ParcelPal Technology Inc. and CareRx Corporation, dated November 19, 2020 |
| 10.8** | Exclusive Services Agreement by ParcelPal Logistics Inc., dated August 31, 2021 |
| 10.9#^ | Independent Service Provider Agreement between Fedex Ground Package System, Inc. and ParcelPal Logistics USA, Inc., dated June 4, 2022 |
| 12.1# | Certification of Chief Executive Officer and Chief Financial Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934 |
| 13.1# | Certification of Chief Executive Officer and Chief Financial Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934 |
| 15.1# | Consent of Independent Registered Public Accounting Firm of BF Borgers CPA PC |
| 101.INS | Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document). |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101). |

Filed herewith.

* **Filed as an Exhibit to our Form 20-F filed with the SEC and Sedar on August 4, 2020, as subsequently amended, and incorporated herein by reference.**

** **Filed as an Exhibit to our Form 6-K filed with the SEC and Sedar on September 17, 2021.**

*** **Filed as an Exhibit to our Form 6-K filed with the SEC and Sedar on March 17, 2023.**

Ω **Portions of this exhibit (indicated by brackets and asterisks) have been omitted because the Company has determined that the information is both not material and is the type that the Company treats as private or confidential.**

^ **Certain of the exhibits and schedules to this exhibit have been omitted in accordance with Regulation S-K Item 601(a)(5). The Company agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.**

SIGNATURES

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

PARCELPAL LOGISTICS INC.

/s/ Rich Wheelless

Rich Wheelless

Chief Executive Officer, Chief Financial Officer, Director

Date: May 15, 2023

[***] Certain information in this document has been excluded pursuant to Regulation S-K, Item 601(b)(10). Such excluded information is not material and would likely cause competitive harm if publicly disclosed.

Exhibit 4.10

1. INTRODUCTION. This Business Loan and Security Agreement (together with the accompanying Business Loan and Security Agreement Supplement and the accompanying Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits), this "Agreement") governs your business loan ("Loan") made by ACH Capital West, LLC. Please read it and keep it for your reference. In this Agreement, the words "you", "your" and "Borrower" mean the Borrower identified on the signature page of this Business Loan and Security Agreement. Each Guarantor identified on the signature page of this Business Loan and Security Agreement shall be referred to individually as "Guarantor" and collectively as "Guarantors" in this Agreement. The words "Lender", "we", "us", and "our" mean ACH Capital West, LLC or its successor(s) and assign(s).

2. EFFECTIVE DATE. This Agreement begins on the date we accept this Agreement in Utah. Borrower understands and agrees that Lender may postpone, without penalty, the disbursement of amounts to Borrower until all required security interests have been perfected and Lender has received all required personal guarantees or other documentation.

3. AUTHORIZATION. Borrower agrees that the Loan made by Lender to Borrower shall be conclusively deemed to have been authorized by Borrower and to have been made pursuant to a duly authorized request on its behalf.

4. LOAN FOR SPECIFIC PURPOSES ONLY. The proceeds of the requested Loan may solely be used for the specific purposes as set forth in the Use of Proceeds Certification contained in Section 50 below, and not for any other purposes. In addition, the Loan will not be used for personal, family or household purposes, and Borrower and Guarantors are forever estopped from taking the position that such Loan (including Advances) are or were used for such personal, family or household purposes. Borrower understands that Borrower's agreement not to use the Loan proceeds for personal, family or household purposes means that certain important duties imposed upon entities making loans for personal, family or household purposes, and certain important rights conferred upon such persons, pursuant to federal or state law will not apply to the Loan or the Agreement. Borrower also understands that Lender will be unable to confirm whether the use of the Loan conforms to this section. Borrower agrees that a breach by Borrower of the provisions of this section will not affect Lender's right to (i) enforce Borrower's promise to pay for all amounts owed under this Agreement, regardless of the purpose for which the Loan is in fact obtained or (ii) use any remedy legally available to Lender, even if that

remedy would not have been available had the Loan been made for personal, family or household purposes.

5. DISBURSEMENT OF LOAN PROCEEDS AND MAINTENANCE OF BORROWER'S BANK ACCOUNT. If Borrower applied and was approved for a Loan, Borrower's Loan will be disbursed upon approval as provided in the accompanying Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits). Borrower agrees to maintain Direct Payments (ACH Debits) in its operating account which is the account that was reviewed in conjunction with underwriting and approval of this Loan (including keeping such account open until the Total Repayment Amount had been completely repaid). Borrower agrees that the Loan made by Lender to Borrower may not be returned except at Lender's sole discretion.

6. PROMISE TO PAY. Borrower agrees to pay Lender the Total Repayment Amount shown in the accompanying Business Loan and Security Agreement Supplement in accordance with the Payment Schedule shown in the accompanying Business Loan and Security Agreement Supplement. Borrower agrees to enroll in Lender's Automatic Payment Plan and authorizes Lender to collect required payments as provided in the accompanying Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits). If required by Lender, Borrower further agrees and authorizes Lender or its servicer to collect required payments from a transfer account established pursuant to certain Transfer Account Loan Documentation that will be provided by Lender in connection with this Business Loan and Security Agreement if applicable.

7. ALTERNATIVE PAYMENT METHODS. If Borrower knows that for any reason Lender will be unable to process a payment under Lender's Automatic Payment Plan, then Borrower must either restore sufficient funds such that the missed payment can be collected as provided in the accompanying Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits), or promptly mail or deliver a check to Lender in the amount of the missed payment or, if offered, make the missed payment by any pay- by-phone or on-line service that Lender may make available from time to time. If Borrower elects to send payments on Borrower's Account by postal mail, then Borrower agrees to send such payments to ACH Capital West, LLC to 159 West Broadway #200-PMB170, Salt Lake City, UT 84101, Attn: Customer Service. All alternative payments must be made in good funds by check, money order, wire transfer, automatic transfer from an account at an institution offering such service, or other instrument in U.S. Dollars. Borrower understands and agrees that payments made at any other address than as specified by Lender may result in a delay in processing and/or crediting.

If Borrower makes an alternative payment on Borrower's Loan by mail or by any pay-by-phone or on-line service that Lender makes available while Borrower is enrolled in the Automatic Payment Plan, Lender may treat such payment as an additional payment and continue to process Borrower's scheduled Automatic Payment Plan payments or may reduce any scheduled Automatic Payment Plan payment by the amount of any such additional payment received.

8. APPLICATION OF PAYMENTS. Subject to applicable law, Lender reserves the right to allocate and apply payments received on Borrower's Loan between principal, interest and fees in any manner Lender chooses in Lender's sole discretion it being understood and agreed that any fees and interest will generally be paid during the earlier portion of the term.

9. POSTDATED CHECKS, RESTRICTED ENDORSEMENT CHECKS AND OTHER DISPUTED OR QUALIFIED PAYMENTS. Lender can accept late, postdated or partial payments without losing any of Lender's rights under this Agreement (a postdated check is a check dated later than the day it was actually presented for payment). Lender is under no obligation to hold a postdated check and Lender reserves the right to process every item presented as if dated the same date received by Lender or Lender's check processor unless Borrower gives Lender adequate notice and a reasonable opportunity to act on it. Except where such notice and opportunity is given, Borrower may not hold Lender liable for depositing any postdated check. **Borrower agrees not to send Lender partial payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Agreement. All notices and written communications concerning postdated checks, restricted endorsement checks (including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount) or any other disputed, nonconforming or qualified payments, must be mailed or delivered to ACH Capital West, LLC, 159 West Broadway #200-PMB170, Salt Lake City, UT 84101, Attn: Customer Service.**

10. PREPAYMENT. Borrower may prepay Borrower's Loan in whole on any Business day by paying Lender the sum total of the Total Repayment Amount, any Returned Payment Fees, and any Late Fees, in each case as described in the accompanying Business Loan and Security Agreement Supplement less (i) the amount of any Loan payments made prior to such prepayment and (ii) the product of (x) the percentage identified as the applicable Prepayment Interest Reduction Percentage in the

accompanying Business Loan and Security Agreement Supplement; and (y) the aggregate amount of unpaid interest remaining on the Borrower's Loan as of such date as determined by Lender's records in accordance with Section 8. Borrower may prepay Borrower's Loan in part on any Business day and such payment shall be applied against the Total Repayment Amount, any Returned Payment Fees, and any Late Fees, in each case as described in the accompanying Business Loan and Security Agreement Supplement.

11. SECURITY INTEREST. Borrower hereby grants to Lender, the secured party hereunder, a continuing security interest in and to any and all "Collateral" as described below to secure payment and performance of all debts, liabilities and obligations of Borrower to Lender hereunder and also any and all other debts, liabilities and obligations of Borrower to Lender of every kind and description, direct or indirect, absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising, related to the Loan described in this Agreement, whether or not contemplated by the parties at the time of the granting of this security interest, regardless of how they arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, and includes obligations to perform acts and refrain from taking action as well as obligations to pay money including, without limitation, all interest, other fees and expenses (all hereinafter called "Obligations"). The Collateral includes the following property that Borrower (or Guarantor, if applicable, pursuant to Section 12) now owns or shall acquire or create immediately upon the acquisition or creation thereof:

(i) any and all amounts owing to Borrower now or in the future from any merchant processor(s) processing charges made by customers of Borrower via credit card or debit card transactions; and (ii) all other tangible and intangible personal property, including, but not limited to (a) cash and cash equivalents, (b) inventory, accounts, security entitlements, commodity contracts and commodity accounts, (c) instruments, including promissory notes (f) chattel paper, including tangible chattel paper and electronic chattel paper, (g) documents, (h) letter of credit rights, (i) accounts, including health-care insurance receivables, (j) deposit accounts, (k) commercial tort claims, (l) general intangibles, including payment intangibles and software and (m) as-extracted collateral as such terms may from time to time be defined in the Uniform Commercial Code. The security interest Borrower (or Guarantor, if applicable, pursuant to Section 12) grants includes all accessions, attachments, accessories, parts, supplies and replacements for the Collateral, all products, proceeds and collections thereof and all records and data relating thereto. Lender disclaims any security interest in household goods in which Lender is forbidden by law from taking a security interest.

12. PROTECTING THE SECURITY INTEREST. Borrower agrees that Lender and/or Lender's Representative may file any financing statement, lien entry form or other document Lender and/or Lender's Representative requires in order to perfect, amend or continue Lender's security interest in the Collateral and Borrower agrees to cooperate with Lender and Lender's Representative as may be necessary to accomplish said filing and to do whatever Lender and Lender's Representative deems necessary to protect Lender's security interest in the Collateral. Borrower and Guarantor each agree that, if any Guarantor is a corporate entity, then Lender or Lender's Representative may file any financing statement, lien entry form or other document against such Guarantor or its property that Lender and/or Lender's Representative requires in order to perfect, amend or continue Lender's security interest in the Collateral. Any such Guarantor agrees to cooperate with Lender and Lender's Representative as may be necessary to accomplish said filing and to do whatever Lender or Lender's Representative deems necessary to protect Lender's security interest in the Collateral. In this Agreement, "Lender's Representative" means any entity or individual that is designated by Lender to serve in such capacity.

13. LOCATION OF COLLATERAL; TRANSACTIONS INVOLVING COLLATERAL. Unless Lender has agreed otherwise in writing, Borrower agrees and warrants that (i) all Collateral (or records of the Collateral in the case of accounts, chattel paper and general intangibles) shall be located at Borrower's address as shown in the application, (ii) except for inventory sold or accounts collected in the ordinary course of Borrower's business, Borrower shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral, (iii) no one else has any interest in or claim against the Collateral that Borrower has not already told Lender about, (iv) Borrower shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance or charge, other than the security interest provided for in this Agreement and (v) Borrower shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral for less than the fair market value thereof. Borrower shall defend Lender's rights in the Collateral against the claims and demands of all other persons. All proceeds from any unauthorized disposition of the Collateral shall be held in trust for Lender, shall not be co-mingled with any other funds and shall immediately be delivered to Lender. This requirement, however, does not constitute consent by Lender to any such disposition.

14. TAXES, ASSESSMENTS AND LIENS. Borrower will complete and file all necessary federal, state and local tax returns and will pay when due all taxes, assessments, levies

and liens upon the Collateral and provide evidence of such payments to Lender upon request.

15. INSURANCE. Borrower shall procure and maintain such insurance as Lender may require with respect to the Collateral, in form, amounts and coverage reasonably acceptable to Lender and issued by a company reasonably acceptable to Lender naming Lender as loss payee. If Borrower at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may obtain such insurance as Lender deems appropriate at Borrower's sole cost and expense. Borrower shall promptly notify Lender of any loss of or damage to the Collateral.

16. REPAIRS AND MAINTENANCE. Borrower agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Borrower further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be filed against the Collateral.

17. INSPECTION OF COLLATERAL AND PLACE OF BUSINESS; USE OF PHOTOGRAPHS AND TESTIMONIALS. Lender and Lender's designated representatives and agents shall have the right during Borrower's normal business hours and at any other reasonable time to examine the Collateral wherever located and the interior and exterior of any Borrower place of business. During an examination of any Borrower place of business, Lender may examine, among other things, whether Borrower (i) has a place of business that is separate from any personal residence, (ii) is open for business, (iii) has sufficient inventory to conduct Borrower's business and (iv) has one or more credit card terminals if Borrower processes credit card transactions. When performing an examination, Lender may photograph the interior and exterior of any Borrower place of business, including any signage, and may photograph any individual who has signed the Agreement ("Signatory") unless the Signatory previously has notified Lender that he or she does not authorize Lender to photograph the Signatory. Lender may obtain testimonials from any Signatory, including testimonials on why Borrower needed the Loan and how the Loan has helped Borrower. Any photograph and testimonial will become and remain the sole property of Lender. Borrower and each Signatory grant Lender the irrevocable and permanent right to display and share any photograph and testimonial in all forms and media, including composite and modified representations, for all purposes, including but not limited to any trade or commercial purpose, with any Lender employees and agents and with the general public. Lender may, but is not required to, use the name of any Borrower and Signatory as a credit in connection with any photograph and testimonial. Borrower and each Signatory waive the right to inspect or approve versions of any photograph or testimonial or the written copy or other media that may be used in connection with same. Borrower and each Signatory release Lender from any claims that may arise regarding the use of any photograph or testimonial, including any claims of defamation, invasion of privacy or infringement of moral rights, rights of publicity or copyright.

18. LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Borrower fails to comply with any provision of this Agreement or any related documents, including but not limited to Borrower's failure to discharge or pay when due any amounts Borrower is required to discharge or pay under this Agreement or any related documents, Lender on Borrower's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. To the extent permitted by applicable law, all such expenses will become a part of the Obligations and, at Lender's option, will: (i) be payable on demand; (ii) be added to the balance of the Loan and be apportioned among and be payable with any installment payments to become due during the remaining term of the Loan; or (iii) be treated as a balloon payment that will be due and payable at the Loan's maturity. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon an Event of Default.

19. BORROWER'S REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants that: (i) Borrower will comply with all laws, statutes, regulations and ordinances pertaining to the conduct of Borrower's business and promises to hold Lender harmless from any damages, liabilities, costs, expenses (including attorneys' fees) or other harm arising out of any violation thereof; (ii) Borrower's principal executive office and the office where Borrower keeps its records concerning its accounts, contract rights and other property, is that shown in the application; (iii) Borrower is duly organized, licensed, validly existing and in good standing under the laws of its state of formation and shall hereafter remain in good standing in that state, and is duly qualified, licensed and in good standing in every other state in which it is doing business, and shall hereafter remain duly qualified, licensed and in good standing in every other state in which it is doing business, and shall hereafter remain duly qualified, licensed and in good standing in every other state in which the failure to qualify or become licensed could have a material adverse effect on the financial condition, business or operations of Borrower; (iv) the true and correct legal name of the Borrower is set forth in the application; (v) the aggregate ownership percentage of the Signatories is greater than or equal to fifty percent (50%) of the Borrower's business;

(vi) the execution, delivery and performance of this Agreement, and any other document executed in connection herewith, are within Borrower's powers, have been duly authorized, are not in contravention of law or the terms of Borrower's charter, by-laws or other constating documents, or of any indenture, agreement or undertaking to which Borrower is a party; (vii) all constating documents and all amendments thereto of Borrower have been duly filed and are in proper order and any capital stock issued by Borrower and outstanding was and is properly issued and all books and records of Borrower are accurate and up to date and will be so maintained; (viii) Borrower (a) is subject to no charter, corporate or other legal restriction, or any judgment, award, decree, order, governmental rule or regulation or contractual restriction that could have a material adverse effect on its financial condition, business or prospects, and (b) is in compliance with its charter, by-laws and other constating documents, all contractual requirements by which it may be bound and all applicable laws, rules and regulations other than laws, rules or regulations the validity or applicability of which it is contesting in good faith or provisions of any of the foregoing the failure to comply with which cannot reasonably be expected to materially adversely affect its financial condition, business or prospects or the value of the Collateral; (ix) there is no action, suit, proceeding or investigation pending or, to Borrower's knowledge, threatened against or affecting it or any of its assets before or by any court or other governmental authority which, if determined adversely to it, would have a material adverse effect on its financial condition, business or prospects or the value of the Collateral; (x) all information provided by Borrower and/or Guarantor as part of the application process for the Loan was true and complete; (xi) Borrower does not intend to file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within 6 months of the date hereof; and (xii) Borrower is not presently insolvent within the meaning of the Uniform Commercial Code as well as the United States Bankruptcy Code.

20. INTEREST AND FEES. Borrower agrees to pay in full the interest set forth in the accompanying Business Loan and Security Agreement Supplement. In addition to any other fees described in the Agreement, Borrower agrees to pay the following fees:

A. Origination Fee: A one-time Origination Fee in the amount set forth in the accompanying Business Loan and Security Agreement Supplement. Borrower agrees that this fee will be immediately deducted from the proceeds of Borrower's Loan.

B. Returned Payment Fee: A Returned Payment Fee in the amount set forth in the accompanying Business Loan and Security Agreement Supplement if any electronic payment processed on Borrower's Loan is returned unpaid or dishonored for any reason.

C. **Late Fee:** A Late Fee in the amount set forth in the accompanying Business Loan and Security Agreement Supplement if a scheduled payment is not received by Lender as provided in the payment schedule set forth in the accompanying Business Loan and Security Agreement Supplement.

Payments made by Borrower hereunder will be applied and allocated between Loan principal, interest and fees in the manner set forth in Section 8.

21. INTEREST AND FEES EXCEEDING PERMITTED LIMIT. If the Loan is subject to a law that sets maximum charges, and that law is finally interpreted so that the interest or other fees collected or to be collected in connection with this Agreement exceed the permitted limits, then (i) any such charge will be reduced by the amount necessary to reduce the charge to the permitted limit and (ii) if required by applicable law, any sums already collected from Borrower that exceed the permitted limits will be refunded or credited to Borrower.

22. ONLINE CUSTOMER PORTAL. When Borrower signs in with Borrower's valid username and password at <https://1workforce.com>, Borrower can obtain information about the Borrower's Loan, such as the outstanding balance, daily transactions and fees. No additional paper statement will be mailed to Borrower. Borrower agrees not to share Borrower's username and password to <https://1workforce.com> with any third party.

23. FINANCIAL INFORMATION AND REEVALUATION OF CREDIT. Borrower and each Guarantor (if any) authorize Lender to obtain business and personal credit bureau reports in Borrower's and any Guarantor's name, respectively, at any time and from time to time for purposes of deciding whether to approve the requested Loan or for any update, renewal, extension of credit or other lawful purpose. Upon Borrower's or any Guarantor's request, Lender will advise Borrower or Guarantor if Lender obtained a credit report and Lender will give Borrower or Guarantor the credit bureau's name and address. Borrower and each Guarantor (if any) agree to submit current financial information, a new credit application, or both, in Borrower's name and in the name of each Guarantor, respectively, at any time promptly upon Lender's request. Borrower authorizes Lender to act as Borrower's agent for purposes of accessing and retrieving transaction history information regarding Borrower from Borrower's designated merchant processor(s). Lender may report Lender's credit experiences with Borrower and any Guarantor of Borrower's Loan to third parties as permitted by law, including with respect to any Guarantor to consumer

credit reporting agencies. Borrower also agrees that Lender may release information to comply with governmental reporting or legal process that Lender believes may be required, whether or not such is in fact required, or when necessary or helpful in completing a transaction, or when investigating a loss or potential loss. Borrower and each Guarantor is hereby notified that a negative credit report reflecting on Borrower's and/or any Guarantor's credit record may be submitted to a credit reporting agency (including with respect to any Guarantor to consumer credit reporting agencies) if Borrower or such Guarantor fails to fulfill the terms of their respective credit obligations hereunder. Guarantor acknowledges that any credit reporting on the Loan shall be at the sole discretion of Lender (subject to applicable law) and that Lender has the right to report the Loan to Guarantor's personal credit file should Guarantor not pay any Obligation pursuant to the guaranty set forth in this Agreement.

24. ATTORNEYS' FEES AND COLLECTION COSTS. To the extent not prohibited by applicable law, Borrower shall pay to Lender on demand any and all expenses, including, but not limited to, collection costs, all attorneys' fees and expenses, and all other expenses of like or unlike nature which may be expended by Lender to obtain or enforce payment of Obligations either as against Borrower or any guarantor or surety of Borrower or in the prosecution or defense of any action or concerning any matter arising out of or connected with the subject matter of this Agreement, the Obligations or the Collateral or any of Lender's rights or interests therein or thereto, including, without limiting the generality of the foregoing, any counsel fees or expenses incurred in any bankruptcy or insolvency proceedings and all costs and expenses (including search fees) incurred or paid by Lender in connection with the administration, supervision, protection or realization on any security held by Lender for the debt secured hereby, whether such security was granted by Borrower or by any other person primarily or secondarily liable (with or without recourse) with respect to such debt, and all costs and expenses incurred by Lender in connection with the defense, settlement or satisfaction of any action, claim or demand asserted against Lender in connection therewith, which amounts shall be considered advances to protect Lender's security, and shall be secured hereby. To the extent permitted by applicable law, all such expenses will become a part of the Obligations and, at Lender's option, will: (i) be payable on demand; (ii) be added to the balance of the Loan and be apportioned among and be payable with any installment payments to become due during the remaining term of the Loan; or (iii) be treated as a balloon payment that will be due and payable at the Loan's maturity. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon an Event of Default.

25. BORROWER'S REPORTS. Promptly upon Lender's written request, Borrower and each Guarantor agrees to provide Lender with such information about the financial condition and operations of Borrower or any Guarantor, as Lender may, from time to time, reasonably request. Borrower also agrees promptly upon becoming aware of any Event of Default, or the occurrence or existence of an event which, with the passage of time or the giving of notice or both, would constitute an Event of Default hereunder, to promptly provide notice thereof to Lender in writing.

26. TELEPHONE COMMUNICATIONS. Borrower and Guarantors hereby expressly consents to receiving calls and messages, including auto-dialed and pre-recorded message calls and SMS messages (including text messages) from Lender, its affiliates, marketing partners, agents and others calling at Lender's request or on its behalf, at any telephone numbers that Borrower and/or Guarantors have provided or may provide in the future or otherwise in Lender's possession (including any cellular or mobile telephone numbers). Borrower and Guarantor agree that such communications may be initiated using an automated telephone dialing system.

27. INDEMNIFICATION. Except for Lender's gross negligence or willful misconduct, Borrower will indemnify and save Lender harmless from all losses, costs, damage, liabilities or expenses (including, without limitation, court costs and reasonable attorneys' fees) that Lender may sustain or incur by reason of defending or protecting Lender's security interest or the priority thereof or enforcing the Obligations, or in the prosecution or defense of any action or proceeding concerning any matter arising out of or in connection with this Agreement and/or any other documents now or hereafter executed in connection with this Agreement and/or the Obligations and/or the Collateral. This indemnity shall survive the repayment of the Obligations and the termination of this Agreement.

28. MERGERS, CONSOLIDATIONS OR SALES. Borrower represents and agrees that Borrower will not (i) merge or consolidate with or into any other business entity or (ii) enter into any joint venture or partnership with any person, firm or corporation.

29. CHANGE IN LEGAL STATUS. Without Lender's consent, Borrower represents and agrees that Borrower will not (i) change its name, its place of business or, if more than one, chief executive office, its mailing address, or organizational identification number if it has one, or (ii) change its type of organization, jurisdiction of organization or other legal structure. If Borrower does not have an organizational identification number and later obtains one, Borrower shall promptly notify Lender of such taxpayer identification number.

30. DEFAULT. The occurrence of any one or more of the

following events (herein, "Events of Default") shall constitute, without notice or demand, a default under this Agreement and all other agreements between Lender and Borrower and instruments and papers given Lender by Borrower, whether such agreements, instruments, or papers now exist or hereafter arise: (i) Lender is unable to collect any Automatic Payment Plan payment on two consecutive dates due and/or, Borrower fails to pay any Obligations on two consecutive dates due; (ii) Borrower fails to comply with, promptly, punctually and faithfully perform or observe any term, condition or promise within this Agreement; (iii) the determination by Lender that any representation or warranty heretofore, now or hereafter made by Borrower to Lender, in any documents, instrument, agreement, application or paper was not true or accurate when given; (iv) the occurrence of any event such that any indebtedness of Borrower from any lender other than Lender could be accelerated, notwithstanding that such acceleration has not taken place; (v) the occurrence of any event that would cause a lien creditor, as that term is defined in Section 9-102 of the Uniform Commercial Code, (other than Lender) to take priority over the Loan made by Lender; (vi) a filing against or relating to Borrower (unless consented to in writing by Lender) of (a) a federal tax lien in favor of the United States of America or any political subdivision of the United States of America, or (b) a state tax lien in favor of any state of the United States of America or any political subdivision of any such state; (vii) the occurrence of any event of default under any other agreement between Lender and Borrower or instrument or paper given Lender by Borrower, whether such agreement, instrument, or paper now exists or hereafter arises (notwithstanding that Lender may not have exercised its rights upon default under any such other agreement, instrument or paper); (viii) any act by, against, or relating to Borrower, or its property or assets, which act constitutes the application for, consent to, or sufferance of the appointment of a receiver, trustee or other person, pursuant to court action or otherwise, over all, or any part of Borrower's property; (ix) the granting of any trust mortgage or execution of an assignment for the benefit of the creditors of Borrower, or the occurrence of any other voluntary or involuntary liquidation or extension of debt agreement for Borrower; (x) the failure by Borrower to generally pay the debts of Borrower as they mature; (xi) adjudication of bankruptcy or insolvency relative to Borrower; (xii) the entry of an order for relief or similar order with respect to Borrower in any proceeding pursuant to Title 11 of the United States Code entitled "Bankruptcy" (the "Bankruptcy Code") or any other federal bankruptcy law; (xiii) the filing of any complaint, application or petition by or against Borrower initiating any matter in which Borrower is or may be granted any relief from the debts of Borrower pursuant to the Bankruptcy Code or

any other insolvency statute or procedure; (xiv) the calling or sufferance of a meeting of creditors of Borrower; (xv) the meeting by Borrower with a formal or informal creditor's committee; (xvi) the offering by or entering into by Borrower of any composition, extension or any other arrangement seeking relief or extension for the debts of Borrower, or the initiation of any other judicial or non-judicial proceeding or agreement by, against or including Borrower that seeks or intends to accomplish a reorganization or arrangement with creditors; (xvii) the entry of any judgment against Borrower, which judgment is not satisfied or appealed from (with execution or similar process stayed) within 15 days of its entry; (xviii) the occurrence of any event or circumstance with respect to Borrower such that Lender shall believe in good faith that the prospect of payment of all or any part of the Obligations or the performance by Borrower under this Agreement or any other agreement between Lender and Borrower is impaired or there shall occur any material adverse change in the business or financial condition of Borrower (such event specifically includes, but is not limited to, taking additional financing from a credit card advance, cash advance company or an additional working capital loan without the prior written consent of Lender); (xix) the entry of any court order that enjoins, restrains or in any way prevents Borrower from conducting all or any part of its business affairs in the ordinary course of business; (xx) the occurrence of any uninsured loss, theft, damage or destruction to any material asset(s) of Borrower; (xxi) any act by or against, or relating to Borrower or its assets pursuant to which any creditor of Borrower seeks to reclaim or repossess or reclaims or repossesses all or a portion of Borrowers assets; (xxii) the termination of existence, dissolution or liquidation of Borrower or the ceasing to carry on actively any substantial part of Borrower's current business; (xxiii) this Agreement shall, at any time after its execution and delivery and for any reason, cease to be in full force and effect or shall be declared null and void, or the validity or enforceability hereof shall be contested by Borrower or any guarantor of Borrower denies it has any further liability or obligation hereunder; (xxiv) any guarantor or person signing a support agreement in favor of Lender shall repudiate, purport to revoke or fail to perform his or her obligations under his guaranty or support agreement in favor of Lender or any corporate guarantor shall cease to exist; (xxv) any material change occurs in Borrower's ownership or organizational structure (acknowledging that any change in ownership will be deemed material when ownership is closely held); (xxvi) if Borrower is a sole proprietorship, the owner dies; if Borrower is a trust, a trustor dies; if Borrower is a partnership, any general or managing partner dies; if Borrower is a corporation, any principal officer or 10% or greater shareholder dies; if Borrower is a limited liability company, any managing member dies; if Borrower is any other form of business entity, any person(s) directly or indirectly controlling 10% or more of the ownership interests of such entity dies.

31. RIGHTS AND REMEDIES UPON DEFAULT. Subject to applicable law, if an Event of Default occurs under this Agreement, at any time thereafter, Lender may exercise any one or more of the following rights and remedies:

- A. Refrain from Disbursing Loan Proceeds: Lender may refrain from disbursing Borrower's Loan proceeds to Borrower's Designated Checking Account.
- B. Debit Amounts Due From Borrower's Accounts: Lender may debit from Borrower's Designated Checking Account all Automatic Payment Plan payments that Lender was unable to collect and/or the amount of any other Obligations that Borrower failed to pay.
- C. Accelerate Indebtedness: Lender may declare the entire Obligations immediately due and payable, without notice to Borrower, as set forth in Section 51.
- D. Assemble Collateral: Lender may require Borrower and/or Guarantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Borrower and/or Guarantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter, provided Lender does so without a breach of the peace or a trespass, upon the property of Borrower and/or Guarantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Borrower and/or Guarantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Borrower and/or Guarantor after repossession.
- E. Sell the Collateral: Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Borrower and/or Guarantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Borrower, Guarantor and other persons as required by law, reasonable notice of the time and place of any public sale, or the time after which any private sale or any other disposition of the Collateral is to be made. However, no notice need be provided to any person who, after an Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. The requirements of reasonable notice shall be met if such notice is given at least 10 days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the

expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Obligations secured by this Agreement. To the extent permitted by applicable law, all such expenses will become a part of the Obligations and, at Lender's option, will: (i) be payable on demand; (ii) be added to the balance of the Loan and be apportioned among and be payable with any installment payments to become due during either (a) the term of any applicable insurance policy or (b) the remaining term of the Loan; or (iii) be treated as a balloon payment that will be due and payable at the Loan's maturity.

F. Appoint Receiver: Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Obligations. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Obligations by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

G. Collect Revenues, Apply Accounts: Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income and revenues therefrom and hold the same as security for the Obligations or apply it to payment of the Obligations in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose or realize on the Collateral as Lender may determine, whether or not any amount included within the Obligations is then due. For these purposes, Lender may, on behalf of and in the name of Borrower and/or Guarantor, receive, open and dispose of mail addressed to Borrower; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment or storage of any Collateral. To facilitate collections, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

H. Obtain Deficiency: If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Borrower and/or Guarantor for any deficiency remaining on the Obligations due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Borrower and/or Guarantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

I. Other Rights and Remedies: Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity or otherwise.

J. Election of Remedies: Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, any related documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower under the Agreement, after Borrower's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

32. CONSENT TO JURISDICTION AND VENUE. Subject to Section 33 below, Borrower, Guarantors and Lender each consent to the jurisdiction of the federal and state courts agree that any action or proceeding to enforce or arising out of this Agreement, other than an action or proceeding involving real property collateral, may only be brought in any court of the State of Utah or in the United States District Court for the District of Utah, and Borrower and Guarantors waive personal service of process. Borrower, Guarantors and Lender each waive any objections, including *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions.

33. ARBITRATION. To the extent that a claim or dispute arises out of, or in relation to this Agreement, including without limitation, the terms, construction, interpretation, performance, termination, breach, or enforceability of this Agreement, the parties (Borrower, Guarantors and Lender) hereby agree that the claim or dispute shall be, at the election of any party within thirty (30) days after the claim or dispute arises, resolved by mandatory binding arbitration in Utah. The parties agree that the arbitration shall be administered by JAMS and the arbitration shall be conducted in accordance with the Expedited Procedures of the JAMS Comprehensive Arbitration Rules and Procedures except as otherwise agreed in this Agreement. The arbitrator shall be chosen in accordance with the procedures of JAMS, and shall base the award on applicable Utah law. The parties agree that the arbitration shall be conducted by a single arbitrator. Judgment on the award may be entered in any court having jurisdiction, subject to Section 32 above. The parties further agree that the costs of the arbitration shall be divided equally between them. Each party may pursue arbitration solely in an individual capacity, and not as a representative or class member in any purported class or representative proceeding. The arbitrator may not consolidate more than one person's or entity's claims, and may not otherwise preside over any form of a representative or class proceeding. This arbitration section is governed by the Federal Arbitration Act, 9 U.S.C. §§ 1-16.

34. NO WAIVER BY LENDER. No delay or omission on the part of Lender in exercising any rights under this Agreement, any related guaranty or applicable law shall operate as a waiver of such right or any other right. Waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. All Lender's rights and remedies, whether evidenced hereby or by any other agreement, instrument or paper, shall be cumulative and may be exercised singularly or concurrently.

35. ASSIGNMENT. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties hereto; provided, however, that Borrower may not assign this Agreement or any rights or duties hereunder without Lender's prior written consent and any prohibited assignment shall be absolutely null and void. No consent to an assignment by Lender shall release Borrower from its Obligations. Lender may assign this Agreement and its rights and duties hereunder and no consent or approval by Borrower is required in connection with any such assignment. Lender reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in Lender's rights and benefits hereunder. In connection with any assignment or participation, Lender may disclose all documents and information that Lender now or hereafter may have relating to Borrower or Borrower's business. To the extent that Lender assigns its rights and obligations hereunder to another party, Lender thereafter shall be released from such assigned obligations to Borrower and such assignment shall affect a novation between Borrower and such other party. ACH Capital West, LLC (in its capacity as Servicer) or a successor servicer (if any) shall, acting solely for this purpose as a non-fiduciary agent of Borrower, maintain at one of its offices in the United States a copy of each assignment agreement delivered to it with respect to this Loan and a register for the recordation of the name of each assignee of this Loan, and principal and interest amount of this Loan owing to, such assignee pursuant to the terms hereof. The entries in such register shall be conclusive, and Borrower, Lender and each such assignee may treat each person whose name is recorded therein pursuant to the terms hereof as a "Lender" hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The register maintained for this Loan shall be available for inspection by Borrower and any such assignee of this Loan, at any reasonable time upon reasonable prior notice to ACH Capital West, LLC (in its capacity as Servicer) or the applicable successor servicer (if any). This Section 35 shall be construed so that this Loan is at all times maintained in "registered form" within the meaning of Sections 163(f), 871(h) (2) and 881(c)(2) of the Internal Revenue Code and any related Treasury regulations (or any other relevant or successor provisions of the Internal Revenue Code or of such Treasury regulations).

36. INTERPRETATION. Paragraph and section headings used in this Agreement are for convenience only, and shall not affect the construction of this Agreement. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Lender or Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties, having had the opportunity to consult counsel, and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

37. SEVERABILITY. If one or more provisions of this Agreement (or the application thereof) is determined invalid, illegal or unenforceable in any respect in any jurisdiction, the same shall not invalidate or render illegal or unenforceable such provision (or its application) in any other jurisdiction or any other provision of this Agreement (or its application).

38. NOTICES. Except as otherwise provided in this Agreement, notice under this Agreement must be in writing. Notice to Lender will be deemed received by Lender at address sent forth in Section 47 by U.S. mail, postage prepaid, first class mail; in person; by registered mail; by certified mail; by nationally recognized overnight courier; or when sent by electronic mail. Notice to Borrower and/or any personal guarantor will be deemed given when sent to Borrower's last known address or electronic mail address in Lender's records for this Loan.

39. RECORDKEEPING AND AUDIT REQUIREMENTS. Lender shall have no obligation to maintain any electronic records or any documents, schedules, invoices or any other paper delivered to Lender by Borrower in connection with this Agreement or any other agreement other than as required by law. Borrower will at all times keep accurate and complete records of Borrower's accounts and Collateral. At Lender's request, Borrower shall deliver to Lender: (i) schedules of accounts and general intangibles; and (ii) such other information regarding the Collateral as Lender shall request. Lender, or any of its agents, shall have the right to call any telephone numbers that Borrower has provided or may provide in the future or otherwise in the Lender's possession (including any cellular or mobile telephone numbers), at intervals to be determined by Lender, and without hindrance or delay, to inspect, audit, check, and make extracts from any copies of the books, records, journals, orders, receipts, correspondence that relate to Borrower's accounts and Collateral or other transactions between the parties thereto and the general financial condition of Borrower and Lender may remove any of such records temporarily for the purpose of having copies made thereof. If Borrower was referred to Lender for this Loan by a third party (the "Referring Party"), then Borrower consents to Lender sharing certain reasonable information about Borrower with the Referring Party for purposes of the Referring Party verifying and/or auditing loans made through such Referring Party's referrals.

40. GOVERNING LAW. Subject to Section 33 above, our relationship including this Agreement and any claim, dispute or controversy (whether in contract, tort, or otherwise) at any time arising from or relating to this Agreement is governed by, and this Agreement will be construed in accordance with, applicable federal law and (to the extent not preempted by federal law) Utah law without regard to internal principles of conflict of laws. The legality, enforceability and interpretation of this Agreement and the amounts contracted for, charged and reserved under this Agreement will be governed by such laws. Borrower understands and agrees that (i) Lender is located in Utah, (ii) Lender makes all credit decisions from Lender's office in Utah, (iii) the Loan is made in Utah (that is, no binding contract will be formed until Lender receives and accepts Borrower's signed Agreement in Utah) and (iv) Borrower's payments are not accepted until received by Lender in Utah.

41. WAIVER OF NOTICES AND OTHER TERMS. Except for any notices provided for in this Agreement, Borrower and any person who has obligations pursuant to this Agreement (*e.g.*, a Guarantor), to the extent not prohibited by applicable law hereby, waives demand, notice of nonpayment, notice of intention to accelerate, notice of acceleration, presentment, protest, notice of dishonor and notice of protest. To the extent permitted by applicable law, Borrower and any person who has obligations pursuant to this Agreement also agrees: Lender is not required to file suit, show diligence in collection against Borrower or any person who has obligations pursuant to this Agreement, or proceed against any Collateral; Lender may, but will not be obligated to, substitute, exchange or release any Collateral; Lender may release any Collateral, or fail to realize upon or perfect Lender's security interest in any Collateral; Lender may, but will not be obligated to, sue one or more persons without joining or suing others; and Lender may modify, renew, or extend this Agreement (repeatedly and for any length of time) without notice to or approval by any person who has obligations pursuant to this Agreement (other than the party with whom the modification, renewal or extension is made).

42. MONITORING, RECORDING AND ELECTRONIC COMMUNICATIONS. In order to ensure a high quality of service for Lender's customers, Lender may monitor and/or record telephone calls between Borrower and Lender's employees or agents. Borrower acknowledges that Lender may do so and agrees in advance to any such monitoring or recording of telephone calls. Borrower also agrees that Lender may communicate with Borrower electronically by e-mail.

43. JURY TRIAL WAIVER AND CLASS ACTION WAIVER. To the extent not prohibited by applicable law, Borrower, Guarantors and Lender waive their right to a trial by jury of any claim or cause of action based upon, arising out of or related to the Agreement and all other documentation evidencing the Obligations, in any legal action or proceeding. Subject to Section 33 above, any such claim or cause of action shall be tried by court sitting without a jury.

THE PARTIES HERETO (LENDER, BORROWER AND GUARANTORS) WAIVE ANY RIGHT TO ASSERT ANY CLAIMS AGAINST ANY OTHER PARTY AS A REPRESENTATIVE OR MEMBER IN ANY CLASS OR REPRESENTATIVE ACTION, EXCEPT WHERE SUCH WAIVER IS PROHIBITED BY LAW OR AGAINST PUBLIC POLICY. TO THE EXTENT ANY PARTY IS PERMITTED BY LAW OR COURT OF LAW TO PROCEED WITH A CLASS OR REPRESENTATIVE ACTION AGAINST ANY OTHER, THE PARTIES HEREBY AGREE THAT: (1) THE PREVAILING PARTY SHALL NOT BE ENTITLED TO RECOVER ATTORNEYS' FEES OR COSTS ASSOCIATED WITH PURSUING THE CLASS OR REPRESENTATIVE ACTION (NOT WITHSTANDING ANY OTHER PROVISION IN THIS AGREEMENT); AND (2) THE PARTY WHO INITIATES OR PARTICIPATES AS A MEMBER OF THE CLASS WILL NOT SUBMIT A CLAIM OR OTHERWISE PARTICIPATE IN ANY RECOVERY SECURED THROUGH THE CLASS OR REPRESENTATIVE ACTION.

IN THE EVENT ANY LEGAL PROCEEDING IS FILED IN A COURT OF THE STATE OF CALIFORNIA (THE "COURT") BY OR AGAINST ANY PARTY HERETO IN CONNECTION WITH ANY CONTROVERSY, DISPUTE OR CLAIM DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY) (EACH, A "CLAIM") AND THE WAIVER SET FORTH IN THE PRECEDING PARAGRAPH IS NOT ENFORCEABLE IN SUCH ACTION OR PROCEEDING, THE PARTIES HERETO AGREE AS FOLLOWS:

1. WITH THE EXCEPTION OF THE MATTERS SPECIFIED IN PARAGRAPH 2 BELOW, ANY CLAIM WILL BE DETERMINED BY A GENERAL REFERENCE PROCEEDING IN ACCORDANCE WITH THE PROVISIONS OF CALIFORNIA CODE OF CIVIL PROCEDURE SECTIONS 638 THROUGH 645.1. THE PARTIES INTEND THIS GENERAL REFERENCE AGREEMENT TO BE SPECIFICALLY ENFORCEABLE IN ACCORDANCE WITH CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638. EXCEPT AS OTHERWISE PROVIDED IN THE LOAN DOCUMENTS, VENUE FOR THE REFERENCE PROCEEDING WILL BE IN THE STATE OR FEDERAL COURT IN THE COUNTY OR DISTRICT WHERE VENUE IS OTHERWISE APPROPRIATE UNDER APPLICABLE LAW.

2. THE FOLLOWING MATTERS SHALL NOT BE SUBJECT TO A GENERAL REFERENCE PROCEEDING: (A) JUDICIAL OR NON-JUDICIAL FORECLOSURE OF ANY SECURITY INTERESTS IN REAL OR PERSONAL PROPERTY, (B) EXERCISE OF SELF-HELP REMEDIES (INCLUDING, WITHOUT LIMITATION, SET-OFF), (C) APPOINTMENT OF A RECEIVER AND (D) TEMPORARY, PROVISIONAL OR ANCILLARY REMEDIES (INCLUDING, WITHOUT LIMITATION, WRITS OF ATTACHMENT, WRITS OF POSSESSION, TEMPORARY RESTRAINING ORDERS OR PRELIMINARY INJUNCTIONS). THIS GUARANTY DOES NOT LIMIT THE RIGHT OF ANY PARTY TO EXERCISE OR OPPOSE ANY OF THE RIGHTS AND REMEDIES DESCRIBED IN CLAUSES (A) - (D) AND ANY SUCH EXERCISE OR OPPOSITION DOES NOT WAIVE THE RIGHT OF ANY PARTY TO A REFERENCE PROCEEDING PURSUANT TO THIS GUARANTY.

3. UPON THE WRITTEN REQUEST OF ANY PARTY, THE PARTIES SHALL SELECT A SINGLE REFEREE, WHO SHALL BE A RETIRED JUDGE OR JUSTICE. IF THE PARTIES DO NOT AGREE UPON A REFEREE WITHIN TEN (10) DAYS OF SUCH WRITTEN REQUEST, THEN, ANY PARTY MAY REQUEST THE COURT TO APPOINT A REFEREE PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 640(B).

4. ALL PROCEEDINGS AND HEARINGS CONDUCTED BEFORE THE REFEREE, EXCEPT FOR TRIAL, SHALL BE CONDUCTED WITHOUT A COURT REPORTER, EXCEPT WHEN ANY PARTY SO REQUESTS, A COURT REPORTER WILL BE USED AND THE REFEREE WILL BE PROVIDED A COURTESY COPY OF THE TRANSCRIPT. THE PARTY MAKING SUCH REQUEST SHALL HAVE THE OBLIGATION TO ARRANGE FOR AND PAY COSTS OF THE COURT REPORTER, PROVIDED THAT SUCH COSTS, ALONG WITH THE REFEREE'S FEES, SHALL ULTIMATELY BE BORNE BY THE PARTY WHO DOES NOT PREVAIL, AS DETERMINED BY THE REFEREE.

5. THE REFEREE MAY REQUIRE ONE OR MORE PREHEARING CONFERENCES. THE PARTIES HERETO SHALL BE ENTITLED TO DISCOVERY, AND THE REFEREE SHALL OVERSEE DISCOVERY IN ACCORDANCE WITH THE RULES OF DISCOVERY, AND MAY ENFORCE ALL DISCOVERY ORDERS IN THE SAME MANNER AS ANY TRIAL COURT JUDGE IN PROCEEDINGS AT LAW IN THE STATE OF CALIFORNIA. THE REFEREE SHALL APPLY THE RULES OF EVIDENCE APPLICABLE TO PROCEEDINGS AT LAW IN THE STATE OF CALIFORNIA AND SHALL DETERMINE ALL ISSUES IN ACCORDANCE WITH APPLICABLE STATE AND FEDERAL LAW. THE REFEREE SHALL BE EMPOWERED TO ENTER EQUITABLE AS WELL AS LEGAL RELIEF AND RULE ON ANY MOTION WHICH WOULD BE AUTHORIZED IN A TRIAL, INCLUDING, WITHOUT LIMITATION, MOTIONS FOR DEFAULT JUDGMENT OR SUMMARY JUDGMENT. THE REFEREE SHALL REPORT HIS DECISION, WHICH REPORT SHALL ALSO INCLUDE FINDINGS OF FACT AND CONCLUSIONS OF LAW.

6. THE PARTIES RECOGNIZE AND AGREE THAT ALL CLAIMS RESOLVED IN A GENERAL REFERENCE PROCEEDING PURSUANT HERETO WILL BE DECIDED BY A REFEREE AND NOT BY A JURY.

44. CONFIDENTIALITY. Borrower shall not make, publish or otherwise disseminate in any manner a copy of this Agreement or any public statement or description of the terms of this Agreement, except to its employees, advisors and similar persons who have a legitimate need to know its contents.

45. ENTIRE AGREEMENT. The accompanying Business Loan and Security Agreement Supplement and the Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits) and any other documents required by Lender now or in the future in connection with this Agreement and Borrower's Loan are hereby incorporated into and made a part of this Agreement. This Agreement is the entire agreement of the parties with respect to the subject matter hereof and supersedes any prior written or verbal communications or instruments relating thereto.

46. COUNTERPARTS; ELECTRONIC SIGNATURES. This Agreement may be executed in one or more counterparts, each of which counterparts shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. For purposes of the execution of this Agreement, signatures delivered by electronic or fax transmission shall be treated in all respects as original signatures.

47. CUSTOMER SERVICE CONTACT INFORMATION. If you have questions or comments about your Loan, you may contact us by (i) e-mail at INFO@ACHCAPITAL.COM, (ii) telephone at 212 671-1781 or (iii) mail 159 West Broadway #200-PMB170, Salt Lake City, UT 84101, Attn: Customer Service.

48. GRANT OF LICENSE TO USE IWORKFORCE PLATFORM. Subject to Borrower's compliance with this Agreement and the Terms of Use for the IWorkforce Platform, Lender grants Borrower a nonexclusive, revocable, non-transferable, non-sublicenseable, limited right and royalty-free license to use the IWorkforce Platform, effective solely during the term of the Loan and so long as an Event of Default has not occurred. The license granted to Borrower is personal, and no rights hereunder may be transferred by Borrower without the express written approval of Lender. Lender may terminate the license granted hereunder without notice at any time after an Event of Default has occurred.

49. PERSONAL GUARANTY. Each Guarantor, jointly and severally (if more than one), absolutely and unconditionally guarantee the prompt payment to Lender, including its successors and assignees, of any and all Obligations incurred by the Borrower pursuant to the Agreement (this "Personal Guaranty"). Each Guarantor further agrees to repay the Obligations on demand, without requiring Lender first to enforce payment against Borrower. This is a guarantee of payment and not of collection. This is an absolute, unconditional, primary, and continuing obligation and will remain in full force and effect until the first to occur of the following: (a) all of the Obligations have been indefeasibly paid in full, and Lender has terminated this Personal Guaranty, or (b) 30 days after the date on which written notice of revocation is actually received and accepted by Lender. No revocation will affect: (i) the then existing liabilities of the revoking Guarantor under this Personal Guaranty; (ii) Obligations created, contracted, assumed, acquired or incurred prior to the effective date of such revocation; (iii) Obligations created, contracted, assumed, acquired or incurred after the effective date of such revocation pursuant to any agreement entered into or commitment obtained prior to the effective date of such revocation; or (iv) any Obligations then or thereafter arising under the agreements or instruments then in effect and then evidencing the Obligations. Each Guarantor represents and

warrants that (i) it is a legal resident of the United States of America and (ii) neither Borrower, nor itself individually as Guarantor, intends to file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within 6 months of the date hereof. Each Guarantor waives all notices to which the Guarantor might otherwise be entitled by law, and also waives all defenses, legal or equitable, otherwise available to the Guarantor. This Personal Guaranty shall be construed in accordance with the laws of the Commonwealth of Utah, and shall inure to the benefit of Lender, its successors and assigns. To the extent not prohibited by applicable law, each of the undersigned Guarantors waives its right to a trial by jury of any claim or cause of action based upon, arising out of or related to this guaranty, the Agreement and all other documentation evidencing the Obligations, in any legal action or proceeding. Subject to Section 33 above, any such claim or cause of action shall be tried by court sitting without a jury.

50. CERTIFICATION AND SIGNATURES. By executing this Agreement or authorizing the person signing or affirming below to execute on its behalf, Borrower certifies that Borrower has received a copy of this Agreement and that Borrower has read, understood and agreed to be bound by its terms. Each person signing or affirming below certifies that each person is signing on behalf of the Borrower and/or in the capacity indicated below the signer's name (and if Borrower is a sole proprietorship, in the capacity of the owner of such sole proprietorship) and that such signer is authorized to execute this Agreement on behalf of or the in stated relation to Borrower.

Use of Proceeds Certification

As referred to in Section 4, by signing or affirming below, the Borrower certifies, acknowledges and understands that the proceeds from the requested Loan will be used solely for purchasing or acquiring specific products or services, for the following purposes only:

- specified merchandise
- insurance (but not self insurance programs)
- services or equipment
- inventory or other specified goods
- loans to finance specified sales transactions
- public works projects or educational services (e.g., training)

51. GUARANTOR WAIVERS. The following waivers apply to any personal guarantor or corporate co-debtor, which shall guaranty the debt of each other co-debtor: (a) Guarantor hereby waives all rights and defenses that Guarantor may have because the Borrower's debt is secured by real property. This means, among other things: (i) Lender may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by the Borrower; (ii) If Lender forecloses on any real property collateral pledged by the Borrower:

(A) The amount of the debt may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price.

(B) Lender may collect from Guarantor even if Lender, by foreclosing on the real property collateral, has destroyed any right Guarantor may have to collect from Borrower. This is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have because the Borrower's debt is secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure.

(b) Guarantor hereby waives all rights and defenses arising out of an election of remedies by Lender, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantor's rights of subrogation and reimbursement against Borrower by the operation of Section 580d of the California Code of Civil Procedure or otherwise.

(c) Without limiting the generality of the foregoing, Guarantor hereby expressly: (i) waives any and all rights of subrogation, reimbursement, indemnification and contribution and any other rights and or defenses that are or may become available to Guarantor by reason of Sections 2787 to 2855, inclusive, of the California Civil Code; (ii) waives any rights or defenses Guarantor may have in respect of its obligations as a guarantor by reason of any election of remedies by Lender;

(iii) waives any rights or defenses Guarantor may have in because the Borrower's note or other obligation is secured by real property or an estate for years, including, but limited to, any rights or defenses based upon, directly or indirectly, the application of Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure to the Borrower's note or other obligation; (iv) waives any and all, rights, defenses and/or benefits which might otherwise be available to it under California Civil Code Sections 2809, 2810, 2819, 2839, 2845 and 3433; and (v) California Code of Civil Procedure Sections 580a, 580b, 580d and 726, or any similar statutes of other states.

(d) Guarantor agrees that Lender may do any of the following without affecting the enforceability of the guaranty given by Guarantor or the other loan documents: (i) take or release additional security for any obligation in connection with the loan documents; (ii) discharge or release (by judicial or nonjudicial foreclosure, acceptance of a deed in lieu of foreclosure or otherwise) any person or persons liable under the loan documents; (iii) accept or make compositions or other arrangements or file or refrain from filing a claim in any bankruptcy proceeding of Borrower, any guarantor of Borrower's obligations under the loan documents or any pledgor of collateral for any person's obligations to Lender; and (iv) credit payments in such other pledgor of collateral for any person's obligations to Lender or any other person in connection with the Loan.

(e) Guarantor acknowledges that it has had an opportunity to review the loan documents. Guarantor agrees to keep itself informed of all material aspects of the financial condition of Borrower and of the performance of Borrower to Lender and agrees that Lender has no duty to disclose to Guarantor any information pertaining to Borrower or any security for the obligations of the Borrower under the loan documents.

(f) During the continuance of an Event of Default, Lender may elect to foreclose nonjudicially the lien of the deed of trust and, if such right has arisen, to also exercise its rights under this Guaranty. Guarantor acknowledges that its right to seek reimbursement from Borrower for any amounts paid by it to Lender under this Guaranty will be eliminated if Lender elects to so foreclose the lien of the deed of trust in accordance with such Deed of Trust. Nevertheless, Guarantor waives any such right to reimbursement and agrees that a nonjudicial foreclosure by Lender of the deed of trust will not affect the enforceability of the loan documents on Guarantor. In order to further effectuate such waiver, Guarantor hereby agrees that it waives all rights and defenses arising out of an election of remedies by Lender, even though that election of remedies, such as a nonjudicial foreclosure of the lien of the deed of trust, has destroyed its rights of subrogation and reimbursement against Borrower by the operation of Section 580d of the Code of Civil Procedure or otherwise.

(g) Guarantor agrees that Lender's right to enforce this Guaranty is absolute and is not contingent upon the validity or enforceability of any of the loan documents against Borrower or any other person. Guarantor waives all benefits and defenses it may have under California Civil Code Section 2810 and agrees that Lender's rights under this Guaranty shall be enforceable even if Borrower or had no liability at the time of execution of the loan documents or later ceases to be liable.

(h) Guarantor waives all benefits and defenses it may have under California Civil Code Section 2809 and agrees that Lender's rights under the loan documents will remain enforceable even if the amount secured by the loan documents is larger in amount and more burdensome than that for which Borrower is responsible. The enforceability of the Guaranty against Guarantor shall continue until all sums due under the loan documents have been paid in full and shall not be limited or affected in any way by any impairment or any diminution or loss of value of any security or collateral for Borrower's obligations under the loan documents, from whatever cause, the failure of any security interest in any such security or collateral or any disability or other defense of Borrower or any guarantor of Borrower's obligations under the loan documents, any Guarantor are not due and owing or have been paid in full or (y) all sums payable under the loan documents have been indefeasibly paid in full;

(i) Guarantor waives all benefits and defenses it may have under California Civil Code Sections 2845, 2849 and 2850, including, without limitation, the right to require Lender to (i) proceed against Borrower, any guarantor of Borrower's obligations under the loan documents, any other pledgor of collateral for any person's obligations to Lender or any other person in connection with the Loan, (ii) proceed against or exhaust any other security or collateral that Lender may hold, or (iii) pursue any other right or remedy for Borrower's benefit, and agree that Lender may exercise its rights under this Guaranty or may foreclose against any real property securing the Loan without taking any action against Borrower, any guarantor of Borrower's obligations under the loan documents, any pledgor of collateral for any person's obligations to Lender or any other person in connection with the Loan, and without proceeding against or exhausting any security or collateral Lender holds.

(j) Guarantor waives any rights or benefits it may have by reason of California Code of Civil Procedure Section 580a, or other applicable law, which could limit the amount which Lender could recover in a foreclosure of any collateral securing the Loan to the difference between the amount owing under the loan documents and the fair value of such collateral or interests sold at a nonjudicial foreclosure sale or sales of any other real property held by Lender as security for the obligations of Borrower under the loan documents.

(k) Guarantor, as a guarantor or surety, waives diligence and all demands, protests, presentments and notices of protest, dishonor, nonpayment and acceptance of the loan documents.

(l) This Guaranty shall be effective as a waiver of, and Guarantor hereby expressly waives:

(i) any and all rights to which Guarantor may otherwise have been entitled under any suretyship laws in effect from time to time, including any right or privilege, whether existing under statute, at law or in equity, to require Lender to take prior recourse or proceedings against any collateral, security or person whatsoever;

(ii) any rights of sovereign immunity and any other similar and/or related rights;

(iii) any defenses generally available to guarantors under the laws of the State of California or otherwise;

(iv) any defense based upon any legal disability or other defense of Borrower or any guarantor of Borrower's obligations or by reason of the cessation or limitation of the liability of Borrower from any cause other than that (x) the obligations guaranteed by

(v) any defense based upon any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Borrower or any principal of Borrower or any defect in the formation of Borrower or any principal of Borrower;

(vi) any defense based upon the application by Borrower of the proceeds of the Loan for purposes other than the purposes represented by Borrower to Lender or intended or understood by Lender or Guarantor;

(vii) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in any other respects more burdensome than that of a principal;

(viii) any defense based upon Lender's election, in any proceeding instituted under the United States Bankruptcy Code, of the application of Section 1111(b)(2) of the United States Bankruptcy Code or any successor statute;

(ix) any defense based upon any borrowing or any grant of a security interest under Section 364 of the United States Bankruptcy Code;

(x) the benefit of any statute of limitations affecting the liability of Guarantor hereunder or the enforcement hereof, including, without limitation, any rights arising under Section 359.5 of the California Code of Civil Procedure. Guarantor agrees that the payment of all sums payable under the loan documents or any part thereof or other act which tolls any statute of limitations applicable to the loan documents shall similarly operate to toll the statute of limitations applicable to Guarantor's liability hereunder. Without limiting the generality of the foregoing or any other provision hereof, Guarantor expressly waives for the benefit of Lender to the extent permitted by law any and all rights and defenses which might otherwise be available to Guarantor under California Civil Code Sections 2899 and 3433 or any similar law of California or of any other state or of the United States.

(m) Guarantor hereby also waives (i) any defense based upon Lender's failure to disclose to Guarantor any information concerning Borrower's financial condition or any other circumstances bearing on Borrower's ability to pay all sums payable under the loan documents; (ii) any right of subrogation, any right to enforce any remedy which Lender may have against Borrower and any right to participate in, or benefit from, any security for the loan documents now or hereafter held by Lender; and (iii) presentment, demand, protest and notice of any kind.

Guarantor agrees that the payment of all sums payable under the loan documents or any part thereof or other act which tolls any statute of limitations applicable to the loan documents shall similarly operate to toll the statute of limitations applicable to Guarantor's liability hereunder. Without limiting the generality of the foregoing or any other provision hereof, Guarantor expressly waives to the extent permitted by law any and all rights and defenses which might otherwise be available to Guarantor under California Civil Code Sections 2787 to 2855 inclusive (subject to Section 1.9 of this Guaranty) and Chapter 2 of Title 14, 2899 and 3433 and under California Code of Civil Procedure Sections 580a, 580b, 580d and 726, or any of such sections.

(n) Guarantor agrees that it is bound to the payment of all guaranteed obligations, whether now existing or hereafter accruing as fully as if such guaranteed obligations were directly owing to Lender by Guarantor. Guarantor further waives any defense arising by reason of any disability or other defense (other than that (x) the guaranteed obligations are not due and owing or have been paid in full or (y) all sums payable under the loan documents have been indefeasibly paid in full) of Guarantor or by reason of the cessation from any cause whatsoever of the liability of Guarantor in respect thereof.

(o) Guarantor hereby also waives (i) any rights to assert against Lender any defense (legal or equitable), set off, counterclaim, or claim which Guarantor may now or at any time hereafter have against Guarantor or any other party liable to Lender; (ii) any defense, set off, counterclaim, or claim, of any kind or nature, arising directly or indirectly from the present or future lack of perfection, sufficiency, validity, or enforceability of the guaranteed obligations or any security therefor; and (iii) any defense Guarantor has to performance hereunder, and any right Guarantor has to be exonerated, provided by Sections 2819, 2821, 2822, 2825, 2839 or 2853 of the California Civil Code, or otherwise, including, without limitation, arising by reason of: any claim or defense based upon an election of remedies by Lender; the impairment or suspension of Lender's rights or remedies against Guarantor; the alteration by Lender of the guaranteed obligations; any discharge of Guarantor's obligations to Lender by operation of law as a result of Lender's intervention or omission; or the acceptance by Lender of anything in partial satisfaction of the guaranteed obligations. Guarantor acknowledges and agrees that, as a result of the foregoing sentence, Guarantor is knowingly waiving in advance a complete or partial defense to this Guaranty arising under California Code of Civil Procedure Sections 580d or 580a and based upon Lender's election to conduct a private non-judicial foreclosure sale.

(p) This Guaranty is intended to be cumulative of any rights of Lender under California Code of Civil Procedure Sections 564, 726.5 and 736 and under California Civil Code Section 2929.5. Guarantor hereby waives any restrictions or limitations which such statutes may imposed on the liability of Guarantor or Lender's rights or remedies under this Guaranty.

(n) Guarantor agrees that it is bound to the payment of all guaranteed obligations, whether now existing or hereafter accruing as fully as if such guaranteed obligations were directly owing to Lender by Guarantor. Guarantor further waives any defense arising by reason of any disability or other defense (other than that (x) the guaranteed obligations are not due and owing or have been paid in full or (y) all sums payable under the loan documents have been indefeasibly paid in full) of Guarantor or by reason of the cessation from any cause whatsoever of the liability of Guarantor in respect thereof.

(o) Guarantor hereby also waives (i) any rights to assert against Lender any defense (legal or equitable), set off, counterclaim, or claim which Guarantor may now or at any time hereafter have against Guarantor or any other party liable to Lender; (ii) any defense, set off, counterclaim, or claim, of any kind or nature, arising directly or indirectly from the present or future lack of perfection, sufficiency, validity, or enforceability of the guaranteed obligations or any security therefor; and (iii) any defense Guarantor has to performance hereunder, and any right Guarantor has to be exonerated, provided by Sections 2819, 2821, 2822, 2825, 2839 or 2853 of the California Civil Code, or otherwise, including, without limitation, arising by reason of: any claim or defense based upon an election of remedies by Lender; the impairment or suspension of Lender's rights or remedies against Guarantor; the alteration by Lender of the guaranteed obligations; any discharge of Guarantor's obligations to Lender by operation of law as a result of Lender's intervention or omission; or the acceptance by Lender of anything in partial satisfaction of the guaranteed obligations. Guarantor acknowledges and agrees that, as a result of the foregoing sentence, Guarantor is knowingly waiving in advance a complete or partial defense to this Guaranty arising under California Code of Civil Procedure Sections 580d or 580a and based upon Lender's election to conduct a private non-judicial foreclosure sale.

(p) This Guaranty is intended to be cumulative of any rights of Lender under California Code of Civil Procedure Sections 564, 726.5 and 736 and under California Civil Code Section 2929.5. Guarantor hereby waives any restrictions or limitations which such statutes may imposed on the liability of Guarantor or Lender's rights or remedies under this Guaranty.

This Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits) is part of (and incorporated by reference into) the Business Loan and Security Agreement. Borrower should keep this important legal document for Borrower's records.

DISBURSMENT OF LOAN PROCEEDS. By executing this Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits), Borrower authorizes Lender to disburse the Loan proceeds less the amount of any applicable fees upon Loan approval by initiating an ACH credit, wire transfer or similar means to the checking account indicated herein (or a substitute checking account Borrower later identifies and is acceptable to Lender) (hereinafter referred to as the "Designated Checking Account") in the disbursement amount set forth in the accompanying Business Loan and Security Agreement Supplement. This authorization is to remain in full force and effect until Lender has received written notification from Borrower of its termination in such time and in such manner as to afford Lender and Borrower's depository bank a reasonable opportunity to act on it. Borrower represents that Borrower is the owner of the Designated Checking Account.

AUTOMATIC PAYMENT PLAN. Enrollment in Lender's Automatic Payment Plan is required for Loan approval. By executing this Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits), Borrower agrees to, and hereby, enrolls in the Automatic Payment Plan and authorizes Lender to collect payments required under the terms of Borrower's Business Loan and Security Agreement by initiating ACH debit entries to the Designated Checking Account in the amounts and on the dates provided in the payment schedule set forth in the accompanying Business Loan and Security Agreement Supplement. Borrower authorizes Lender to increase the amount of any scheduled ACH debit entry or assess multiple ACH debits for the amount of any previously scheduled payment(s) that was not paid as provided in the payment schedule and any unpaid Fees. This authorization is to remain in full force and effect until Lender has received written notification from Borrower of its termination in such time and in such manner as to afford Lender and Borrower's depository bank a reasonable opportunity to act on it. Lender may suspend or terminate Borrower's enrollment in the Automatic Payment Plan immediately if Borrower fails to keep Borrower's designated checking account in good standing or if there are insufficient funds in Borrower's checking account to process any payment (or if Lender is otherwise unable to collect any amounts by ACH debit owed to Lender under the Loan or under any other loan or extension of credit by Lender to Borrower). **If Borrower revokes the authorization or Lender suspends or terminates Borrower's enrollment in the Automatic Payment Plan, Borrower still will be responsible for making timely payments pursuant to the alternative payment methods described in the Business Loan and Security Agreement.**

Provisional Payment. Credit given by us to you with respect to an automated clearing house ("ACH") credit entry is provisional until we receive final settlement for such entry through a Federal Reserve Bank. If we do not receive such final settlement, you are hereby notified and agree that we are entitled to a refund of the amount credited to you in connection with such entry, and the party making to you via such entry (i.e. the originator of the entry) shall not be deemed to have paid you in the amount of such entry.

Notice of Receipt of Entry. Under the operating rules of the National Automated Clearing House Association, which are applicable to ACH transactions involving your account, we are not required to give next day notice to you of receipt of an ACH item and we will not do so. However, we will continue to notify you of the receipt of payments in the periodic statement we provide to you.

BUSINESS PURPOSE ACCOUNT. By executing this Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits), Borrower attests that the Designated Checking Account was established for business purposes and not primarily for personal, family or household purposes.

ACCOUNT CHANGES. Borrower agrees to promptly notify Lender in writing if there are any changes to the account and routing numbers of the Designated Checking Account.

MISCELLANEOUS. Lender is not responsible for any fees charged by Borrower's bank as the result of credits or debits initiated under this agreement. The origination of ACH transactions to Borrower's account must comply with the provisions of U.S. law. Borrower agrees to be bound by NACHA rules of the Electronic Payments Association. Borrower agrees to provide to Lender at all times, "Live Contemporaneous Access" to all of its bank accounts in order for Lender to evaluate Borrower's compliance with the Agreement, and for collections in the Event of Default ("Borrower's Accounts"). "Live Contemporaneous Access" shall be defined as: Borrower, at all times and including but not limited to, providing Lender with accurate login information necessary to access all of Borrower's Accounts, such as usernames and passwords, answers to challenge questions, and security tokens. Borrower shall provide notice to Lender in the event Borrower makes any changes to the Designated Checking Account, including in the event Borrower closes the Designated Checking Account.

***] Certain information in this document has been excluded pursuant to Regulation S-K, Item 601(b)(10). Such excluded information is not material and would likely cause competitive harm if publicly disclosed.

Exhibit 4.11

1. INTRODUCTION. This Business Loan and Security Agreement (together with the accompanying Business Loan and Security Agreement Supplement and the accompanying Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits), this "Agreement") governs your business loan ("Loan") made by ACH Capital West, LLC. Please read it and keep it for your reference. In this Agreement, the words "you", "your" and "Borrower" mean the Borrower identified on the signature page of this Business Loan and Security Agreement. Each Guarantor identified on the signature page of this Business Loan and Security Agreement shall be referred to individually as "Guarantor" and collectively as "Guarantors" in this Agreement. The words "Lender", "we", "us", and "our" mean ACH Capital West, LLC or its successor(s) and assign(s).

2. EFFECTIVE DATE. This Agreement begins on the date we accept this Agreement in Utah. Borrower understands and agrees that Lender may postpone, without penalty, the disbursement of amounts to Borrower until all required security interests have been perfected and Lender has received all required personal guarantees or other documentation.

3. AUTHORIZATION. Borrower agrees that the Loan made by Lender to Borrower shall be conclusively deemed to have been authorized by Borrower and to have been made pursuant to a duly authorized request on its behalf.

4. LOAN FOR SPECIFIC PURPOSES ONLY. The proceeds of the requested Loan may solely be used for the specific purposes as set forth in the Use of Proceeds Certification contained in Section 50 below, and not for any other purposes. In addition, the Loan will not be used for personal, family or household purposes, and Borrower and Guarantors are forever estopped from taking the position that such Loan (including Advances) are or were used for such personal, family or household purposes. Borrower understands that Borrower's agreement not to use the Loan proceeds for personal, family or household purposes means that certain important duties imposed upon entities making loans for personal, family or household purposes, and certain important rights conferred upon such persons, pursuant to federal or state law will not apply to the Loan or the Agreement. Borrower also understands that Lender will be unable to confirm whether the use of the Loan conforms to this section. Borrower agrees that a breach by Borrower of the provisions of this section will not affect Lender's right to (i) enforce Borrower's promise to pay for all amounts owed under this Agreement, regardless of the purpose for which the Loan is in fact obtained or (ii) use any remedy legally available to Lender, even if that remedy would not have been available had the Loan been made for personal, family or household purposes.

5. DISBURSEMENT OF LOAN PROCEEDS AND MAINTENANCE OF BORROWER'S BANK ACCOUNT. If Borrower applied and was approved for a Loan, Borrower's Loan will be disbursed upon approval as provided in the accompanying Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits). Borrower agrees to maintain Direct Payments (ACH Debits) in its operating account which is the account that was reviewed in conjunction with underwriting and approval of this Loan (including keeping such account open until the Total Repayment Amount had been completely repaid). Borrower agrees that the Loan made by Lender to Borrower may not be returned except at Lender's sole discretion.

6. PROMISE TO PAY. Borrower agrees to pay Lender the Total Repayment Amount shown in the accompanying Business Loan and Security Agreement Supplement in accordance with the Payment Schedule shown in the accompanying Business Loan and Security Agreement Supplement. Borrower agrees to enroll in Lender's Automatic Payment Plan and authorizes Lender to collect required payments as provided in the accompanying Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits). If required by Lender, Borrower further agrees and authorizes Lender or its servicer to collect required payments from a transfer account established pursuant to certain Transfer Account Loan Documentation that will be provided by Lender in connection with this Business Loan and Security Agreement if applicable.

7. ALTERNATIVE PAYMENT METHODS. If Borrower knows that for any reason Lender will be unable to process a payment under Lender's Automatic Payment Plan, then Borrower must either restore sufficient funds such that the missed payment can be collected as provided in the accompanying Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits), or promptly mail or deliver a check to Lender in the amount of the missed payment or, if offered, make the missed payment by any pay-by-phone or on-line service that Lender may make available from time to time. If Borrower elects to send payments on Borrower's Account by postal mail, then Borrower agrees to send such payments to ACH Capital West, LLC to 159 West Broadway #200-PMB170, Salt Lake City, UT 84101, Attn: Customer Service. All alternative payments must be made in good funds by check, money order, wire transfer, automatic transfer from an account at an institution offering such service, or other instrument in U.S. Dollars. Borrower understands and agrees that payments made at any other address than as specified by Lender may result in a delay in processing and/or crediting.

If Borrower makes an alternative payment on Borrower's Loan by mail or by any pay-by-phone or on-line service that Lender makes available while Borrower is enrolled in the Automatic Payment Plan, Lender may treat such payment as an additional payment and continue to process Borrower's scheduled Automatic Payment Plan payments or may reduce any scheduled Automatic Payment Plan payment by the amount of any such additional payment received.

8. APPLICATION OF PAYMENTS. Subject to applicable law, Lender reserves the right to allocate and apply payments received on Borrower's Loan between principal, interest and fees in any manner Lender chooses in Lender's sole discretion it being understood and agreed that any fees and interest will generally be paid during the earlier portion of the term.

9. POSTDATED CHECKS, RESTRICTED ENDORSEMENT CHECKS AND OTHER DISPUTED OR QUALIFIED PAYMENTS.

Lender can accept late, postdated or partial payments without losing any of Lender's rights under this Agreement (a postdated check is a check dated later than the day it was actually presented for payment). Lender is under no obligation to hold a postdated check and Lender reserves the right to process every item presented as if dated the same date received by Lender or Lender's check processor unless Borrower gives Lender adequate notice and a reasonable opportunity to act on it. Except where such notice and opportunity is given, Borrower may not hold Lender liable for depositing any postdated check. **Borrower agrees not to send Lender partial payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Agreement. All notices and written communications concerning postdated checks, restricted endorsement checks (including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount) or any other disputed, nonconforming or qualified payments, must be mailed or delivered to ACH Capital West, LLC, 159 West Broadway #200-PMB170, Salt Lake City, UT 84101, Attn: Customer Service.**

10. PREPAYMENT. Borrower may prepay Borrower's Loan in whole on any Business day by paying Lender the sum total of the Total Repayment Amount, any Returned Payment Fees, and any Late Fees, in each case as described in the accompanying Business Loan and Security Agreement Supplement less (i) the amount of any Loan payments made prior to such prepayment and (ii) the product of (x) the percentage identified as the applicable Prepayment Interest Reduction Percentage in the accompanying Business Loan and Security Agreement Supplement; and (y) the aggregate amount of unpaid interest remaining on the Borrower's Loan as of such date as determined by Lender's records in accordance with Section 8. Borrower may prepay Borrower's Loan in part on any Business day and such payment shall be applied against the Total Repayment Amount, any Returned Payment Fees, and any Late Fees, in each case as described in the accompanying Business Loan and Security Agreement Supplement.

11. SECURITY INTEREST. Borrower hereby grants to Lender, the secured party hereunder, a continuing security interest in and to any and all "Collateral" as described below to secure payment and performance of all debts, liabilities and obligations of Borrower to Lender hereunder and also any and all other debts, liabilities and obligations of Borrower to Lender of every kind and description, direct or indirect, absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising, related to the Loan described in this Agreement, whether or not contemplated by the parties at the time of the granting of this security interest, regardless of how they arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, and includes obligations to perform acts and refrain from taking action as well as obligations to pay money including, without limitation, all interest, other fees and expenses (all hereinafter called "Obligations"). The Collateral includes the following property that Borrower (or Guarantor, if applicable, pursuant to Section 12) now owns or shall acquire or create immediately upon the acquisition or creation thereof:

(i) any and all amounts owing to Borrower now or in the future from any merchant processor(s) processing charges made by customers of Borrower via credit card or debit card transactions; and (ii) all other tangible and intangible personal property, including, but not limited to (a) cash and cash equivalents, (b) inventory, accounts, security entitlements, commodity contracts and commodity accounts, (c) instruments, including promissory notes (f) chattel paper, including tangible chattel paper and electronic chattel paper, (g) documents, (h) letter of credit rights, (i) accounts, including health-care insurance receivables, (j) deposit accounts, (k) commercial tort claims, (l) general intangibles, including payment intangibles and software and (m) as-extracted collateral as such terms may from time to time be defined in the Uniform Commercial Code. The security interest Borrower (or Guarantor, if applicable, pursuant to Section 12) grants includes all accessions, attachments, accessories, parts, supplies and replacements for the Collateral, all products, proceeds and collections thereof and all records and data relating thereto. Lender disclaims any security interest in household goods in which Lender is forbidden by law from taking a security interest.

12. PROTECTING THE SECURITY INTEREST. Borrower agrees that Lender and/or Lender's Representative may file any financing statement, lien entry form or other document Lender and/or Lender's Representative requires in order to perfect, amend or continue Lender's security interest in the Collateral and Borrower agrees to cooperate with Lender and Lender's Representative as may be necessary to accomplish said filing and to do whatever Lender and Lender's Representative deems necessary to protect Lender's security interest in the Collateral. Borrower and Guarantor each agree that, if any Guarantor is a corporate entity, then Lender or Lender's Representative may file any financing statement, lien entry form or other document against such Guarantor or its property that Lender and/or Lender's Representative requires in order to perfect, amend or continue Lender's security interest in the Collateral. Any such Guarantor agrees to cooperate with Lender and Lender's Representative as may be necessary to accomplish said filing and to do whatever Lender or Lender's Representative deems necessary to protect Lender's security interest in the Collateral. In this Agreement, "Lender's Representative" means any entity or individual that is designated by Lender to serve in such capacity.

13. LOCATION OF COLLATERAL; TRANSACTIONS INVOLVING COLLATERAL. Unless Lender has agreed otherwise in writing, Borrower agrees and warrants that (i) all Collateral (or records of the Collateral in the case of accounts, chattel paper and general intangibles) shall be located at Borrower's address as shown in the application, (ii) except for inventory sold or accounts collected in the ordinary course of Borrower's business, Borrower shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral, (iii) no one else has any interest in or claim against the Collateral that Borrower has not already told Lender about, (iv) Borrower shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance or charge, other than the security interest provided for in this Agreement and (v) Borrower shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral for less than the fair market value thereof. Borrower shall defend Lender's rights in the Collateral against the claims and demands of all other persons. All proceeds from any unauthorized disposition of the Collateral shall be held in trust for Lender, shall not be co-mingled with any other funds and shall immediately be delivered to Lender. This requirement, however, does not constitute consent by Lender to any such disposition.

14. TAXES, ASSESSMENTS AND LIENS. Borrower will complete and file all necessary federal, state and local tax returns and will pay when due all taxes, assessments, levies and liens upon the Collateral and provide evidence of such payments to Lender upon request.

15. INSURANCE. Borrower shall procure and maintain such insurance as Lender may require with respect to the Collateral, in form, amounts and coverage reasonably acceptable to Lender and issued by a company reasonably acceptable to Lender naming Lender as loss payee. If Borrower at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may obtain such insurance as Lender deems appropriate at Borrower's sole cost and expense. Borrower shall promptly notify Lender of any loss of or damage to the Collateral.

16. REPAIRS AND MAINTENANCE. Borrower agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Borrower further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be filed against the Collateral.

17. INSPECTION OF COLLATERAL AND PLACE OF BUSINESS; USE OF PHOTOGRAPHS AND TESTIMONIALS. Lender and Lender's designated representatives and agents shall have the right during Borrower's normal business hours and at any other reasonable time to examine the Collateral wherever located and the interior and exterior of any Borrower place of business. During an examination of any Borrower place of business, Lender may examine, among other things, whether Borrower (i) has a place of business that is separate from any personal residence, (ii) is open for business, (iii) has sufficient inventory to conduct Borrower's business and (iv) has one or more credit card terminals if Borrower processes credit card transactions. When performing an examination, Lender may photograph the interior and exterior of any Borrower place of business, including any signage, and may photograph any individual who has signed the Agreement ("Signatory") unless the Signatory previously has notified Lender that he or she does not authorize Lender to photograph the Signatory. Lender may obtain testimonials from any Signatory, including testimonials on why Borrower needed the Loan and how the Loan has helped Borrower. Any photograph and testimonial will become and remain the sole property of Lender. Borrower and each Signatory grant Lender the irrevocable and permanent right to display and share any photograph and testimonial in all forms and media, including composite and modified representations, for all purposes, including but not limited to any trade or commercial purpose, with any Lender employees and agents and with the general public. Lender may, but is not required to, use the name of any Borrower and Signatory as a credit in connection with any photograph and testimonial. Borrower and each Signatory waive the right to inspect or approve versions of any photograph or testimonial or the written copy or other media that may be used in connection with same. Borrower and each Signatory release Lender from any claims that may arise regarding the use of any photograph or testimonial, including any claims of defamation, invasion of privacy or infringement of moral rights, rights of publicity or copyright.

18. LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Borrower fails to comply with any provision of this Agreement or any related documents, including but not limited to Borrower's failure to discharge or pay when due any amounts Borrower is required to discharge or pay under this Agreement or any related documents, Lender on Borrower's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. To the extent permitted by applicable law, all such expenses will become a part of the Obligations and, at Lender's option, will: (i) be payable on demand; (ii) be added to the balance of the Loan and be apportioned among and be payable with any installment payments to become due during the remaining term of the Loan; or (iii) be treated as a balloon payment that will be due and payable at the Loan's maturity. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon an Event of Default.

19. BORROWER'S REPRESENTATIONS AND WARRANTIES.

Borrower represents and warrants that: (i) Borrower will comply with all laws, statutes, regulations and ordinances pertaining to the conduct of Borrower's business and promises to hold Lender harmless from any damages, liabilities, costs, expenses (including attorneys' fees) or other harm arising out of any violation thereof; (ii) Borrower's principal executive office and the office where Borrower keeps its records concerning its accounts, contract rights and other property, is that shown in the application; (iii) Borrower is duly organized, licensed, validly existing and in good standing under the laws of its state of formation and shall hereafter remain in good standing in that state, and is duly qualified, licensed and in good standing in every other state in which it is doing business, and shall hereafter remain duly qualified, licensed and in good standing in every other state in which it is doing business, and shall hereafter remain duly qualified, licensed and in good standing in every other state in which the failure to qualify or become licensed could have a material adverse effect on the financial condition, business or operations of Borrower; (iv) the true and correct legal name of the Borrower is set forth in the application; (v) the

aggregate ownership percentage of the Signatories is greater than or equal to fifty percent (50%) of the Borrower's business;

(vi) the execution, delivery and performance of this Agreement, and any other document executed in connection herewith, are within Borrower's powers, have been duly authorized, are not in contravention of law or the terms of Borrower's charter, by-laws or other constating documents, or of any indenture, agreement or undertaking to which Borrower is a party; (vii) all constating documents and all amendments thereto of Borrower have been duly filed and are in proper order and any capital stock issued by Borrower and outstanding was and is properly issued and all books and records of Borrower are accurate and up to date and will be so maintained; (viii) Borrower (a) is subject to no charter, corporate or other legal restriction, or any judgment, award, decree, order, governmental rule or regulation or contractual restriction that could have a material adverse effect on its financial condition, business or prospects, and (b) is in compliance with its charter, by-laws and other constating documents, all contractual requirements by which it may be bound and all applicable laws, rules and regulations other than laws, rules or regulations the validity or applicability of which it is contesting in good faith or provisions of any of the foregoing the failure to comply with which cannot reasonably be expected to materially adversely affect its financial condition, business or prospects or the value of the Collateral; (ix) there is no action, suit, proceeding or investigation pending or, to Borrower's knowledge, threatened against or affecting it or any of its assets before or by any court or other governmental authority which, if determined adversely to it, would have a material adverse effect on its financial condition, business or prospects or the value of the Collateral; (x) all information provided by Borrower and/or Guarantor as part of the application process for the Loan was true and complete; (xi) Borrower does not intend to file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within 6 months of the date hereof; and (xii) Borrower is not presently insolvent within the meaning of the Uniform Commercial Code as well as the United States Bankruptcy Code.

20. INTEREST AND FEES. Borrower agrees to pay in full the interest set forth in the accompanying Business Loan and Security Agreement Supplement. In addition to any other fees described in the Agreement, Borrower agrees to pay the following fees:

A. Origination Fee: A one-time Origination Fee in the amount set forth in the accompanying Business Loan and Security Agreement Supplement. Borrower agrees that this fee will be immediately deducted from the proceeds of Borrower's Loan.

B. Returned Payment Fee: A Returned Payment Fee in the amount set forth in the accompanying Business Loan and Security Agreement Supplement if any electronic payment processed on Borrower's Loan is returned unpaid or dishonored for any reason.

C. **Late Fee:** A Late Fee in the amount set forth in the accompanying Business Loan and Security Agreement Supplement if a scheduled payment is not received by Lender as provided in the payment schedule set forth in the accompanying Business Loan and Security Agreement Supplement.

Payments made by Borrower hereunder will be applied and allocated between Loan principal, interest and fees in the manner set forth in Section 8.

21. INTEREST AND FEES EXCEEDING PERMITTED LIMIT. If the Loan is subject to a law that sets maximum charges, and that law is finally interpreted so that the interest or other fees collected or to be collected in connection with this Agreement exceed the permitted limits, then (i) any such charge will be reduced by the amount necessary to reduce the charge to the permitted limit and (ii) if required by applicable law, any sums already collected from Borrower that exceed the permitted limits will be refunded or credited to Borrower.

22. ONLINE CUSTOMER PORTAL. When Borrower signs in with Borrower's valid username and password at <https://1workforce.com>, Borrower can obtain information about the Borrower's Loan, such as the outstanding balance, daily transactions and fees. No additional paper statement will be mailed to Borrower. Borrower agrees not to share Borrower's username and password to <https://1workforce.com> with any third party.

23. FINANCIAL INFORMATION AND REEVALUATION OF CREDIT. Borrower and each Guarantor (if any) authorize Lender to obtain business and personal credit bureau reports in Borrower's and any Guarantor's name, respectively, at any time and from time to time for purposes of deciding whether to approve the requested Loan or for any update, renewal, extension of credit or other lawful purpose. Upon Borrower's or any Guarantor's request, Lender will advise Borrower or Guarantor if Lender obtained a credit report and Lender will give Borrower or Guarantor the credit bureau's name and address. Borrower and each Guarantor (if any) agree to submit current financial information, a new credit application, or both, in Borrower's name and in the name of each Guarantor, respectively, at any time promptly upon Lender's request. Borrower authorizes Lender to act as Borrower's agent for purposes of accessing and retrieving transaction history information regarding Borrower from Borrower's designated merchant processor(s). Lender may report Lender's credit experiences with Borrower and any Guarantor of Borrower's Loan to third parties as permitted by law, including with respect to any Guarantor to consumer

credit reporting agencies. Borrower also agrees that Lender may release information to comply with governmental reporting or legal process that Lender believes may be required, whether or not such is in fact required, or when necessary or helpful in completing a transaction, or when investigating a loss or potential loss. Borrower and each Guarantor is hereby notified that a negative credit report reflecting on Borrower's and/or any Guarantor's credit record may be submitted to a credit reporting agency (including with respect to any Guarantor to consumer credit reporting agencies) if Borrower or such Guarantor fails to fulfill the terms of their respective credit obligations hereunder. Guarantor acknowledges that any credit reporting on the Loan shall be at the sole discretion of Lender (subject to applicable law) and that Lender has the right to report the Loan to Guarantor's personal credit file should Guarantor not pay any Obligation pursuant to the guaranty set forth in this Agreement.

24. ATTORNEYS' FEES AND COLLECTION COSTS. To the extent not prohibited by applicable law, Borrower shall pay to Lender on demand any and all expenses, including, but not limited to, collection costs, all attorneys' fees and expenses, and all other expenses of like or unlike nature which may be expended by Lender to obtain or enforce payment of Obligations either as against Borrower or any guarantor or surety of Borrower or in the prosecution or defense of any action or concerning any matter arising out of or connected with the subject matter of this Agreement, the Obligations or the Collateral or any of Lender's rights or interests therein or thereto, including, without limiting the generality of the foregoing, any counsel fees or expenses incurred in any bankruptcy or insolvency proceedings and all costs and expenses (including search fees) incurred or paid by Lender in connection with the administration, supervision, protection or realization on any security held by Lender for the debt secured hereby, whether such security was granted by Borrower or by any other person primarily or secondarily liable (with or without recourse) with respect to such debt, and all costs and expenses incurred by Lender in connection with the defense, settlement or satisfaction of any action, claim or demand asserted against Lender in connection therewith, which amounts shall be considered advances to protect Lender's security, and shall be secured hereby. To the extent permitted by applicable law, all such expenses will become a part of the Obligations and, at Lender's option, will: (i) be payable on demand; (ii) be added to the balance of the Loan and be apportioned among and be payable with any installment payments to become due during the remaining term of the Loan; or (iii) be treated as a balloon payment that will be due and payable at the Loan's maturity. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon an Event of Default.

25. BORROWER'S REPORTS. Promptly upon Lender's written request, Borrower and each Guarantor agrees to provide Lender with such information about the financial condition and operations of Borrower or any Guarantor, as Lender may, from time to time, reasonably request. Borrower also agrees promptly upon becoming aware of any Event of Default, or the occurrence or existence of an event which, with the passage of time or the giving of notice or both, would constitute an Event of Default hereunder, to promptly provide notice thereof to Lender in writing.

26. TELEPHONE COMMUNICATIONS. Borrower and Guarantors hereby expressly consents to receiving calls and messages, including auto-dialed and pre-recorded message calls and SMS messages (including text messages) from Lender, its affiliates, marketing partners, agents and others calling at Lender's request or on its behalf, at any telephone numbers that Borrower and/or Guarantors have provided or may provide in the future or otherwise in Lender's possession (including any cellular or mobile telephone numbers). Borrower and Guarantor agree that such communications may be initiated using an automated telephone dialing system.

27. INDEMNIFICATION. Except for Lender's gross negligence or willful misconduct, Borrower will indemnify and save Lender harmless from all losses, costs, damage, liabilities or expenses (including, without limitation, court costs and reasonable attorneys' fees) that Lender may sustain or incur by reason of defending or protecting Lender's security interest or the priority thereof or enforcing the Obligations, or in the prosecution or defense of any action or proceeding concerning any matter arising out of or in connection with this Agreement and/or any other documents now or hereafter executed in connection with this Agreement and/or the Obligations and/or the Collateral. This indemnity shall survive the repayment of the Obligations and the termination of this Agreement.

28. MERGERS, CONSOLIDATIONS OR SALES. Borrower represents and agrees that Borrower will not (i) merge or consolidate with or into any other business entity or (ii) enter into any joint venture or partnership with any person, firm or corporation.

29. CHANGE IN LEGAL STATUS. Without Lender's consent, Borrower represents and agrees that Borrower will not (i) change its name, its place of business or, if more than one, chief executive office, its mailing address, or organizational identification number if it has one, or (ii) change its type of organization, jurisdiction of organization or other legal structure. If Borrower does not have an organizational identification number and later obtains one, Borrower shall promptly notify Lender of such taxpayer identification number.

30. DEFAULT. The occurrence of any one or more of the following events (herein, "Events of Default") shall constitute, without notice or demand, a default under this Agreement and all other agreements between Lender and Borrower and instruments and papers given Lender by Borrower, whether such agreements, instruments, or papers now exist or hereafter arise: (i) Lender is unable to collect any Automatic Payment Plan payment on two consecutive dates due and/or, Borrower fails to pay any Obligations on two consecutive dates due; (ii) Borrower fails to comply with, promptly, punctually and faithfully perform or observe any term, condition or promise within this Agreement; (iii) the determination by Lender that any representation or warranty heretofore, now or hereafter made by Borrower to Lender, in any documents, instrument, agreement, application or paper was not true or accurate when given; (iv) the occurrence of any event such that any indebtedness of Borrower from any lender other than Lender could be accelerated, notwithstanding that such acceleration has not taken place; (v) the occurrence of any event that would cause a lien creditor, as that term is defined in Section 9-102 of the Uniform Commercial Code, (other than Lender) to take priority over the Loan made by Lender; (vi) a filing against or relating to Borrower (unless consented to in writing by Lender) of (a) a federal tax lien in favor of the United States of America or any political subdivision of the United States of America, or (b) a state tax lien in favor of any state of the United States of America or any political subdivision of any such state; (vii) the occurrence of any event of default under any other agreement between Lender and Borrower or instrument or paper given Lender by Borrower, whether such agreement, instrument, or paper now exists or hereafter arises (notwithstanding that Lender may not have exercised its rights upon default under any such other agreement, instrument or paper); (viii) any act by, against, or relating to Borrower, or its property or assets, which act constitutes the application for, consent to, or sufferance of the appointment of a receiver, trustee or other person, pursuant to court action or otherwise, over all, or any part of Borrower's property; (ix) the granting of any trust mortgage or execution of an assignment for the benefit of the creditors of Borrower, or the occurrence of any other voluntary or involuntary liquidation or extension of debt agreement for Borrower; (x) the failure by Borrower to generally pay the debts of Borrower as they mature; (xi) adjudication of bankruptcy or insolvency relative to Borrower; (xii) the entry of an order for relief or similar order with respect to Borrower in any proceeding pursuant to Title 11 of the United States Code entitled "Bankruptcy" (the "Bankruptcy Code") or any other federal bankruptcy law; (xiii) the filing of any complaint, application or petition by or against Borrower initiating any matter in which Borrower is or may be granted any relief from the debts of Borrower pursuant to the Bankruptcy Code or

any other insolvency statute or procedure; (xiv) the calling or sufferance of a meeting of creditors of Borrower; (xv) the meeting by Borrower with a formal or informal creditor's committee; (xvi) the offering by or entering into by Borrower of any composition, extension or any other arrangement seeking relief or extension for the debts of Borrower, or the initiation of any other judicial or non-judicial proceeding or agreement by, against or including Borrower that seeks or intends to accomplish a reorganization or arrangement with creditors; (xvii) the entry of any judgment against Borrower, which judgment is not satisfied or appealed from (with execution or similar process stayed) within 15 days of its entry; (xviii) the occurrence of any event or circumstance with respect to Borrower such that Lender shall believe in good faith that the prospect of payment of all or any part of the Obligations or the performance by Borrower under this Agreement or any other agreement between Lender and Borrower is impaired or there shall occur any material adverse change in the business or financial condition of Borrower (such event specifically includes, but is not limited to, taking additional financing from a credit card advance, cash advance company or an additional working capital loan without the prior written consent of Lender); (xix) the entry of any court order that enjoins, restrains or in any way prevents Borrower from conducting all or any part of its business affairs in the ordinary course of business; (xx) the occurrence of any uninsured loss, theft, damage or destruction to any material asset(s) of Borrower; (xxi) any act by or against, or relating to Borrower or its assets pursuant to which any creditor of Borrower seeks to reclaim or repossess or reclaims or repossesses all or a portion of Borrower's assets; (xxii) the termination of existence, dissolution or liquidation of Borrower or the ceasing to carry on actively any substantial part of Borrower's current business; (xxiii) this Agreement shall, at any time after its execution and delivery and for any reason, cease to be in full force and effect or shall be declared null and void, or the validity or enforceability hereof shall be contested by Borrower or any guarantor of Borrower denies it has any further liability or obligation hereunder; (xxiv) any guarantor or person signing a support agreement in favor of Lender shall repudiate, purport to revoke or fail to perform his or her obligations under his guaranty or support agreement in favor of Lender or any corporate guarantor shall cease to exist; (xxv) any material change occurs in Borrower's ownership or organizational structure (acknowledging that any change in ownership will be deemed material when ownership is closely held); (xxvi) if Borrower is a sole proprietorship, the owner dies; if Borrower is a trust, a trustor dies; if Borrower is a partnership, any general or managing partner dies; if Borrower is a corporation, any principal officer or 10% or greater shareholder dies; if Borrower is a limited liability company, any managing member dies; if Borrower is any other form of business entity, any person(s) directly or indirectly controlling 10% or more of the ownership interests of such entity dies.

31. RIGHTS AND REMEDIES UPON DEFAULT. Subject to applicable law, if an Event of Default occurs under this Agreement, at any time thereafter, Lender may exercise any one or more of the following rights and remedies:

A. Refrain from Disbursing Loan Proceeds: Lender may refrain from disbursing Borrower's Loan proceeds to Borrower's Designated Checking Account.

B. Debit Amounts Due From Borrower's Accounts: Lender may debit from Borrower's Designated Checking Account all Automatic Payment Plan payments that Lender was unable to collect and/or the amount of any other Obligations that Borrower failed to pay.

C. Accelerate Indebtedness: Lender may declare the entire Obligations immediately due and payable, without notice to Borrower, as set forth in Section 51.

D. Assemble Collateral: Lender may require Borrower and/or Guarantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Borrower and/or Guarantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter, provided Lender does so without a breach of the peace or a trespass, upon the property of Borrower and/or Guarantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Borrower and/or Guarantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Borrower and/or Guarantor after repossession.

E. Sell the Collateral: Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Borrower and/or Guarantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Borrower, Guarantor and other persons as required by law, reasonable notice of the time and place of any public sale, or the time after which any private sale or any other disposition of the Collateral is to be made. However, no notice need be provided to any person who, after an Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. The requirements of reasonable notice shall be met if such notice is given at least 10 days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Obligations secured by this Agreement. To the extent permitted by applicable law, all such expenses will become a part of the Obligations and, at Lender's option, will: (i) be payable on demand; (ii) be added to the balance of the Loan and be apportioned among and be payable with any installment payments to become due during either (a) the term of any applicable insurance policy or (b) the remaining term of the Loan; or (iii) be treated as a balloon payment that will be due and payable at the Loan's maturity.

F. Appoint Receiver: Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Obligations. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Obligations by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

G. Collect Revenues, Apply Accounts: Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income and revenues therefrom and hold the same as security for the Obligations or apply it to payment of the Obligations in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose or realize on the Collateral as Lender may determine, whether or not any amount included within the Obligations is then due. For these purposes, Lender may, on behalf of and in the name of Borrower and/or Guarantor, receive, open and dispose of mail addressed to Borrower; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment or storage of any Collateral. To facilitate collections, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

H. Obtain Deficiency: If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Borrower and/or Guarantor for any deficiency remaining on the Obligations due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Borrower and/or Guarantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

I. Other Rights and Remedies: Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity or otherwise.

J. Election of Remedies: Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, any related documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower under the Agreement, after Borrower's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

32. CONSENT TO JURISDICTION AND VENUE. Subject to Section 33 below, Borrower, Guarantors and Lender each consent to the jurisdiction of the federal and state courts agree that any action or proceeding to enforce or arising out of this Agreement, other than an action or proceeding involving real property collateral, may only be brought in any court of the State of Utah or in the United States District Court for the District of Utah, and Borrower and Guarantors waive personal service of process. Borrower, Guarantors and Lender each waive any objections, including *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions.

33. ARBITRATION. To the extent that a claim or dispute arises out of, or in relation to this Agreement, including without limitation, the terms, construction, interpretation, performance, termination, breach, or enforceability of this Agreement, the parties (Borrower, Guarantors and Lender) hereby agree that the claim or dispute shall be, at the election of any party within thirty (30) days after the claim or dispute arises, resolved by mandatory binding arbitration in Utah. The parties agree that the arbitration shall be administered by JAMS and the arbitration shall be conducted in accordance with the Expedited Procedures of the JAMS Comprehensive Arbitration Rules and Procedures except as otherwise agreed in this Agreement. The arbitrator shall be chosen in accordance with the procedures of JAMS, and shall base the award on applicable Utah law. The parties agree that the arbitration shall be conducted by a single arbitrator. Judgment on the award may be entered in any court having jurisdiction, subject to Section 32 above. The parties further agree that the costs of the arbitration shall be divided equally between them. Each party may pursue arbitration solely in an individual capacity, and not as a representative or class member in any purported class or representative proceeding. The arbitrator may not consolidate more than one person's or entity's claims, and may not otherwise preside over any form of a representative or class proceeding. This arbitration section is governed by the Federal Arbitration Act, 9 U.S.C. §§ 1-16.

34. NO WAIVER BY LENDER. No delay or omission on the part of Lender in exercising any rights under this Agreement, any related guaranty or applicable law shall operate as a waiver of such right or any other right. Waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. All Lender's rights and remedies, whether evidenced hereby or by any other agreement, instrument or paper, shall be cumulative and may be exercised singularly or concurrently.

35. ASSIGNMENT. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties hereto; provided, however, that Borrower may not assign this Agreement or any rights or duties hereunder without Lender's prior written consent and any prohibited assignment shall be absolutely null and void. No consent to an assignment by Lender shall release Borrower from its Obligations. Lender may assign this Agreement and its rights and duties hereunder and no consent or approval by Borrower is required in connection with any such assignment. Lender reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in Lender's rights and benefits hereunder. In connection with any assignment or participation, Lender may disclose all documents and information that Lender now or hereafter may have relating to Borrower or Borrower's business. To the extent that Lender assigns its rights and obligations hereunder to another party, Lender thereafter shall be released from such assigned obligations to Borrower and such assignment shall affect a novation between Borrower and such other party. ACH Capital West, LLC (in its capacity as Servicer) or a successor servicer (if any) shall, acting solely for this purpose as a non-fiduciary agent of Borrower, maintain at one of its offices in the United States a copy of each assignment agreement delivered to it with respect to this Loan and a register for the recordation of the name of each assignee of this Loan, and principal and interest amount of this Loan owing to, such assignee pursuant to the terms hereof. The entries in such register shall be conclusive, and Borrower, Lender and each such assignee may treat each person whose name is recorded therein pursuant to the terms hereof as a "Lender" hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The register maintained for this Loan shall be available for inspection by Borrower and any such assignee of this Loan, at any reasonable time upon reasonable prior notice to ACH Capital West, LLC (in its capacity as Servicer) or the applicable successor servicer (if any). This Section 35 shall be construed so that this Loan is at all times maintained in "registered form" within the meaning of Sections 163(f), 871(h) (2) and 881(c)(2) of the Internal Revenue Code and any related Treasury regulations (or any other relevant or successor provisions of the Internal Revenue Code or of such Treasury regulations).

36. INTERPRETATION. Paragraph and section headings used in this Agreement are for convenience only, and shall not affect the construction of this Agreement. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Lender or Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties, having had the opportunity to consult counsel, and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

37. SEVERABILITY. If one or more provisions of this Agreement (or the application thereof) is determined invalid, illegal or unenforceable in any respect in any jurisdiction, the same shall not invalidate or render illegal or unenforceable such provision (or its application) in any other jurisdiction or any other provision of this Agreement (or its application).

38. NOTICES. Except as otherwise provided in this Agreement, notice under this Agreement must be in writing. Notice to Lender will be deemed received by Lender at address sent forth in Section 47 by U.S. mail, postage prepaid, first class mail; in person; by registered mail; by certified mail; by nationally recognized overnight courier; or when sent by electronic mail. Notice to Borrower and/or any personal guarantor will be deemed given when sent to Borrower's last known address or electronic mail address in Lender's records for this Loan.

39. RECORDKEEPING AND AUDIT REQUIREMENTS. Lender shall have no obligation to maintain any electronic records or any documents, schedules, invoices or any other paper delivered to Lender by Borrower in connection with this Agreement or any other agreement other than as required by law. Borrower will at all times keep accurate and complete records of Borrower's accounts and Collateral. At Lender's request, Borrower shall deliver to Lender: (i) schedules of accounts and general intangibles; and (ii) such other information regarding the Collateral as Lender shall request. Lender, or any of its agents, shall have the right to call any telephone numbers that Borrower has provided or may provide in the future or otherwise in the Lender's possession (including any cellular or mobile telephone numbers), at intervals to be determined by Lender, and without hindrance or delay, to inspect, audit, check, and make extracts from any copies of the books, records, journals, orders, receipts, correspondence that relate to Borrower's accounts and Collateral or other transactions between the parties thereto and the general financial condition of Borrower and Lender may remove any of such records temporarily for the purpose of having copies made thereof. If Borrower was referred to Lender for this Loan by a third party (the "Referring Party"), then Borrower consents to Lender sharing certain reasonable information about Borrower with the Referring Party for purposes of the Referring Party verifying and/or auditing loans made through such Referring Party's referrals.

40. GOVERNING LAW. Subject to Section 33 above, our relationship including this Agreement and any claim, dispute or controversy (whether in contract, tort, or otherwise) at any time arising from or relating to this Agreement is governed by, and this Agreement will be construed in accordance with, applicable federal law and (to the extent not preempted by federal law) Utah law without regard to internal principles of conflict of laws. The legality, enforceability and interpretation of this Agreement and the amounts contracted for, charged and reserved under this Agreement will be governed by such laws. Borrower understands and agrees that (i) Lender is located in Utah, (ii) Lender makes all credit decisions from Lender's office in Utah, (iii) the Loan is made in Utah (that is, no binding contract will be formed until Lender receives and accepts Borrower's signed Agreement in Utah) and (iv) Borrower's payments are not accepted until received by Lender in Utah.

41. WAIVER OF NOTICES AND OTHER TERMS. Except for any notices provided for in this Agreement, Borrower and any person who has obligations pursuant to this Agreement (e.g., a Guarantor), to the extent not prohibited by applicable law hereby, waives demand, notice of nonpayment, notice of intention to accelerate, notice of acceleration, presentment, protest, notice of dishonor and notice of protest. To the extent permitted by applicable law, Borrower and any person who has obligations pursuant to this Agreement also agrees: Lender is not required to file suit, show diligence in collection against Borrower or any person who has obligations pursuant to this Agreement, or proceed against any Collateral; Lender may, but will not be obligated to, substitute, exchange or release any Collateral; Lender may release any Collateral, or fail to realize upon or perfect Lender's security interest in any Collateral; Lender may, but will not be obligated to, sue one or more persons without joining or suing others; and Lender may modify, renew, or extend this Agreement (repeatedly and for any length of time) without notice to or approval by any person who has obligations pursuant to this Agreement (other than the party with whom the modification, renewal or extension is made).

42. MONITORING, RECORDING AND ELECTRONIC COMMUNICATIONS. In order to ensure a high quality of service for Lender's customers, Lender may monitor and/or record telephone calls between Borrower and Lender's employees or agents. Borrower acknowledges that Lender may do so and agrees in advance to any such monitoring or recording of telephone calls. Borrower also agrees that Lender may communicate with Borrower electronically by e-mail.

43. JURY TRIAL WAIVER AND CLASS ACTION WAIVER. To the extent not prohibited by applicable law, Borrower, Guarantors and Lender waive their right to a trial by jury of any claim or cause of action based upon, arising out of or related to the Agreement and all other documentation evidencing the Obligations, in any legal action or proceeding. Subject to Section 33 above, any such claim or cause of action shall be tried by court sitting without a jury.

THE PARTIES HERETO (LENDER, BORROWER AND GUARANTORS) WAIVE ANY RIGHT TO ASSERT ANY CLAIMS AGAINST ANY OTHER PARTY AS A REPRESENTATIVE OR MEMBER IN ANY CLASS OR REPRESENTATIVE ACTION, EXCEPT WHERE SUCH WAIVER IS PROHIBITED BY LAW OR AGAINST PUBLIC POLICY. TO THE EXTENT ANY PARTY IS PERMITTED BY LAW OR COURT OF LAW TO PROCEED WITH A CLASS OR REPRESENTATIVE ACTION AGAINST ANY OTHER, THE PARTIES HEREBY AGREE THAT: (1) THE PREVAILING PARTY SHALL NOT BE ENTITLED TO RECOVER ATTORNEYS' FEES OR COSTS ASSOCIATED WITH PURSUING THE CLASS OR REPRESENTATIVE ACTION (NOT WITHSTANDING ANY OTHER PROVISION IN THIS AGREEMENT); AND (2) THE PARTY WHO INITIATES OR PARTICIPATES AS A MEMBER OF THE CLASS WILL NOT SUBMIT A CLAIM OR OTHERWISE PARTICIPATE IN ANY RECOVERY SECURED THROUGH THE CLASS OR REPRESENTATIVE ACTION.

IN THE EVENT ANY LEGAL PROCEEDING IS FILED IN A COURT OF THE STATE OF CALIFORNIA (THE "COURT") BY OR AGAINST ANY PARTY HERETO IN CONNECTION WITH ANY CONTROVERSY, DISPUTE OR CLAIM DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY) (EACH, A "CLAIM") AND THE WAIVER SET FORTH IN THE PRECEDING PARAGRAPH IS NOT ENFORCEABLE IN SUCH ACTION OR PROCEEDING, THE PARTIES HERETO AGREE AS FOLLOWS:

1. WITH THE EXCEPTION OF THE MATTERS SPECIFIED IN PARAGRAPH 2 BELOW, ANY CLAIM WILL BE DETERMINED BY A GENERAL REFERENCE PROCEEDING IN ACCORDANCE WITH THE PROVISIONS OF CALIFORNIA CODE OF CIVIL PROCEDURE SECTIONS 638 THROUGH 645.1. THE PARTIES INTEND THIS GENERAL REFERENCE AGREEMENT TO BE SPECIFICALLY ENFORCEABLE IN ACCORDANCE WITH CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638. EXCEPT AS OTHERWISE PROVIDED IN THE LOAN DOCUMENTS, VENUE FOR THE REFERENCE PROCEEDING WILL BE IN THE STATE OR FEDERAL COURT IN THE COUNTY OR DISTRICT WHERE VENUE IS OTHERWISE APPROPRIATE UNDER APPLICABLE LAW.

2. THE FOLLOWING MATTERS SHALL NOT BE SUBJECT TO A GENERAL REFERENCE PROCEEDING: (A) JUDICIAL OR NON-JUDICIAL FORECLOSURE OF ANY SECURITY INTERESTS IN REAL OR PERSONAL PROPERTY, (B) EXERCISE OF SELF-HELP REMEDIES (INCLUDING, WITHOUT LIMITATION, SET-OFF), (C) APPOINTMENT OF A RECEIVER AND (D) TEMPORARY, PROVISIONAL OR ANCILLARY REMEDIES (INCLUDING, WITHOUT LIMITATION, WRITS OF ATTACHMENT, WRITS OF POSSESSION, TEMPORARY RESTRAINING ORDERS OR PRELIMINARY INJUNCTIONS). THIS GUARANTY DOES NOT LIMIT THE RIGHT OF ANY PARTY TO EXERCISE OR OPPOSE ANY OF THE RIGHTS AND REMEDIES DESCRIBED IN CLAUSES (A) - (D) AND ANY SUCH EXERCISE OR OPPOSITION DOES NOT WAIVE THE RIGHT OF ANY PARTY TO A REFERENCE PROCEEDING PURSUANT TO THIS GUARANTY.

3. UPON THE WRITTEN REQUEST OF ANY PARTY, THE PARTIES SHALL SELECT A SINGLE REFEREE, WHO SHALL BE A RETIRED JUDGE OR JUSTICE. IF THE PARTIES DO NOT AGREE UPON A REFEREE WITHIN TEN (10) DAYS OF SUCH WRITTEN REQUEST, THEN, ANY PARTY MAY REQUEST THE COURT TO APPOINT A REFEREE PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 640(B).

4. ALL PROCEEDINGS AND HEARINGS CONDUCTED BEFORE THE REFEREE, EXCEPT FOR TRIAL, SHALL BE CONDUCTED WITHOUT A COURT REPORTER, EXCEPT WHEN ANY PARTY SO REQUESTS, A COURT REPORTER WILL BE USED AND THE REFEREE WILL BE PROVIDED A COURTESY COPY OF THE TRANSCRIPT. THE PARTY MAKING SUCH REQUEST SHALL HAVE THE OBLIGATION TO ARRANGE FOR AND PAY COSTS OF THE COURT REPORTER, PROVIDED THAT SUCH COSTS, ALONG WITH THE REFEREE'S FEES, SHALL ULTIMATELY BE BORNE BY THE PARTY WHO DOES NOT PREVAIL, AS DETERMINED BY THE REFEREE.

5. THE REFEREE MAY REQUIRE ONE OR MORE PREHEARING CONFERENCES. THE PARTIES HERETO SHALL BE ENTITLED TO DISCOVERY, AND THE REFEREE SHALL OVERSEE DISCOVERY IN ACCORDANCE WITH THE RULES OF DISCOVERY, AND MAY ENFORCE ALL DISCOVERY ORDERS IN THE SAME MANNER AS ANY TRIAL COURT JUDGE IN PROCEEDINGS AT LAW IN THE STATE OF CALIFORNIA. THE REFEREE SHALL APPLY THE RULES OF EVIDENCE APPLICABLE TO PROCEEDINGS AT LAW IN THE STATE OF CALIFORNIA AND SHALL DETERMINE ALL ISSUES IN ACCORDANCE WITH APPLICABLE STATE AND FEDERAL LAW. THE REFEREE SHALL BE EMPOWERED TO ENTER EQUITABLE AS WELL AS LEGAL RELIEF AND RULE ON ANY MOTION WHICH WOULD BE AUTHORIZED IN A TRIAL, INCLUDING, WITHOUT LIMITATION, MOTIONS FOR DEFAULT JUDGMENT OR SUMMARY JUDGMENT. THE REFEREE SHALL REPORT HIS DECISION, WHICH REPORT SHALL ALSO INCLUDE FINDINGS OF FACT AND CONCLUSIONS OF LAW.

6. THE PARTIES RECOGNIZE AND AGREE THAT ALL CLAIMS RESOLVED IN A GENERAL REFERENCE PROCEEDING PURSUANT HERETO WILL BE DECIDED BY A REFEREE AND NOT BY A JURY.

44. CONFIDENTIALITY. Borrower shall not make, publish or otherwise disseminate in any manner a copy of this Agreement or any public statement or description of the terms of this Agreement, except to its employees, advisors and similar persons who have a legitimate need to know its contents.

45. ENTIRE AGREEMENT. The accompanying Business Loan and Security Agreement Supplement and the Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits) and any other documents required by Lender now or in the future in connection with this Agreement and Borrower's Loan are hereby incorporated into and made a part of this Agreement. This Agreement is the entire agreement of the parties with respect to the subject matter hereof and supersedes any prior written or verbal communications or instruments relating thereto.

46. COUNTERPARTS; ELECTRONIC SIGNATURES. This Agreement may be executed in one or more counterparts, each of which counterparts shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. For purposes of the execution of this Agreement, signatures delivered by electronic or fax transmission shall be treated in all respects as original signatures.

47. CUSTOMER SERVICE CONTACT INFORMATION. If you have questions or comments about your Loan, you may contact us by (i) e-mail at INFO@ACHCAPITAL.COM, (ii) telephone at 212 671-1781 or (iii) mail 159 West Broadway #200-PMB170, Salt Lake City, UT 84101, Attn: Customer Service.

48. GRANT OF LICENSE TO USE IWORKFORCE PLATFORM. Subject to Borrower's compliance with this Agreement and the Terms of Use for the IWorkforce Platform, Lender grants Borrower a nonexclusive, revocable, non-transferable, non-sublicenseable, limited right and royalty-free license to use the IWorkforce Platform, effective solely during the term of the Loan and so long as an Event of Default has not occurred. The license granted to Borrower is personal, and no rights hereunder may be transferred by Borrower without the express written approval of Lender. Lender may terminate the license granted hereunder without notice at any time after an Event of Default has occurred.

49. PERSONAL GUARANTY. Each Guarantor, jointly and severally (if more than one), absolutely and unconditionally guarantee the prompt payment to Lender, including its successors and assignees, of any and all Obligations incurred by the Borrower pursuant to the Agreement (this "Personal Guaranty"). Each Guarantor further agrees to repay the Obligations on demand, without requiring Lender first to enforce payment against Borrower. This is a guarantee of payment and not of collection. This is an absolute, unconditional, primary, and continuing obligation and will remain in full force and effect until the first to occur of the following: (a) all of the Obligations have been indefeasibly paid in full, and Lender has terminated this Personal Guaranty, or (b) 30 days after the date on which written notice of revocation is actually received and accepted by Lender. No revocation will affect: (i) the then existing liabilities of the revoking Guarantor under this Personal Guaranty; (ii) Obligations created, contracted, assumed, acquired or incurred prior to the effective date of such revocation; (iii) Obligations created, contracted, assumed, acquired or incurred after the effective date of such revocation pursuant to any agreement entered into or commitment obtained prior to the effective date of such revocation; or (iv) any Obligations then or thereafter arising under the agreements or instruments then in effect and then evidencing the Obligations. Each Guarantor represents and

warrants that (i) it is a legal resident of the United States of America and (ii) neither Borrower, nor itself individually as Guarantor, intends to file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within 6 months of the date hereof. Each Guarantor waives all notices to which the Guarantor might otherwise be entitled by law, and also waives all defenses, legal or equitable, otherwise available to the Guarantor. This Personal Guaranty shall be construed in accordance with the laws of the Commonwealth of Utah, and shall inure to the benefit of Lender, its successors and assigns. To the extent not prohibited by applicable law, each of the undersigned Guarantors waives its right to a trial by jury of any claim or cause of action based upon, arising out of or related to this guaranty, the Agreement and all other documentation evidencing the Obligations, in any legal action or proceeding. Subject to Section 33 above, any such claim or cause of action shall be tried by court sitting without a jury.

50. CERTIFICATION AND SIGNATURES. By executing this Agreement or authorizing the person signing or affirming below to execute on its behalf, Borrower certifies that Borrower has received a copy of this Agreement and that Borrower has read, understood and agreed to be bound by its terms. Each person signing or affirming below certifies that each person is signing on behalf of the Borrower and/or in the capacity indicated below the signer's name (and if Borrower is a sole proprietorship, in the capacity of the owner of such sole proprietorship) and that such signer is authorized to execute this Agreement on behalf of or the in stated relation to Borrower.

Use of Proceeds Certification

As referred to in Section 4, by signing or affirming below, the Borrower certifies, acknowledges and understands that the proceeds from the requested Loan will be used solely for purchasing or acquiring specific products or services, for the following purposes only:

- specified merchandise
- insurance (but not self insurance programs)
- services or equipment
- inventory or other specified goods
- loans to finance specified sales transactions
- public works projects or educational services (e.g., training)

51. GUARANTOR WAIVERS. The following waivers apply to any personal guarantor or corporate co-debtor, which shall guaranty the debt of each other co-debtor: (a) Guarantor hereby waives all rights and defenses that Guarantor may have because the Borrower's debt is secured by real property. This means, among other things: (i) Lender may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by the Borrower; (ii) If Lender forecloses on any real property collateral pledged by the Borrower:

(A) The amount of the debt may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price.

(B) Lender may collect from Guarantor even if Lender, by foreclosing on the real property collateral, has destroyed any right Guarantor may have to collect from Borrower. This is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have because the Borrower's debt is secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure.

(b) Guarantor hereby waives all rights and defenses arising out of an election of remedies by Lender, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantor's rights of subrogation and reimbursement against Borrower by the operation of Section 580d of the California Code of Civil Procedure or otherwise.

(c) Without limiting the generality of the foregoing, Guarantor hereby expressly: (i) waives any and all rights of subrogation, reimbursement, indemnification and contribution and any other rights and or defenses that are or may become available to Guarantor by reason of Sections 2787 to 2855, inclusive, of the California Civil Code; (ii) waives any rights or defenses Guarantor may have in respect of its obligations as a guarantor by reason of any election of remedies by Lender;

(iii) waives any rights or defenses Guarantor may have in because the Borrower's note or other obligation is secured by real property or an estate for years, including, but limited to, any rights or defenses based upon, directly or indirectly, the application of Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure to the Borrower's note or other obligation; (iv) waives any and all, rights, defenses and/or benefits which might otherwise be available to it under California Civil Code Sections 2809, 2810, 2819, 2839, 2845 and 3433; and (v) California Code of Civil Procedure Sections 580a, 580b, 580d and 726, or any similar statutes of other states.

(d) Guarantor agrees that Lender may do any of the following without affecting the enforceability of the guaranty given by Guarantor or the other loan documents: (i) take or release additional security for any obligation in connection with the loan documents; (ii) discharge or release (by judicial or nonjudicial foreclosure, acceptance of a deed in lieu of foreclosure or otherwise) any person or persons liable under the loan documents; (iii) accept or make compositions or other arrangements or file or refrain from filing a claim in any bankruptcy proceeding of Borrower, any guarantor of Borrower's obligations under the loan documents or any pledgor of collateral for any person's obligations to Lender; and (iv) credit payments in such other pledgor of collateral for any person's obligations to Lender or any other person in connection with the Loan.

(e) Guarantor acknowledges that it has had an opportunity to review the loan documents. Guarantor agrees to keep itself informed of all material aspects of the financial condition of Borrower and of the performance of Borrower to Lender and agrees that Lender has no duty to disclose to Guarantor any information pertaining to Borrower or any security for the obligations of the Borrower under the loan documents.

(f) During the continuance of an Event of Default, Lender may elect to foreclose nonjudicially the lien of the deed of trust and, if such right has arisen, to also exercise its rights under this Guaranty. Guarantor acknowledges that its right to seek reimbursement from Borrower for any amounts paid by it to Lender under this Guaranty will be eliminated if Lender elects to so foreclose the lien of the deed of trust in accordance with such Deed of Trust. Nevertheless, Guarantor waives any such right to reimbursement and agrees that a nonjudicial foreclosure by Lender of the deed of trust will not affect the enforceability of the loan documents on Guarantor. In order to further effectuate such waiver, Guarantor hereby agrees that it waives all rights and defenses arising out of an election of remedies by Lender, even though that election of remedies, such as a nonjudicial foreclosure of the lien of the deed of trust, has destroyed its rights of subrogation and reimbursement against Borrower by the operation of Section 580d of the Code of Civil Procedure or otherwise.

(g) Guarantor agrees that Lender's right to enforce this Guaranty is absolute and is not contingent upon the validity or enforceability of any of the loan documents against Borrower or any other person. Guarantor waives all benefits and defenses it may have under California Civil Code Section 2810 and agrees that Lender's rights under this Guaranty shall be enforceable even if Borrower or had no liability at the time of execution of the loan documents or later ceases to be liable.

(h) Guarantor waives all benefits and defenses it may have under California Civil Code Section 2809 and agrees that Lender's rights under the loan documents will remain enforceable even if the amount secured by the loan documents is larger in amount and more burdensome than that for which Borrower is responsible. The enforceability of the Guaranty against Guarantor shall continue until all sums due under the loan documents have been paid in full and shall not be limited or affected in any way by any impairment or any diminution or loss of value of any security or collateral for Borrower's obligations under the loan documents, from whatever cause, the failure of any security interest in any such security or collateral or any disability or other defense of Borrower or any guarantor of Borrower's obligations under the loan documents, any Guarantor are not due and owing or have been paid in full or (y) all sums payable under the loan documents have been indefeasibly paid in full;

(i) Guarantor waives all benefits and defenses it may have under California Civil Code Sections 2845, 2849 and 2850, including, without limitation, the right to require Lender to (i) proceed against Borrower, any guarantor of Borrower's obligations under the loan documents, any other pledgor of collateral for any person's obligations to Lender or any other person in connection with the Loan, (ii) proceed against or exhaust any other security or collateral that Lender may hold, or (iii) pursue any other right or remedy for Borrower's benefit, and agree that Lender may exercise its rights under this Guaranty or may foreclose against any real property securing the Loan without taking any action against Borrower, any guarantor of Borrower's obligations under the loan documents, any pledgor of collateral for any person's obligations to Lender or any other person in connection with the Loan, and without proceeding against or exhausting any security or collateral Lender holds.

(j) Guarantor waives any rights or benefits it may have by reason of California Code of Civil Procedure Section 580a, or other applicable law, which could limit the amount which Lender could recover in a foreclosure of any collateral securing the Loan to the difference between the amount owing under the loan documents and the fair value of such collateral or interests sold at a nonjudicial foreclosure sale or sales of any other real property held by Lender as security for the obligations of Borrower under the loan documents.

(k) Guarantor, as a guarantor or surety, waives diligence and all demands, protests, presentments and notices of protest, dishonor, nonpayment and acceptance of the loan documents.

(l) This Guaranty shall be effective as a waiver of, and Guarantor hereby expressly waives:

(i) any and all rights to which Guarantor may otherwise have been entitled under any suretyship laws in effect from time to time, including any right or privilege, whether existing under statute, at law or in equity, to require Lender to take prior recourse or proceedings against any collateral, security or person whatsoever;

(ii) any rights of sovereign immunity and any other similar and/or related rights;

(iii) any defenses generally available to guarantors under the laws of the State of California or otherwise;

(iv) any defense based upon any legal disability or other defense of Borrower or any guarantor of Borrower's obligations or by reason of the cessation or limitation of the liability of Borrower from any cause other than that (x) the obligations guaranteed by

(v) any defense based upon any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Borrower or any principal of Borrower or any defect in the formation of Borrower or any principal of Borrower;

(vi) any defense based upon the application by Borrower of the proceeds of the Loan for purposes other than the purposes represented by Borrower to Lender or intended or understood by Lender or Guarantor;

(vii) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in any other respects more burdensome than that of a principal;

(viii) any defense based upon Lender's election, in any proceeding instituted under the United States Bankruptcy Code, of the application of Section 1111(b)(2) of the United States Bankruptcy Code or any successor statute;

(ix) any defense based upon any borrowing or any grant of a security interest under Section 364 of the United States Bankruptcy Code;

(x) the benefit of any statute of limitations affecting the liability of Guarantor hereunder or the enforcement hereof, including, without limitation, any rights arising under Section 359.5 of the California Code of Civil Procedure. Guarantor agrees that the payment of all sums payable under the loan documents or any part thereof or other act which tolls any statute of limitations applicable to the loan documents shall similarly operate to toll the statute of limitations applicable to Guarantor's liability hereunder. Without limiting the generality of the foregoing or any other provision hereof, Guarantor expressly waives for the benefit of Lender to the extent permitted by law any and all rights and defenses which might otherwise be available to Guarantor under California Civil Code Sections 2899 and 3433 or any similar law of California or of any other state or of the United States.

(m) Guarantor hereby also waives (i) any defense based upon Lender's failure to disclose to Guarantor any information concerning Borrower's financial condition or any other circumstances bearing on Borrower's ability to pay all sums payable under the loan documents; (ii) any right of subrogation, any right to enforce any remedy which Lender may have against Borrower and any right to participate in, or benefit from, any security for the loan documents now or hereafter held by Lender; and (iii) presentment, demand, protest and notice of any kind.

Guarantor agrees that the payment of all sums payable under the loan documents or any part thereof or other act which tolls any statute of limitations applicable to the loan documents shall similarly operate to toll the statute of limitations applicable to Guarantor's liability hereunder. Without limiting the generality of the foregoing or any other provision hereof, Guarantor expressly waives to the extent permitted by law any and all rights and defenses which might otherwise be available to Guarantor under California Civil Code Sections 2787 to 2855 inclusive (subject to Section 1.9 of this Guaranty) and Chapter 2 of Title 14, 2899 and 3433 and under California Code of Civil Procedure Sections 580a, 580b, 580d and 726, or any of such sections.

(n) Guarantor agrees that it is bound to the payment of all guaranteed obligations, whether now existing or hereafter accruing as fully as if such guaranteed obligations were directly owing to Lender by Guarantor. Guarantor further waives any defense arising by reason of any disability or other defense (other than that (x) the guaranteed obligations are not due and owing or have been paid in full or (y) all sums payable under the loan documents have been indefeasibly paid in full) of Guarantor or by reason of the cessation from any cause whatsoever of the liability of Guarantor in respect thereof.

(o) Guarantor hereby also waives (i) any rights to assert against Lender any defense (legal or equitable), set off, counterclaim, or claim which Guarantor may now or at any time hereafter have against Guarantor or any other party liable to Lender; (ii) any defense, set off, counterclaim, or claim, of any kind or nature, arising directly or indirectly from the present or future lack of perfection, sufficiency, validity, or enforceability of the guaranteed obligations or any security therefor; and (iii) any defense Guarantor has to performance hereunder, and any right Guarantor has to be exonerated, provided by Sections 2819, 2821, 2822, 2825, 2839 or 2853 of the California Civil Code, or otherwise, including, without limitation, arising by reason of: any claim or defense based upon an election of remedies by Lender; the impairment or suspension of Lender's rights or remedies against Guarantor; the alteration by Lender of the guaranteed obligations; any discharge of Guarantor's obligations to Lender by operation of law as a result of Lender's intervention or omission; or the acceptance by Lender of anything in partial satisfaction of the guaranteed obligations. Guarantor acknowledges and agrees that, as a result of the foregoing sentence, Guarantor is knowingly waiving in advance a complete or partial defense to this Guaranty arising under California Code of Civil Procedure Sections 580d or 580a and based upon Lender's election to conduct a private non-judicial foreclosure sale.

(p) This Guaranty is intended to be cumulative of any rights of Lender under California Code of Civil Procedure Sections 564, 726.5 and 736 and under California Civil Code Section 2929.5. Guarantor hereby waives any restrictions or limitations which such statutes may imposed on the liability of Guarantor or Lender's rights or remedies under this Guaranty.

(n) Guarantor agrees that it is bound to the payment of all guaranteed obligations, whether now existing or hereafter accruing as fully as if such guaranteed obligations were directly owing to Lender by Guarantor. Guarantor further waives any defense arising by reason of any disability or other defense (other than that (x) the guaranteed obligations are not due and owing or have been paid in full or (y) all sums payable under the loan documents have been indefeasibly paid in full) of Guarantor or by reason of the cessation from any cause whatsoever of the liability of Guarantor in respect thereof.

(o) Guarantor hereby also waives (i) any rights to assert against Lender any defense (legal or equitable), set off, counterclaim, or claim which Guarantor may now or at any time hereafter have against Guarantor or any other party liable to Lender; (ii) any defense, set off, counterclaim, or claim, of any kind or nature, arising directly or indirectly from the present or future lack of perfection, sufficiency, validity, or enforceability of the guaranteed obligations or any security therefor; and (iii) any defense Guarantor has to performance hereunder, and any right Guarantor has to be exonerated, provided by Sections 2819, 2821, 2822, 2825, 2839 or 2853 of the California Civil Code, or otherwise, including, without limitation, arising by reason of: any claim or defense based upon an election of remedies by Lender; the impairment or suspension of Lender's rights or remedies against Guarantor; the alteration by Lender of the guaranteed obligations; any discharge of Guarantor's obligations to Lender by operation of law as a result of Lender's intervention or omission; or the acceptance by Lender of anything in partial satisfaction of the guaranteed obligations. Guarantor acknowledges and agrees that, as a result of the foregoing sentence, Guarantor is knowingly waiving in advance a complete or partial defense to this Guaranty arising under California Code of Civil Procedure Sections 580d or 580a and based upon Lender's election to conduct a private non-judicial foreclosure sale.

(p) This Guaranty is intended to be cumulative of any rights of Lender under California Code of Civil Procedure Sections 564, 726.5 and 736 and under California Civil Code Section 2929.5. Guarantor hereby waives any restrictions or limitations which such statutes may imposed on the liability of Guarantor or Lender's rights or remedies under this Guaranty.

This Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits) is part of (and incorporated by reference into) the Business Loan and Security Agreement. Borrower should keep this important legal document for Borrower's records.

DISBURSMENT OF LOAN PROCEEDS. By executing this Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits), Borrower authorizes Lender to disburse the Loan proceeds less the amount of any applicable fees upon Loan approval by initiating an ACH credit, wire transfer or similar means to the checking account indicated herein (or a substitute checking account Borrower later identifies and is acceptable to Lender) (hereinafter referred to as the "Designated Checking Account") in the disbursement amount set forth in the accompanying Business Loan and Security Agreement Supplement. This authorization is to remain in full force and effect until Lender has received written notification from Borrower of its termination in such time and in such manner as to afford Lender and Borrower's depository bank a reasonable opportunity to act on it. Borrower represents that Borrower is the owner of the Designated Checking Account.

AUTOMATIC PAYMENT PLAN. Enrollment in Lender's Automatic Payment Plan is required for Loan approval. By executing this Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits), Borrower agrees to, and hereby, enrolls in the Automatic Payment Plan and authorizes Lender to collect payments required under the terms of Borrower's Business Loan and Security Agreement by initiating ACH debit entries to the Designated Checking Account in the amounts and on the dates provided in the payment schedule set forth in the accompanying Business Loan and Security Agreement Supplement. Borrower authorizes Lender to increase the amount of any scheduled ACH debit entry or assess multiple ACH debits for the amount of any previously scheduled payment(s) that was not paid as provided in the payment schedule and any unpaid Fees. This authorization is to remain in full force and effect until Lender has received written notification from Borrower of its termination in such time and in such manner as to afford Lender and Borrower's depository bank a reasonable opportunity to act on it. Lender may suspend or terminate Borrower's enrollment in the Automatic Payment Plan immediately if Borrower fails to keep Borrower's designated checking account in good standing or if there are insufficient funds in Borrower's checking account to process any payment (or if Lender is otherwise unable to collect any amounts by ACH debit owed to Lender under the Loan or under any other loan or extension of credit by Lender to Borrower). **If Borrower revokes the authorization or Lender suspends or terminates Borrower's enrollment in the Automatic Payment Plan, Borrower still will be responsible for making timely payments pursuant to the alternative payment methods described in the Business Loan and Security Agreement.**

Provisional Payment. Credit given by us to you with respect to an automated clearing house ("ACH") credit entry is provisional until

we receive final settlement for such entry through a Federal Reserve Bank. If we do not receive such final settlement, you are hereby notified and agree that we are entitled to a refund of the amount credited to you in connection with such entry, and the party making to you via such entry (i.e. the originator of the entry) shall not be deemed to have paid you in the amount of such entry.

Notice of Receipt of Entry. Under the operating rules of the National Automated Clearing House Association, which are applicable to ACH transactions involving your account, we are not required to give next day notice to you of receipt of an ACH item and we will not do so. However, we will continue to notify you of the receipt of payments in the periodic statement we provide to you.

BUSINESS PURPOSE ACCOUNT. By executing this Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits), Borrower attests that the Designated Checking Account was established for business purposes and not primarily for personal, family or household purposes.

ACCOUNT CHANGES. Borrower agrees to promptly notify Lender in writing if there are any changes to the account and routing numbers of the Designated Checking Account.

MISCELLANEOUS. Lender is not responsible for any fees charged by Borrower's bank as the result of credits or debits initiated under this agreement. The origination of ACH transactions to Borrower's account must comply with the provisions of U.S. law. Borrower agrees to be bound by NACHA rules of the Electronic Payments Association. Borrower agrees to provide to Lender at all times, "Live Contemporaneous Access" to all of its bank accounts in order for Lender to evaluate Borrower's compliance with the Agreement, and for collections in the Event of Default ("Borrower's Accounts"). "Live Contemporaneous Access" shall be defined as: Borrower, at all times and including but not limited to, providing Lender with accurate login information necessary to access all of Borrower's Accounts, such as usernames and passwords, answers to challenge questions, and security tokens. Borrower shall provide notice to Lender in the event Borrower makes any changes to the Designated Checking Account, including in the event Borrower closes the Designated Checking Account.

Signature Page

I hereby, as a duly authorized agent of Borrower, and in my professional capacity as Corporate Guarantor, affirm that I have read and understand the terms and conditions of, consent to, and agree to be bound by, the Business Loan and Security Agreement (inclusive of the Guaranty therein), the accompanying Business Loan and Security Agreement Supplement, and the accompanying Authorization Agreement for Direct Deposit (ACH Credits) and Direct Payments (ACH Debits).

Corporate Guarantor #1: /s/ Richard Wheelless III (Signature) Borrower: By: /s/ Richard Wheelless III (Signature)

Acting in capacity as CEO to WEB TO DOOR TRUCKING CORP. : acting in capacity as CEO to WEB TO DOOR TRUCKING CORP. :

Date: RICHARD C WHEELLESS III 10/3/2022 Name: RICHARD C WHEELLESS III Date: 10/3/2022

Corporate Guarantor #2: /s/ Richard Wheelless III (Signature) By: /s/ Richard Wheelless III (Signature)

Name: Date: 10/3/2022 Name: Date: 10/3/2022

Corporate Guarantor #3: (Signature) Name: Name:

Date: Date:

For Lender's Use Only: This Agreement has been received and accepted by Lender in Utah after being signed by Borrower and any Guarantor(s).

By: (Signature)

(Name)

Date:

INDEPENDENT SERVICE PROVIDER AGREEMENT

This Independent Service Provider Agreement ("Agreement") is entered into effective as of 06/04/2022 ("Effective Date") between FedEx Ground Package System, Inc. ("FXG") and the party identified below ("Independent Service Provider" or "ISP"). FXG and the identified Independent Service Provider may be referred to in this Agreement individually as a "Party" and collectively as the "Parties."

Independent Service Provider: PARCELPAL LOGISTICS USA, INC. ("PLU")

THE PARTIES HAVE READ AND UNDERSTAND THE PROVISIONS OF THIS AGREEMENT AND HAVE HAD SUFFICIENT TIME AND OPPORTUNITY TO CONSULT WITH FINANCIAL, TAX AND LEGAL ADVISORS PRIOR TO EXECUTING THE DOCUMENT. EACH SIGNATORY BELOW WARRANTS THAT HE OR SHE HAS AUTHORITY TO EXECUTE THIS AGREEMENT ON BEHALF OF AND TO LEGALLY BIND THE PARTY FOR WHOM EACH HAS SIGNED.

This document has been signed electronically on 05/16/2022 at 10:26:57 AM by 8792749 - RICHARD CLIFFORD WHEELLESS for PARCELPAL LOGISTICS USA, INC. and by 1571813 - Salvador Guevara for FXG, and the electronic signatures shall for all purposes be considered equal to manual signatures, as set forth in the Electronic Signatures in Global and National Commerce Act, the Uniform Electronic Transactions Act, and applicable state statutes.

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1. OBJECTIVES, INTENT, AND COMPLIANCE WITH LAW

1.1 **Objectives.** The Parties have entered into this Agreement to achieve the following objectives:

- (A) FXG operates an information and distribution network throughout the United States and Canada and desires to contract with independent businesses to facilitate the physical package pickup and delivery services it offers to its customers.
- (B) FXG makes an ongoing and continuous investment into brand awareness, through marketing and brand protection; obtaining and maintaining customer accounts; technology to meet market demands and industry and consumer expectations; and attracting and contracting with corporate business entities that provide package pickup and delivery services.
- (C) PLU is a corporate business entity that provides package pickup and delivery services with its own vehicles and its own employees. PLU agrees that, in addition to the services it provides to FXG under this Agreement, it is free to or not to, separately contract with and provide services to other customers.
- (D) PLU desires the advantage of contracting with FXG to gain access to national accounts and the additional revenue that access provides. PLU understands that this Agreement is between only it and FXG and not with any other company or person.
- (E) The Parties desire to meet the expectations and demands of customers, which include both shippers and recipients ("Customers"), by providing superior customer service and maintaining favorable brand identity. The Parties agree that PLU retains exclusive authority to determine the best means to meet such Customer expectations and demands, including complete discretion over and responsibility for delivery work area configuration, route design, delivery sequence, type and number of equipment, and staffing and personnel decisions, consistent with the terms of this Agreement.
- (F) The Parties desire to comply with the United States Department of Transportation ("DOT") Leasing Regulations at 49 CFR 376 and all applicable laws relating to FXG's status as a duly licensed motor carrier.
- (G) The Parties acknowledge that safety, PLU's provision of the Services and Service Results, as defined herein, and service continuity are fundamental to this Agreement, and the Parties agree that this Agreement shall be performed and interpreted accordingly.
- (H) PLU agrees that changing customer expectations and competitive market demands are better met by a Contracted Service Area ("CSA") that covers all Business Segments and/or services within a single geographic boundary.

To achieve this objective, the Parties agree to cooperate in good faith with each other, and with other ISPs, by, among other things, exchanging information; redefining CSAs; transferring service area; and/or modifying the Expiration Date or Termination Date of this Agreement.

PLU further agrees that FXG may, after conferring with PLU and providing advance notice that is reasonable under the circumstances, redefine the CSA to achieve the objective above, provided that PLU shall first have an opportunity to propose partial assignment(s) of the CSA to achieve the objective above and provided further that FXG shall undertake a good faith effort to ensure that a redefined CSA is reasonably comparable in terms of stops, geographic proximity (in relation to the FXG Station or point(s) at which packages are tendered), and projected net contract revenue.

1.2 Contractual Relationship Between the Parties. The Parties intend to create by this Agreement a business to business relationship and not one of employment. The Parties further agree that neither Party is, nor will be represented, alleged, or deemed to be a legal representative, joint venturer, joint employer, franchisor, franchisee, dealership, distributorship or legal partner of the other Party for any purpose. As a corporate entity and employer, and consistent with the terms of this Agreement, PLU has the sole right and obligation to supervise, manage, direct, procure, perform or cause to be performed, all "Contracted Services" (defined in Attachment A-2 to Schedule A) to be provided by PLU under this Agreement, and to ensure that the "Contracted Service Results" (defined in Attachment A-2 to Schedule A) are obtained. No officer, agent or employee of FXG has authority to hire, train, discipline, or terminate PLU's "Personnel" (defined in Section 6.2), nor to set their compensation, payment, work schedules and times, assignments, or other essential terms and conditions of employment, nor to supervise the methods, manner or means employed by PLU or its Personnel in providing the Contracted Services. The Parties acknowledge their respective obligations to comply with Applicable Law, as defined below, governing the operation of businesses picking up, transporting and delivering packages and agree that neither Party shall allege that such compliance results in either Party exerting control over the other Party's business, business decisions, or Personnel.

1.3 Compliance with Applicable Law. The Parties acknowledge and agree to abide by all applicable federal, state, and local laws, regulations and rules (hereinafter referred to as "Applicable Law"). As used in this Agreement, "Applicable Law" means and includes the common law and judicial decisions and all statutes, laws, rules, regulations, ordinances, executive orders, policies and procedures established by any governmental authority with jurisdiction over a Party to this Agreement in effect on or after the Effective Date. By way of illustration and without limitation, Applicable Law includes those governing the following subjects: operation of businesses picking up, transporting and delivering packages; licensing and operation of vehicles; traffic laws pertaining to vehicle operators; business formation, reporting, recordkeeping, operation, and licensing requirements; hazardous waste and materials; occupational safety and health hazards; consumer protection; privacy; trade regulation; workers compensation insurance; unemployment insurance; withholding and payment of federal, state, and local income taxes and social security taxes; governmental requirements; anti-terrorism; anti-bribery and corruption; employment practices; and anti-discrimination as well as any other obligations posted on *MyGroundBizAccount* and incorporated into this Agreement through Schedule H.

2. TERM

The "Term" of this Agreement, as negotiated by the Parties, will commence on 06/04/2022 and will continue through 08/18/2023 ("Expiration Date"), unless terminated earlier or extended under Section 15 of this Agreement.

3. CONTRACTED SERVICE AREA, SERVICES, AND SERVICE RESULTS

The geographical area PLU has agreed to service ("Contracted Service Area" or "CSA"), the services PLU has agreed to provide ("Contracted Services" or "Services") and the results PLU has agreed to achieve ("Contracted Service Results") are contractually defined and set forth in Schedule A of this Agreement, including its attachments.

4. NEGOTIATED CHARGES

The "Negotiated Charges" FXG has agreed to pay PLU for the Services PLU provides are defined and set forth in Schedule C of this Agreement, including its attachments.

5. CHARGEBACKS AND ADJUSTMENTS

With respect to any "Payment of Charges" by FXG to PLU as set forth in Schedule C and its Attachments, the Parties agree that FXG may charge back to such Payment of Charges any garnishments, levies or attachments on the earnings or assets of PLU's business, or other adjustments which FXG is required to make by Applicable Law, and any adjustment which PLU consents to in writing at the time the adjustment is made, and any chargeback that PLU has authorized.

6. ISP AS A CORPORATE ENTITY AND EMPLOYER

6.1 Registration as Corporate Entity and Employer. PLU represents and warrants that it is a corporation (and not some other form of business, such as a limited liability partnership ("LLP"), limited liability company ("LLC"), limited liability corporation, association, joint-stock company, joint-stock association, or similar entity), incorporated in UT, and that, as such, it is registered as a corporate business entity in good standing and as an employer in the states in which it does business.

PLU agrees that, throughout the Term of this Agreement, it will maintain its registration as a corporate business entity in good standing and as an employer in the states in which PLU provides Services under this Agreement. Upon request, PLU agrees to provide to FXG, or to FXG's designee, documentation showing that its registrations as a corporate business entity in good standing and as an employer have been made and are being maintained.

6.2 Responsibility for Employer-Related Expenses and Legal Compliance. Subject only to the third-party staffing and subcontracting exceptions under Sections 6.5 and Section 7 respectively, PLU agrees to assign only Personnel, including officers and managers, that PLU ensures are treated as employees of PLU in the provision of Services under this Agreement ("PLU Personnel" or "Personnel"). PLU agrees to:

- (A) bear all expenses associated with the training of its Personnel under Schedule I to this Agreement;
- (B) bear all expenses associated with the employment of such persons, including without limitation, wages, salaries, benefits, employment taxes, unemployment insurance, workers compensation coverage, and government mandated disability insurance, and, at the request of FXG, provide proof that these obligations and all related filings with federal, state and local authorities are being met, including but not limited to, collection and payment of withheld taxes and unemployment taxes, the procurement and maintenance of workers' compensation insurance and the satisfaction of any other obligations required by Applicable Law;
- (C) assume sole responsibility for payroll deductions and maintenance of payroll and employment records, and for compliance with Applicable Law, including without limitation, wage payment, final payment of wages, required withholdings from wages, deductions, overtime, and rest and meal periods, and, at the request of FXG, provide evidence of such compliance;
- (D) employ only persons who are legally authorized to work in the United States, maintain an I-9 employment authorization form, if required, for each person utilized, and, at the request of FXG, provide evidence of such compliance;
- (E) comply with Applicable Law and, at the request of FXG, provide evidence of such compliance; and

- (F) upon advance written notice by FXG that is reasonable in the circumstances, PLU agrees to use a payroll vendor to satisfy its obligations under Sections 6.2 (B), (C) and (E) above. The obligations of this Section 6.2(F) shall become effective upon the date set forth in the advance notice, which date may be modified upon further notice that is reasonable in the circumstances. PLU agrees that the payroll vendor shall be appropriately licensed, accredited and registered in accordance with Applicable Law ("Qualified Payroll Vendor") and provide PLU services and resources that assist in meeting its obligations set forth in Section 6.2 of this Agreement. A listing of Qualified Payroll Vendors will be made available for viewing on *MyGroundBiz* and may be modified by FXG from time to time.

If this obligation materially affects the reasonable costs incurred by PLU in providing Services, then either Party can request adjustment to Charges, and the Parties agree to negotiate in good faith. PLU agrees to perform under the modified terms in the event that the Parties are not able to reach a mutual agreement. In that event, either Party may pursue the available dispute resolution procedures set forth in this Agreement but only with respect to the issue of whether a Party conferred in good faith as that term is defined herein.

- (G) PLU agrees that neither it nor any of its Personnel, including Personnel as described in Section 6.5, are to be treated as, or considered to be, FXG's employees, directly, indirectly, or jointly, for any purpose, nor is PLU or its Personnel entitled to or eligible for any employee benefits from FXG or any FXG- sponsored benefit plans, even if subsequently reclassified as employees of FXG by a court, agency, or other adjudicative body, under common law or otherwise. Upon request by FXG, PLU agrees to submit documentation from PLU or a third- party vendor, as applicable, to FXG, or to FXG's designee, establishing that all Personnel are treated as employees for all payroll, wage and hour, tax, withholding, insurances, and other purposes under Applicable Law, and that any vendor is appropriately licensed, accredited, and registered in accordance with Applicable Law and/or satisfies the provisions of Section 6.5.

To the extent that PLU utilizes the services of a third-party vendor as described in Sections 6.2 and/or 6.5, PLU agrees to indemnify, defend and hold harmless FXG and its affiliates and their respective officers, directors, employees, agents, successors and assigns from and against any and all losses and threatened losses resulting from, arising out of, in connection with, or based on allegations whenever made, of any claims (including fines and penalties) relating to the failure (whether by act or omission) of PLU, the vendor, or any of its employees, agents, or subcontractors to comply with Applicable Law.

PLU agrees that an unreasonable failure to produce requested documentation as provided in Sections 6.2 and 6.5 shall constitute a material breach of this Agreement. The Parties agree that this paragraph and the representations set forth in Sections 6.2 and 6.5 shall survive the expiration of this Agreement. The Parties further agree that any obligation created by this Agreement, or any amendment hereto, shall apply to all Personnel, including Personnel provisioned by a third-party.

6.3 Identification of Authorized Officer and Business Contact. PLU agrees to identify from its Personnel an "Authorized Officer" of PLU to deal with FXG on PLU's behalf. PLU agrees that the Authorized Officer is empowered to make binding decisions on behalf of PLU related to modification to the terms of this Agreement, including modifications to the Negotiated Charges agreed to in Schedule C and its Attachments, Termination of this Agreement pursuant to Section 15, Assignment of this Agreement pursuant to Section 17, and modifications to the Contracted Service Area defined in Attachment A-1 to Schedule A of this Agreement.

PLU agrees that it will identify from its Personnel a "Business Contact" for each FXG Station(s) PLU provides services for purposes of administering day-to-day operations under this Agreement, including business results and decisions related to Personnel.

Unless PLU specifies otherwise in writing, PLU agrees that its Authorized Officer will be PLU's Business Contact. PLU agrees that its Business Contact(s) will not also serve as the Business Contact(s) for any other Independent Service Provider under an Independent Service Provider Agreement with FXG. PLU further agrees to make its Business Contact(s) available at mutually convenient times and locations for the purposes of dealing with FXG on matters within the Business Contact's purview.

PLU may change its Authorized Officer and Business Contact designations at any time and agrees to provide FXG with written notice of any such change together with appropriate corporate authorization for a change in PLU's Authorized Officer. FXG designates the Senior Manager of the FXG Station named in Attachment A-1 to Schedule A, or in the event of the Senior Manager's unavailability, his/her designee as its Business Contact for purposes of administering this Agreement, including day-to-day operational dealings.

6.4 ISP Personnel. PLU has sole and complete discretion in the staffing, selection, hiring, training, supervision, assignment, hours and days worked, discipline, termination, compensation, benefits, and all other terms and conditions of employment of its Personnel assigned to provide Services under this Agreement, including conditions expressly agreed to in Section 6.4 and Schedule I, consistent with the terms of this Agreement, PLU's obligation to treat its Personnel as its employees and comply with Applicable Law, and to the condition that PLU's Personnel assigned by it to provide Services under this Agreement not be employed by or under contract with a competitor of FXG. FXG agrees that the owners and officers of PLU have no obligations to personally provide the Services contracted for under this Agreement. The Parties further agree that the agreed upon terms for PLU's Personnel assignment set forth in this Agreement are in their mutual interests, as well as the interests of Customers and the public, for safety, security, and legal compliance.

- (A) PLU agrees that it shall not assign to provide Services under this Agreement any Personnel who cause a breach of Sections 5.4 or 5.5 of Attachment A-2 to Schedule A, including without limitation by making a false certification of fact such as forging a recipient's name or signature as proof of delivery or conveying false Package Tracking Information, e.g., by intentionally applying an incorrect Status Code or Commercial Delivery/Residential Delivery designation or intentionally mis-recording a single Stop (defined in Schedule C) as multiple Stops, or falsifying DOT-related or other official documents.
- (B) The Parties agree that all Personnel assigned by PLU to operate a commercial motor vehicle ("CMV") (defined in Schedule I) while providing Services under this Agreement, will meet the "Safety" and "Background" terms set forth in Schedule I.
- (C) The Parties agree that any other Personnel having the occasion to be in a CMV while operating under this Agreement will meet the terms set forth under the "Non-Driving Personnel" and Background Sections in Schedule I.
- (D) PLU agrees to ensure that its Personnel are trained as provided in this Agreement and under Applicable Law.
- (E) PLU agrees to ensure that Personnel assigned by it to operate a CMV while providing Services under this Agreement are trained in and comply with the "Safety" terms set forth in Section 5 of Schedule I.
- (F) If at any time any PLU Personnel assigned by it to operate a CMV while providing Services under this Agreement no longer meet the terms of Schedule I, PLU agrees to not assign such persons to drive in performing Services. If at any time any PLU Personnel do not meet the terms of Sections 6.2(D) or 6.2(E), or can no longer provide services for reasons related to the Background Section in Schedule I, PLU agrees to not assign such persons to provide any Services under this Agreement.

- (G) If a Customer objects to the presence of any PLU Personnel, or if either FXG or PLU has a reasonable basis to believe that any PLU Personnel pose a risk to the safety or security of business operations or persons affected by such operations under this Agreement, PLU agrees to not assign such persons to provide Services under this Agreement until the complaint or incident has been investigated and resolved. PLU further agrees to cooperate with FXG in any related investigations.
- (H) If at any time FXG has a reasonable basis to believe that PLU Personnel present an imminent threat to safety or security and time is of the essence, PLU agrees that such Personnel will cease providing Services immediately and until the matter has been investigated and resolved. PLU further agrees to cooperate with FXG in any related investigations.

6.5 Third-Party Staffing Agency as a Source of Personnel. In the event of significant and temporary volume increases or other exigent needs, PLU may use the services of third-party vendors, including temporary employee arrangements or temporary staffing agencies (but excluding Professional Employer Organizations ("PEOs"), unless agreed by the Parties) as a source for qualified Personnel to provide Services under this Agreement. To the extent PLU uses a third-party vendor for such services, PLU agrees as follows:

- (A) to remain fully and solely responsible to ensure, and to provide documentation from the vendor demonstrating that any such Personnel are treated as employees for all purposes including, without limitation, those enumerated in Section 6.2 (A)-(E) of this Agreement;
- (B) to ensure that any vendors are appropriately licensed, accredited, and registered in accordance with Applicable Law, including that any such vendors are in good standing and registered as an employer in the states in which they operate and/or conduct business, provide workers' compensation coverage and unemployment insurance to Personnel, and comply with payroll, tax, withholding, insurance, and other requirements under Applicable Law;
- (C) to use only vendors that are in the business of providing personnel or temporary staffing, and that are members of and adhere to the standards of the American Staffing Association, or are members of another staffing organization with equivalent standards and the vendor can demonstrate that it adheres to a code of ethics and good practices of the organization, as agreed to by PLU and FXG;
- (D) to not use any vendor that is a party to an Independent Service Provider Agreement or Transportation Service Provider Agreement with FXG; and,
- (E) upon request of FXG, to provide the name of the vendor, proof of registration of the vendor with all required state agencies as applicable, and proof of workers' compensation coverage covering Personnel provided by the vendor.

6.6 Appearance of PLU Personnel.

- (A) **General.** PLU agrees to ensure that Personnel assigned by it to visit Customer premises have an appearance consistent with reasonable Customer expectations and avoid wearing any items that pose a safety hazard. PLU has discretion, subject to Customer requests or complaints and consistent with this Agreement, to ensure that these general appearance terms are met. To ensure the access necessary for Customer service, PLU agrees that PLU Personnel will wear and visibly display an identification badge provided by FXG while providing Services under this Agreement and to ensure that any identification badges provided to PLU Personnel will be returned to FXG when PLU Personnel are no longer providing Services under this Agreement. Additionally, PLU agrees to ensure that PLU Personnel obtain and abide by any government- and/or Customer-mandated badge, identification and clearance requirements.

- (B) **Business Identification Display; Apparel.** Consistent with PLU's status as a corporation, PLU agrees to display the name of its business on apparel worn by its Personnel while providing Services under this Agreement in accordance with identification and display terms posted on *MyGroundBizAccount*, which are incorporated herein by reference.
 - (C) **Optional Apparel Brand Promotion.** The Parties agree that PLU's Personnel need not wear FXG designated apparel when providing the Services, unless PLU has negotiated an Apparel Brand Promotion Charge in Schedule C of this Agreement.
- 6.7 **PLU Personnel as Business Invitees.** In the mutual interests of safety and security, PLU agrees that PLU Personnel will be subject to the same posted standards as other business invitees while on FXG premises and when operating a CMV used by PLU to provide Services, including posted standards prohibiting any form of violence, harassment, or possession of firearms and weapons.

7. SUBCONTRACTING

- 7.1 **Subcontracting Generally.** PLU may subcontract its obligations to provide Services under this Agreement to any Independent Service Provider under an Independent Service Provider Agreement with FXG ("Subcontractor"). The parties further agree that the term subcontracting as used in this Agreement includes any transfer or re-direction of packages under a separate agreement, including when PLU is the named party to both agreements, which transfer or re-direction is both temporary in duration and limited in scope. Notwithstanding anything to the contrary in this Section 7.1, PLU agrees (a) not to directly or indirectly subcontract, assign or otherwise delegate its obligations under this Agreement to any third party that is not providing Services to FXG under an effective Independent Service Provider Agreement with FXG, or another agreement with FXG covering the same subject matter and for the same purpose, unless FXG agrees in advance in writing, and (b) not to subcontract for the purpose of manipulating the amount of charges (defined in Schedule C and Schedule K) or other compensation for services payable under an agreement.
- 7.2 **Responsibility for Subcontractors.** PLU will remain responsible for each Subcontractor's provision of (or failure to provide) the Services as if and to the same extent that such Services are provided by PLU. PLU agrees that FXG will pay the Subcontractor for the work performed in accordance with any agreement FXG has with the Subcontractor.
- 7.3 **Responsibilities as a Subcontractor.** When subcontracting Services or providing Services as a Subcontractor, PLU agrees to ensure that Customers' schedules, expectations and requirements for pickup and delivery are met. If PLU provides Services as a Subcontractor, PLU further agrees to provide the pickup and delivery of packages, together with any accompanying forms or documentation, to the appropriate station in time to meet the original service commitments for the packages and consistent with terms of this Agreement. PLU also agrees that its daily Inbound Local Service will be calculated under Section 5.2 of Attachment A-2 to Schedule A to include the subcontracted Services.

8. LEASED EQUIPMENT

- 8.1 Lease and Use of Equipment.** Pursuant to the DOT regulations at 49 CFR Part 376 ("Leasing Regulations"), PLU agrees to lease to FXG the CMVs listed in Schedule B ("Equipment") and to utilize the Equipment for the provision of the Services. FXG agrees to issue to PLU a "Statement of Lease" showing that the Equipment is leased to FXG. PLU agrees to ensure that the Statement of Lease is carried on the Equipment at all times or maintained otherwise in accordance with Applicable Law. PLU further agrees that the Statement of Lease shall constitute the receipt for the Equipment required by the Leasing Regulations.
- 8.2 Title to and Registration of Equipment.** PLU represents and warrants that PLU has title to or is otherwise authorized to contract the Equipment to FXG, that the Equipment is properly titled and registered, that any charges, fees, taxes and the like in connection with titling and registration have been paid, including any associated with PLU's participation in the International Registration Plan, and that the information in Schedule B is complete and accurate. PLU also certifies that the Equipment meets the requirements of Applicable Law.
- 8.3 Selection, Replacement, Addition and Rental Equipment.** Except as agreed by the Parties, the selection (including number and cargo capacity), replacement and addition of Equipment are within the discretion of PLU, provided that the Equipment (1) consists of tractors, cargo vans, straight trucks or trailers pulled by cargo vans or straight trucks, (2) is white in color with bed heights that are flush with the conveyor walkways or other access to the load/unload positions in the FXG Station, and (3) is of a size that allows for closure of exterior FXG Station doors and maneuverability within the FXG Station. PLU may add or substitute for Equipment on a temporary basis, not to exceed thirty days, provided the Equipment is rented from an entity authorized to lease vehicles in the state or leased to FXG ("Rental Equipment"). PLU agrees to carry the rental agreement on the Rental Equipment at all times and, upon request by FXG, to demonstrate the existence of its rental agreement. PLU agrees that the Rental Equipment will meet all DOT requirements set forth in 49 CFR Part 393 and other safety requirements imposed by Applicable Law.

Upon advance written notice to PLU that is reasonable in the circumstances, PLU agrees to lease to FXG any Rental Equipment listed in a Rental Attachment to Schedule B and to use the Rental Equipment for the provision of Services. Pursuant to Section 8.1, FXG agrees to issue to PLU a Statement of Lease showing that the Rental Equipment is leased to FXG. PLU agrees to ensure that the Statement of Lease is carried on Rental Equipment at all times or otherwise maintained in accordance with Applicable Law. PLU further agrees that the Statement of Lease shall constitute the receipt for the Rental Equipment required by the Leasing Regulations.

8.4 Appearance and Identification of Equipment.

- (A) General.** Subject to Customer requests or complaints and agreement by the Parties, PLU has the discretion to ensure that the Equipment has an appearance consistent with reasonable Customer expectations and be free of extraneous markings. During the operation of the Equipment for the provision of the Services, PLU agrees to mark all Equipment with identification consisting of a designated unit number and other such identifying logos, numbers, marks and insignia as are required under Applicable Law, including 49 CFR Part 390. When Equipment is withdrawn from providing Services, or upon termination of this Agreement, PLU agrees to remove any identification applied pursuant to either this Section 8.4(A) or Section 8.4(B) below, and to remove or mask all such identification while operating the Equipment for any purpose other than providing the Services.
- (B) Business Identification Display; Vehicle.** Consistent with PLU's status as a corporation, PLU agrees to display the name of its business on the Equipment while providing Services under this Agreement in accordance with the identification and display terms posted on *MyGroundBiz*, which are incorporated herein by reference.

- (C) **Optional Vehicle Brand Promotion.** The Parties agree that PLU need not display FXG logos on its vehicles (aside from government-required carrier identification) when providing the Services, unless PLU has negotiated an Optional Vehicle Brand Promotion Charge in Schedule C of this Agreement.

8.5 Equipment Maintenance and Inspection.

- (A) **Equipment Maintenance and Inspection.** Regardless of the size or weight of the Equipment being used by PLU to provide Services under this Agreement, PLU agrees, at PLU's expense, to have the Equipment maintained and inspected in accordance with the standards specified in 49 CFR Parts 393 and 396. This includes ensuring that the annual vehicle inspection required by 49 CFR Part 396 is performed for all Equipment used to provide Services, regardless of its size or weight and that all PLU Personnel assigned by it to operate Equipment used to provide Services under this Agreement are trained to conduct pre-trip and post-trip inspections consistent with USDOT-prescribed requirements for such inspections.
- (B) **Proof of Timely Maintenance and Inspection.** PLU agrees to provide FXG with documentation of timely maintenance and inspection of the Equipment in accordance with the systematic and periodic mandatory vehicle maintenance and inspection regulations required by Applicable Law, including but not limited to 49 CFR Part 396. The Parties agree that the periodic maintenance schedule recommended by the Equipment manufacturer will be deemed to meet the maintenance obligations of this Section 8, absent specific federal, state or municipal regulations to the contrary.
- (C) **Equipment Failing to Meet Regulatory Standards.** In the event an inspection of the Equipment, as authorized by 49 CFR Part 396, reveals that the Equipment is not in compliance with applicable safety regulations, PLU agrees to remove the Equipment from service to FXG until the Equipment is brought into compliance.

8.6 Equipment-Related Operating Expenses.

- (A) **PLU Responsibility for Operating Expenses.** PLU agrees to bear all costs and expenses related to operation of the CMV, whether empty or loaded, including, without limitation, all risks of depreciation, all maintenance (including cleaning and washing), fuel, oil, tires, repairs, business taxes, consumption and sales taxes, personal property taxes, ad valorem taxes, fuel and road-use taxes, ton-mile taxes, insurance coverage as provided herein, detention and accessorial services, licenses, permits, vehicle inspection fees, vehicle registration renewal fees, base plates, and all highway, bridge and ferry tolls. PLU is responsible for and will pay all PLU's expenses related to the loading or unloading of the Equipment or Rental Equipment, unless FXG agrees to perform the loading or unloading of the Equipment or Rental Equipment on any Service Day. PLU acknowledges that the amount of Charges for the anticipated, but not guaranteed, amount of the Services under this Agreement is intended to fairly compensate PLU for all such incurred operating costs, and that PLU is responsible for payment of all its operating costs.
- (B) **PLU Responsibility for Fines.** PLU agrees to pay all fines, including parking and traffic fines and penalties, imposed for violation of Applicable Law or by the DOT where such violation results from the acts or omissions of PLU or Personnel assigned by it to operate a CMV while providing Services under this Agreement. Except when the violation results, in whole or part, from the acts or omissions of PLU or the Personnel assigned by it to operate a CMV while providing Services under this Agreement, FXG will assume the risks and costs of fines for overweight or oversize loads when trailers are preloaded and sealed by FXG, when loads are containerized, when oversized or overweight loads are improperly permitted, or when the trailer or lading is otherwise outside of PLU's control.

(C) **PLU Responsibility for Obtaining Operating Authority.** Without limiting Section 8.6(A), if, at any time during the Term, applicable state regulations require PLU to obtain intrastate operating authority, PLU agrees, at its own expense, to acquire and maintain such operating authority and to cooperate with FXG in altering the arrangements set forth in this Agreement to the extent necessary to ensure compliance by PLU and FXG with any such state regulations, practices and procedures.

8.7 Fuel Tax Reporting for Certain Vehicles. PLU agrees to report and pay any fuel tax liability in connection with operation of the Equipment directly to the states in which PLU operates. In the event FXG is audited in connection with its fuel tax liability to any jurisdiction, PLU agrees upon request to provide to FXG, or to FXG's designee, a copy of any fuel tax returns filed by PLU, together with supporting documentation, that report any fuel consumption in connection with the Services performed by PLU.

8.8 Compliance with Leasing Regulations. The purpose of this Section 8.8 is to conform this Agreement to the Leasing Regulations. As set forth in 49 CFR Part 376.12(c)(4), nothing in the provisions required by 49 CFR Part 376 is intended by the Parties to affect PLU's status as an independent business and its Personnel are not employees of FXG, directly, indirectly or jointly.

(A) **Use by FXG.** In accordance with the Leasing Regulations, 49 CFR Part 376 et seq., the Equipment or Rental Equipment will be for FXG's exclusive possession, control, and use when PLU is providing Services under this Agreement. FXG will assume complete responsibility for the operation of the Equipment for the duration of this Agreement, or Rental Equipment as applicable, as required by 49 CFR Part 376. While the Equipment or Rental Equipment is on FXG premises, PLU agrees that FXG will have access to the cargo areas of the Equipment or Rental Equipment for the purpose of accurately and safely scanning, loading, and unloading packages. Notwithstanding the provisions of this Section 8.8(A), FXG will have no right or authority, without the consent of PLU, to operate the Equipment or Rental Equipment for any purpose.

(B) **Use by PLU.** PLU may, in its sole discretion, use the Equipment or Rental Equipment for other commercial or personal purposes, provided that during such times, PLU removes or covers FXG's DOT number and all logos, marks and insignia identifying FXG, and provided further that such use is in compliance with 49 CFR Part 376.

8.9 Vehicle Mileage Reporting. To ensure the accuracy of any compliance reporting obligations of the Parties or calculation of the Charges payable to PLU which is based in whole or in part on the mileage of PLU vehicle(s), PLU agrees to report actual mileage based on the vehicle's original equipment manufacturer ("OEM") odometer. PLU agrees to provide actual mileage reporting for each day that the Equipment or Rental Equipment is operated by Personnel assigned by PLU to provide services under this Agreement. If the vehicle's odometer is repaired or replaced, or if another device which has been mutually agreed upon by PLU and FXG for reporting mileage is utilized, PLU agrees that such device's accuracy shall be at least equivalent to the vehicle's OEM odometer. PLU agrees to accurately track and report the actual mileage of the Equipment or Rental Equipment incurred while providing Services under this Agreement to FXG.

9. FACILITIES, SCANNERS AND SOFTWARE

- 9.1 **Lease or Purchase from FXG.** PLU will not be required to purchase, lease or rent any products, equipment, or services from FXG as a condition to entering into or complying with this Agreement.
- 9.2 **FXG Software; Scanner Equipment.** PLU agrees to use FXG-provided software, including updates to and new versions of such software that are provided by FXG ("FXG Software"), and two-way, cellular/satellite communications devices and certain associated equipment that FXG has certified as compatible with the FXG Software ("Scanners") to interface with FXG's systems and collect and transmit Package Tracking Information as defined herein. The Parties acknowledge that the collection and transmission of such Package Tracking Information is part of the Services for which Customers pay, and PLU agrees to exclusively use the FXG Software to provide such Services under this Agreement. PLU agrees, at PLU's expense, to acquire and utilize FXG-certified compatible Scanners in sufficient quantity to provide the Services. FXG shall post on *MyGroundBiz* a list of FXG-certified compatible Scanners, which list is incorporated herein by reference. If FXG removes devices and associated equipment from the list of FXG-certified compatible, FXG agrees to provide advance notice of the update, and PLU agrees to ensure all Scanners used to provide the Services are on the updated list of FXG-certified compatible Scanners within the timeframe referenced in the notice, which shall be reasonable under the circumstances.

With respect to the Scanners PLU utilizes to provide Services under this Agreement, PLU further agrees to: (1) ensure that the current version of the FXG Software is installed, updated, and maintained on the Scanners; (2) grant FXG permission to access and retrieve data from the Scanners in the event of a Scanner or transmission failure; (3) grant FXG permission to access the Scanners to update or provide new versions of the FXG Software without notice to PLU; (4) keep the Scanners free of any software applications that may conflict with the operation of the FXG Software; (5) ensure the Scanners have active SIM cards, data service, and cellular and global positioning system (GPS) radios enabled at all times when providing Services under this Agreement; (6) ensure that device blocking safety and compliance features of the FXG Software remain enabled at all times when providing Services under this Agreement; (7) ensure transmission of collected Package Tracking Information to FXG on a daily basis or at more frequent times requested by FXG to meet Customer expectations; and (8) maintain Scanner appearance and functionality consistent with Customer expectations.

FXG agrees to make available to PLU contact information for third-party Scanner suppliers that FXG has authorized to install, update and maintain the current version of the FXG Software.

- 9.3 **FXG Station Facilities; Information for Purposes of Loading of Equipment.** The FXG Station will be made available to PLU during normal business hours on an "as is, where is" basis, with no warranties whatsoever, provided PLU shall not interfere with FXG's use of the FXG Station. FXG agrees to make available to PLU the negotiated number of load/unload positions set forth in Attachment A-1 to Schedule A. PLU will be responsible for providing all other facilities and support it needs to provide the Services.

For the purpose of loading, or staging for loading, packages into the Equipment or Rental Equipment, PLU agrees to provide any information requested by FXG related to delivery work area configuration, route design, delivery sequencing, and type and number of equipment. The requested information shall be provided in the format and by the electronic or other mode of transmission designated by FXG.

- 9.4 FXG Software License.** At no charge, FXG grants to PLU, to the extent permitted under and subject to the restrictions set forth in any applicable third-party agreements, a non-exclusive, non-transferable, limited right to access and use, solely for the purposes of providing the Services, the FXG Software and any data or reports generated therefrom. The rights granted to PLU hereunder will automatically expire effective as of the date PLU ceases, for any reason, to provide the Services. PLU agrees to use the FXG Software to provide Services, including to collect and transmit all required Package Tracking Information as set forth herein. As between FXG and PLU, except as expressly set forth herein, all right, title and interest in and to the FXG Software and any data or reports generated therefrom will remain the exclusive property of FXG or its licensor, and PLU agrees not to alter or otherwise use the FXG Software for unauthorized purposes.
- 9.5 FXG-Hosted Products.** From time to time, FXG may make available for use on the Scanners that PLU provides additional FXG or third-party software, databases, products, or services (collectively, "FXG-Hosted Products"). FXG grants to PLU, to the extent permitted under and subject to the restrictions set forth in any applicable third-party agreements, a non-exclusive, non-transferable, limited right to access and use, solely for the purpose of providing the Services, the FXG-Hosted Products and any data or reports generated therefrom. The rights granted to PLU hereunder will automatically expire effective as of the date PLU ceases, for any reason, to provide the Services. As between FXG and PLU, except as expressly set forth herein, all right, title and interest in and to the FXG-Hosted Products and any data or reports generated therefrom will remain the exclusive property of FXG or its licensor, and PLU agrees not to alter or otherwise use the FXG-Hosted Products for unauthorized purposes.
- 9.6 FXG Data.** All right, title and interest in and to data and information accessed through, created in the use of, or made available in connection with the use of the Scanners by PLU or its Personnel and the provision of Services, including Package Tracking Information and information made available through or by the FXG Software and FXG-Hosted Products, and GPS Data, as defined herein (collectively, "FXG Data"), will remain the exclusive property of FXG and/or its licensor(s). Except as otherwise set forth herein, no right in or to FXG Data is granted, transferred, or assigned to PLU.
- 9.7 Data Security and Privacy.** To the extent that PLU or its Personnel, vendors or agents, have access to FXG Data, PLU agrees to take reasonable measures to ensure appropriate level of security of that data, including but not limited to not permitting any third-party, other than individuals PLU assigns to provide Service in accordance with this Agreement or individuals required by law to access or process FXG Data and notifying FXG promptly, but not more than 24 hours, after a data security or data access breach is discovered. PLU acknowledges and agrees that it is solely responsible to comply with Applicable Law and obtain consent, as required by Applicable Law, from its Personnel for use or processing of its Personnel's personal information, personally identifiable information, and sensitive data (collectively, "Personnel Data") collected in accordance with the terms of this Agreement. PLU shall not sell any Personnel Data collected in accordance with the terms of this Agreement.
- 9.8 Available Technology; Terms and Conditions of Use; Limitation of Liability.** PLU acknowledges that any other facilities, software, systems, technologies, and data that FXG makes available at no charge for PLU's use in connection with the provision of Services under this Agreement ("Available Technology"), including but not limited to the FXG Software, FXG-Hosted Products, FXG Data, *MyGroundBiz*, and applications accessed through *MyGroundBiz* or with FXG-provided credentials, are provided on an "AS IS" basis and may be subject to terms and conditions of use, including limitations of liability ("Technology Terms and Conditions of Use"). Technology Terms and Conditions of Use, which FXG may amend from time to time, are set forth on *MyGroundBiz* and are incorporated herein by reference. PLU agrees to review the Technology Terms and Conditions of Use on *MyGroundBiz* from time to time throughout the duration of this Agreement. Unless otherwise stated in the applicable Technology Terms and Conditions of Use, PLU's sole and exclusive remedy against FXG with regard to any defect, outage, claim, or other dispute relating to any Available Technology is to cease use of the same.

10. CONFIDENTIAL INFORMATION, MEDIA & PUBLICATION, & TRADEMARK USE AND PROTECTION

- 10.1 Confidential Information Defined.** As used in this Agreement, "Confidential Information" means all information, in any form, furnished or made available directly or indirectly by one Party to the other Party that is either marked confidential or should reasonably be understood by the receiving Party to be confidential.
- (A) **Information Included.** The term Confidential Information will include any non- public information about the other Party, the other Party's business, the other Party's business prospects, including but not limited to, financial statements and documents, business and marketing plans, proprietary information, trade secrets, copyrights and copyrighted matter, computer software, specifications, systems hardware, concepts, pricing, performance features, patentable and patented inventions, intellectual property, source object codes, and information supplied to FXG by its vendors, suppliers and Customers, and any other non-public information provided to a Party by the other Party.
 - (B) **Information Excluded.** Confidential Information does not include any information which a Party can demonstrate (1) was in the public domain or in the possession of the receiving Party at time of disclosure, (2) became part of the public domain after disclosure through no fault of the receiving Party, (3) was disclosed to the receiving Party by a third party that had a lawful right to disclose it, or (4) was independently developed by the receiving Party.
 - (C) **Use of Confidential Information.** Neither Party may use the Confidential Information of the other Party, except as required for the purposes of this Agreement, nor disclose the other Party's Confidential Information to a third party.
 - (D) **Standard of Care.** Each Party shall use at least the same degree of care it uses to avoid unauthorized disclosure of its own information, but in any event, at least reasonable care to prevent disclosure to third parties.
 - (E) **Notification of Disclosure.** In the event of any disclosure of, loss of, or inability to account for any Confidential Information of the furnishing Party, the receiving Party will promptly notify the furnishing Party upon becoming aware of it and take such actions as may be necessary or reasonably requested by the furnishing Party to minimize the violation and any damage resulting from it. Each Party agrees to provide the other with prompt notice of any discovery request or subpoena seeking Confidential Information of the other Party, and in no event shall provide less than one week's notice prior to responding to the discovery request or subpoena.
- 10.2 No Authorization for Publication & Media.** PLU acknowledges and agrees that its Personnel, agents, and representatives are not authorized to communicate to the media or otherwise publish comments or information on behalf of, or concerning, FXG or affiliated companies ("FedEx") without the prior written consent of FXG. PLU agrees to ensure that its Personnel, agents, and representatives refrain from such activity, to take affirmative action to prevent or correct it, and to direct any media inquiries seeking comment or information from FXG to the FXG Corporate Communications department. PLU acknowledges and agrees that its Personnel, agents, and representatives shall not publicly disseminate content that is materially false in connection with this Agreement or that wrongfully disparages the services, brand, or reputation of FedEx or Customers.
- 10.3 FXG Trademark Use and Protection.** All trademarks, trade names, service marks, logos and similar indicia used by FXG to identify itself, e.g., "FedEx Ground" and logo ("FXG Marks"), whether or not registered, will remain the sole and exclusive property of FXG's related company, Federal Express Corporation, as such term is defined in the Lanham Act, which owns the rights, title and interest therein. Federal Express Corporation has granted FXG the right to use and sublicense use of the FXG Marks.

FXG hereby grants a revocable sublicense to PLU to use the FXG Marks on a non-exclusive, non-transferable, limited basis, solely in a manner as approved and directed by FXG from time to time, and solely for the purposes of providing the Services. Any rights licensed to PLU hereunder will automatically expire effective as of the date upon which PLU ceases, for any reason, to provide the Services, or as may otherwise be directed by FXG, following which, PLU agrees to immediately cease using the FXG Marks in any manner. PLU will not, at any time, claim any right, title or interest in FXG Marks or any indicia similar thereto or challenge the ownership of the FXG Marks in any manner, in whole or in part. PLU acknowledges that all use of FXG Marks by PLU and the goodwill generated thereby will inure to the benefit of Federal Express Corporation pursuant to the Lanham Act. PLU will not use, and will keep its employees, agents, and subcontractors from using the FXG Marks, and any other reference to or indicia of FXG, its parent or affiliate companies, and any similar indicia thereto, whether registered or not, in any oral or written communication to or for any third-party, including without limitation any sales, marketing, promotional, advertising, media and other communicative materials, activities and items (e.g., signage, vehicle livery, etc.) without the prior written consent of FXG, which may be withheld or, upon reasonable notice, revoked at FXG's sole discretion.

11. INSURANCE COVERAGE

The Insurance coverages the Parties have agreed to provide are set forth in Schedule L ("Insurance and Indemnification") of this Agreement.

12. REPRESENTATIONS AND WARRANTIES

12.1 Corporate Authorization. Each signatory represents and warrants to the other that:

- (A) He/she has the requisite power and authority to enter into this Agreement for the business entity on whose behalf the signatory executes this Agreement; and
- (B) The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by the requisite formal business governance action on the part of the Party on whose behalf the signatory executes this Agreement.

12.2 Disclaimer. OTHER THAN AS PROVIDED IN THIS AGREEMENT, THERE ARE NO EXPRESS WARRANTIES AND THERE ARE NO IMPLIED WARRANTIES, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. **PLU HAS NOT RECEIVED OR RELIED UPON ANY PROMISE OR GUARANTY, EXPRESS OR IMPLIED, ABOUT THE REVENUES, PROFITS OR SUCCESS OF THE UNDERTAKINGS CONTEMPLATED BY THIS AGREEMENT.**

13. WAIVER; DISCLAIMER OF LIABILITY; AND LIMITATION OF LIABILITY EXCEPT WITH RESPECT TO CLAIMS OF INDEMNITY (AS SET FORTH IN THIS AGREEMENT) AND DATA SECURITY AND PRIVACY (AS SET FORTH IN SECTION 9.7 OF THIS AGREEMENT), IN NO EVENT SHALL A PARTY BE LIABLE FOR, AND HEREBY WAIVES, ANY CLAIMS FOR OR INVOLVING, THE FOLLOWING TYPES OF MONETARY DAMAGES: INDIRECT, CONSEQUENTIAL, DIMINISHED OR LOST BUSINESS VALUE, SPECIAL, INCIDENTAL, OR PUNITIVE DAMAGES.

THIS WAIVER, DISCLAIMER AND LIMITATION OF LIABILITY FOR MONETARY DAMAGES SHALL APPLY TO ALL CLAIMS, WHETHER ARISING FROM OR RELATING TO BREACH OF CONTRACT OR WARRANTY, TORT (INCLUDING ALLEGED NEGLIGENCE OR STRICT LIABILITY, WHETHER STATUTORY OR IN COMMON LAW), VIOLATION OF APPLICABLE LAW (AS DEFINED IN THIS AGREEMENT), OR FOR ANY OTHER CLAIM, REGARDLESS OF HOW IT IS CHARACTERIZED, WHETHER SIMILAR OR DISSIMILAR TO THE FOREGOING, AND REGARDLESS OF WHETHER DAMAGES OR HARMS ARE FORESEEABLE OR THE PARTY SEEKING DAMAGES OR OTHER RELIEF HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR OTHER HARMS.

IN THE EVENT OF ANY ADJUDICATION FINDING FXG LIABLE FOR A BREACH OF, OR CLAIM ARISING OUT OF, SECTION 15.3 OF THIS AGREEMENT, THE PARTIES AGREE THAT THE FOLLOWING WILL BE PLU'S SOLE AND EXCLUSIVE REMEDY: ANY DAMAGES OR OTHER RELIEF AWARDED SHALL BE NO GREATER THAN WHAT PLU'S NET EARNINGS (AS DEFINED BELOW), IF ANY, WOULD HAVE BEEN DURING THE PERIOD BETWEEN THE DATE THIS AGREEMENT IS TERMINATED AND THE LAST DAY OF THE TERM OF THIS AGREEMENT.

IN THE EVENT OF ANY ADJUDICATION FINDING FXG LIABLE FOR ANY DISPUTE OTHER THAN A BREACH OR CLAIM ARISING OUT OF SECTION 15.3 OF THIS AGREEMENT, THE PARTIES AGREE THAT THE FOLLOWING WILL BE PLU'S SOLE AND EXCLUSIVE REMEDY: ANY DAMAGES OR OTHER RELIEF AWARDED SHALL BE NO GREATER THAN WHAT PLU'S NET EARNINGS (AS DEFINED BELOW), IF ANY, WOULD HAVE BEEN DURING THE PERIOD BETWEEN THE DATE OF THE BREACH, OR WHEN THE DISPUTE OR CLAIM AROSE, AND THE LAST DAY OF THE TERM OF THIS AGREEMENT.

NET EARNINGS SHALL BE CALCULATED BY SUBTRACTING ALL REASONABLE EXPENSES BORNE, OR THAT WOULD HAVE BEEN BORNE, BY PLU PURSUANT TO THIS AGREEMENT FOR THAT APPLICABLE TIME PERIOD FROM THE GROSS CONTRACT COMPENSATION AMOUNT PAYABLE BY FXG PURSUANT TO THIS AGREEMENT FOR THE APPLICABLE TIME PERIOD. EACH PARTY SHALL HAVE A DUTY TO MITIGATE DAMAGES FOR WHICH THE OTHER PARTY IS RESPONSIBLE.

14. INDEMNIFICATION

The respective indemnities that the Parties have agreed to provide are set forth in Schedule L ("Insurance and Indemnification") of this Agreement.

15. TERMINATION

15.1 Termination by Mutual Agreement. The Parties may mutually agree to terminate this Agreement without cause at any time during its Term. The agreement to terminate (1) will be in writing, (2) will be signed by both Parties and (3) will specify the effective date of the termination ("Termination Date").

15.2 Termination for Changed Circumstances.

- (A) **Change in Relationship.** Either Party may terminate this Agreement in the event of a determination by a court, agency, or other competent authority that the relationship between FXG and PLU is contrary to the intention of the Parties as set forth in Section 1.2.
- (B) **Substantial Reduction in Business.** Either Party may terminate this Agreement by giving the other Party at least thirty days' prior written notice designating the Termination Date, in the event that FXG has a substantial reduction in business, or elects to cease doing business, in all or substantially all of a Business Segment or in the Contracted Service Area.
- (C) **Declaration of Bankruptcy.** Either Party may terminate this Agreement in the event the other Party is declared to be insolvent or bankrupt by a court, agency, or other adjudicative body in any jurisdiction.

15.3 Termination for Cause by Either Party. Subject to Section 15.2, neither Party can unilaterally terminate this Agreement at will. Any breach of this Agreement by either Party that is not cured to the other Party's satisfaction within seven days of written notice (including but not limited to, by remedying the breach, if possible, and demonstrably taking steps to ensure that similar breaches will not occur) warrants immediate termination of this Agreement upon notice by the terminating Party, provided that FXG may proceed at its election to mitigate its damages by exercising its Right to Ensure Service. Termination shall discharge each Party's obligations under this Agreement, except for any obligation that survives the termination or end of this Agreement as set forth in this Agreement.

The Parties further agree that, for any of the following breaches, a Party shall have no opportunity or right to cure, and upon giving notice, the terminating Party shall have the right to immediately terminate this Agreement: (1) an act of either Party, including an officer, owner, or agent of the Party, that is inconsistent with the honesty and integrity and compliance with Applicable Law requirements of Section 5.5 of Attachment A-2 to Schedule A and Section 1.3 of this Agreement (and the Parties agree that a breach by PLU, including an officer, owner, or manager of PLU of the honesty and integrity and compliance with Applicable Law provisions of any Agreement between the Parties shall be cause to terminate this Agreement); (2) the failure of FXG to pay in accordance with Schedule C and its attachments and Schedule G, or the failure of PLU to pay any agreed to chargeback or adjustment in accordance with Section 5; (3) the failure of PLU to register, or maintain registration, as a corporate entity and employer under Section 6.1; (4) the failure of PLU to properly report employees under Section 6.2; (5) the failure of either Party or its agents, to comply and ensure compliance with posted standards prohibiting any form of violence, harassment or possession of firearms and weapons under Section 6.7 or Section 5.5 of Attachment A-2 to Schedule A; (6) the failure of either Party to maintain required insurance coverage under Section 11; (7) breach by either Party of the assignment provisions of Section 17; (8) the failure of PLU to take reasonable care to ensure safe operations and regulatory compliance in accordance with Schedule I; (9) an imminent disruption to a substantial volume of service where either Party fails to provide prompt and adequate assurance of performance upon request by the other Party; and (10) any breach or breaches that constitute material breach, whether similar or dissimilar to the breaches listed above.

15.4 Extension of Expiration or Termination Date. The Parties acknowledge that this Agreement has no provision for renewal or automatic renewal and further acknowledge that there is no express or implied obligation upon either Party to enter into a subsequent agreement for the Services upon the expiration of this Agreement. However, if the Parties agree in writing, either the Expiration Date or the Termination Date of this Agreement may be extended in weekly increments one or more times not to exceed fifty- two weeks in total ("Extension Period") beyond the original Expiration Date or Termination Date. No oral agreement to extend this Agreement will be effective. The level of Charges at the Termination Date or Expiration Date will continue in effect through any Extension Period.

15.5 PLU's Obligations Upon Termination. Upon termination of this Agreement for any reason, PLU agrees promptly to return to the FXG Station any packages, documents, trailers, dollies or other FXG property. PLU will also remove and return or permanently mask (such as by painting over) all FXG vehicle identification and marks from the Equipment. PLU acknowledges and agrees that payment of final charges is contingent upon receipt by FXG of evidence that all such identification has been removed or permanently masked.

16. DISPUTE RESOLUTION

- 16.1 Dispute Resolution Procedure.** The Parties agree that "Dispute" includes any dispute, claim or controversy between the Parties arising out of or relating in any way to this Agreement and/or the relationship between the Parties resulting from this Agreement, either directly or indirectly, including without limitation with respect to the interpretation of any provision of this Agreement, the performance by either Party, the treatment by one Party of the other, and/or the termination of this Agreement, whether in contract or in tort, or for damages or equitable remedies of whatever kind, and whether arising pursuant to a statute, regulation, at common law, in equity or otherwise. The Parties agree that the joinder or intervention obligation set forth in Schedule L of this Agreement is not subject to Sections 16.1, 16.2, 16.3 or 16.5 of this Dispute Resolution provision.
- 16.2 Optional Informal Dispute Resolution.** The Parties may notify each other of any Dispute. FXG agrees to notify PLU of a Dispute in writing. PLU agrees to notify FXG of a Dispute via the FedEx Alert Line (1-866-423-3339) or by writing directed to the FXG Station or district management, or FXG Business Development Solutions. Within a reasonable period of time following receipt of notice, FXG and PLU's Authorized Officer or Business Contact will meet informally, either in person or by telephone, to attempt to resolve the Dispute in good faith.
- 16.3 Arbitration.** In their mutual interest to resolve Disputes promptly and efficiently, the Parties have elected to abide by the following mandatory arbitration provisions, the class waiver provision, and the Arbitration Procedures in Section 16.5. The Parties agree that any Dispute, including without limitation the scope or applicability of this agreement to arbitrate, shall be determined by final binding arbitration. The Parties agree that the arbitrator shall have exclusive authority to resolve any Disputes including, without limitation, the formation, existence, validity, enforceability, interpretation, or scope of this agreement to arbitrate. No suit at law or in equity based on any Dispute or controversy shall be instituted by either Party hereto, other than a suit to confirm, enforce, vacate, modify or correct the award of the arbitrator as provided by Applicable Law. This clause shall not preclude the Parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction. **THE PARTIES ACKNOWLEDGE THAT THE RIGHT TO A COURT TRIAL AND TRIAL BY JURY IS OF VALUE. BY SIGNING THIS AGREEMENT, THE PARTIES KNOWINGLY AND VOLUNTARILY WAIVE SUCH RIGHT FOR ANY DISPUTE AND AGREE THAT THE TERMS OF THIS AGREEMENT TO ARBITRATE APPLY TO ANY DISPUTE.**
- 16.4 Class Action Waiver for Arbitration and Civil Litigation.** The Parties unconditionally agree that all Disputes and claims that accrued or arose on or after the effective date of this Agreement are subject to arbitration pursuant to this Section 16 and will be brought in a Party's individual capacity, and not as a plaintiff or class member in any purported class representative, multi-party, multi-claimant, or other consolidated proceeding. There shall be no right or authority for any claims to be arbitrated on a class representative, multi-party, or multi-claimant, or consolidated basis, regardless of forum. Absent the agreement of the Parties, the arbitrator may not consolidate more than one Party's claims or more than one matter and may not otherwise preside over any form of a representative class, multi-party, or multi-claimant proceeding. Notwithstanding Section 18.6 of this Agreement, if the class action waiver set forth above is deemed unenforceable for any reason, the agreement to arbitrate set forth in Section 16.3 of this Agreement shall have no force or effect for those claims being sought in the class action. Further, if the agreement to arbitrate set forth in Section 16.3 of this Agreement is deemed unenforceable for any reason, this class action waiver shall remain in full force and effect and, to the extent permitted by Applicable Law, there shall be no right or authority to litigate any claims on a class representative, multi-party, or multi-claimant, or other consolidated basis. Each Party agrees that the joinder or consolidation of any action commenced in respect of a Dispute is not permitted and further agrees it will not request, and will oppose, any such joinder or consolidation. Each Party also agrees not to commence or participate in any class action, either as a representative plaintiff or as a member of a plaintiff class and will opt out of any such class action if it involves, directly or indirectly, any Dispute.

16.5 Arbitration Procedures.

- (A) **Commencement of Arbitration.** An Arbitration demand must be filed with either American Arbitration Association ("AAA") or Judicial Arbitration and Mediation Services ("JAMS") within one year of when the Party commencing arbitration knew, or in the exercise of reasonable diligence should have known, of the act or omission giving rise to the Dispute. Participation in Optional Informal Dispute Resolution shall not toll or otherwise extend the one-year period to commence Arbitration. **FAILURE TO FILE A DEMAND FOR ARBITRATION THROUGH AAA OR JAMS IN WRITING WITHIN THIS ONE-YEAR PERIOD WILL CONSTITUTE AN ABSOLUTE BAR TO THE INSTITUTION OF ANY PROCEEDINGS AND A WAIVER OF ALL CLAIMS.** Except as expressly modified in this Section 16.5, the Arbitration shall be administered pursuant to AAA's Commercial Arbitration Rules if AAA has been selected, or, if JAMS has been selected, the JAMS Comprehensive Arbitration Rules and Procedures. The Parties shall be entitled to move the arbitrator for summary disposition in whole or in part. The arbitrator shall provide the Parties a reasonable amount of time to submit briefing on such motion. Arbitration under this Agreement will be decided by a single, neutral arbitrator, chosen pursuant to the procedures of AAA or JAMS. Unless the Parties agree to a different location, any hearing will take place at the AAA or JAMS office that is nearest to the Contracted Service Area involved in the Dispute.
- (B) **Arbitration Fees and Costs.** The Party initiating Arbitration shall pay its own initial filing fees. Upon written request made within 30 days of the initial filing, FXG will reimburse PLU up to \$2,500.00 of initial filing fees per case. However, the arbitrator may allocate all or part of the initial filing fees in the award. The Parties agree to equally divide all arbitrator costs and fees, but the arbitrator may allocate all or part of these costs and fees in the award.
- (C) **Discovery.** Unless the Parties agree otherwise or the arbitrator rules on a showing of good cause, discovery will be limited to: 25 interrogatories (including discrete subparts); 25 document requests (including discrete subparts), including requests for documents submitted to a third-party through a third-party subpoena; and 3 depositions per side. Unless the Parties agree otherwise or the arbitrator rules on a showing of good cause, discovery of electronically stored information and emails shall be limited to 3 custodians per side. The Parties shall not seek written or oral discovery of any individual affirming or testifying in a corporate representative capacity regarding information known or reasonably available to the corporation, and the scope of any written discovery requests will be limited to the FXG Station(s) at issue in the Dispute. Unless the Parties agree otherwise, any AAA or JAMS rules and procedures regarding the voluntary and informal exchange of documents and information shall not apply.
- (D) **Awards.** Within 30 days after the conclusion of the arbitration the arbitrator, unless otherwise requested by the Parties, shall issue a written award with reasons given and evidence cited for the award. Judgment on the award may be entered in any court having jurisdiction. Consistent with the Confidentiality provisions of this Agreement, and where permitted by Applicable Law, the Party seeking to have an award entered, confirmed, vacated, modified, or corrected shall move to do so under seal. Subject to the terms of Section 13 of this Agreement, the arbitrator shall have the authority to award relief permitted by Applicable Law. The Parties agree that the arbitrator shall have no authority to renew, extend, or reinstate this Agreement or any agreement between the Parties, prevent termination of this Agreement, or otherwise bind the Parties to an agreement. The arbitrator shall have no authority to enter an award that alters, amends or modifies any of the terms and conditions of this Agreement, in any form or manner, or otherwise take any action having the same or similar effect. If the law applicable to the Dispute(s) being arbitrated authorizes the award of attorneys' fees and costs (including administrative fees and costs of the arbitrator), then the arbitrator shall apply the same standards a court would apply in determining whether, and the extent to which, to award attorneys' fees and/or costs.

(E) **Confidentiality.** Disputes conducted pursuant to this Section 16, including but not limited to any discussions, discovery, filings, hearings, decisions, and awards, shall be confidential, unless otherwise required by Applicable Law or unless such disclosure is necessary to either Party's attorneys, accountants, or other professional advisors to effect the purposes for which they have been consulted or retained. Only a Party's attorneys may disclose information relating to the arbitration to third parties or a court to the extent necessary to litigate claims or defenses asserted in the arbitration or to enforce this arbitration provision. Disclosure is not permitted for any other reason that is not expressly set forth in this section. The Parties agree to ensure that any persons to whom such confidential information is provided, other than where a disclosure is required by Applicable Law, agree in writing to keep the information they receive confidential. If either Party is issued a subpoena or other judicial process requiring disclosure of confidential information, that Party will notify the other Party consistent with the terms of Section 10 of this Agreement before such disclosure is to be made, if possible, and if not possible, then as soon as practicable, so that the other Party may move to quash the subpoena or judicial process if it so desires. Except as provided herein, no documents provided or submitted in connection with such proceedings or the information contained therein shall be disclosed to any non-party or used for any purpose other than the prosecution or defense of any Dispute without the prior written consent of the Party who has provided or produced the document or information. In the event of any disclosure that is inconsistent with these terms, the Parties will take all steps necessary to minimize dissemination of the information, as set forth in Section 10 of this Agreement.

16.6 Continued Performance. Absent termination of this Agreement, each Party agrees to continue performing its obligations under this Agreement while a Dispute is being resolved in accordance with this Section 16, except to the extent the issue in dispute precludes performance (provided that a Dispute over payment will not be deemed to preclude performance) and without limiting either Party's right to terminate this Agreement as provided in Section 15.

17. ASSIGNMENT

Neither Party is authorized to assign this Agreement without the prior written consent of the other, which consent will not be unreasonably withheld. Without limiting the reasonable grounds for withholding such consent, the Parties agree that, in all instances, FXG's withholding consent shall be deemed reasonable if, in the judgment of FXG and upon consideration of the scale of the proposed assignment and the proposed assignee's current contracting relationship with FXG, or lack thereof, (A) the proposed assignment would result in the inability of an Independent Service Provider to achieve the results contracted for in this Agreement or (B) such assignment would continue or result in FXG's undue reliance for service on a single Independent Service Provider, Independent Service Providers, or commonly controlled service providers. Notwithstanding the foregoing, FXG may assign its rights and obligations under this Agreement without the consent of PLU to an entity which acquires all or substantially all of the voting stock or assets of FXG or of any affiliate of FXG or to any successor to FXG in a merger or consolidation by virtue of an acquisition of FXG or any affiliate of FXG. For any assignment other than the exception stated in this Section 17, the Party proposing the assignment shall notify the other Party in writing, which notification shall include the nature, type and scope of the proposed assignment. PLU agrees that an assignment proposed by it shall be in the form prescribed by FXG, electronic or otherwise, as stated on PLU's *MyGroundBizAccount* and incorporated herein by reference. The non-assigning Party shall, within sixty days of being notified, notify the assigning Party of its consent or lack of consent to the proposed assignment. Subject to the foregoing, any assignment made by a Party without the consent of the other Party will be void and of no effect as between the Parties, including the following, each of which shall be deemed to constitute an assignment hereunder: (1) any assignment by operation of Applicable Law or any court-ordered plan of merger, consolidation or liquidations; (2) any transfer of control, either directly or indirectly, of PLU through the appointment of new officers or directors, or through the sale or transfer of its stock or assets in a single transaction or series of related transactions; (3) any merger or acquisition by or of PLU with or into another entity to form or become part of a new or different entity; (4) subcontracting inconsistent with the provisions of Section 7.1; or (5) any other transaction, transfer, or the like that had or has the effect of assignment or design to circumvent the provisions of this Section 17.

18. GENERAL

- 18.1 Entire Agreement; Amendment.** This Agreement, including any schedules, attachments or amendments hereto, and any terms explicitly incorporated into this Agreement by reference herein, and the Confidentiality and Non-Disclosure Agreement entered into in connection with the negotiations over this Agreement, each of which is incorporated herein for all purposes, constitutes the complete, exclusive, and fully integrated statement of the Parties' agreement ("Integrated Agreement") and supersedes all prior agreements, whether written or oral, with respect to the subject matter contained in this Agreement. The Parties also intend that this Integrated Agreement may not be supplemented, explained, or interpreted by any evidence of trade usage or course of dealing. The Parties acknowledge and agree that they did not rely upon statements or representations not contained within this Integrated Agreement. Except as otherwise provided under this Integrated Agreement, no change, waiver, or discharge of this Agreement will be valid unless in writing (hard copy or electronic) and acknowledged by the Parties by written or electronic signature or other acknowledgement that is reasonable under the circumstances. In the event of any modifications to the Service Days, Services, Service Offerings, Business Segments, security measures, or other terms as provided herein, the Parties agree to amend and otherwise conform this Agreement, including its Schedules and Attachments, to reflect such modification.
- 18.2 Interpretation.** In the event of a conflict or inconsistency between the terms of this Agreement and a schedule, attachment or amendment to this Agreement, the terms of this Agreement will prevail, except where the schedule, attachment or amendment expressly clarifies or modifies this Agreement. The Parties agree that the provisions of this Agreement shall be interpreted in a reasonable manner to effectuate the purposes, objectives and intentions as set forth herein. Headings appearing in this Agreement are for convenience only and do not in any way limit, amplify, modify, or otherwise affect the terms or provisions of this Agreement.
- 18.3 Legal Process.** Each Party agrees to immediately forward to the other Party every demand, notice, summons or other legal process received that involves a claim, suit or other legal proceeding arising from or in any way related to that Party with respect to this Agreement or its subject matter.

18.4 Duty to Cooperate; Compliance with Law; Certification of Compliance. Each Party will cooperate in good faith with the other Party in conducting investigations internal to its respective business operations, securing and giving evidence, responding to discovery, attending hearings and trials, and obtaining the attendance of witnesses at hearings, trials and meetings, and otherwise will cooperate in such matters. PLU acknowledges and agrees that it shall, at its sole cost and expense, comply with Applicable Law and its obligations under this Agreement; that it is obligated to maintain records regarding its compliance with such Applicable Laws and its obligations under this Agreement; and that it will, upon request, provide to FXG, or a third party designee, written certification or information demonstrating compliance with such Applicable Laws and performance of obligations under this Agreement. Any third party designee(s) will be subject to the Confidential Information provision at Section 10 of this Agreement.

18.5 Notices. All notices, requests, demands and determinations under this Agreement (other than routine operational communications, which shall be in the form prescribed by FXG, electronic or otherwise), will be in writing (hard copy or electronic) and will be deemed duly given as follows: (1) when delivered by hand; (2) one business day after being provided for delivery to an express courier with a reliable system for tracking delivery; (3) when sent by confirmed facsimile with a copy sent by another means specified in this Section 18.5; (4) when sent by FXG to the electronic mail address listed in the Service Provider Profile on PLU's *MyGroundBizAccount*, which electronic mail address PLU agrees to keep active and accurate; (5) when posted by FXG on PLU's *MyGroundBizAccount*; or (6) six business days after the day of mailing, when mailed by United States mail, registered or certified mail, return receipt requested, postage prepaid, in each such case addressed to each Party as listed below:

PARCELPAL LOGISTICS USA, INC.
Address: See Service Provider Profile

FedEx Ground Package System, Inc.
1000 FedEx Drive
Moon Township, PA 15108
Attention: Business Development Solutions

A Party may from time to time change its address or designee for notice purposes by giving the other Party at least ten days' prior written notice of the new address or designee and the date upon which it will become effective.

18.6 Severability. Subject to the right of either Party under Section 15.2(A) to terminate this Agreement for a change of relationship, if any provision of this Agreement conflicts with the Applicable Law under which this Agreement is to be construed or if any such provision is held invalid by a competent authority, such provision will be deemed to be restated to reflect as nearly as possible the original intentions of the Parties in accordance with Applicable Law, and the remainder of this Agreement will remain in full force and effect.

18.7 Force Majeure. No Party will be liable for any default or delay in the performance of its obligations under this Agreement if and to the extent the default or delay is caused, directly or indirectly, by fire, flood, earthquake, elements of nature or acts of God, riots, terrorist attacks, civil disorders, pandemics, epidemics, government orders, or any other similar cause beyond the reasonable control of such Party, provided the non-performing Party is without fault in causing the default or delay, the default or delay could not have been prevented by reasonable precautions and could not reasonably be circumvented by the non-performing Party through the use of alternate sources, workaround plans or other means, and the non-performing Party has commenced and is pursuing all reasonable and available means and measures to minimize and eliminate the resulting default or delay.

- 18.8 Waiver of Default.** A delay or omission by either Party to exercise any right under this Agreement will not be construed to be a waiver of that right. A waiver by either of the Parties of any breach of this Agreement will not be construed to be a waiver of any succeeding breach thereof or of any other covenant in this Agreement.
- 18.9 Survival.** The provisions of Sections 2 (in Schedule C), 5.5 (in Attachment A-2 to Schedule A), 6.2, 10, 14, 15.5, 16 and 18.3, as well as any other provision of this Agreement which contemplates or reasonably requires performance or observance subsequent to termination or expiration of this Agreement, will survive termination or expiration of this Agreement and continue in full force and effect.
- 18.10 Governing Law.** This Agreement and all matters arising out of, related to, or occurring in connection with this Agreement, or other disputes between the Parties to this Agreement, shall be governed by, construed, interpreted, and enforced in accordance with the substantive and procedural laws of the Commonwealth of Pennsylvania, including its statutes of limitations, without giving effect to any choice of law or conflict of laws rules or provisions, provided that the arbitration provisions in Section 16 of this Agreement shall be governed by the Federal Arbitration Act ("FAA"). In the event that the FAA is inapplicable for any reason, the Parties agree that the Pennsylvania Revised Uniform Arbitration Act shall apply.
- 18.11 Consent to Conduct Transactions by Electronic Methods.** FXG and PLU consent to conduct transactions by any electronic method permitted by the Federal Motor Carrier Safety Administration ("FMCSA"). This consent includes, but is not limited to, the use of electronic methods to effectuate and transmit the signature of any document, including this Agreement and any supplement, modification, addendum, amendment, notice, consent and/or waiver required by this Agreement, or any other document required by FMCSA regulations to be generated and maintained (or exchanged by private parties). The Parties agree that when either Party uses any electronic method to accomplish electronic signatures, the chosen method: (i) identifies and authenticates the sender as the source of the electronic communication; (ii) indicates the sender's approval of the information contained in the electronic communication; (iii) produces an electronic document with the same integrity, accuracy, and accessibility as a paper document or handwritten signature; and (iv) any other obligations required by Applicable Law to accomplish legally enforceable and binding electronic signatures.

APPENDIX

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| SCHEDULE A | Contracted Service Area, Services and Service Results, and Service Offerings, Changed Conditions |
| Attachment A-1 | Contracted Service Area |
| Attachment A-2 | Contracted Services and Service Results |
| Attachment A-3 | Service Offerings |
| SCHEDULE B | Leased Equipment |
| Statement of Lease | Statement of Lease |
| SCHEDULE C | Negotiated Charges |
| Attachment C-1 | Negotiated Charges Table |
| Attachment C-2 | Additional Services |
| SCHEDULE D | [RESERVED] |
| SCHEDULE E | [RESERVED] |
| SCHEDULE F | Daily Stop Threshold |
| SCHEDULE G | Shuttle Service |
| SCHEDULE H | Compliance with Specific Laws |
| SCHEDULE I | Safe Operating Practices |
| SCHEDULE J | [RESERVED] |
| SCHEDULE K | Enhanced Peak Service |
| SCHEDULE L | Insurance and Indemnification |

**Certification of the Chief Executive Officer and Chief Financial Officer as required by
Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Rich Wheelless, certify that:

1. I have reviewed this annual report on Form 20-F of ParcelPal Logistics Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 15, 2023

/s/ Rich Wheelless

Rich Wheelless
Chief Executive Officer
Chief Financial Officer

**Certification of the Chief Executive Officer and Chief Financial Officer as required by
Rule 13a-14(b) of the Securities Exchange Act of 1934**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Rich Wheelless, Chief Executive Officer and Chief Financial Officer of ParcelPal Logistics Inc. (the “Company”), hereby certifies that, to the best of his knowledge:

1. The Company’s Annual Report on Form 20-F for the period ended December 31, 2022, to which this Certification is attached as Exhibit 13.1 (the “Annual Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2023

/s/ Rich Wheelless

Rich Wheelless
Chief Executive Officer
Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form F-1 (File No. 333-251485) of ParcelPal Logistics Inc. of our report dated May 15, 2023 relating to the consolidated financial statements of ParcelPal Logistics Inc., which appears in this Annual Report on Form 20-F.

/s/ BF Borgers CPA PC

Lakewood, CO
May 15, 2023
